

Consumer Buying Behavior towards Online Pharmacy

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TO WHOMSOEVER MAY CONCERN

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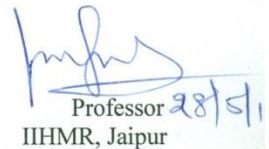
The Candidate has successfully carried out the study designated to him during dissertation and his approach to the study has been sincere, scientific and analytical.

The dissertation is in fulfillment of the course requirements.

I wish him all success in all his future endeavors.



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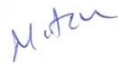
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This is to certify that the dissertation titled CONSUMER BUYING BEHAVIOR TOWARDS ONLINE PHARMACY submitted by NITIN ARORA, Enrollment No.187 under the supervision of Prof. NK GURBANI for award of Postgraduate Diploma in Pharmaceutical Management of the Institute carried out during the period from 2012 to 2014 embodies my original work and has not formed the basis for the award of any degree, diploma associate ship, fellowship, titles in this or any other Institute or other similar institution of higher learning.


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ABSTRACT

The rising acceptance of e-commerce among consumers in India has led to the emergence of niche healthcare portals in the country. Out of the total size of the e-commerce industry, the healthcare segment is a small fraction as of now but it is expected that the convenience and access to the consumers will be a differentiator for the online segment as compared to the traditional pharmaceutical retail.

Retail portals currently serving are in very initial days, coming will be testing times of this growing business. As these work on business to customer model, therefore it is of immense importance to understand behavior of end user.

To contribute to same, the study was undertaken to understand consumer buying behavior towards online pharmacies.

Respondents were chosen from a specific age group who interact with e commerce the most, current awareness amongst them, current buying behavior, intention of future interaction and its basis was the focus of study. The study also tried to explore the risk factor or drawback customer associates on interaction with such business.

Results point towards low number of actual purchases being made credited to risk of fake products, but at same time respondents having an above average intention to try this new segment of e commerce.


28/5/14

CONTENTS

1. Introduction
2. Literature Review
3. Rationale
4. Research Problem
5. Objectives
6. Research Methodology
7. Data Analysis and Interpretation
 - a. Table 1-9
 - b. Graph 1-4
 - c. Chart 1
8. Key Findings
9. Limitations
10. References
11. Questionnaire

FIGURES/TABLES

Table 1: Respondents breakdown

Table 2: Level of awareness

Table 3: Cross tabulation between gender and awareness

Table 4: Actual purchase made at online pharmacies

Table 5: Online purchase of other products

Table 6: Risk factors

Table 7: Product distribution

Table 8: Cross tabulation awareness and intention to buy

Table 9: Motivational factors

Graph 1: Percentage awareness

Graph 2: Frequency awareness

Graph 3: Percentage risk

Graph 4: Percentage motivation

Chart 1: Product distribution

INTRODUCTION

The scope of the Internet has changed drastically during the last decade. The Internet was limited to research, education and government uses; commercial use was not explored until the early 1990s unless it directly served research or education goals. In its current incarnation, the Internet has developed vast commercial potential. Worldwide e commerce sales were US\$ 963 billion in 2013, averaging growth of 19.4% a year.

Over the past two decades, the way Internet emerged as a selling and distribution channel can be ignored by neither consumers nor the distributors and retail chains. As such it attracted the attention of researchers, who, among other topics, investigate the consumer's intention to use Internet as a place where to acquire goods and what drives this intention.

E-commerce in India has evolved significantly in the last decade, and there are many aspects of e-commerce like TV shopping, online shopping and mobile, which is all part of what is digital commerce. That journey has happened over the later part of decade only.

What is interesting though in India is that the entire evolution of e-commerce happened over in a short period. In advanced markets like the U.S., the same took over 50-60 years.

The brick-and-mortar approach to selling pharmaceuticals served as the template around the world. However, in the late 1870s, pharmacies began selling prescription medications via mail order in the United States. More than 120 years later, this mail-order tradition would underpin the formation of the first Internet-based pharmacy, Soma.com, in January 1999.

