

Generics – the way to go

19 June 2020 | Views

Rising demand for generics is visible in the books of manufacturers as much as they are in the savings of consumers



Healthcare systems all over the world have come into focus owing to the Covid-19 pandemic. Availability of affordable medicines has been a major point of discussion, as this forms a considerable part of healthcare costs today. While the demand has been looking out for options that can bring down their costs, the supply side needs to be addressed by creating more viable business models of medicine delivery to public.

Pharmaceutical products manufacturing, rightly so, involves stringent adherence to rules and regulations. This is quintessential from the consumers safety point of view. But, this also pushes up the costs of medicines to some extent due to higher compliance costs involved. This is exactly why a need for a leaner and highly efficient business model for pharma sales is necessary. How does one put that in place?

Generics provide the answer to this important question. The very basic premise that goes in favour of generics is the fact that they cost far lesser to manufacture than their branded counterparts. The chemical composition of generics being the same as branded drugs, the safety of consumers is taken care of. Since these two put together establish the need for generics for the consumers next to watch out for is the need for the trade.

Setting up a pharma retail store based on this model which primarily caters to the need of consumers for generic medicines is a far more profitable proposition. One, the overall investment that a retailer needs to make is lower and two, the margins are better as the cost to sales ratio of generics is optimised. Another huge advantage of this model is the multi-disciplinary approach to pharma sales.

The availability of various lines of medicines including Allopathy, Ayurvedic, Unani and Homeopathic offers a broader spectrum of sales avenues to the retailers. Since demand for alternative medicines is also significantly on the rise, it gives an additional boost to the revenue streams of pharmacies under this model.

No matter how good the economics of the supply side are, if the demand side does not work out, businesses can never do

well. For the generics business model, the demand side too goes completely in favour of the business.

A higher demand is emanating for generic drugs today. Consumers have become highly aware of the advantages that generics bring to the table. The affordability of the generic drugs is one of the most important factor that plays out well in favour of pharmacies that have adopted this model.

Rising demand for generics is visible in the books of manufacturers as much as they are in the savings of consumers. A higher demand has prompted expansion of facilities by many generics manufacturers. This has also had a positive impact on the employment statistics of this segment.

The best of the business models are those that work out well for both the sides – suppliers as well as consumers. This model does the same. While on one hand the consumers are benefitting from affordable medicines, on the other, the pharmacy owners are benefitting from the higher margins they draw from different lines of medications they are selling through their stores. The best part is the franchising of the model that helps self-driven entrepreneurs pursue their dreams of entrepreneurship profitably.

In a country like India, unemployment has been a major issue that has haunted governments for well over the independent life of the country. A solution to this problem lies in creating gainful employment or entrepreneurship opportunities for its rising educated young population. With limited and reasonable investments required and a highly stable business generating normal rate of returns and profits, generic pharmacies are very well placed to provide the required solution.

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