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e-Pharmacy in India: An Exponential Growth Opportunity

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Abstract: With the help of technology, healthcare is expected to be massively altered and transformed into a system where the consumer would be informed and empowered. This shift could be brought about by an e-Healthcare model, which is built around solving problems of the consumer in the most optimized manner, where the consumer would have the power of knowledge and demand better service, a transparent system which would be free of middlemen causing distortions, and price / quality mismatch. At the same time, an online model, operating across the country, to procure healthcare services will ensure organized tracking and recording of the data for audit trails, thus making the healthcare system more structured.

One of the technological innovations which have positioned itself as an attractive model within the online healthcare space is e-Pharmacy and this model is predicted to make an enormous demand in the future. By leveraging the technology in a smart way and under stringent regulatory control, the e-Pharmacy incorporates a scope of adding immense value to the prevailing retail industry in India.

Keywords: E-pharmacy, Healthcare, Technology, Indian economy, Digital India.

I. INTRODUCTION

e-Pharmacies are online platforms where consumers can purchase medicines without having to visit brick-and-mortar pharmacies³. This makes the process more convenient for consumers and has resulted in a rising demand for the model across the world. In addition, increasing utilization of e-Prescriptions in the hospitals, globally, has also led to the growth of this industry. According to Transparency Market Research, the global e-Pharmacy market was around US \$29.3 Billion in 2014 and is estimated to grow at a CAGR of 17.7% to reach a valuation of US \$128 Billion by 2023. The global e-Pharmacy market is currently led by North America and Europe. However, the major opportunity for the global e-Pharmacy market lies in the vast unmet needs of the developing Asia Pacific market. According to a Boston Consulting Group report released in April 2016, the e-Pharmacy market in China was around US \$1.1 Billion in 2014 and is on an upturn¹. Currently, e-Pharmacy is at its nascent stage in India, but like other categories, it has the potential to be a very large industry segment in the near future. Factors driving the demand include a rising number of people with unmet medical needs due to large population and increasing penetration of the Internet in both urban and rural India. It is expected that the e-Pharmacy model could account for 5-15% of the total pharma sales in India, largely by enhancing adherence and access to the medicines for a lot of under-served population². Currently, there are many leading e-Pharmacy players such as Netmeds, IMG, mChemist, Medidart, Medlife, Pharomeasy, etc. who operate in this segment.

II. FACTORS CONTRIBUTING TO THE GROWTH OF THE E-PHARMACY INDUSTRY IN INDIA**1. Rapid internet penetration in India**

Internet penetration in India has risen significantly in recent years and the total Internet subscribers set to increase at a CAGR of 15-16% from 2015 to 2020. Mobile Internet has led this growth, driven by the proliferation of Internet-enabled mobile devices and 4G deployments by telecom providers.

The top nine Indian cities account for 35% of all urban Internet users. With improving broadband connectivity under the 'Digital India Program', the number of Internet users is expected to increase substantially. Smartphone users, who will transact digitally, are expected to grow to 600 million in the next five to seven years.

2. Digital India Initiative

Digital India is a flagship program of the Indian Government with a vision to transform the country into a digitally empowered society and knowledge economy. It is a campaign launched to ensure the Government's services are made available to citizens electronically by way of improved online infrastructure and by increasing Internet connectivity or by making the country digitally empowered in the field of technology.

The fundamental objective of this program is to digitally connect every corner of the country, including smaller towns and remote villages, with high-speed Internet. Its objectives is to empower citizens to avail services with more ease and to conveniently interact with the government. This initiative is predicted not only to boost the country's economic growth but also improve the lives of its citizens of the country.

3. Ayushman Bharat Health Insurance Scheme

Ayushman Bharat Yojana, or National Health Protection Scheme, is a program which aims to provide a service to create a healthy, capable, and content new India. The scheme is targeted at poor, deprived rural families. 8.03 crore rural families and a further 2.33 crore in urban areas are entitled to be covered under this scheme. It will cover around 50 crore people and will have a defined benefit cover of INR 5 lakh per family.

This increase in health insurance penetration along with new innovative products launched by insurers has led to increased uptake of OPD services. Many e-pharmacy players have started tie-ups with health insurers to provide medicines to the customers at cheaper prices in turn saving the costs for insurers and keeping their claim ratio under check. Also, more and more health insurers are increasingly promoting the customers to buy medicines through e-Pharmacy portals.