Internet pharmacies can be defined as: A registered pharmacy which offers to sell or supply medicines (or other pharmaceutical products) and/or provides other professional services over the internet, or makes arrangements for the supply of such products or provision of such services over the internet.

Pharmaceutical services provided to the public via the internet include amongst other things, the dispensing of prescriptions, and the sale of medicines and the provision of information on web site pages.

Internet pharmacies are of four types:

- Extensions of pharmacy chains that offer a variety of online health information and products
- Independent pharmacies, which often use the Internet to try to compete with larger chains
- Mail-order pharmacies that use the Internet to facilitate the ordering process
- Pharmacies that operate exclusively online.

Each type of pharmacy provides somewhat different services and products, and may differ in aspects of privacy, security, payment methods, and verification of prescription authenticity.

LITERATURE REVIEW

The internet offers consumers a convenient method for purchasing prescription drugs that is sometimes cheaper than traditional brick and mortar retail pharmacies. Some Internet pharmacies are legitimate businesses that offer a safe and cost effective way for consumers to obtain medications.

Even most of people who use the internet to purchase goods online still have some reasons for which they are reluctant to buy online.

From the perspective of an average individual consumer it seems that some products are more suitable to be sold online for various reasons and other products less suitable. The existing research supports this hypothesis (eg. Kwak et al. (2002), Poon & Joseph (2000)).

Typical products marketed through Internet are CD's, books, various entertainment, computer and electronics, travel service such as airline tickets etc. Drugs (both prescribed and OTC) are another product segment available to buy online.

There is great deal of research focused on various aspects of online consumer behavior and consumer's attitudes towards buying various products online. Unfortunately, considerably less attention draw the researchers specifically to online marketing of drugs.

Research on consumer behavior towards online pharmacies is scarce, confirms Büttner et al. (2006). It can be assumed that research findings on online consumer

behavior and related intentions and attitudes in general can be applied to the specific products such as medicaments, but little research is focused specifically to the retail selling and distribution of medicaments to find support for this assumption.

Rajamma & Pelton (2009), Wiedman et al. (2010) and Büttner et al. (2006) could stand as examples of pieces of research focused directly on various aspects of online distribution of medicaments.

Based on Keen et al. (2004), the “Theory of Reasoned Action”, the “Theory of Planned Behaviour” and the “Technology Acceptance Model” all have been widely used as the basis for gaining insights into the variables that are most likely to influence a consumers’ intention to shop in general, however not online.

There is mounting concern that many online pharmacies are, in fact, fraudulent enterprises. Commonly known as “rogue” websites, these fraudulent Internet pharmacies may send unsolicited emails offering cheap drugs without a prescription, advertise deep discounts that may seem too good to be true, and are often not licensed.

As the online environment offers further opportunities for fraudulent suppliers, there are also dangers associated with the purchase of drugs online (Arrunada 2004). For example, a consumer’s health might be jeopardized by counterfeit medications bought online, or sensitive health-related information may be passed on illegally, resulting in adverse social or financial consequences to the individual.

A report from the UN highlights the significance of the topic: The online distribution of pharmaceuticals is deemed to facilitate the circulation of dangerous drugs by undermining established control mechanisms (International Narcotics Control Board 2005).

Threats to consumers are not restricted to dubious suppliers; even genuine online pharmacies suffer from severe deficiencies in, for example, the quality of the medical advice (Stiftung Warentest 2005).

Buying drugs on the Internet is still not a very common practice in India.

Benefits:

- Lower prices — Savings of 70-80% aren’t uncommon when shopping for medicine online. Lower drug prices, lower overhead costs compared to bricks and mortar pharmacies, and lower price mark-ups by discount pharmacies often result in savings compared to local pharmacy prices. Customer can quickly shop around for the lowest prices online.

