Challenges Facing Marketing of Pharmaceutical Products in Kenya

A CASE STUDY OF SELECTED DISTRIBUTORS IN KENYA

BY

EMILY NGAMAU

UNITED STATES INTERNATIONAL UNIVERSITY

SPRING 2016
CHALLENGES FACING MARKETING OF PHARMACEUTICAL PRODUCTS IN KENYA

A CASE STUDY OF SELECTED DISTRIBUTORS IN KENYA

BY

EMILY NGAMAU

A Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY

SPRING 2016
STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed: __________________________  Date: __________________________

Emily Njoki Ngamau (ID 632935)

This project has been presented for examination with my approval as the appointed supervisor.

Signed: __________________________  Date: __________________________

Dr. Kefah Njenga

Signed: __________________________  Date: __________________________

Dean, Chandaria School of Business
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ABSTRACT

All business firms exist in an open system. This means they impact and are impacted by the internal and external conditions largely beyond their control. This requires managers to look beyond the limits of the firm’s own operations (Pearce and Robinson, 2002). It thus calls for all organizations, regardless of the sector in which they are, to formulate competitive strategies in response to this turbulent environment. This will enable them cope with competition. Several studies revealed the existence of competitive strategies in the firms studied. However, when executing these strategies on the performance of the firms studied, they did not examine the influence of the challenges faced nor did not relate challenges facing marketing to performance (Obado, 2005). This therefore justifies the need for further research in this area.

Therefore this research seeks to determine the challenges facing the marketing of pharmaceutical products in Kenya by distributors. Specifically, the study seeks to determine if there are any company specific, regulatory and market challenges affecting the marketing of pharmaceutical products in Kenya.

Empirical investigations into those challenges, in order to confirm or refute is important. The descriptive method of research is used to gather information about the present existing condition using questionnaires. To undertake this study, data was collected from both primary and secondary sources. Descriptive research design was used to determine the challenges facing the marketing of pharmaceutical products in Kenya by importers and distributors. Questionnaires were designed and administered to obtain information from both marketing managers and marketers. The Yamane formula of 1967 was employed and a sample size of 28 marketing managers from a total of 30 respondents in the three pharmaceutical distribution companies and 171 marketers from 300 target population in the three selected pharmaceutical distribution companies. Data was analyzed using both quantitative and qualitative methods, these was presented in form of tables and figures.

The study targeted a sample size of 199 respondents; with an 82.41% response rate of with 164 filled in and returned the questionnaires. This response rate was satisfactory and representative to make conclusions for the study. According to Mugenda and Mugenda
(2003), a response rate of 60% is good, a rate of 50% is adequate and a response rate of 70% and over is excellent for analysis and reporting. Based on this assertion, the response rate the study obtained was considered excellent. The findings showed that the Pharmaceutical distribution companies face lack of adequate product knowledge from the customers and their clients, competition from other marketers with similar products at cheaper prices, company deadlines and commission based salaries therefore a lot of pressure to perform, regulatory hindrances from the aggressive promotion of pharmaceuticals and receipt of funding from the pharmaceutical company to conduct medical education event(s) locally.

Over the past decades, pharmaceutical distribution have had to navigate a challenging and rapidly changing environment, in which stakeholders such as shareholders, physicians, patients, payers and regulators are creating significant pressures for change. Despite steady demand for its pharmaceutical products, the fundamental dynamics that the industry faces and that are reshaping the pharmaceutical marketplace where demand for medicines is likely to grow most rapidly over the coming years, are highly varied; governments are beginning to focus on prevention rather than treatment; regulators are becoming more risk-averse.

There is a real need for the pharmaceutical industry to change its marketing and sales functions in order to sustain future growth and performance. In order to be successful, Pharmaceutical distribution companies will need to stop the aggressive marketing focusing only on the product of the current model and understand the uniqueness of the pharmaceutical industry therefore recognizing the importance and interdependence of the payer, provider and pharmaceutical value chains, therefore benefiting from the complex and interactive process.
ACKNOWLEDGEMENT

This project would not have been possible without the support of many people. Many thanks to my adviser, who read my numerous revisions, offered guidance and support. Thanks to my husband, parents, sister and friends who endured this long process with me, always offering support and love.
# TABLE OF CONTENTS

STUDENT’S DECLARATION ........................................................................................................ ii
ABSTRACT ................................................................................................................................ iv
ACNOWLEDGEMENT ................................................................................................................ vi
TABLE OF CONTENTS ............................................................................................................. vii
LIST OF TABLES ..................................................................................................................... ix
LIST OF FIGURES ................................................................................................................... x
LIST OF ACRONYMS AND ABBREVIATIONS ........................................................................ xi

