

Pharmacy chains Rx for change

The \$6 billion pharmaceutical retail market in India is witnessing major changes, with large drug producers, corporate hospitals and retail majors setting up pharmacy chains, writes **Rajeshwari Adappa Thakur**.

India's \$6 billion domestic pharma retail market is in the midst of change as the old order is giving way to the new. The crowded, neighbourhood medicine stores are being replaced by swanky, large format pharmacy chains promoted by organised players that allow shoppers to browse through a vast range of products including not just medicines, but also body-care products in air-conditioned comfort.

The entry of organised players is changing the face of the pharmacy

business, which today is highly fragmented. According to Technopak Advisors, of the total 800,000 stores across the country, the share of the organised market is just about three to four per cent. This is expected to grow to about 10 per cent within the next two years as the organised players expand fast. According to rough estimates, organised pharmacy is expected to grow at the rate of at least seven stores a month.

The sector is seeing the entry of new players including big industrial groups,

retailers and independent entrepreneurs. New players include not just those with a pharmaceutical or healthcare background, but corporates from other sectors too. The Mukesh Ambani-led Reliance Group, the Aditya Birla Group, Pantaloon and Dabur, among others, are corporates that are likely to add pharma retail to their diversified portfolios.

The existing players too are on an expansion spree. Industry sources estimate that the sector could see investments of about \$150 million over the next



couple of years. This does not include big ticket investments by the likes of Fortis HealthWorld (over \$200 million) and a possible \$630 million by Reliance Retail.

The widespread interest in the pharmacy business is not without reason. The retail side too has been posting high growth rates. "The total retail pharmacy market will be growing at a rate of around 15 per cent, while organised retail pharmacy will be seeing a growth of anywhere between 35 and 40 per cent," according to Technopak Advisors. Besides, the high margins – between 25 and 35 per cent – despite price controls, make it a lucrative business.

Currently, the leading players in the organised pharma retail market include corporates like Apollo Pharmacy and Fortis HealthWorld, discount retailer Subhiksha Retail, international drug retail chain Medicine Shoppe and pharmacy chains set up by independent retailers like Guardian Pharmacy (Guardian Life Care), LifeKen (Lifetime Healthcare Pvt. Ltd.) and 98.4 degrees (Global Healthline), Care & Cure (Manipal Group), Dial for Health (Zydus Cadila), Planet Health (Sagar Drugs & Pharmaceuticals) and MedPlus (Optival Health Solutions).

According to industry estimates, almost \$120 million has been invested in retail pharmacy so far. Apollo Pharmacy, which is part of the Apollo Hospitals group, has over 300 outlets (open 24 hours) across 17 states in India. One of the oldest corporate pharmacies, Apollo opened its first store in Chennai in 1983.

Subhiksha retail chain is one of the oldest corporate grocery chain retailers in India and the first to start a retail pharmacy at its stores. It has over 1,100 stores as of date and plans to open about 2,000 stores by March 2009. It has invested about \$200 million so far and plans to invest an additional \$175 million. Of this, about 10 per cent has been invested in its pharmacy business. "We are extremely bullish about retail pharma," says R Subramanian, managing director, Subhiksha. For Fortis HealthWorld, which kicked off operations last year, pharmacy is a logical extension for its healthcare business, notes Shivinder Singh, principal promoter and director, Ranbaxy Laboratories (India's largest pharma company) and managing director, Fortis Healthcare (a hospital chain).



EXPANSION SPREE: The pharma retailing sector could see investments of about \$150 million over the next couple of years

The retail pharmacy market will be growing at 15 per cent, while organised retail pharmacy will be seeing a growth of between 35 and 40 per cent.

Fortis plans to open a chain of 1,000 stores across India by 2012, of which the promoters have committed over \$200 million. "We opened the first store in March last year and are likely to close this year with 50 stores," says Ashish Pandit, ceo, Fortis HealthWorld.

Medicine Shoppe India is the master franchisee in India of US-based Medicine Shoppe International, the largest franchisor of independent community pharmacies in America. Medicine Shoppe started its operations in India in February 1999 and plans to open 1,000 stores by 2010.

