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The Role of Merchandisers in Enhancing Business Performance in the Pharmaceutical Industry

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Abstract

The sustainability of a pharmaceutical company is determined, in part, by how well its products are known and subsequently purchased by consumers, both loyal and new. In this regard, the role of the Merchandiser Display (MD) in carrying out AVP activities (Availability, Visibility, and Predictability) for products is highly central and strategic. The objective of this article is to understand the strategic importance of the MD's role in enhancing sales through merchandising activities. We employed a qualitative research method involving direct non-participant observation, documentation, and interviews with the Head of Area (HOA) and Team Leader (TL) overseeing 100 MDs from three different pharmaceutical companies in Indonesia. The research findings and discussions revealed that MDs play a strategic role in increasing sales through close monitoring of AVP products, which results in impulse buying and perceived quality. The research results contribute to and benefit pharmaceutical companies by maximizing the role of MDs as a crucial factor in optimizing sales performance and maintaining the company's sustainability.

Keywords

Sustainability, Merchandiser Display, Impulse Buying, Business Performance.

1. Introduction

In the ever-evolving pharmaceutical industry, the role of the Display Merchandiser (hereinafter referred to by the abbreviation MD) is becoming increasingly important to ensure products can attract consumer attention, increase sales, and maintain business sustainability. MDs are responsible for designing and implementing product placement strategies that are not only aesthetically pleasing but also informative and effective in influencing consumer purchasing decisions. With the increasing competition in the pharmaceutical market, innovative merchandising strategies can be a key differentiator that helps companies achieve a competitive advantage. Merchandising is a form of in-store or in-store promotion other than personal selling designed to trigger purchasing behavior (Buttle, 1984; Riyadi, 2022).

The MD will carry out merchandising in accordance with the task standards set by the company. Merchandising rules are guidelines that determine how products should be arranged on shelves using product families, which may include complex hierarchical criteria encompassing multiple layers/levels. These rules aim to replicate the way customers search for products while shopping and are developed with the assistance of category captains (key suppliers with deeper knowledge of each category) and techniques such as basket analysis. These rules vary from retailer to retailer and are considered strategic for them (Bianchi-Aguiar et al., 2018; Toktay, 2009).

Merchandising in the pharmaceutical industry covers various aspects, from the visual arrangement of products to the creation of an attractive dispensary atmosphere. A good visual arrangement can help consumers understand the benefits and uses of the product more clearly. This principle also applies in the pharmaceutical industry, where good visual merchandising can help consumers understand product benefits better and make more informed purchasing decisions (Anitha & Selvaraj, 2010). McIntosh (2007) explains that merchandising is more than just the arrangement of products on shelves. It is an integral component of the business image. It should be considered when designing the retail mix. Other studies related to marketing have demonstrated that space allocation has a positive impact on visibility, consumer awareness, and demand for products, ultimately leading to increased profit (Bianchi-Aguiar et al., 2018; Chandon et al., 2009; Curhan, 1972; Desmet & Renaudin, 1998; Drèze et al., 1994). Among other consumer demand effects, reports on space elasticity indicate an increase in demand when more space is allocated to a product (Bianchi-Aguiar et al., 2018).

In addition to the visual arrangement, the image of the dispensary also plays an important role in attracting and retaining customers. A positive dispensary image can increase customer loyalty and frequency of visits to the store emphasized that a strong dispensary image includes various elements such as dispensary layout, symbols, colors, and services that all contribute to retail success (Amirani & Gates, 1993). In the context of pharmacy, a good dispensary image can help build customer trust in the products and services offered, ultimately increasing sales and business sustainability.

Dispensary atmosphere is also a key factor in the consumer shopping experience. A pleasant dispensary atmosphere can increase customers' dwell time in the dispensary and increase purchase opportunities. Kerfoot et al. (2003) found that visually appealing presentations can increase the likelihood of purchase by up to four times. Elements such as color, lighting, and layout play an important role in creating a pleasant atmosphere and encouraging impulse buying. In the pharmaceutical industry, creating a comfortable and attractive dispensary environment can help attract more customers and increase sales. A pleasant shopping atmosphere

positively influences the shopping time and money customers spend in the store as well as shopping emotions (Kim & Jin, 2001).