CHAPTER ONE .......................................................................................................................... 1
1.0 INTRODUCTION .................................................................................................................. 1
1.1 Background of the Problem ............................................................................................... 1
1.2 Statement of the Problem ................................................................................................. 5
1.3 General Objective ............................................................................................................ 7
1.4 Specific Objectives .......................................................................................................... 7
1.5 Significance of the Study ............................................................................................... 8
1.6 Scope of the Study .......................................................................................................... 9
1.7 Definition of Terms ....................................................................................................... 9
1.8 Chapter Summary .......................................................................................................... 10

CHAPTER TWO .......................................................................................................................... 11
2.0 LITERATURE REVIEW ...................................................................................................... 11
2.1 Introduction ................................................................................................................... 11
2.2 Internal Company Challenges Facing the Marketing of Pharmaceutical Products ......... 11
2.3 Regulatory Challenges Facing the Marketing of Pharmaceutical Products .................... 17
2.4 Market Challenges Facing the Marketing of Pharmaceutical Products ............................. 24
2.5 Chapter Summary .......................................................................................................... 32

CHAPTER THREE ....................................................................................................................... 33
3.0 RESEARCH METHODOLOGY ........................................................................................ 33
3.1 Introduction .................................................................................................................... 33
3.2 Research Design ............................................................................................................ 33
3.3 The Population and Sampling Design ............................................................................ 33
3.4 Data Collection Methods ............................................................................................. 33
3.6 Data Analysis Methods ................................................................................................. 37
3.7 Chapter Summary ................................................................................................................. 37

CHAPTER FOUR ......................................................................................................................... 38

4.0 RESULTS AND FINDINGS .................................................................................................. 38

4.1 Introduction .......................................................................................................................... 38

4.2 Background information ...................................................................................................... 38

4.3 Internal Company Challenges facing Marketing of Pharmaceutical Products .............. 47

4.4 Regulatory challenges facing marketing of Pharmaceutical products ......................... 49

4.5 Market challenges facing marketing of Pharmaceutical products ............................... 51

4.6 Inferential Analysis .............................................................................................................. 54

4.7 Chapter Summary ................................................................................................................ 56

CHAPTER FIVE .......................................................................................................................... 57

5.0 DISCUSSION, CONCLUSIONS, AND RECOMMENDATIONS .......................................... 57

5.1 Introduction .......................................................................................................................... 57

5.2 Summary ............................................................................................................................. 57

5.3 Discussion ............................................................................................................................ 58

5.4 Conclusion .......................................................................................................................... 61

5.5 Recommendations .............................................................................................................. 63

REFERENCES ............................................................................................................................ 66

APPENDIX I: QUESTIONNAIRE ............................................................................................. 77

APPENDIX II: MARKETERS QUESTIONNAIRE ...................................................................... 78

APPENDIX III: MANAGERS QUESTIONNAIRE ..................................................................... 81
## LIST OF TABLES

