

# Analyzing the Role of Prescriptions in Assessing Sales Quota

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## Abstract

Indian pharmaceutical industry is one of the biggest sectors in the global market and is the third largest producer in the world. There are about 27,000 companies in India which include multinational companies, national companies and other local companies. Sales personnel's are the first spokespersons. Their sales performance is planned and monitored through sales quotas. Sales quotas are based on different factors like sales forecast techniques, Market potentials, Past experience of sales personals, compensation given to the sales personals and Executive Judgments. Prescriptions act as an important factor as they are the main indicators of the market demand. If the prescription flow increases, sales quotas also vary. Now this study focuses on the function of pharmaceutical companies and the role of prescriptions in deciding the sales quotas. Study is based on the survey of 30 sales personnel's. Structured questionnaire was prepared and random sampling was adopted. Results indicate the relevance of prescription in analyzing the sales quotas, but a need to there for keeping adequate record of Prescriptions.

## 1. Introduction

Indian Pharma industry is currently growing at the rate of 14% per year. No doubt, it projects an unleashing enormous opportunity and also new challenges. Pharmaceutical industry is known for unique composition as it markets its products to surrogate consumers (physicians). This unique marketing is done through its sales force. Pharmaceutical sales force is vast in nature. It ranges from territory managers to national sales manager. Although they vary in terms of designation, they have their own assigned sales quotas. In order to achieve their sales quotas, pharmaceutical marketing revolve around 9P's. They are Product, Price, Place, Promotion, Public relations, Personal selling, Prescription and Power. Although each 'P' plays a crucial role but Eight P (Prescriptions) is the most crucial one. Prescriptions are not a piece of paper but they are the real indicators of the demand. Henceforth in Pharmaceutical industry, sales force achieves their sales quotas by careful planning and analyzing the prescription flow.

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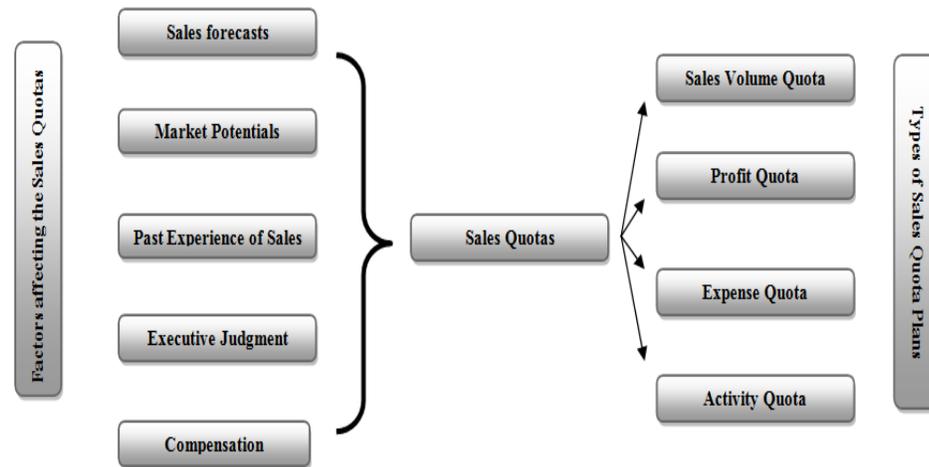
## 2. Sales Quota

Sales quotas are performance objectives which are assigned to sales units and sales people that are derived from sales force strategic objectives. Organizations set up sales quota depending upon the requirement and conditions of the environment. Commonly there are four types Sales quotas and they are Sales Volume quota, Profit quota, Expense quota and Activity Quota. They include product unit objectives that are set for a specific period of time which may last for about six months, three months or two months. Volume quotas are simply the number of unites that has to be sold in that particular frame of time period. Profit quotas are set along with the sales volume quota as the companies have to attain profits as they have to make their impression and stay in the market for a time period. The amount of profit that has to be achieved by the sales force is determined depending upon the previous market share and volume of profits achieved. Expense quotas are set only to cut the cost of maintenance of the sales force personals. Companies draft the statements of money that has to be spent by one individual depending on the product he is dealing with and the territories

assigned to him. Activity quotas are objectives related with the occupation useful for people towards achieving their performance targets. Activity quotas help the higher management to have a look at the positives and negatives of the sales force people or the middle management.

Some organizations design these quota plans either individually or in combinations depending upon the product variety they are dealing with and the

market there are facing. Thus, sales quota are the crucial aspect as it is the real indicator of sales force performance. It is based on many factors like sales forecast techniques, Market potentials, Past experience of sales personals, compensation given to the sales personals and Executive Judgments. Based on all the above factors, company managerial department set the so called performance objectives to the sales personals.



