

LAURS & BRIDZ: IMPLEMENTATION OF A CUSTOMER RELATIONSHIP MANAGEMENT SOLUTION

Sandeep Puri, Anand Khanna, and Abhishek Sen wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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We always believe in offering the best to the clients. For us, quality is not an act, but a habit.

Manoj Chaudhary, director

One September morning in 2017, as Manoj Chaudhary, director of Laurs & Bridz Pharmaceuticals Private Limited (Laurs & Bridz), sat finalizing the vision for the organization for 2020, he realized that he wanted a pan-Indian presence for his company and a sales revenue of ₹1,500 million.¹ The company already had a strong presence in India's northern states, and Manoj was considering entering the western part of India in January 2018, the southern part in 2019, and the eastern part in 2020. Laurs & Bridz was doing well in the pharmaceutical market. The company that had started in 2011 had ended 2016 with sales worth ₹402.7 million, which represented a 44.4 per cent growth over the previous year (see Exhibit 1). Laurs & Bridz) was aiming for net revenue of ₹550 million and growth of 36.6 per cent in 2017.

As of September 2017, the company had a field force of 80 employees who catered to around 15,000 physicians, pharmacy retailers, and stockists. Laurs & Bridz used traditional information systems, and most of its customer-related data was still maintained in Microsoft Excel files. Data had been easy to manage in the initial stages of the company, but now, with the increase in the number of customers, the company found it difficult to maintain such large amounts of client information. Manoj planned to invest ₹50 million in customer relationship management (CRM) solutions to attune the company's sales processes and build customer relationships efficiently. He and other senior managers would be meeting that evening with Manu Chaudhary, the marketing manager of Laurs & Bridz, who had done initial screening for CRM solutions, to finalize a decision about a CRM solutions provider.

COMPANY BACKGROUND

Laurs & Bridz was a state-of-the-art generic pharmaceutical company that exported pharmaceutical products all over the world and specialized in providing combination drugs to the medical community. The company started in 2011 with an initial investment of ₹10 million and seven employees. It manufactured

¹ ₹ = INR = Indian rupee; all currency amounts are in ₹ unless otherwise specified; US\$1.00 = ₹63.88 on September 1, 2017.

and supplied a broad range of formulations such as tablets, injections, and new drugs. Laurs & Bridz's product line included analgesics, antibiotics, hematinics (used to treat iron-deficiency anemia), nutritional supplements, gastroprotective products, and medications to treat infections, colds, and allergies (see Exhibit 2). The products were certified high quality according to international regulatory standards. The company's marketing strategy was to sell these high-quality products at competitive prices. Its focused product portfolio and good distribution network had provided strategic advantages that allowed it to perform well in an increasingly competitive market. The firm's comprehensive network of eight carrying-and-forwarding agents and around 150 stockists distributed its products to pharmacy retailers (see Exhibit 3).

SALES MANAGEMENT AT LAURS & BRIDZ

Sales Organization

The sales force was Laurs & Bridz's biggest promotional investment. The key focus of the sales force was building customer relationships; it did this through targeting, enhancing call efficiencies, developing new business areas, and increasing the accountability of resources. As of March 2017, Laurs & Bridz's sales force included 70 medical representatives (MRs), who reported to area sales managers (ASMs). Eight MRs were grouped geographically under an ASM, who in turn reported to a zonal sales manager (ZSM). Laurs & Bridz had nine ASMs and two ZSMs. These ZSMs reported to Manoj.

Role of Medical Representatives

Pharmaceutical selling differed from regular selling in that MRs required both sound product knowledge and excellent selling skills to interact with physicians. The predominant style of selling in the pharmaceutical sector was known as missionary selling: an MR's role was to convince doctors of the effectiveness of a product they could prescribe for their patients. MRs were also referred to as "detailing salespersons." Detailing involved discussing the features and benefits of products with physicians and pharmacy retailers; it provided a platform for physicians to learn more about products' indications, dosages, side effects, and prices. MRs from various companies tried to persuade doctors to prescribe their branded medicines, and also acted as intermediaries between the company and its customers (that is, physicians, stockists, and pharmacy retailers). MRs were responsible for increasing the number of prescriptions from the physicians, and this, in turn, led to an increase in sales revenue and profits. MRs not only sold pharmaceutical products; they also analyzed sales statistics and prepared many reports, such as the daily call reports, stock and sales reports, expense reports, travel plans, and monthly reports. In addition, MRs were responsible for upgrading their product knowledge and selling skills and for monitoring their competitors' activities, such as launches of new products, sales, prices, and other promotional activities.