<table>
<thead>
<tr>
<th>Table No.</th>
<th>Table Title</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 2.3.3</td>
<td>Features of the Drug Registration System and Changes Introduced</td>
<td>23</td>
</tr>
<tr>
<td>Table 3.1</td>
<td>Sample Size</td>
<td>35</td>
</tr>
<tr>
<td>Table 4.1</td>
<td>Instrument Return Rate</td>
<td>38</td>
</tr>
<tr>
<td>Table 4.2</td>
<td>Relevance of Education of Pharmaceutical Marketing Activities</td>
<td>40</td>
</tr>
<tr>
<td>Table 4.3</td>
<td>Respondents Hindrances to Pharmaceutical Marketing</td>
<td>42</td>
</tr>
<tr>
<td>Table 4.4</td>
<td>Pharmaceutical Marketing Activities which Respondents are exposed to in their Professional Life</td>
<td>43</td>
</tr>
<tr>
<td>Table 4.5</td>
<td>Challenges in the Field of Marketing Pharmaceutical Products</td>
<td>44</td>
</tr>
<tr>
<td>Table 4.6</td>
<td>Team Encouragement</td>
<td>46</td>
</tr>
<tr>
<td>Table 4.7A</td>
<td>Extent of Statement Agreement on Pharmaceutical Marketing by Marketers</td>
<td>48</td>
</tr>
<tr>
<td>Table 4.7B</td>
<td>Extent of Statement Agreement on Pharmaceutical Marketing by Managers</td>
<td>49</td>
</tr>
<tr>
<td>Table 4.8A</td>
<td>Extent of Statement Agreement on Pharmaceutical Marketing by Marketers</td>
<td>50</td>
</tr>
<tr>
<td>Table 4.8B</td>
<td>Extent of Statement Agreement on Pharmaceutical Marketing by Managers</td>
<td>51</td>
</tr>
<tr>
<td>Table 4.9A</td>
<td>Extent of Statement Agreement on Pharmaceutical Marketing by Marketers</td>
<td>52</td>
</tr>
<tr>
<td>Table 4.9B</td>
<td>Extent of Statement Agreement on Pharmaceutical Marketing by Managers</td>
<td>53</td>
</tr>
<tr>
<td>Table 4.10</td>
<td>Regression Model Summary</td>
<td>54</td>
</tr>
<tr>
<td>Table 4.11</td>
<td>ANOVA Results Model</td>
<td>55</td>
</tr>
<tr>
<td>Table 4.12</td>
<td>Regression Coefficient Model</td>
<td>56</td>
</tr>
</tbody>
</table>
# LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.2</td>
<td>Business Model Concept</td>
<td>11</td>
</tr>
<tr>
<td>4.1</td>
<td>Length of Service</td>
<td>39</td>
</tr>
<tr>
<td>4.2</td>
<td>Highest Level of Education</td>
<td>42</td>
</tr>
<tr>
<td>4.3</td>
<td>Category of Products</td>
<td>42</td>
</tr>
<tr>
<td>4.4</td>
<td>Factors Affecting Decisions on the Marketing Activities</td>
<td>45</td>
</tr>
<tr>
<td>4.5</td>
<td>Challenges Faced by Managers in Provision of Quality Products.</td>
<td>46</td>
</tr>
</tbody>
</table>
### LIST OF ACRONYMS AND ABBREVIATIONS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIDS</td>
<td>Auto Immune Deficiency Syndrome</td>
</tr>
<tr>
<td>API</td>
<td>Active Pharmaceutical Ingredient</td>
</tr>
<tr>
<td>CBO</td>
<td>Congressional Budget Office</td>
</tr>
<tr>
<td>CBS</td>
<td>Central Bureau of Statistics</td>
</tr>
<tr>
<td>COMESA</td>
<td>Common Market for East and Central Africa</td>
</tr>
<tr>
<td>CSD</td>
<td>Committee on the Safety of Drugs</td>
</tr>
<tr>
<td>DANIDA</td>
<td>Danish International Development Agency</td>
</tr>
<tr>
<td>DMF</td>
<td>Drug Master File</td>
</tr>
<tr>
<td>DRA</td>
<td>Drug Regulatory Agency</td>
</tr>
<tr>
<td>EAC</td>
<td>East African Community</td>
</tr>
<tr>
<td>EDW</td>
<td>Enterprise Data Warehouse</td>
</tr>
<tr>
<td>EFTA</td>
<td>European Free Trade Association</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
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<td>ERP</td>
<td>Enterprise Resource Planning</td>
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<tr>
<td>FDA</td>
<td>Food and Drugs Act</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GMP</td>
<td>Good Manufacturing Practices</td>
</tr>
<tr>
<td>GOK</td>
<td>Government of Kenya</td>
</tr>
<tr>
<td>GTZ HSP</td>
<td>German Technical Cooperation Health Sector Programme</td>
</tr>
<tr>
<td>HIV</td>
<td>Human Immunodeficiency Virus</td>
</tr>
<tr>
<td>HMO</td>
<td>Healthcare Maintenance Organization</td>
</tr>
<tr>
<td>ICDRA</td>
<td>International Conference of Drug Regulatory Authorities</td>
</tr>
<tr>
<td>ICEG</td>
<td>International Centre for Economic Growth</td>
</tr>
<tr>
<td>ICH</td>
<td>International Conference of Harmonization</td>
</tr>
<tr>
<td>IMS</td>
<td>International Medical Services</td>
</tr>
<tr>
<td>JICA</td>
<td>Japan International Cooperation Agency</td>
</tr>
<tr>
<td>KEMSA</td>
<td>Kenya Medical Supplies Agency</td>
</tr>
<tr>
<td>KNH</td>
<td>Kenyatta National Hospital</td>
</tr>
<tr>
<td>KNDP</td>
<td>Kenya National Drug Policy</td>
</tr>
<tr>
<td>KREP</td>
<td>Kenya Rural Enterprise Program</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Full Form</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------</td>
</tr>
<tr>
<td>LDC</td>
<td>Least Developed Countries</td>
</tr>
<tr>
<td>LMIC</td>
<td>Low and Middle Income Countries</td>
</tr>
<tr>
<td>MASCA</td>
<td>Medicines and Allied Substances Control Act</td>
</tr>
<tr>
<td>MCAZ</td>
<td>Medicines Control Agency of Zimbabwe</td>
</tr>
<tr>
<td>MCO</td>
<td>Managed Care Organization</td>
</tr>
<tr>
<td>MDG</td>
<td>Millennium Development Goals</td>
</tr>
<tr>
<td>MEDS</td>
<td>Mission for Essential Drugs and Supply</td>
</tr>
<tr>
<td>MNC</td>
<td>Multi-National Companies/ Cooperation's</td>
</tr>
<tr>
<td>MRA</td>
<td>Marketing Authorization Holder</td>
</tr>
<tr>
<td>MSH</td>
<td>Management Services for Health</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
</tr>
<tr>
<td>NDA</td>
<td>New Drug Applications</td>
</tr>
<tr>
<td>OTC</td>
<td>Over the Counter</td>
</tr>
<tr>
<td>PPB</td>
<td>Pharma and Poisons Board</td>
</tr>
<tr>
<td>R &amp; D</td>
<td>Research and Development</td>
</tr>
<tr>
<td>SME’s</td>
<td>Small and Micro enterprises</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Science</td>
</tr>
<tr>
<td>SWOT</td>
<td>Strengths, Weaknesses, Opportunities and Threats</td>
</tr>
<tr>
<td>TB</td>
<td>Tuberculosis</td>
</tr>
<tr>
<td>TRIPS</td>
<td>Trade Related Intellectual Property Services</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
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<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UNIDO</td>
<td>United Nations Industrial Development Program</td>
</tr>
<tr>
<td>UNICEF</td>
<td>United Nations Children's Fund</td>
</tr>
<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
</tr>
<tr>
<td>WHO</td>
<td>World Health Organization</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
</tr>
</tbody>
</table>
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