- Privacy/Anonymity —It may feel more comfortable purchasing medication online, or simply to speak to someone about prescriptions and health online or over the phone rather than in person.
- Convenience —If might be physically difficult to make it to the pharmacy, live in a remote rural area, or have a busy schedule, online and mail-order pharmacies enable to avoid travel and can save time. Many online pharmacies also remind when customer can order a refill to help maintain regimen.
- Medical information —some provide useful information about medications and diseases as well as links to medical resources such as universities, government agencies, and health associations.

Risks:

- Some do not dispense drugs through licensed pharmacies —licensed, regulated and properly inspected pharmacies require safe dispensing practices and the oversight of licensed pharmacists. Purchasing drugs from an unlicensed pharmacy can greatly increase chances of buying counterfeit, substandard, or adulterated products. Some international pharmacies are licensed specifically to import and export prescription medication in a free trade zone area, but not within the domestic jurisdiction.
- Some pharmacies don't adequately safeguard health —by failing to require a prescription, some might send medication that could be dangerous.
- Some do not adequately protect personal and financial information —It's important for pharmacy websites to publish their privacy policy, that promises not to share personal information with third parties. Online financial transactions should be secured through adequate use of encryption technology.

- Some do not give their address and/or telephone number —Pharmacy websites that do not publish their contact information or, even worse, publish false information, are more likely to sell counterfeit, substandard, adulterated products or even not send anything.
- Additional fees are typically added to the drug price —there is often a shipping fee and there could also be a medical fee, and/or an account set up fee, but it's not very common.
- Prices can change quickly —some pharmacy sites post lowball prices to attract customers, and then raise them.
- Some may sell medications that can be extremely dangerous, if not taken under medical supervision —controlled substances, such as hydrocodone, Valium, or Xanax; without a prescription.

Pharmacies across the Indian are regulated by various laws prescribed by in this regard. The Central Drugs Standards Control Organization (CDSCO), a division of the Indian Ministry of Health and Family Welfare, is responsible for drug approval and regulation, as well as for the licensure of pharmacies. Under the CDSCO, the Drugs Control Administration is responsible for regulating pharmacies.

When websites are used to expand the pharmacy business and activities, certain additional laws and regulations are required to be complied with by such online pharmacies.

Consumer buying behavior is a topic of interest here because a command of this can be crucial in terms of choosing the right marketing strategy, and so make business prosperous (Solomon et al.1999).

Consumer behavior can be seen according to Solomon et al. as the knowledge of a process that an individual or a group go through to satisfy a need by choosing and buying as well as using and disposing products. This process is not only related to products as it can likewise be ideas and experiences that satisfy the need. The same idea is also supported by Kotler, Principles of marketing. 4th edition.

If an organization knows how the consumers will react to different marketing stimuli, then they can adapt such strategies that will give them the desired outcome in terms of consumer response. Knowledge of consumer behavior helps companies

to determine their marketing mix, the 4 P's of marketing; product, price, place and promotion.

According to Kotler all these four categories represent stimuli that consumers are exposed to and which will affect their behavior.

A company that succeeds can be successful and therefore, it is of great importance to know what the needs and wants of the consumers are. A knowledge of consumer behavior helps to explore and understand these needs and wants

RATIONALE

Study on consumer behavior towards online pharmacies have been linked to perceived trustworthiness of online pharmacy which is a crucial factor effecting consumers' intention to buy as well as their actual risk-taking, and that perceived trustworthiness is related to the risk associated with buying medication online.

However, a better understanding of how consumers handle these risks when interacting with online pharmacies would be valuable to both retailers and public policy makers. Studying consumer behavior towards online pharmacies can also contribute to research on e-commerce in general

RESEARCH PROBLEM:

- To understand the consumer buying behavior towards online pharmacy

OBJECTIVES:

- To assess the current awareness and possibility of future interactions
- To study the criteria which influences purchase and non-purchase

RESEARCH METHODOLOGY

Research Design: Descriptive Research

Research plan

- Data source : Primary Data
- Data type collection : Qualitative & Quantitative
- City: Delhi NCR
- Sample size: 100

Sampling type

- Purposive sampling was used to carry out the study.