THE INDIAN PHARMACEUTICAL INDUSTRY

The pharmaceutical market in India had a compound annual growth rate (CAGR) of 17.5 per cent between 2005 and 2016, rising from US\$6 billion in 2005 to US\$36.7 billion in 2016. The market was predicted to reach approximately US\$55 billion in sales by 2020, at a CAGR of around 16 per cent. In March 2017, an Equitymaster report ranked the Indian pharmaceuticals market as the third largest globally in terms of volume, and the 13th largest in terms of value. The market was expected to become the sixth largest in the world according to absolute value by 2020. This growth was primarily driven by factors like increasing consumer spending, rapid urbanization, greater acceptance of medical insurance, and an increased government focus on rural healthcare infrastructure. The ability of pharmaceutical companies to align their product portfolios with

therapies for chronic conditions (e.g., cardiovascular conditions, diabetes, depression, and cancer) was projected to drive future growth in the domestic market. Branded generics constituted nearly 80 per cent of the Indian pharmaceutical market share in terms of revenues.² Unlike multinational pharmaceutical companies, which sold generic and low-priced versions of their popular medicines to increase their market share in the rapidly growing Indian pharmaceutical industry, Indian pharmaceutical companies capitalized on the low price and popularity of their products.

SALES CHALLENGES

Laurs & Bridz faced an increasingly difficult selling environment for its products. A government drug price control order had reduced the profitability of pharmaceutical companies,³ and the sales approach was changing. Many MRs could not meet their sales targets, and ASMs and ZBMs were frustrated with their lack of insight into the organization. Competition for market share in the Indian pharmaceutical sector was most intense in the first few seconds of MRs' pitches to physicians. As a result, many Indian pharmaceutical companies recruited MRs in hordes to increase their market share. The continued focus on sales force growth had resulted in aggressive product promotions to physicians. As companies shortened the time MRs spent with physicians, they used new technological devices to create more sophisticated detailing pitches, to promote "top-of-mind recall," and to generate more prescriptions. Relationship selling was gaining in importance in this competitive environment, and it was key for the sales force to build good relationships with physicians to increase the generation of prescriptions. It was also critical to maintain good relationships with pharmacy retailers and stockists to ensure better availability of the products.

Customer Relationship Management in the Pharmaceutical Industry

CRM was important in the pharmaceutical industry because it helped companies get more revenue from their major physicians. Regulatory reforms and increasing competition in the pharmaceutical industry had created many challenges to traditional missionary selling, leaving pharmaceutical companies desperately seeking new ways to measure and monitor promotional effectiveness, optimize campaign management, and improve overall sales and marketing intelligence. Pharmaceutical sales representatives had always leaned heavily on soft-dollar promotions to influence physicians. Taking physicians out to lunch, dinner, and medical conferences had long been standard practices in the industry; they helped the sales representatives secure business from the physicians. However, because of the changes in different regulations and laws banning gifts, most of these sales tactics were becoming obsolete. It was important for the pharmaceutical companies to stay relevant and find new ways to connect with physicians. These new developments and changes in the habits of prescribers had placed pressure on pharmaceutical companies to augment their existing sales and marketing strategies with increased efforts that would lead physicians toward online contact. Consequently, pharmaceutical companies had a strong need to increase the efficiency and effectiveness of their sales representatives.

In this industry, it was imperative to use technology to augment the traditional selling techniques of the MRs. Building strong relationships with physicians or key opinion leaders at multispecialty hospitals was critical. However, MRs had too little time at each sales call to develop and maintain relationships with opinion leaders and other important physicians. An increase in the number of companies and MRs also increased competition at the retail pharmacy and stockist levels. MRs needed to know influential stockists

² "Indian Pharmaceutical Industry," Indian Brand Equity Foundation, March 2017, accessed March 15, 2017, <https://www.ibef.org/industry/pharmaceutical-india.aspx>.

³ "Implementation of New Drug Pricing Policy to Impact Profits: Wyeth," *Hindu Business Line*, August 5, 2013, accessed March 2, 2017, www.thehindubusinessline.com/companies/implementation-of-new-drug-pricing-policy-to-impact-profits-wyeth/article4991779.ece.

and pharmacies in their territories and build good relationships with them to ensure that there was an adequate inventory of their products in the market. It was crucial that MRs understand the purchasing patterns, stock cycles, and supply lines of the pharmacies and stockists in order to forecast demand accurately. These relationships played a significant role in the introduction of new products.

CRM SOLUTIONS IN THE PHARMACEUTICAL INDUSTRY

CRM solutions offered tools for companies to automate and integrate different business processes in marketing and sales. Many pharmaceutical companies deployed CRM solutions to increase their contact with physicians, retailers, stockists, and other healthcare providers such as nursing staff and hospital administrators. CRM solutions added significant functionality that enabled companies to track clients and map preferences. Further, this functionality allowed the sales force to optimize the time spent on each call, boosting productivity.

