

## ADOPTION OF 7P'S FOR SERVICE MARKETING : A CASE OF DIAGNOSTIC GIANT THYROCARE

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### ADOPTION OF 7P'S FOR SERVICE MARKETING : A CASE OF DIAGNOSTIC GIANT THYROCARE

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Roughly a hundred days before his initial public offering hit the market in April, Velumani lost his 55-year-old wife to pancreatic cancer, a backbone of Thyrocare, the company he had built from scratch with a capital of Rs 2 lakh given by her to Rs 3,300 crore. Remembering his wife Sumathi on the foundation day, he was reviewing his journey of life and experience of developing a chain of diagnostic and preventive care laboratories "Thyrocare".



Born in 1959 to a landless farmer in a tiny village 26 km from Coimbatore, Velumani was unable to cope with adverse circumstances for what appeared to be an endless period of time, his father had given up taking care of his family, which included four children, early in life. Faced with her husband's helplessness, Velumani's mother took on the responsibility of keeping their head above water by investing in two buffaloes. The money from the milk -- Rs 50 a week -- was what sustained the family for almost 10 years.

After finishing his school, Velumani left the village and went to Coimbatore to attend college. In 1978, at the age of 19, Velumani got his BSc degree, and started working at a capsule-making factory as a chemist on a salary of Rs 150 a month. He used to keep Rs 50 for himself and send Rs 100 home to his parents, who needed the money to educate his siblings.

While working with the company Velumani could see that his life wasn't going anywhere, neither was his company. A month before its imminent closure, Velumani resigned and joined Bhabha Atomic Research Centre (BARC) in Mumbai as a Scientist. He served BARC for fourteen years, when he decided to do something on his own and pursue his dream, which he had formed while he was a Ph. D student at Tata Memorial Hospital in Mumbai. He used to see people camping on the road outside the Parel Hospital. These were relatives of patients with cancer who did not have accommodation. He was desperate to ease the sufferings of the patients and their relatives. Since, he was not a doctor, he decided to offer diagnostics services something that he could do without profiting at their expense.

The result of this decision was Thyrocare, which he established in Mumbai in 1996. Today Thyrocare is the world's largest center for thyroid testing. It has a single centered laboratory of world class in Thane that can handle 500,000 tests a day. The company specialises in immunodiagnostics, testing blood samples for thyroid disorders. Thyrocare decided to focus on preventive healthcare.

## THE COMPANY



Thyrocare Technologies Limited is a chain of diagnostic and preventive care laboratories, based in Navi Mumbai. It particularly offers thyroid testing along with 200 plus tests and 50-rare profiles comprising of different tests for preventive care and wellness under its brand, Aarogyam. Its first laboratory was set up in Byculla, Mumbai, with an initial understanding on thyroid testing considering a huge potential for thyroid testing in India.

The Company has 1,122 retailers and collection centres in India, Nepal, Bangladesh and the Middle East.

It adopts a franchisee model for collecting samples and shipping at their principal laboratory in Mumbai. In 2010, Thyrocare raised its first private funding with INR 188 crore from New Delhi-based CX Partners for a 30% stake. It started a subsidiary, Nuclear Healthcare Limited, which makes use of PET-CT to detect and find cancerous cells. In 2014, Siemens Healthcare's Diagnostic Division mounted its world's biggest laboratory automation track Aptio Automation at its laboratory in Mumbai and became the first laboratory in India to put in this automation by Siemens.