For any organization to operate successfully, it must establish a match between itself and the environment in which it is operating. Pearce and Robinson (2002) noted, the environmental forces could either be the internal multifaceted activities, a firm’s internal, immediate external environment or even the remote external environment all of which contribute to making the business environment complex. Therefore, top-level decision must incorporate anticipation, monitoring and assessment of all environmental factors. This complexity and sophistication of the environment necessitates strategic management (Pearce and Robinson, 2002). Therefore, ability of an organization to be able to relate and competitively position itself in the environment will determine its success and survival in the environment.

The Kenyan business environment has experienced many changes among them; globalization, increased competition, and accelerated implementation of economic reforms by the government, privatization and commercialization of public sector, price decontrols and liberalization of both domestic and foreign markets (Aosa, 1992). All these changes require that organizations make adjustments in order for them to survive.

The pharmaceutical marketing industry is no exception and has also been affected by the environmental changes. Pharmaceutical importers and distributors are categorized as small and micro enterprises (SMEs), which face other unique challenges like lack of quality access to requisite information, unavailability of credit, poor market research and lack of market for their products (EMA, 2014). Despite these challenges, they continue to play a major role in providing employment opportunities. According to the National SME baseline survey conducted by Central Bureau of Statistics (CBS), International Centre for Economic Growth (ICEG) and Kenya Rural Enterprise Programme (Krep) in 1999, SMEs provided employment to 2.3 million people. Randiki (2000) noted that though medium sized firms played a bigger role as an engine for industrialization than SMEs, SMEs are also important as a seedbed for industrialization.
The global pharmaceuticals market is worth US$300 billion a year, a figure expected to rise to US$400 billion quickly (WHO, 2013). Controlling over one-third of this market, with sales over US$10 billion a year and profit margins of about 30%, are the 10 largest drug companies with six are based in the United States and four in Europe. With predictions of North and South America, Europe and Japan accounting for a full 85% of the global pharmaceuticals market in the 21st century. WHO (2013), Companies currently spend one-third of all sales revenue on marketing their products - roughly twice what they spend on research and development. Due to this pressure to maintain sales, there is an inherent conflict of interest between the public selection and rational use of drugs and the legitimate business goals of manufacturers and the social, medical and economic needs of providers (WHO 2013). This is particularly true where information as to which products are most effective is provided by drug companies. Even in the United Kingdom, promotional spending by pharmaceuticals companies is 50 times greater than spending on public information on health and the medical profession receives publicly-funded information (WHO, 2013).

After a long period of strong US market dominance from companies such as Novartis, Roche, Pfizer, the UK and Europe as a whole are facing increasing competition from emerging economies, such as China, Brazil and India. From 2003–2007, the UK, with companies such as GlaxoSmithKline and Astra Zeneca (BPI, 2011), was ranked as the fifth or sixth nation in the worldwide pharmaceutical market, but has since fallen to 10th position. China has remained one of the strongest growing countries in the world throughout the recession (IMS Health, 2014).

Due to the time needed to research, analyze and manufacture the drugs, entering the pharmaceutical field takes an immense amount of capital, this drugs are under WTO patent protection (Morgan, Joanna, and Daniel, 2007). The industry can be very lucrative, once a successful drug is manufactured and marketed, and constant research of new drugs, as the demand for pharmaceuticals is relatively stable even with economic slumps in some markets, therefore ensuring global competitiveness and success for a corporation; that is if the drugs also passed the other nations regulations (Morgan, Joanna, and Daniel, 2007).