Sampling method

- Consumers of age groups 22 to 34 and both genders were selected as sample to conduct this study.
- The survey was conducted in market places in Delhi NCR at 5 locations in total
New Delhi (M Block GK-II, New friends colony south),
Gurgaon (Sector 14, Galleria DLF Phase 4)
And Faridabad (Sector-15)

Research Instrument

- Structured Questionnaire

Data analysis technique

- The findings and the information collected were compiled, analyzed on SPSS and Excel.
- Frequency, percentages, cross tabulations were computed to evaluate the research.

DATA ANALYSIS AND INTERPETITION

- Respondents were chosen specifically from age group of 22 to 34 years including both genders.

The break down was as follows:

Gender	Number	Percentage %
Male	55	55
Female	45	45
Total	100	100

[Table 1]

.....

- The first step was to check awareness of the respondents i.e. were they even aware of the existence of online pharmacies

Awareness was found out as follows:

Awareness	Number of Respondents
Yes	65
No	35

[Table 2]

65% of respondents were found to be aware of existence of online pharmacies.

When checked for each gender:

Gender * Have you heard of online pharmacies? Cross tabulation

			Have you heard of online pharmacies?		Total
			Yes	No	
Your gender	Male	Count	34	21	55
		% within Gender	61.8%	38.2%	100.0%
	Female	Count	31	14	45
		% within Gender	68.9%	31.1%	100.0%
Total		Count	65	35	100
		% within Gender	65.0%	35.0%	100.0%

[Table 3]

It was found that 61.8% Males and 68.9% Females are aware of the total respondents.

.....

- Actual Purchase

		Frequency	Valid Percent
Valid	Yes	11	16.9
	No	54	83.1
	Total	65	100.0
Missing	System	35	
Total		100	

[Table 4]

It was found that only 17% people have had made an actual purchase from online pharmacies from respondents who were aware

The graph represents the same:



[Graph 1]



[Graph 2]

- When explored whether the people are buying less online or its just online pharmacies which have risks or drawbacks associated, it was found a valid percent 66% respondents think that buying medicines and related products is different than buying any other product online.

		Frequency	Valid Percent
Valid	Yes	23	65.7
	No	12	34.3
	Total	35	100.0
Missing	System	65	
Total		100	

[Table 5]

.....

- Trying to find out the major factor which relates to less number of purchases being made, it is found that risk of fake products i.e. medicines being supplied to customer which was most prominent among other options which were:

- Possible delay
- Illegal operators/rouge websites

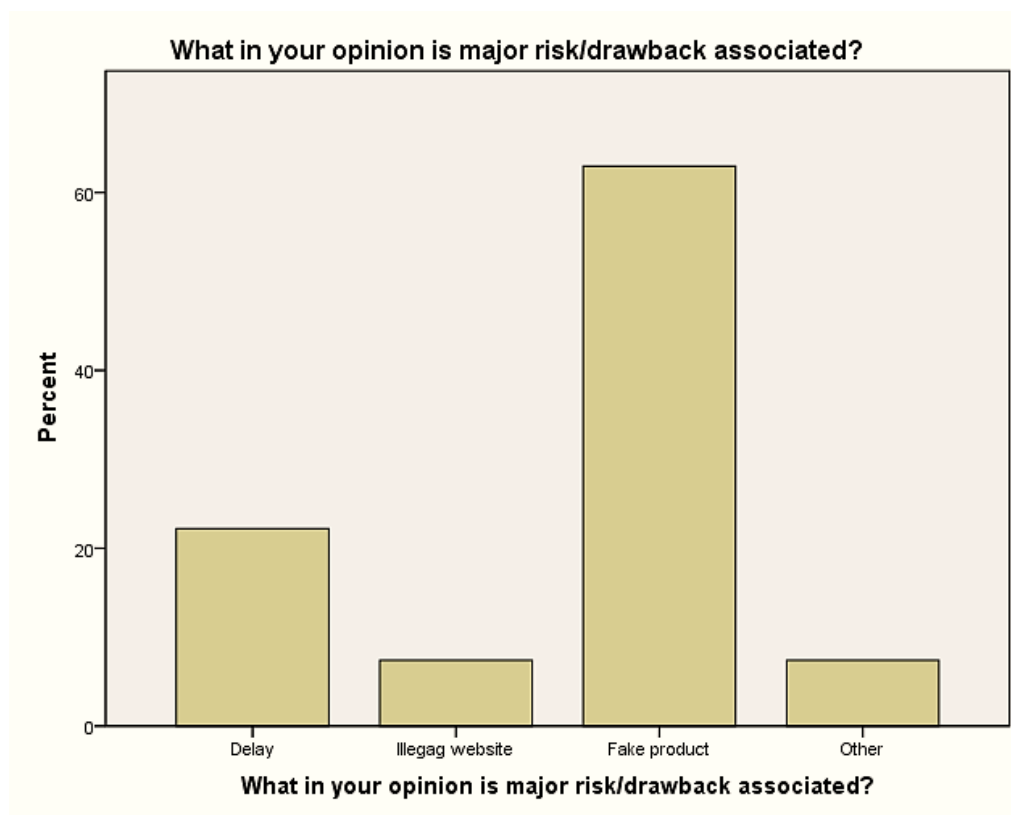
Also an open ended option got responses like

- Lack of Cash on Delivery model in this segment like in other e commerce products
- Cumbersome Return and Reordering method

Table below shows percentage against each possible factor of risk:
Risk of fake products being most prominent

		Frequency	Valid Percent
Valid	Delay	12	22.2
	Illegal website	4	7.4
	Fake product	34	63.0
	Other	4	7.4
	Total	54	100.0
Missing	System	46	
Total		100	

[Table 6]



[Graph 3]

- Product shopped

Next it was described what was actually shopped for amongst the basic offerings online pharmacies have to offer i.e. Prescription drugs; over the counter (OTC) products or both

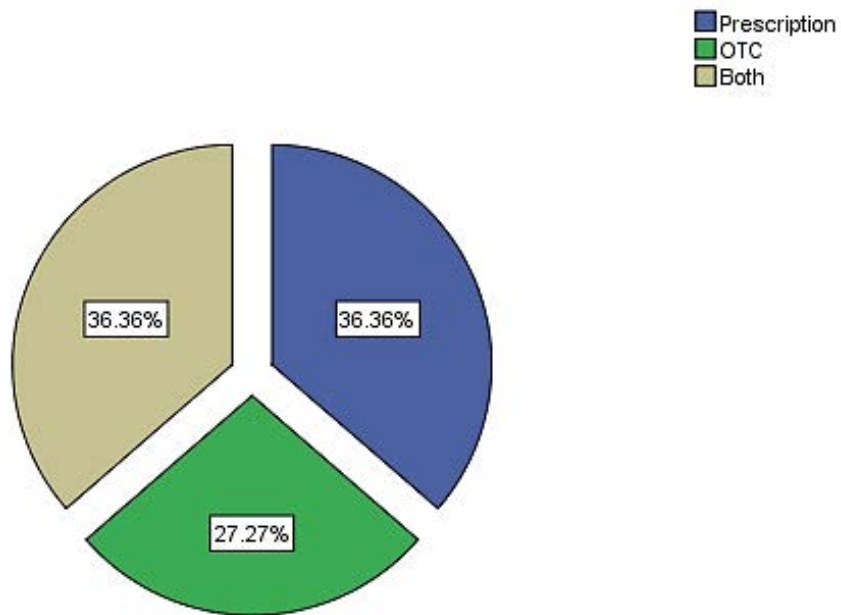
An almost equal distribution amongst categories defined was observed.