According to Dreze (1994) from a series of experiments found that the location or placement of products in a display has a significant effect on sales. Larson (2014) in an article on category management suggests that higher sales can be achieved by keeping their shelves always fully stocked. Besawada (2009), the impact of display management strategies on demand, proposed that aisle and display placement have a significant effect on cross-category sales compared to those influenced by marketing mix variables. Kerfoot et al. (2003) also argued that effective display of a product can increase sales of complementary or additional pre-selected items, thereby increasing conversions, as well as increasing the average amount spent in a store.

Visual communication is also an important aspect of merchandising in the pharmaceutical industry. In this context, effective visual communication can help consumers better understand the benefits and uses of products. Underhill (2009), points out that good merchandising should not only be visually appealing but also informative, helping consumers make better decisions regarding the products they need. Informative and educational merchandising is particularly important in the pharmaceutical industry, where consumers often need clear and accurate information about the products they purchase. Thus, the role of MDs in the pharmaceutical industry is crucial to ensure that products can attract consumers' attention, increase sales, and maintain business sustainability. Through effective visual merchandising strategies, creating an attractive dispensary atmosphere, and focusing on informative visual communication, pharmaceutical companies can achieve a competitive advantage and maintain their business sustainability in the long run.

2. Methods

This research used a qualitative approach to explore the role of MDs in increasing sales and maintaining the sustainability of the pharmaceutical industry. Qualitative methods enable an in-depth understanding of the experiences and perspectives of practitioners and consumers in a real context. We conducted in-depth information gathering by documenting merchandising activities, observing pharmacy and conducting in-depth interviews with Head of Area (HOA) and Team Leader (TL) who have a total of 100 MDs. They represent 3 (three) pharmaceutical companies in Indonesia, namely: PT Darya Varia Laboratoria Tbk, PT Konimex and PT Merck Tbk.

By combining 3 (three) methods, we can explain that through documentation of product displays and merchandising carried out in pharmacy, such as: gondola, product bundling, acrylic on shelf, acrylic COC, shop blind, self-talker, poster, banner, giant box and dummy box. Table 1 informs the types of merchandising in pharmacy. Data collection techniques with documentation are complementary to the use of interview and observation methods in qualitative research. Document study is a qualitative data collection of a large number of facts and data stored in materials in the form of documentation. Most of the data is in the form of letters, diaries, photo archives, meeting results and journals (Sujarweni, 2020)

Table 1. Types of Merchandising in pharmacy

In the Medicine Shelf	Off the Shelf Medicine
<i>Acrylic Shelving, Self-Talker, Dummy Box</i>	<i>Gondola, Bundling, Acrylic COC, Shop blind, Banner, Poster, Giant Box</i>

Furthermore, direct non-participant observation by applying direct observation without participating, a researcher has the opportunity to approach the research field

while still maintaining a position as an outsider or guest (Kostera, 2021). Observations were made at pharmacy to see if the MDs were doing their job according to their standards and KPIs (Key Performance Indicators) and to see if there was impulse buying and perceived quality from consumers towards merchandising at pharmacy carried out by MDs. Finally, structured interviews were conducted with HOAs and TLs to explore the MDs' merchandising strategies, challenges faced, and the impact of these strategies on impulse buying and perceived quality by consumers. The interviews also explored their views on sustainability in the context of pharmaceutical merchandising. This method draws on the approach used by Amirani & Gates (1993) to explore store image and its influencing factors.

3. Results and Discussion

MDs have a strategic role in driving the sales engine, especially in the realm of the pharmaceutical industry. MDs of drug principals stand out with various integrated strategies to optimize sales performance. They play an important role in sales integration by delivering performance on AVPs, namely: availability, visibility and predictability of products in pharmacy. Attractive and informative displays not only increase impulse sales, but also shape positive perceptions of product quality. Product displays in gondolas, product bundling programs, point-of-purchase promotions (acrylic COC), use of shop blind and other forms of merchandising are examples of strategies used by MDs to increase consumer awareness and interest with the ultimate goal of increasing sales at the pharmacy. Based on the information obtained from the interviewees and our observations, the types of merchandising in the form of gondolas, product bundling and acrylic COCs most often generate impulse buying and perceived quality from consumers.