### MARKET OPPORTUNITY FOR THYROCARE –

Currently Indian healthcare market is 6-7 percent, as compare to other developed countries where it is almost 50%. The diagnostic market in India is around Rs 75000 crore, divided into two parts -- private and government. Out of this Rs 75000 crore, Pathology and radiology in private sector is about Rs 45000 crore and government sector is for about Rs 27000-28000cr, 80% of Indian diagnostics is unorganized and if we look at the market share tier-wise then Tier 1 city has 40-50% share and remaining comes from tier 2 and tier 3 cities. Industry is expecting by 2050 India's preventive health care industry will be at its peak. Diagnostic services play the role of an information intermediary, providing useful information for the accurate diagnosis and treatment of patients' diseases. The Indian diagnostic industry will grow at a CAGR of approximately 16-18% to reach ₹ 585-616 billion (or US\$9.3-9.8 billion) in the fiscal year 2018-2019. (Source: CRISIL Research Report). (Source: CRISIL Report). At any given time, some medical care is needed by 10 percent of the Indian population. Of these, only one per cent are people with acute illnesses. The remaining nine per cent are not even aware of having some problem. The 40,000 to include some common tests such as haematology, microbiology and serology. Both are important in helping to provide preventive care. There are also plans to do some high-end examinations.

### Expansion Path



Glancing at the exemplary market opportunity, Velumani decided to expand the company's presence in other cities. By 2019, company opened six laboratories in five metros i.e. Mumbai, Delhi, Hyderabad, Coimbatore and Bhopal, with plans to add another 20 in the next 24 months. Current labs serve 1,200 franchises, each of them touching 30 laboratories across the country. Which means 36,000 touch points currently in the network, out of the 100,000 expected market which means one third of the touch points are served. Thyrocare's 20% business comes from thyroid test which is a mass product. To attract value added segment it has launched "Aarogyam" a preventive health care product with 60% margin at operational level. And it is contributing almost 51% of total revenue of the company.

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Thyrocare's fully-owned subsidiary, NHL, undertakes cancer-related diagnostic testing. It has a total of 12 centres (6 owned and 6 franchised) spread across Navi Mumbai, Delhi, Hyderabad, Surat, Raipur, Vadodara, Mumbai, Jaipur, Aurangabad, Nashik, Bengaluru and Coimbatore. NHL's NHL's fusion imaging technology (PET-CT) helps in determining the stage of cancer growth and the expected effectiveness of chemotherapy and radiation treatments, it also detects the post treatment recurrence of cancer.

TB and Maternity monitoring are other items included in the portfolio of the company. Thyrocare has kept its promise of cost-effective testing. According to Velumani since the inception of Thyrocare, the cost of everything rentals, fuel and reagents had skyrocketed; yet its customers are not paying more than they did few years ago. Initially, Thyrocare competitors called it a crazy move for the rates it charged. But the strategy is giving them a upside growth then a plateauing one. For the new launched products also, company is using its low-cost strategy. In non-invasive pregnancy testing – prenatal screening testing segment too it is adopting disruptive pricing by offering the test at INR 8,000 as against ongoing market rates of around INR 25,000. Pricing strategy is one of the most important factors in the success of companies. Company realized that they needed scale if they were to provide high-quality diagnostics at low cost. The organization is following a unique model for franchisees to collect samples from across the world. It has more than 600 franchisees in India, in about 570 cities. What franchisee needs is a small office and an internet connected Computer. Thyrocare through its advanced 2-lakh sq. ft Centralized Laboratory of Processing (CPL) and 9 Regional Processing Laboratories (RPLs) across selected Indian cities serves various laboratories, hospitals and individual patients. Velumani worked extensively on its logistics to ensure that the centralized testing facility worked efficiently.



Company can provide reports to 90% of the locations in India, within 24 hours. Transporting specimens or reports are very costly considering courier and air-cargo costs. But at Thyrocare, the cost of collecting a specimen at Adyar, Chennai, at 4 p.m. to reach Santa Cruz, Mumbai, at 11 p.m. by air-cargo would be as little as 30 paise only.