		Frequency	Valid Percent
Valid	Prescription	4	36.4
	OTC	3	27.3
	Both	4	36.4
	Total	11	100.0
Missing	System	89	
Total		100	

[Table 7]

Pie Chart below presents the same data in terms of percentage:

What have you shopped from them?



[Chart 1]

.....

- With purpose to assess the possibility of future interaction of respondents with online pharmacies, they were asked about same

Of the people who are aware and have not made any purchase till date, close to 69% people have an intention to try:

Have you heard of online pharmacies? * Do you intend to try any? Cross tabulation

			Do you intend to try any?		Total
			Yes	No	
Have you heard of online pharmacies?	Yes	Count % within Have you heard of online pharmacies?	37 68.5%	17 31.5%	54 100.0%
Total		Count % within Have you heard of online pharmacies? % within Do you intend to try any?	37 68.5% 100.0%	17 31.5% 100.0%	54 100.0% 100.0%

[Table 8]

.....

- The same people were asked what in their opinion would be the most significant factor that would motivate them to try an online pharmacy

Amongst the suggested options of:

- Convenience of ordering and delivery
- Heard they are cheaper than my local store
- Information at hand helps to compare and choose
- Anonymity and privacy

Responses indicate (close to 52%) Convenience of order and delivery which the business provides would be the most appealing factor which will make them choose it over community pharmacy stores.

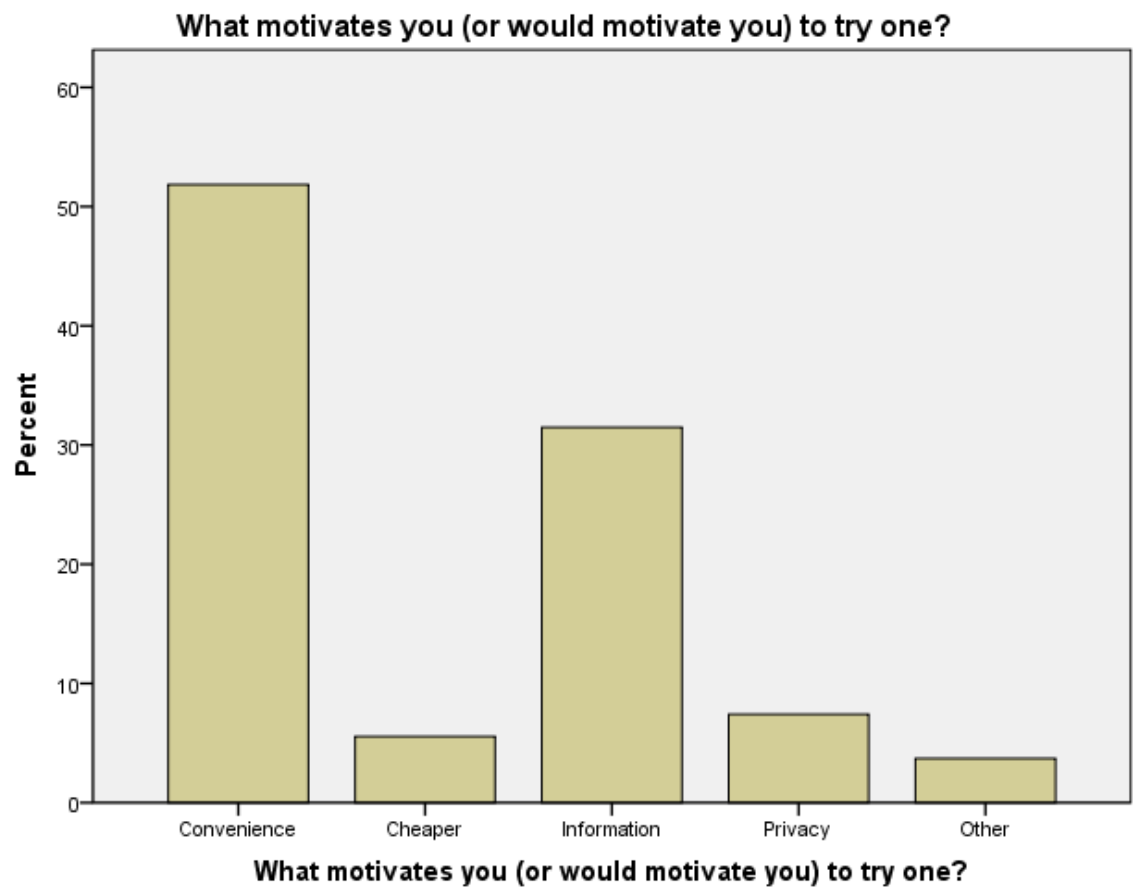
The second most motivating factor is information available against the product which is missing at local community stores.