In 2004, WHO estimated 90% of African Medicines Regulatory Authority (MRAs) lacked capacity to carry out medicines regulatory functions and more than forty African MRAs
were largely non-functional. This was due to lack of clear legislative framework, dispersion of regulatory responsibility, lack of resources, lack of experienced and qualified staff, lack of political support, lack of appreciation for importance of medicine regulation. (Guzman, 2010)

According to UNIDO (2010), providing adequate health care to their populations remains a major challenge for governments in Africa. Unsatisfactory and inadequate access to essential drugs and other healthcare commodities is a key limitation that impacts on people’s health in most developing and Least Developed Countries (LDCs). Adequate access to drugs is dependent on both the affordability and quality of the products. UNIDO (2010), Unaffordable drugs are clearly not the solution but, equally, affordable low quality products are not the answer either. Therefore, an industry that produces high quality drugs at competitive prices must be the target when developing local manufacture of pharmaceuticals in Africa.

The pharmaceutical sector is a complex one, involving many different stakeholders such as the manufacturers themselves, national regulators, government ministries, wholesalers and others. UNIDO (2010), as an asset to economic and social development, concerted action is required across the stakeholders to create the environment and industry that can flourish and realize its full potential. The role of different stakeholders can be seen with regard to the scourge of counterfeit drugs, which cause huge health problems and also represent a threat to legitimate manufacturers who effectively have to compete with these substandard products (UNIDO, 2010).

In the face of this situation, actions by, for example, regulators to reduce the penetration of these counterfeit products would benefit the local pharmaceutical industry as well as important from a public health perspective. Furthermore, how can high quality products are produced at affordable prices? Quality requires upgraded skills and equipment (UNIDO, 2010). This challenge requires the enablement of local companies to invest in high quality production by the relevant
government ministries to support to the industry. Consequently, the establishment and enforcement of quality standards by regulators is a critical element in solving the conundrum (UNIDO, 2010).

The importance of the health sector in economic growth and reduction of poverty is reflected in the Millennium Development Goals (MDGs). The Millennium Development Goals (MDGs) are eight international development goals that were established following the Millennium Summit of the United Nations in 2000. All on hundred and eighty nine (189) United Nations member states at the time and at least twenty three (23) international organizations, committed to help achieve the following, eight Millennium Development Goals by 2015 (UN- MDG, 2013, 2009) i.e. To eradicate extreme poverty and hunger, to achieve universal primary education, to promote gender equality, to reduce child mortality, to improve maternal health, to combat HIV/AIDS, malaria, and other diseases, to ensure environmental sustainability, to develop a global partnership for development.

WHO (2006), Three out of the eight goals refer directly to health. One additional goal refers to access to affordable drugs in developing countries. To ensure universal and equitable access to quality health services, governments must earmark a sufficient share of the public revenues for healthcare. As per the Abuja Declaration of 2001, countries were to earmark 15% of the national budget for the health sector but Kenya is yet to meet this target. While high income countries spend an average of 7% of Gross Domestic Product (GDP) on health, low income countries spend an average of only 4.2% on the sector. Insufficient health budgets due to deteriorating economic conditions, combined with burgeoning health problems such as the global HIV/AIDS pandemic, have led to an acute shortage of health workers (WHO, 2006), shortage of drug and medical supplies, unaffordable out-of-pocket costs for health services’ consumers, poorly remunerated health personnel or non-payment of health workers, poor quality of care, and inequitable healthcare services in many low income and transition countries. With corruption as both a cause and effect, the result has been the deterioration of general health among individuals and degradation of the health system in developing countries (World Bank, 2004).
The policy, legal/regulatory, and institutional environment in which the pharmaceutical sector is operating is outlined and, finally, some options are presented on actions that could be taken with the objective of strengthening marketing of local pharmaceutical companies (UNIDO, 2010).

Pharmacy and Poisons Act, Cap 244; the main legislation for the control of pharmacy in Kenya is the Pharmacy and Poisons Act, Cap 244. UNIDO (2010). Its main purpose is to regulate the profession of pharmacy and control the manufacturing, trade, and distribution of pharmaceutical products. Industrial Property Act, 2001, popularly known as the “Patent Act”; The Act provides for the promotion of inventive and innovative activities to facilitate the acquisition of technology by granting and regulating patents, utility models, technical innovations and industrial designs. Kenya acceded to the Trade-related intellectual Property Services (TRIPS) agreement by enacting this legislation in 2001 (UNIDO, 2010).

Anti-Counterfeit Act, December 2008; This Act was legislated to prohibit trade in counterfeit Agency for International Development (USAID), the Millennium Challenge consortium, and Management Sciences for Health (MSH) was carried out in 2007-2008 to compare Kenya Medical Supplies Agency’s (KEMSA), procurement prices with those of Mission for Essential Drugs and Supply (MEDS), Kenyatta National Hospital (KNH), and local manufacturers and distributors. The conclusion of the study was that, for the most part, KEMSA’s prices are more competitive than those of similar products purchased by health facilities from all the other entities surveyed (UNIDO, 2010).