Sales force automation (SFA) was the starting point and core of many CRM solutions, which provided MRs and sales managers with tools to automate their workflow across the entire sales cycle. SFA tools could be used for opportunity analysis, prospecting, presentations, and collaboration; they also included analytical tools for pipeline management and sales forecasting.

Opportunity management and sales forecasting were two essential components of SFA. The opportunity management feature allowed pharmaceutical representatives to enter all customer-related information in a single location. This centralized customer information was available to the company's marketing and sales teams. For example, an MR could use an SFA program to manage information about a customer, beginning by entering information on the prospect into the SFA contact database. It would then be possible to record information about a physician's product awareness, use of competitors' products, prescription habits, preferred appointment times, and even personal details like birth and anniversary dates. Sales representatives could use templates from the CRM application to make product presentations. They could use different tools related to sales orders from retailers and stockists throughout the month, allowing their managers to see the likely impact of these sales orders on the revenue targets. Sales forecasting tools gave sales managers insights into the sales pipeline and helped to eliminate inventory issues. Many pharmaceutical companies used CRM applications to strengthen their sales and marketing efforts. For example, companies such as Abbott, AstraZeneca, Astellas Pharma Inc., Bayer AG, BD, Boehringer Ingelheim GmbH, Daiichi Sankyo Company Limited, Merck & Co. Inc., Mundipharma International, Novartis, and Pfizer Inc. had adopted CRM products from Veeva Systems Inc.⁴

CONCLUSION

Manu had shortlisted several probable CRM solutions after looking at their features: CRMNEXT, Prophet CRM, a pharmaceutical CRM product from ADAMI Systems GmbH, and Veeva CRM (see Exhibits 4–7). She had negotiated with three providers of mobile tablets, and the estimated cost was around ₹8,000 per tablet. She had also negotiated an Internet data package with a telecommunication company at the monthly rate of ₹500 per month per employee. Manu expected additional implementation costs of ₹500,000 for training and related expenses.

Laurs & Bridz needed to deploy a CRM solution to strengthen its sales and marketing. The company had to build robust systems to better track customers, strengthen customer relationships, and enhance the

⁴ "Our Customers and Their Success Stories," Veeva, accessed April 12, 2017, <https://www.veeva.com/customers/>.

productivity of its sales force. Because earlier research on CRM solutions showed that 30–60 per cent of CRM projects failed,⁵ Laurs & Bridz planned to invest ₹50 million in its CRM solution. Manoj and Manu were concerned about the different factors that could impact the implementation. Which of the CRM solutions would suit Laurs & Bridz best? What would be the direct and indirect effects of the implementation of such a CRM solution? With these questions in his mind, Manoj concentrated on the details of the different CRM solutions before him. He wondered if he should invest ₹50 million in a CRM solution. If he did, what kind of approach should he use to implement the solution? What obstacles could interfere with that solution's successful implementation?

Sandeep Puri is an Associate Professor at Asian Institute of Management, Manila; Anand Khanna is Associate Professor at IMT Ghaziabad, India and Abhishek Sen is Demand Generation Lead at HCL Technologies, India.

⁵ Emily Maxie, "Top 5 Reasons CRM Projects Fail," Skuid, December 16, 2015, accessed April 10, 2017, <https://www.skuid.com/blog/top-5-reasons-crm-projects-fail/>.

EXHIBIT 1: SELECTED FINANCIALS FOR LAURS & BRIDZ, 2012–2016 (IN ₹ MILLIONS)

	2012	2013	2014	2015	2016
Total Revenue	70.40	128.30	212.55	278.80	402.70
Cost of Sales	19.01	33.36	54.20	71.02	95.22
Gross Profit	51.39	94.94	158.35	207.78	307.48
Salary and Field Expenses	24.64	51.32	88.35	118.50	160.20
Marketing and Business Development Expenses	5.63	11.50	17.40	24.10	32.60
Other Expenses	2.30	4.90	8.10	13.60	21.15
Net Profit/(Loss)	18.82	27.22	44.50	51.58	93.53

Source: Company documents.

EXHIBIT 2: LAURS & BRIDZ'S TOP 10 PRODUCTS (BY SALES)

S. No	Brand Name	Category
1	Acelaur Tablets	Analgesic
2	Acelaur-SP Tablets	Analgesic
3	Acelaur-MR Tablets	Analgesic
4	Volikin Gel	Analgesic
5	Ridz-DSR Capsules	Gastro-protective
6	B-Iran Syrup	Haematinic
7	Levcit Tablets	Anti-allergic
8	Digest-V Tablets	Digestive Aid
9	Multivit-M Syrup	Nutritional Supplement
10	Proto-AID Syrup	Nutritional Supplement

Source: Company documents.