Thyrocare widely uses the technology. It was the first-time barcoded serum vials were introduced in the country by the company. The results of the laboratory tests are transmitted via e-mail, which is available to all franchisees and means that the cost of report delivery is really small. In the industry, the company's logistics system is so well respected that Reliance Life Sciences has tied up with the company to use Thyrocares logistics to obtain samples for DNA testing at their laboratories. The company uses its collaboration with pharmaceutical companies to support Thyrocare products and services. Thyrocare provides creative partnership with Cadila, Sun Pharma, Dr Reddys, Glaxo and so on they get test done from Thyrocare at 50% discount. These companies extend these discounts as complimentary coupons to doctors. The doctor in turn gives it to his patients, which helps in expanding the business for all.

### People Strength



As the company stated growing the employee's numbers also started increasing from 2 employees to 1200

employee's strength Thyrocare, has seen the people strength growing year on year basis. The company strive to create an exciting, facilitative and learning work culture with focus on meritocracy, learning and development and healthy career opportunities. Velumani believes in channelizing youth power, according to him youth have the necessary drive and energy that can be rightly channelized for a business.

Thyrocare where speed, volumes and business relations are key, company adopts a culture of continuous learning and have created a training calendar requiring employees to undergo minimum allotted hours of training each month. Therefore, they hire youth/freshers and groom them.

In the year 2018-19 company has hired 254 freshers and 532918 man-hours of training had been provided to them. With this, Company ensures a good career growth opportunity for their employees and ensures higher work productivity and error-free operations.

Thyrocare is an employee-friendly and fair organization. For weaker employees, they practice handholding instead of firing which gives a sense of job security.

Company undertakes various employee engagement initiatives like organizing competitions and celebrating festivals to strengthen internal bonding. It also arranges for unofficial meetings with the CEO to facilitate exchange of dialogues and ideas and strengthen top management connect with the middle management.

#### **The Lab Environment**

Velumani and his team has invested a lot in modern technology to achieve the operational excellence and competencies. Company's labs have automated operations, which includes use of bar-coding, bi-directional interfacing and indigenous Laboratory Information System (LIS) in clinical testing for complete automation right from sorting of vials, directing them to relevant analysers and transmitting report information to IT servers to retain its differentiation.



It has state-of-the-art testing and analyser instrumentation procured for higher accuracy from reputable global vendors such as Siemens, Thermo Fisher Scientific, Agilent Technologies, Abbott and Roche. Companies integrated virtual networking infrastructure allows direct exchange of synchronization and data sharing in real time with authorized service providers and national computing labs, which facilitates effective client, patient, doctor, order and inventory management.

#### **CREATING VALUE FOR ALL STAKEHOLDERS**

Despite of the heavy competition, Thyrocare is dedicated to creating value for its stakeholders, Aarogyam brand provides multiple profiles of 30-40 metabolic tests at cost-effective prices, facilitating early detection of lifestyle-related disorders, thereby ensuring a B2C-patient category for individual well-being. Economic test packages from the companies ensure a sustained business. This, coupled with higher margins offered to partners, ensures that the B2B partners, i.e. laboratories and hospitals, continue to grow profitably.

Thyrocare business is distinguished by zero-debt, strong upfront cash-flows and high operating margins. Its continuous investment in new businesses and scale existing ones to creates enhanced value to the shareholders and ensure long-term sustainability.