4. Foreign Direct Investment (FDI) policy

The Union Cabinet has given its nod for amending the existing FDI policy in the pharmaceutical sector and allow FDI up to 100% under the automatic route for the manufacturing of medical devices subject to certain conditions. This has helped in ensuring (i) continuous availability and supply of drugs, (ii) non-discontinuance of essential medicines, and (iii) an increased supply of drugs over a period of time.

5. Increased Spending on Medicines

Medicine spending in India is expected to increase at a 9-12% CAGR between 2018 and 2022 to US \$ 26-30 billion, driven by increasing consumer spending, rapid urbanization, rise of NCDs, and raising healthcare insurance among others.

6. Growth in Healthcare Financing Products

Developments in the Indian financial industry, with the introduction of products such as health insurance policy, life insurance policy, and cashless claims, have eased the financing of healthcare services. This has resulted in an increase in healthcare spending which, in turn, has benefitted the online pharmaceutical industry.

7. Booming Indian Economy

India is the world's sixth-largest economy by nominal GDP and the third-largest by purchasing power parity (PPP). Its GDP at current prices (in US \$ terms) grew at a CAGR of 5.4% from 2010 to 2017, making it the 2nd fastest-growing major economy in the world after China [Source: Central Statistics Organization (CSO) and International Monetary Fund (IMF)]. Its strong democracy, industrial growth and strategic relations (regional and global) are expected to drive future growth such that it is set to become one of the top three economic powers of the world over the next 10-15 years (Source: IMF).

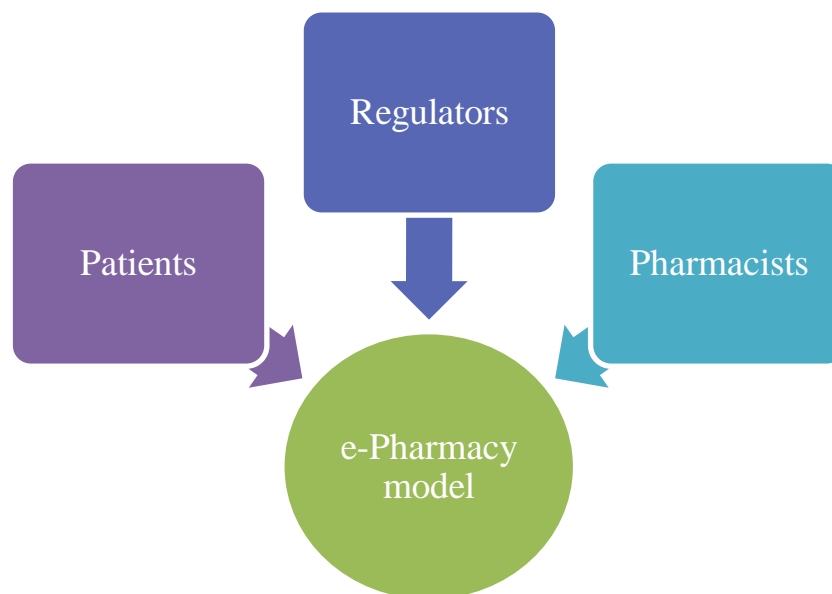
8. Increase in Domestic Demand

With the increase in awareness levels, growth in per capita income, changes in lifestyles due to urbanization, and the rise in literacy levels, the demand for advanced medical treatment is expected to increase. Moreover, growth in the middle-class population would further influence the demand for pharmaceutical products.

9. Growing Number of Lifestyle Diseases

There has been a major epidemiological transition in India in the last 25 years, and the disease incidence has increased from communicable to NCDs. This increase in lifestyle diseases like diabetes and hypertension generates a regular and lifelong demand for drugs.

III. BENEFITS OF THE E-PHARMACY MODEL



For Patients / Consumers:

Increased Convenience:

- Consumers would be able to order medicines in a convenient manner from their mobile phones or computers. This will significantly help patients who are old and sick and not in a condition to go out to find a pharmacy. This is also pertinent with the increasing nuclear family concept, working couples, an increasing number of the elderly population, and urban development in the periphery of the metro cities⁴.