EXHIBIT 3: LOGISTICS IN LAURS & BRIDZ

Note: C&F Agent = carry-and-forwarding agent.

Source: Company documents.

EXHIBIT 4: FEATURES OF CRMNEXT

CRM Edition	Price (US\$ Per User/Month)	Brief Overview	Features
Small Office, Home Office	\$15.5	As per requirement, the company could select any one feature out of sales, services, and marketing sub-modules.	This sub-module included lead capture (website, e-mail, SMS), activity management, history tracking, customer 360 view (basic), and contacts.
Small and Medium Business	\$36.2	This suite had access to any two sub-modules out of sales, services, and marketing sub-modules.	This sub-module included lead capture (website, e-mail, SMS, social media), activity management, history tracking, escalation and service-level agreement (SLA) management, deduplication management, target management (basic), customer 360 view (basic), contacts, sharing and merging (basic), e-mail integration, document management, and cross-sell offers.
Large Enterprise	\$67.2	This suite had access to all the features of sales, services, and marketing sub-modules.	This sub-module included lead capture (website, e-mail, SMS, self-service portal, social media), activity management, history tracking, escalation and SLA management, deduplication management, target management (advanced), forecast management, customer 360 view (advanced), contacts, sharing and merging (advanced), e-mail integration, document management, knowledge management, contract management, cross-sell offers, collection management, cross-sell analyzer, do-not-call management, and account grouping.

Note: Prices converted from ₹ to US\$; US\$1.00 = ₹63.88 on September 1, 2017.

Source: Created by the case authors based on "Pricing of CRMNEXT," Software Suggest, accessed September 2, 2017, <https://www.softwaresuggest.com/crmnext>.

EXHIBIT 5: FEATURES OF PROPHET CRM

CRM Edition	Price (US\$ Per User/Month)	Brief Overview	Features
Contact Manager	\$25	This solution was for sales teams that wanted a diverse set of functionalities for the management of contacts in Outlook.	Company and contact manager, Outlook contact syncing, sales automation, e-mail tracking, and quick installation and implementation (2 hours).
Team	\$55	This solution was for sales teams that wanted the benefits of CRM in an integrated approach. This suite had all the features of the contact manager.	Sales pipeline management; opportunity and company reporting; expanded Outlook contact management; sales automation and configurable sales workflows; sales activity tracking and reporting; CRM analytics; grid view; mobile CRM; 400+ available integration options; role- and department-based access control, management, and data sharing; e-mail tracking and sharing; e-mail linking; and cloud and on-premise hosting.
Enterprise	\$75	This solution was for teams that wanted to optimize their multidepartmental interactions. This suite had all the features of the team suite.	Capacity to manage unlimited departments, department-specific templates, cross-departmental data sharing, access management, and automated notifications with Prophet Instant.

Source: Created by the case authors based on Avidian Technologies, "CRM Pricing for Small Business and Enterprise Needs," Prophet CRM, accessed September 2, 2017, <https://www.avidian.com/pricing>.

EXHIBIT 6: FEATURES OF ADAMI CRM

CRM Edition	Price (US\$ Per User/Month)	Features
Vista CRM Professional	\$35.7	This multilanguage suite had features for managing clients and institutions, creating visits and daily reports, recording activities, planning appointments, solving reclamations, and preparing orders.
Vista CRM Enterprise	\$47.6	This suite had all the features of Professional plus Outlook synchronization, list manager reports, additional context menu features, and additional system options features.
Vista CRM Unlimited	\$59.5	This suite had all the features of CRM Enterprise plus CRM analytics.

Note: Prices converted from euros to US\$; €1.00 = US\$1.19 on September 1, 2017.
Source: Created by the case authors based on "ADAMI Vista CRM Editions," ADAMI Systems, accessed September 11, 2017, www.adami.com/CRM-Editions.

EXHIBIT 7: FEATURES OF VEEVA CRM

CRM Edition	Price (US\$ Per User/Month)	Brief Overview	Features
Veeva CRM	N/A	Veeva CRM was a life sciences-specific CRM solution modelled after the consumer web.	This CRM solution had features including coordinated multichannel execution, key account management, mobile CRM, accurate customer profiles, up-to-date alignments, actionable insights, guided interactions, multiple channels, and single source of content. It promised benefits such as better events with greater compliance, pre-validation with robust compliance, service with a complete customer view, a platform for extensibility, and innovation.

Source: Created by the case authors based on "Veeva CRM," Veeva, accessed September 2, 2017, <https://www.veeva.com/products/multichannel-crm/crm/>.