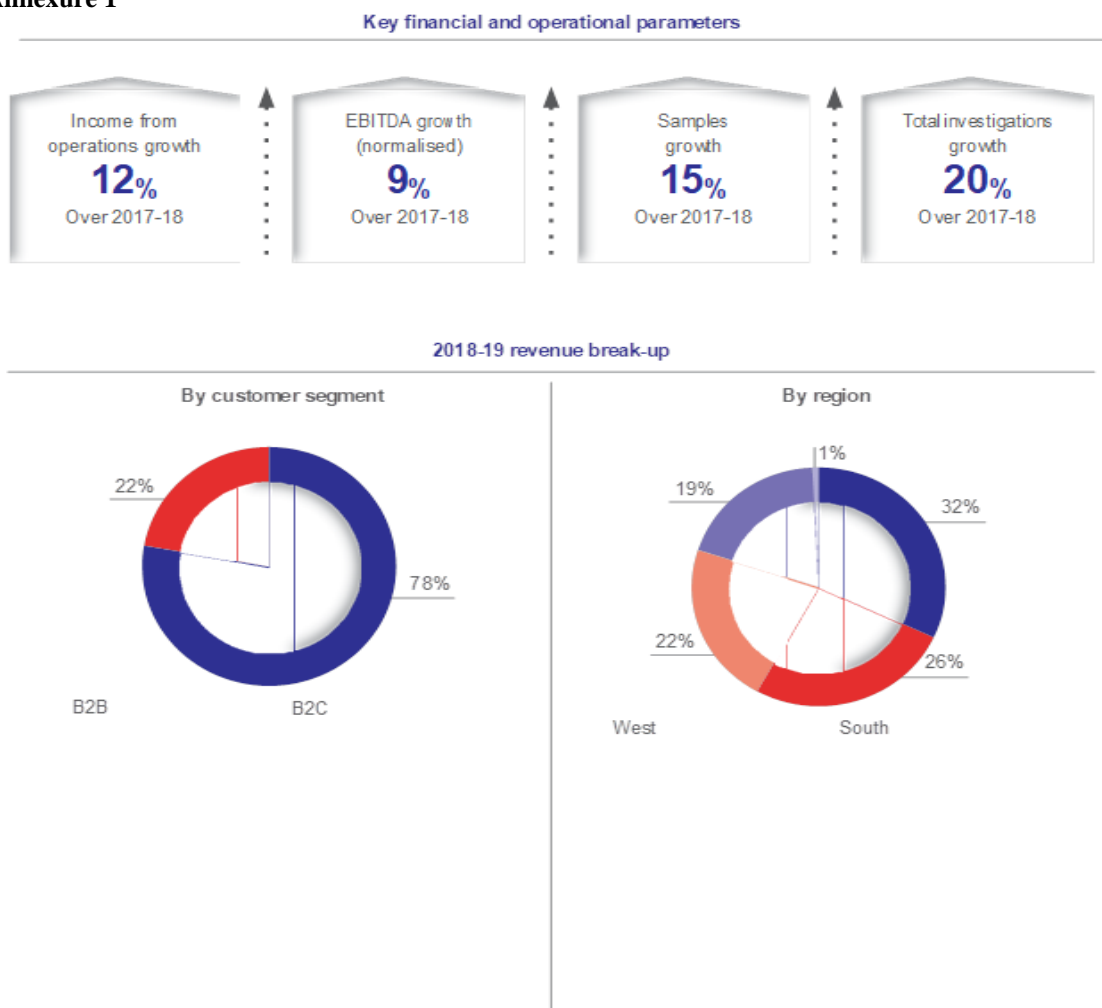
#### **ROADS AHEAD -**

Thyrocare is a closely held company. In 2018-19, its consolidated revenues increased by 13% to ₹ 402.91 Crores, despite growing competition and price rationalisation, Dr Velumani has huge ambitions for Thyrocare which is clearly reflected in his twin dreams, first Thyrocare should serve 50% of the world's population for 50% of their diagnostic needs at 50% of the cost and second Thyrocare should be the biggest client for the top 20 diagnostic manufacturing companies in the world.

Both the children of Dr Velumani's are working hard to make his breed increase!

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## Annexure 1



## Annexure 2

	Changes in the last four years			
Captions	2015-16	2016-17	2017-18	2018-19
Samples Per Day	31,772	39,135	44,735	51,384
Investigations per Day	168,532	209,501	230,874	277,857
No. of B2B Partners	1,041	1,593	3,779	6,342
Cities of Presence	355	558	551	555
Net Worth	375.39 Cr	417.98 Cr	453.88 Cr	420.69 Cr