1.2 Statement of the Problem

All business firms exist in an open system. This means they impact and are impacted by the internal and external conditions largely beyond their control. This requires managers to look beyond the limits of the firm’s own operations (Pearce and Robinson, 2002). It thus calls for all organizations, regardless of the sector in which they are, to formulate competitive strategies in response to this turbulent environment. This will enable them cope with competition.
Thompson, Strickland and Gamble (2007) postulate that the essence of good strategy making is to build a market position strong enough and an organization capable enough to produce successful performance despite unforeseeable events, potent competition, and internal difficulties. V.L. Crittenden and W.F. Crittenden (2008), stated that it is unfortunate that decades of research, teaching and consulting interactions with companies suggest that strategy implementation has become a catchall of phrases and recommendations, with little clarity as to what, compromises this necessary cornerstone of a capable organization. Achieving a competitive advantage position and enhancing firm performance relative to their competitors are the main objectives that business organizations in particular should strive to attain (Raduan, 2009). Organizational performance refers to how well an organization achieves its market-oriented goals as well as its financial goals (Hill & Cuthbertson, 2011). A number of prior studies have measured organizational performance using both financial and market criteria, including return on investment (ROI), market share, profit margin on sales, the growth of ROI, the growth of sales, the growth of market share, and overall competitive position (Hill & Cuthbertson, 2011). However, these studies found no link between strategy and performance.

Studies have been carried out on competitive strategies adopted by Kenyan firms from various sectors. These studies include, Ndubai (2003), who studied competitive strategies in the retail sector of the pharmaceutical industry in Nairobi. It revealed that strategies used included strategic choice of location, stocking other items like cosmetics, surgical and diagnostic items, attractive counter displays, staff uniforms and road signboards. Karanja (2002) studied competitive strategies by real estate firms and found that most firms used differentiation, cost leadership though to a lesser extent and narrow focused differentiation.

In his study, Kiragu (2014), concluded that the government regulations affect the competitiveness in many ways and this is especially significant in life companies where return on investment have big impact on profitability and fund growth, thus requiring greater capital investment is restricting entry of firms while at the same time encouraging mergers and buyouts. Furthermore, he concluded that distribution channel affected service delivery levels and internet marketing and distribution and recruit more agents respectively should be adopted to improve competitiveness
through the distribution channels. Economies of scale give a competitive advantage and thus adopting cost leadership strategies enables the maximization of production while minimizing their cost of operation (Sifuna, 2014). These studies revealed the existence of competitive strategies in the firms studied. However, when executing these strategies on the performance of the firms studied, they did not examine the influence of the challenges faced nor did not relate challenges facing marketing to performance (Obado, 2005). This therefore justifies the need for further research in this area.

UNIDO (2010), observed that the drug distribution system in Kenya can be classified into public (government), Non- governmental organizations (NGOs), and private channels. The private sector is served by distributors (distributing both imported and locally-manufactured goods) and the local manufacturers directly. There are many distributors and wholesalers registered by the Pharmacy and Poisons Board and some wholesalers also retail. UNIDO (2010), reports that a large number of unregistered outlets also exist and this number is currently estimated at between 3,000 and 4,000 according to the Africa Union Pharmaceutical Plan for Africa. Consequently, local suppliers have little opportunity to expand their market other than in the case of emergency supplies.

1.3 General Objective

To determine the challenges facing the marketing of pharmaceutical products in Kenya by distributors.

1.4 Specific Objectives

1.4.1; To determine if there are internal company challenges affecting the marketing of pharmaceutical products in Kenya

1.4.2; To determine if there are regulatory challenges facing the marketing of pharmaceutical products in Kenya

1.4.3; To determine if there are market challenges facing the marketing of pharmaceutical products in Kenya
1.5 Significance of the Study

Over the past decade, pharmaceutical companies have had to navigate a challenging and rapidly changing environment, in which stakeholders such as the pharmaceutical industry i.e importer/distributors and manufacturers, physicians and patients, and regulators are creating significant pressure for change. Farmacia, (2009), showed that despite steady demand for its products, the industry’s current challenges in the business model, regulatory and markets are a big hurdle. The findings of this study will add on to the body of knowledge already existing and will also be a basis for further research. Players in this industry will also be able to understand the strategic competitive issues they need to address in order to position themselves more competitively.

1.5.1 Significance to the Pharmaceutical Industry i.e. Importers/ Distributors, and Manufacturers.

The importers and distributors are required to maintain certain standards in order to protect the quality and integrity of the products through proper storage and handling. They also need to demonstrate that their brands add value to patients and they have to offer a package of products and health services that the market not only wants and needs but is willing to pay a premium for. There is a real need for the Pharmaceutical industry to face its marketing and sales challenges in order to sustain future growth and performance (Farmacia, 2009). This study aims at highlighting these challenges.

