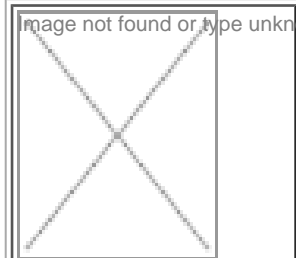


Small firms lack marketing set-up

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There are distinctions between pharmaceutical and molecular biology products, though they are all clubbed together as biotechnology products. Manufacturing capabilities and technological challenges for both are very distinct. While the pharma industry in India is on a high, there are only a handful of molecular biology product manufacturers in the country. Chromous Biotech is an original manufacturer of molecular biology products from India and one of the few such companies in the world. The biotech companies involved in manufacturing of molecular biologicals have a few common special features that influence their market performance:

- Most molecular biology companies spend 25 to 30 percent of their revenue on R&D.
- Most companies are highly rich in technology.
- The established and highly branded molecular biology companies have multi-billion dollar revenues with global presence.

- Continuous aggressive consolidations are taking place in the industry as larger companies are buying smaller technology-rich companies to maintain dominance in the market.
- Most companies practice variable pricing in different countries to remain competitive. The countries with no indigenous molecular biology companies suffer greatly because of lack of bench-marking.
- The protocols of storage, shipment and handling of products are critical and temperature sensitive. Most MNCs have distribution centers in India for stocking and quicker supply of products.

To better understand the challenges of marketing of molecular biology products in India, we are required to understand a few salient features of the business:

- The industry has the most learned brand of customers. All are scientists from research institutes and universities. An estimated 500 institutes with around 20,000 scientists working in the field of molecular biology in India spend around 500 crore annually.
- Brand value and confidence on product quality matters a lot. Most prominent foreign-bound scientists prefer branded products even if local reliable alternatives are available.
- The acceptance of products (from even highly branded companies) depends a lot on factors that are not within the control of the companies. This is because of the presence of variables with sensitive implications in every molecular biology experiment. Thus, while one scientist can vouch for Invitrogen to be the best, another may prefer New England Biolab's products.
- Very often, the purchasing authority of the institutes is not clear. It can be the purchase department or PhD students and scientists themselves who makes the decisions.

Marketing challenges

Marketing activities of biotechnology companies in India are probably not as organized and efficient as the multinational companies because they lack proper infrastructure. The MNCs have the resources for setting up well-structured marketing set-ups and are willing to nurture their brands with a strong scientific approach over a period of time. The availability of resources is not a constraint for them unlike the smaller biotech companies.

The MNCs also invest heavily on brand development which allows them to maintain pricing at high premium. This gives them the leverage for marketing costs. Indian companies hardly have the resources for the same. Most MNCs invest heavily on R&D and hold patents on groups of products or technologies. The innovator would derive valid edge over competitors. Average Indian first-generation start-up companies are not able to invest in R&D due to lack of investments from financial Institutions in India. Also, the wealth of marketing information of MNCs in other geographies is very useful.

Chromous Biotech, established in 2006, took the direct marketing approach where the marketing team approached scientists and institutes directly for business. It initially helped the company in brand development. The customers typically associate well to the company in this way. The scientists get better service in terms of scientific feedback and troubleshooting as most marketing and sales team members are post-graduates themselves. Profitability also remained high as distributors' margins are saved.

The drawbacks were that coverage remained poor as the team members could only reach a handful of customers. The collection of payments was the biggest shortcoming. To continue the growth of Chromous Biotech in terms of revenues (that became stagnant because of limited coverage), the company then involved distributors to increase its coverage. Currently, the company has 53 authorized distributors to serve scientists from all major research institutes of India.