Improved Accessibility:

- With the use of technology and access to the inventory of multiple stores at a time, e-Pharmacies can aggregate supplies, making otherwise-hard-to-find medicines available to consumers across the country. Retail pharmacies can only keep a limited inventory, resulting in the consumer having to visit multiple stores to procure the medicines⁵.
- e-Pharmacies also enable access to rural areas where there is a limited presence of retail pharmacy.
- e-Pharmacies allow the consumer to choose from a wide range of affordable generic equivalents for a particular branded drug, which is not possible in the current offline model.

Cost Advantage:

- e-Pharmacies enable pharmacy entrepreneurs to broaden their customer base while reducing working capital, overhead costs, and increase margins, which translates into cost advantage to end consumers⁶.

Improved Patients' Compliance and Education:

- e-Pharmacies may provide value-added information to consumers, such as drug interactions, side effects, medicine reminders, and information on cheaper substitutes. This power of knowledge enables the consumer in improving compliance.

Authenticity:

- All medicine purchases are digitally stored making it easy to track the supply chain, thereby decreasing the risk of counterfeit medicines, drug abuse, and self-medication.

For the Regulators:**Tracking of Data:**

- All the transactions could be efficiently tracked with complete details of the medicines, batch number, dispensing pharmacy name and address, prescribing doctor, name and address of the patient, etc., thereby reducing the problem of drug abuse and self-medication.
- E-Pharmacies could store and analyze large amounts of data on consumers across the nation, which would be very useful for planning public health policies.

Medicine Authenticity:

- The technology-enabled tracking systems of the e-Pharmacy model assist in back-tracing the channel / manufacturer / supplier of the counterfeit medicines, thereby making the market a lot more transparent and authentic.

Documentation:

- 100% orders are documented with records of the prescriptions.
- Every order dispensed through e-Pharmacy has a valid bill and tax to the Government is paid in full.
- Since the e-Pharmacy model has a stringent documentation process, the taxes paid on all transactions will largely benefit the Government.

Innovation:

- The model will be in sync with the global models, thus spurring innovation in the industry.

For the Pharmacists:**Additional Business Opportunity:**

- An e-Pharmacy model will enable existing pharmacies to start online operations and serve a broader set of customers, or a network of pharmacies integrating to one platform and accessing a broader customer base.

Inventory Consolidation:

- An e-Pharmacy model ensures consolidation of inventory. This would reduce working capital requirements, remove wastage from system, and increase margins, thus making the e-Pharmacy, a sustainable value-added service model.

Upgrade of Retail Pharmacy:

- The e-Pharmacy model has the benefit of technology to streamline and make inventory planning, processes, and systems more efficient.

Enhanced Services of the Pharmacists:

- The e-Pharmacy model enhances the services of the pharmacist to the consumers. Routine questions about medications could be answered by online pharmacists using e-mail or other real-time chat options. Knowledge of a patient's diagnosis, list of drugs the patient is already taking and established drug monitoring parameters, largely unavailable to the pharmacists at present, could be made accessible through this model¹⁰.

IV. CONCLUSION

An e-Pharmacy aligns very well with the national development objectives and has clear and tangible benefits to the consumers as well as the industry. Meanwhile, it has also been observed that growth of e-Commerce and retail are complementary and reinforce each other. By leveraging the technology in a smart way and under stringent regulatory control, the e-Pharmacy has a scope of adding immense value to the existing retail industry in India. Besides, Internet-based transactions are well aligned to address key known issues in pharmacy retail for tracking authenticity, traceability of medicine, abuse prevention, addressing consumption of drugs without prescription, tax loss, and value-added services for consumer empowerment in healthcare, which are all key areas of national development. Additionally, this would also enable the doctors to adopt e-Prescriptions in a big way, which would in turn address the significant issue of errors due to misreading of doctors' handwriting as well as the recording of data for public health planning. E-Commerce offers many advantages to consumers and the most important is the convenience or ease with which drugs can be procured. The benefits the e-Pharmacy model brings to consumers, who are the majority, should be the first priority of the Government. It is critical that the regulatory framework in the country be conceptualized keeping in mind the larger interests of the consumers in the country. If technology is available to cut the intermediary costs on medicines, it must be allowed to be used to its full potential as it will bring down the retail price of many drugs and benefit the middle-class, which is most impacted by the price hikes. This is the right time for the Government of India to define policies and guidelines for e-Pharmacies and come up with a clear-cut operating model, in line with the concerns of the regulator, while providing benefits to the consumers.

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