What motivates you (or would motivate you) to try one?

		Frequency	Valid Percent
Valid	Convenience	28	51.9
	Cheaper	3	5.6
	Information	17	31.5
	Privacy	4	7.4
	Other	2	3.7
	Total	54	100.0
Missing	System	46	
Total		100	

[Table 9]

Same is represented as:



[Graph 4]

KEY FINDINGS

- Awareness was found to be near medium at 65% amongst the respondents, Studying it against individual genders gave no specific results as both male and females were equally aware

- It was found low numbers of purchases are actually made (at 17%) considering the number of people aware of existence of such business

- Compared to shopping for other online products which is done by 66% of respondents, only 17% have made actual purchase on online pharmacies.

Indian retail customers have had a standard nature of shopping which has changed over time in categories like clothes, footwear, and electronics

Thus this comparison of buying online pharmaceuticals with online shopping of other products points towards existence of a product class risk for pharmacy offerings

- Risk of being supplied with fake products exists in mind of customers which is one of the main reasons for low purchases with business
- A high scope of interaction of customer and business exists as 69% respondents have an intention to try, which might determine measure of their further interactions
- Factor motivating a customer to interact with business would be convenience of placing order (like user friendly process) and delivery (like express options with same day delivery, packaging etc.)
- Prescription medicines and over the counter products contribute almost equally to purchases being made

LIMITATIONS

- The main limitation of study was: smaller sample size, which led to even smaller sample in case of actual purchases. Also more detailed questionnaire can be used to establish similar findings

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QUESTIONNAIRE

1. Your age *

- ☐ 22-34
- ☐ Other

2. Your gender *

- ☐ Female
- ☐ Male

3. Have you heard of online pharmacies? *

- ☐ Yes (Skip to question 4)
- ☐ No (Skip to question 6)

Yes heard of online pharmacies

4. Have you ever bought any products from online pharmacies? *

- ☐ Yes (Skip to question 5)
- ☐ No (Skip to question 8)

Yes have tried

5. What have you shopped from them? *

- ☐ Prescription medicines (Done)
- ☐ Over the counter products or other (Done)
- ☐ Both (Done)

Haven't heard of online pharmacies before

6.Do you shop online for any products? *

- ☐ Yes
- ☐ No

7.Would buying medicines be different than buying other products online? *

- ☐ Yes (Done)
- ☐ No (Done)

Not tried

8.Do you intend to try any?

- ☐ Yes
- ☐ No

9.What motivates you (or would motivate you) to try one? *

- ☐ Convenience of ordering and delivery
- ☐ Heard they are cheaper than my local store
- ☐ Information at hand helps to compare and choose
- ☐ Anonymity and privacy
- ☐ Other:.....

10.What in your opinion is major risk/drawback associated? *

- ☐ Possible delay (Done)
- ☐ Illegal operators/rouge websites (Done)
- ☐ Risk of unsafe/fake products (Done)
- ☐ Other:..... (Done)