**Fig: 1.** Figure depicting the different types of sales quotas and factors affecting the sales quotas

### 3. Significance of sales quota

Quotas act as the basic layer for the sales force people to get them into their occupation. They set up an aim and goal for the sales force individuals. The efforts and objectives are shaped into a well designed manner which provides a direction for the sales force to work, set up standards and control the individual units. The standards set by the sales quotas act as a means for obtaining feedback and also helps in evaluating the performance. It also guide the sales force to act according to the objectives framed by the company. They provide targets which mainly helps them to improve individually there by supporting the company to grow up its sales volume thereby acting as motivational factors. Sales quotas provide a common goal to the sales force personals there by making them to work together to achieve a goal.

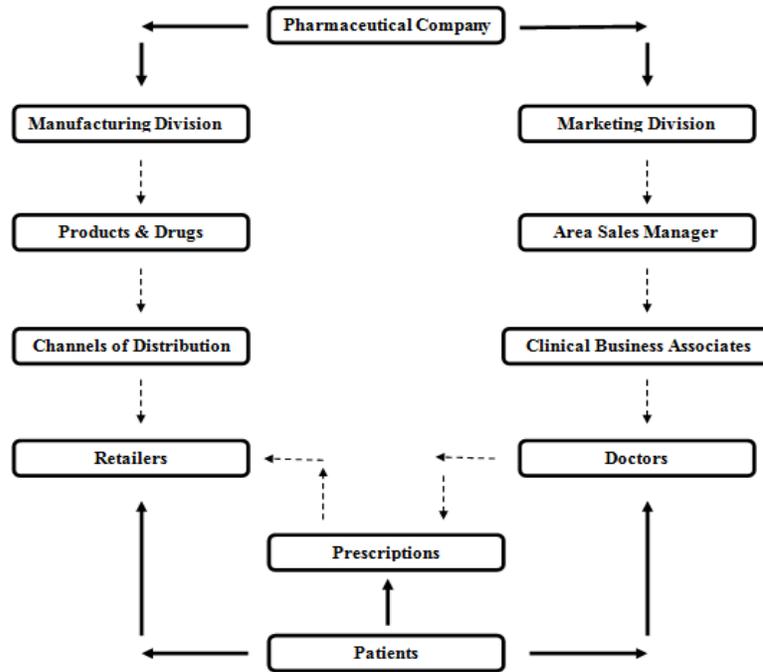
Pharmaceutical companies assign sales quota for the sales force depending upon the market share or from the past experiences. The market share of the products manufactured by the Pharmaceutical Companies is dependent on the number of prescriptions generated or dispensed by the medical practitioner. The main target of the sales force personal is to influence the medical practitioners

which results in the product being prescribed in the prescription. Pharmaceutical companies can highlight the Eight P's of Pharma Marketing. i.e., Prescriptions in assigning the sales quota for the sales force personals as this stands in grabbing a huge share of market.

### 4. Prescriptions

Prescriptions are on the 9P's involved in the Pharmaceutical market. They are numbered eight but they stand as the most crucial one as they really assess the relevance of sales quotas.

Pharmaceutical industry is very much different from the remaining consumer's industry. Here the physician prescribes the drugs and the patient gets it from the retailing outlets. Prescriptions act as medium between the doctor and patients. These prescriptions are the key indicators of market. The demand is generated for the Pharma industry through the medium of prescriptions. Accordingly the pharmaceutical industry manufactures and takes care of the availability part of the medicines in the market. Further these medicines are marketed through proper marketing divisions to the physicians.



**Fig: 2.** A flowchart depicting the interrelationships between Pharmaceutical companies, Doctors and Patients

Prescriptions connect all the players involved in delivering the health care. Doctors, patients and pharmaceutical companies are the players in the health care system.

this study is to recommend Pharmaceutical industry about the relevance of Prescriptions in designing the future sales quota.

**5. Objective**

**6. Research Methodology**

Several steps were performed for the research and

PARAMETERS:

- NUMBER OF PRESCRIPTIONS DISPENSED BY CORE, SUPER CORE AND NORMAL DOCTORS
- METHODOLOGIES ADOPTED FOR ASSIGNING SALES QUOTAS
- STRATEGIES ONE FOLLOW TO IMPROVE THE NUMBER OF PRESCRIPTIONS GENERATED IN A SPECIFIC AREA

The main objective of this study is to understand the relevance of the Eight P of the Pharmaceutical market in assigning the sales quota for the sales force personals. Our study is also focused to find out whether the Prescriptions' can be really assessed in designing the sales quota plan. The main reason for

to collect data. Survey method was adopted to collect the primary data. The Primary Data is collected by framing a structured questionnaire that covers many aspects. Survey was conducted on 25 sales force personnel's in the hospitals of Delhi & NCR region. The Secondary data were collected from different websites, journals, magazines, research papers.