Dominant displays, clean displays, easy to see (eye catching) and the presence of POP (Point of Purchase) promotions inspire consumers to make purchases of these products. This is in line with (Kotler, 2003) also defines sales promotion as an incentive, given to customers, to make purchases. Research evidence shows that sales promotions positively influence short-term sales (Raghubir, 2004). Research on price promotions consistently reports high sales effects and high price elasticity for the brand being promoted (Blattberg et al., 1995). Studies have shown that price promotions increase brand substitution within a product category (Dodson et al., 1978). In addition, the MD is also responsible for monitoring competitor activity, especially on head-to-head competitor products, and evaluating the effectiveness of their merchandising strategies. This information is key in designing a more effective sales strategy. If competitors' activities are effective in supporting sales, the MD can inform or propose similar programs or other programs that are more effective in supporting sales.

In terms of communication, MDs have an important role in delivering sales programs to pharmacy with the aim of increasing sales. This involves the process of negotiating with the dispensaries and building solid relationships to support long-term cooperation. For MDs to optimally perform their roles, they must have extensive competencies in merchandising, product knowledge, negotiation, and communication. These competencies not only boost MDs' confidence, but also make it easier for them to interact with dispensaries. Building good relationships with pharmacy also provides long-term benefits, such as free display facilities and access to information on competitors' activities. Building a long-term, trusting relationship between MDs and dispensaries is a necessity. MDs are entitled to competency training, including: product knowledge training, negotiation skills, communication skills, and mentoring, for example: join visits and OJL (On the Job Learning) with their leaders

Table 2. MDs Tasks

Main Tasks			Additional Tasks		
Availability	Visibility	Predictability	Monitoring competitor activities	Delivering programs	Others
Ensuring stock availability.	Ensuring displays are clean, at eye level, and eye catching.	Placing products according to category.	Observing and monitoring competitor activities.	Communicating and conducting pre-negotiation regarding programs to be implemented in pharmacy.	Providing brief product knowledge to sales clerks.
Monitoring expiration dates.	Ensuring merchandise and promotion tidy, clean, and easily visible.		Creating report of these activities for the principal or marketing team.	Socialize programs to sales clerk & pharmacy owner.	
Creating stock reports for TL/HOA and distributor.					

Along with the development of digitalization, MDs also need to adapt by utilizing digital platforms to promote products. However, the implementation of this digital strategy is limited by the prevailing regulations. In one pharmaceutical company, MDs are given the freedom to inform and help sell products in pharmacy through social media, but in other pharmaceutical companies this is not allowed due to regulatory considerations or due to prudential considerations. They are only allowed to digitally deliver advertisements prepared by their principals.

In facing the challenges ahead, MDs are the foundation of pharmaceutical companies to maintain their sustainability, especially in terms of how to increase sales in pharmacy. MDs must be able to improve their competencies, both hard and soft skills. From the explanation of the resource persons related to merchandising activities by MDs carried out in pharmacy, there are internal and external challenges. These challenges have been overcome by building good relationships and their experience in handling complaints from pharmacy.

Table 3. Challenges in Performing Merchandising

Internal factors		External factors	
<ol style="list-style-type: none"> 1. MD lacks confidence in negotiation 2. MD is a newcomer with no experience covering pharmacy 3. Payment issue 4. Miscommunication with other divisions 	<ol style="list-style-type: none"> 1. The pharmacy side disagrees with the presence of merchandising 2. There is no available space for merchandising 3. Competitors have already branded in thar pharmacy 4. Government regulations regarding bundling 		

4. Conclusion

MDs play a crucial role in the pharmaceutical industry, especially in driving the sales engine through integrated merchandising strategies. They are responsible for increasing the AVP of products in pharmacy, as well as influencing consumer behavior through attractive and informative product displays. Merchandising strategies such as the use of gondolas, product bundling, and point-of-purchase promotions have been proven effective in increasing sales by stimulating impulse buying and creating a positive perception of product quality. In addition, MDs should also monitor competitors' activities and communicate effectively with dispensaries to increase sales. They must have extensive competencies in merchandising, product knowledge, negotiation, and communication to perform

their roles optimally. Adaptation to digitalization is important for MDs, but limited by regulations. They must be able to overcome internal and external challenges, such as building good relationships with pharmacy and handling complaints from them. By maintaining and improving competencies in both hard and soft skills, MDs can be an important foundation for pharmaceutical companies in maintaining their business continuity, especially in increasing sales at pharmacy.

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