1.5.2 Significance to Physicians and Patients

The study of challenges facing pharmaceutical marketing is important to Physicians and patients because marketers influence the physician (prescribers) behaviors and by extension the patient buying behavior in a positive and significant manner. The objective part of the relationship consists of awareness-building and information transfer and it is important to recognize this reality and take appropriate steps so as to make this relationship as efficient and effective as possible.

1.5.3 Significance to Regulators and Policy Makers

The role of the regulatory authorities is to ensure the quality, safety, and efficacy of all medicines in circulation in their country. This includes the process of manufacturing,
distribution, and promotion of drugs in addition to regulating and monitoring the drugs. The study gives greater insight into the role regulators play in the challenges facing marketing of Pharmaceuticals.

1.6 Scope of the Study

The study was about challenges facing the marketing of pharmaceutical products in Kenya by distributors. The population of study consisted of three of the distribution companies operating in Nairobi i.e. Harleys limited, Surgipharm Limited and Surgilinks Limited. Nairobi was considered for the study because being the capital city it is home to most of the importers and distributors of pharmaceutical products in the country. Data was collected over a period of two (2) months from June 2015 to July 2015. This was relevant in collecting the data required as time and distance were the limiting factors that inhibited collecting the data from all the distributors across the country.

1.7 Definition of Terms

1.7.1 Pharmaceutical products
These are a fundamental component of both modern and traditional medicine and are more commonly known as medicines or drugs. They include both prescription and non-prescription over-the-counter (OTC) drugs (WHO, 2016)

1.7.2 Pharmaceutical Industry
This refers to the discovery, development, and manufacture of drugs and medications (pharmaceuticals) by public and private organizations. It provides products which can significantly influence the overall productivity, aggregate demand, and consumer behavior in terms of use. The pharmaceutical industry in Kenya consists of three segments namely the manufacturers, distributors and retailers (Encyclopaedia Britannica, 2016)

1.7.3 Pharmaceutical Marketing
Any activity by a drug company intended to increase sales of its products i.e. advertising, sponsoring symposiums and conferences, sampling (McGrawHill, 2002)
1.8 Chapter Summary

All business firms exist in an open system. This means they impact and are impacted by the internal and external conditions largely beyond their control. This requires managers to look beyond the limits of the firm’s own operations (Pearce and Robinson, 2002). It thus calls for all organizations regardless of the sector in which they are to formulate competitive strategies in response to this turbulent environment. This will enable them cope with competition.

There are many distributors and wholesalers registered by the Pharmacy and Poisons Board and some wholesalers also retail. A large number of unregistered outlets also exist and this number currently estimated between 3,000 and 4,000.

The study sought to examine the influence of the challenges during marketing of pharmaceutical products which therefore influence the performance of the firms studied, as majority of the studies conducted on strategy and performance did not examine the influence of the challenges faced nor did not relate challenges facing marketing to performance. The study looked at three distribution companies located in Nairobi over a two month period.

In the follow up chapters, there will be a summary of the information from other researchers who have carried out their research in the same field of study, procedures and techniques that were used in the collection, processing and analysis of data, the interpretation and presentation of the findings including the major findings and results of the study and finally the discussion on key data findings, conclusion drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations drawn were focused on addressing the objective of the study.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction
This chapter presents review of theoretical and empirical literature related to pharmaceutical strategic management practices, competition and performance. The chapter is structured into the following subsections: Internal company challenges facing the marketing of pharmaceutical products, regulatory challenges facing the marketing of pharmaceutical products and market challenges facing the marketing of pharmaceutical products.

2.2 Internal Company Challenges Facing the Marketing of Pharmaceutical Products
2.2.1 Internal Company Challenges Facing the Marketing of Pharmaceuticals Globally

2.2.1.1 The Traditional Pharmaceutical Company Business Model

In Rasmussen (2007b), the purpose of the business model was described by Chesbrough and Rosenbloom (2002) as providing the construct that mediates the value creation process between the technical and economic domains, selecting and filtering technologies and packaging them into particular configurations to be offered to the market. Drug discovery and other technology projects for continued investment is a major task for pharmaceutical firms. In the traditional business model, pharmaceutical companies adopted the closed innovation model (Chesbrough in Chesbrough et al. 2006).

Source; Osterwalder (2004), the business model concept improves the alignment of strategy, business organization and technology”.

Figure 2.2: Business Model Concept
According to Chandler (2005), they conducted the majority of their research internally which provided the basis for the development of their own drugs. Firms conducted basic research confident of their downstream commercialization capabilities (Rosenberg 1990). Chesbrough and Rosenbloom (2002) define the value proposition as the value created for users by the offering based on the technology. For the user, the value proposition of the pharmaceutical companies has been quite powerful. A major impact on saving and improving the quality of life is the modern scientifically based medicines. In the post war period, pre biotechnology, this was based on the success of a range of new drugs including antibiotics, contraceptives, vaccines and anesthetics. According to, Chesbrough and Rosenbloom (2002), increasingly scientific based knowledge accumulated by pharmaceutical firms and the predictability of the outcomes of the drugs has supported the value proposition, assisted by clinical testing processes and by the certification provided by the FDA and/or equivalent agencies in other countries, in the public mindset.