"Apart from Tier I cities, we are also focussing on the fast growing Tier II cities like Pune, Baroda, Nashik, Lucknow,

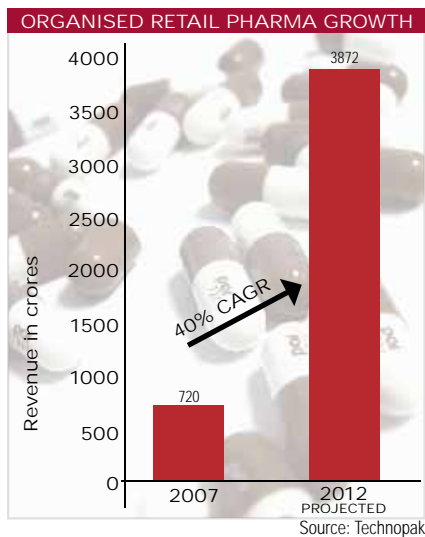
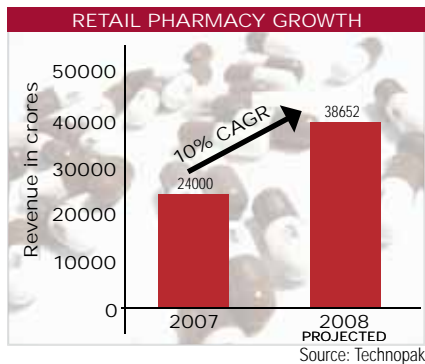
Varanasi and Mysore," says Viraj Gandhi, ceo, Medicine Shoppe India.

An independent pharmacy retailer, the north-based Guardian Pharmacy currently has 100 stores, out of which 90 are company owned and the rest are franchises. The figure is expected to go up to 400 stores by March 2010.

The company has invested about \$16 million in the stores so far. "We plan to invest an additional \$50 million by March 2010," says Ashutosh Garg, chairman and managing director, Guardian Life Care. Guardian has been posting a growth of 200 per cent each year and expects turnover to jump from nearly \$20 million to \$100 million within the next two years.

Other pharmacy chains too have planned major expansions. Delhi-based pharma retail store 98.4 Degrees, for instance, announced the opening of 300 stores. LifeKen plans to expand to 700 stores. Med Plus, in which private equity firm iLabs has invested about \$5.8 million, plans to set up 800 retail outlets.

Among the new players, Reliance is planning dedicated pharmacy stores, while the Aditya Birla group is planning to have pharmacy stores within supermarkets. The increasing competition in the sector is unlikely to result in a squeeze. "There definitely is space for many more players in the organised sector, but players must get the cost structure right," says Subramanian of Subhiksha. This would also help them to survive the wave of consolidation that is likely to sweep the sector in the future.



\$1 = Rs.40.32
One crore = 10 million

MORE THAN MEDICINES...

THE new age pharmacies believe in offering enhanced service to customers. Most of them have introduced several value-added schemes like free home delivery of medicines, round-the-clock service, prescription reminder service, loyalty programmes with reward points, information centres and helplines for queries related to medication that are at times answered by doctors, free health camps and free health newsletters and healthcare books at the stores.

Some like Apollo Pharmacy also offer free health insurance for regular customers.

Modern pharmacies have leveraged technology to scale up faster, have greater control over their businesses with a dynamic and real time view of operations.

Besides, modern pharmacies are also moving towards offering e-prescription based services by effective use of technology. This is especially useful in servicing overseas clients.

The Fortis HealthWorld stores also have a diagnostic centre that acts as a collection facility for SRL Ranbaxy, a chain of clinical reference laboratories owned by the promoters of Ranbaxy. Customers can also book appointments

with the Outpatients Department (OPD) at Fortis Hospitals.

Apart from the sale of drugs to consumers, pharmacies also sell surgicals and other health, beauty and body-care products like soaps and shampoos, hair oils and baby care products.

Many also stock alternative medicines like homeopathy and ayurvedic products. Thus, these outlets strive to be one stop shops for all beauty and health-care needs of the customers.

Guardian is the first among pharmacy chains to have launched a number of private label products in the personal care and personal hygiene space.

"We are in the process of launching a number of other quick selling products under the Guardian brand," says Ashutosh Garg, CMD, Guardian Life Care.

The biggest draw of the organised pharmacies is that customers are assured of the quality of medicines and other products.