## 7. Literature survey

Quotas are expected performances objectives that are prepared by sales managers to assign some goals to the sales persons to carry out their daily routine. The assignment can be done on the basis of various factors. These are derived from the sales force strategic or systematic objectives. These quotas act as guide for the sales persons in their work. Mantrala et al. (1994) stated that markets are all not equal and differentiation exists depending on the type of product they are dealing with. Pharmaceutical Industry is one of the most important industries as it deals with the Health Care delivering system (most sensitive factor). These have to both manufacture and market the manufactured drug. Marketing is a difficult task as the sales persons have to demonstrate about their drug to the doctor and influence them to prescribe their manufactured drug in the prescriptions. Sales persons are given quotas which they have to accomplish in the given time.

Management grants rewards in form of bonus and incentives to the sales personals when they reach the pre specified performance levels (Wotruba & Thurlow 1976; Winer 1973). Failure to meet the sales quotas may also have a negative influence on the sales persons. Good & Stone (1991b) felt that the sales persons are rewarded in the form of financial bonus or simply a hike in the salary provided to them. Crisp (1961) in his research suggested that the quotas can serve as a motivating force within the sales people. These motivating forces can help to develop a competitive force within the team which helps them to work in a positive manner and make them improve individually and there by act as an asset to the company. Badovick et al (1992) and Chowdhury (1993) concluded that these have a positive effect on the effort and performance of the sales persons. Darmon (1997) in his studies mentioned that these quotas help to scrutinize the sales people's efforts and make them work according to the managerial priorities which help them to be assessed and controlled. Sales quotas are assigned by many factors which are mainly dependent on the sales force objectives.

Park (2006) stated some factors on which sales quotas are being assigned. Range of criteria, national sales forecasts, history territory sale volume, market share, target physician's potential, growth of business, complexity of products sold and extent of product line were the factors mentioned in the study. Sales quotas in the study exist as the important factor in making the sales personals work to meet the requirements and objectives of the company. Systematically Prescription flow is being used as an important factor

to decide the sales quotas. In Pharmaceutical Industry Alexander et al. (2004) stated that the prescription is being used as an instrument by which the pharmacological sciences are being co related with the medical practice. Thus, Doctor commands his order through the prescriptions.

## 8. Discussion

Basically, Pharmaceutical companies can be categorized into two types. One is Multinational companies and the other one is domestic companies. They all follow the basic criteria in terms of employment hierarchy. A region which has to be dealt will be divided into small territories corresponding to the influence they make on the market. Group of members comprising of six to seven Clinical Business Associates under the supervision of Area Business Manager are assigned individual territories. The entire group is named a pool. The pools are given achievable targets or sales quotas which the members should achieve them within the speculated time period. Area Business Manger otherwise Area Sales Manager simplifies the goal by dividing it into various small targets, explains the duties to the team members and assigns them individual targets which makes the specified goal easier to achieve.

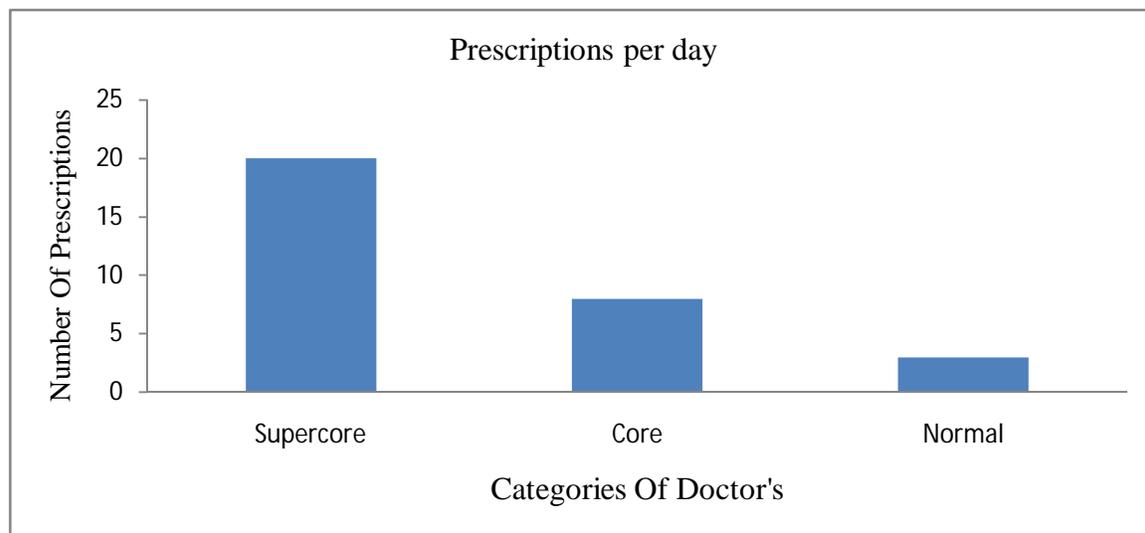


**Fig: 3.** A Diagram showing the Hierarchy of employment in marketing division of a Pharmaceutical Company

The duty of Clinical Business Associates is to approach the doctors's and give a short presentation about their product, highlight the advantages and compare the diversifying factors of the product to that of the competitor products. The convinced doctor opts for the product and prescribed it to the patient using the medium of prescription. Hence prescriptions act as a medium between the Doctors, Patients and Pharmaceutical Companies. Role of prescriptions is diversified or an elaborated one.

The assigned pools use prescriptions as a tool to categorize the doctors in a specific region. Depending

upon the number of prescriptions one is generating, the pools divide the doctors into three categories.



**Fig: 4.** A Graphical representation showing the categorization of doctors based on the number of prescriptions generated per day

In this study, it was found that the Supercore doctors generate 20 prescriptions, Core doctors generate 8 prescriptions and Normal doctors generate 2-3 prescriptions per day on an average. This categorization is necessary for the pool members as they decide on the number of calls they have to perform on the basis of the generation of prescriptions. Super core doctors are met twice in a month, core once in a month and normal doctors are met once in two months. This classification will give an idea to the marketing division, scrutinizes the work force and helps in utilization of resources in an efficient manner to achieve high efficiency.

Now analyzing the significance of prescriptions, it was found in this study that only prescriptions drugs fulfill this criterion. These are only eligible for making them account as factor for assessing the sales quota if preferred by the companies. Market of the prescription drugs entirely depends on the doctor's who are called the FIRST CUSTOMERS of the Pharmaceutical companies. The drugs are being dispensed by the retailers who are called as the SECOND CUSTOMERS for the Pharmaceutical companies. The Clinical Business Associates on behalf of the Pharmaceutical Company have their own strategies which are intended to impress the doctor. Laying more stress on the approvals of the drug, comparing the benefits provided by the drug among its competitors and assuring that the features are more advantageous act as the basic line for their strategy.

90% of the impression factor is created if the molecule is god and many companies trust this sutra. Once if the drug is being prescribed, it shows a proportional rise in the market sales which earn more profits to the companies. The Pharmaceutical Companies reward their sales force in terms of incentives, bonus and fringes on the basis of increasing market share.

Future Sales quotas are assigned on the basis of the previous market share it has created or the impact it has shown in the sales volume. As the Prescription is acting as a connecting medium for the three players in the health care system (doctors, patients and pharmaceutical companies), it can be also used as a factor for deciding the future sales quotas. The role of prescriptions is only confined to the categorization of doctors but the role has to be broadened as this is the one of the medium which shows influence on the market. This statement has to be shown more interest but they are some hindrances in establishing the statement. Finally this study has also come out with surprising facts that price also plays a crucial role in deciding the Sales quotas.

Hence the factor of analyzing prescriptions for assessing sales quota has to be considered as a most delicate factor and a collective opinion has to be taken. Most of the sales force personnel's felt that the factor is a reliable one but are not in a position to say that the company can follow this factor.

## 9. Conclusion

A company can only assess prescriptions for the assigning sales quota if and only if the company is dealing with the drugs which are not facing the threat of substitution. If at all company wants to assess the factor, it should follow some principles and guidelines which can be obtained from the proposals of the CBA's as they are the one who directly deal with the doctors and the retail persons. To conclude, we can pick up this statement that "Prescriptions show their maximum influence in segmentation of doctors and show an indirect effect in increasing the sales of the drug in the market". But the factor for considering it for assessing sales quota is an open ended subject and more research from the company's perception has to be done to make it a perfect robust process.

Recently, Glaxo Smith Kline (GSK) has introduced some new revolutionary methodologies

which aim in ending the aggressive marketing of medicines or all illegal practices followed by the sales persons to influence the doctors. According to a report published in The Times of India (2014), GSK plans to remove the individual sales targets which were mainly set basing on the number of prescriptions generated. This step will mainly help the companies to curb down the amount spent on the physicians. It also planned to end the direct payment system to the doctors to make some appointments with the Clinical Business Associates or for attending conferences. They planned to move the money to provide education or conduct campaigns to the doctors through independent grant routes. These revolutionary changes might bring a much desired change in assessing the factor of prescriptions for allocating sales quotas.

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