"As each strip is bar coded, customers need not worry about counterfeits or expired medicines at the time of purchase," says Ashish Pandit, CEO, Fortis HealthWorld.



HUGE OPPORTUNITIES: The retail revolution is changing the way Indians go about their healthcare spends

Almost all the major foreign players are eagerly waiting for policy changes to enter India. Currently, regulations permit 100 per cent foreign direct investment (FDI) only in single brand stores. "Pharma retail falls into the multi-brand category," according to Technopak Advisors.

Alliance Boots, a UK-based \$27.5 billion pharma, health and beauty retail major, is said to be planning its entry in the Indian retail market. Besides, local pharmacists too are learning to adapt themselves to new ways to ensure survival. For instance, pharma retailers in Ahmedabad in Gujarat have joined hands to start a retail pharmacy chain called Healthcare Pharmacy. They have opened a dozen stores in Ahmedabad. Pharmacies are also tying up with retailers to ensure wider distribution across new geographies. Apollo has tied up with Indian Oil

MEGA PHARMACIES

PHARMACY has lately seen the entry of top Indian corporates with mega plans. Reliance Retail Ltd., a 100 per cent subsidiary of Reliance Industries, is planning to set up 1,200 super speciality stores called Reliance Wellness, over the next two to three years.

The Wellness stores will offer health foods, personal care and healthcare products. Currently, seven stores have been set up – three each in Hyderabad and Bangalore and one in Mumbai – and plans are on the anvil to set up 30 stores shortly. Reliance Retail plans to invest \$6.3 billion in the retail business including investments across several retail segments.

Pharmacies are increasingly becoming an important part of most multi-format retailers. 'More' supermarkets launched by Aditya Birla Retail will house a pharmacy apart from the usual product categories available in the supermarket including fruits and vegetables, personal care and household general merchandise. "Aditya Birla Retail intends to be among the leading players in India," says Sumant Sinha, ceo of the firm. The group ultimately plans to have a national presence in both the supermarket and hypermarket formats.

Pantaloons' foray in pharmacy is through Tulsi, the Medicine Bazaar, a pharmacy housed within Big Bazaars and Food Bazaars at over 35 locations all over India. It allows customers the convenience of having their wellness



needs met while they shop. Dabur India has announced its foray in the retail business through a wholly-owned subsidiary, H&B Stores Ltd. The company plans to invest over \$35 million to open a chain of 160 stores by 2010 across the country under the brand name 'new-u'.

Besides, companies like The Himalaya Drug Company, which specialises in ayurvedic products, are opening stores to showcase and sell their products. "We have 100 outlets currently and plan to double the number over the next two years," according to a spokesperson of the company.

There definitely is space for many more players in the organised sector. But they must get the cost structure right.

Corporation (a Fortune 500 company) to set up convenience stores across its retail gas stations in India. Pharma companies like The Himalaya Drug Company are opening stores in malls of large retailers to showcase their products at exclusive stores.

There exist huge opportunities in the rural markets where healthcare facilities are minimal. While the poor would obviously go to the public healthcare facilities, affluent consumers in rural areas are under serviced at present. Realising the need to cater to this significant segment, many firms are customising their offerings for rural areas. Apollo Pharmacy, for

instance, has tied up with ITC E-choupals (Choupal Sagar) and Godrej Aadhaar to provide quality medicines to rural India. Guardian has joined hands with DCM Shriram to set up its 'Aushadhi' chain of rural pharma retail outlets within the Haryali Kisan Bazaars, the rural initiative of DCM Shriram. Medicine Shoppe plans to open 350 Sehat stores (Sehat is a low cost clinic adjacent to the shop, present mainly in low income areas) in the next four years.

"The demand for medicines is likely to increase as diseases are diagnosed earlier," says Gandhi of Medicine Shoppe India. The retail revolution sweeping

across the country is changing the way Indians go about their healthcare spends. Consumers are now willing to pay a little more for convenience and quality. The growth of the organised sector ends in a win-win situation for both retailers and customers.

While the former have their eyes on the growing bottom-lines, customers are assured that the drugs they buy are genuine. In the future, India will continue to be seen as a promising market for pharma retailers as it has a large middle income consuming population that will increase its spending on healthcare and medicines as it ages. 🌱