Rather than the consumer of the medicine, Rasmussen (2010), the key market segment for the pharmaceutical company has been the physician employed by the pharmaceutical firms, to meet with physicians, sales representatives, this so called ‘detailers’ are sent to explain the advantages of a particular drug. Each major new drug has been launched with a comprehensive and expensive global marketing campaign that involved the full range of marketing tools including media advertising, comprehensive information packs, and special events for doctors, conference presentations, and a dedicated sales force in this new model.

Further to this, Rasmussen (2010) suggested a further market segment, such as insurers, that needed to be persuaded of the value of any new drug, therefore bringing countervailing power to the price negotiations. These organizations affected sales and prices of new drugs but their insistence on generic substitution once patent protection expired also had a major impact on sales revenue (Rasmussen, 2007).

The revenue model developed by the pharmaceutical companies since the 1970s increasingly depended on the sales of a relatively small number of drugs (Achilladelis, 1999). This revenue model became known as the as the ‘blockbuster’ model (Mercer Management Consulting, 2001). It involves, achieving substantial global sales (say in
excess of $1000 million p.a.), the search for, and distribution of a small number of drugs. Achieving large returns from a small number of drugs in order to pay for the high cost of the drug discovery and development process for a large number of candidates ensures the success of this model (Achilladelis, 1999).

According to, Chesbrough (2006), the structure of the value chain of the individual pharmaceutical company was relatively self-contained, prior to the advent of biotechnology. Each pharmaceutical company was fully integrated conducting its own research, development, manufacturing and distribution of its own drugs, but with the innovation processes of the large firms were largely closed. The pharmaceutical industry product pipeline/ value chain is highly structured, being governed to a large degree by the drug approval process, in which successful drugs are ‘moved’ down the drug pipeline through a succession of stages - from discovery, to preclinical, clinical, regulatory approval to manufacturing marketing and sales, (Rasmussen, 2007).

Capability building refers to how an organization learns. Organizational learning takes place through knowledge acquisition, knowledge dissemination and knowledge utilization (Anthony and Edwin, 1998; Keil, 2004). It was found by Penning in 2004 that the business capability could be facilitated by the willingness of founder entrepreneurs to appreciate the value of management qualifications like any other profession. It requires high absorptive capability and absorptive capacity is influenced by prior knowledge base and intensity of efforts (Linsu, 1998).

Capability building is evolutionary, path dependent and has transaction cost (Ahuja and Katila, 2004). Factors that affect capability building are the initial conditions, prior knowledge and knowledge management practices (Keil, 2004; Anthony and Edwin, 1998; Linsu, 1998; Liyangeand Barnard, 2002). Maccoby (1999) argued that leadership and team member skills are required for building cross-functional capabilities. Madhok (2002) observed that resource interaction between firms during networking develops competencies of partner firms. Increased investment in marketing and firm specific experience (Kor and Mahoney, 2005) also helps in building capability. Organizational designs and processes also help build unique capabilities (Miller et al., 2002). A research
by Ethiraj et al. (2005) on capability building in software firms shows that client specific capability is the function of repeated interactions with client over time and across different projects, while project management capability is acquired through deliberate and persisted investments in infrastructure and systems to improve the firm’s software development process.

Internationalization capabilities can be built through sequential entry process in terms of distance and area of business (Chang, 1995). Shin (1990) found that capability building during internationalization process is influenced by level of sophistication in the management system of the firms. Localized factors (Mariotti and Piscitello, 2001) and social and human capital (Hitt et al., 2003) also influence capability building during internationalization.

The pharmaceutical industry is at a crossroads: patents expiring, public policy and budgetary challenges, changes in how patients access medicine (Forum, 2011). The elusive search for the right business model is the underlying challenge to all the others. For quite a while, there was a relative consensus on the right model for integrated pharmaceutical companies, and within that, the strategy and model for how they operated is at least 50 years old. Bowe (2011) postulated that as the business environment is changing rapidly with heavy structural shifts and these companies’ business models are built for these markets, this point to a future with new growth in the emerging markets in the industry. E.g. Pfizer has pushed toward a more distributed business model touching more of the value spectrum in pharmaceutical products, while not completely eschewing the high-value, high-risk R&D, it has (Bowe, 2011).

Baines (2010), Generic drugs have always been a big challenge for the established big Pharma companies. Big Pharma companies spend many years and millions of dollars (approximately $802 million estimated by the Congressional Budget Office, (CBO) from discovery to product launch. In 1976 the estimate was $137 million dollars and by 1990 it had increased to $445 million dollars. These companies are able to take advantage of their hard work and investments while their patents are in effect, but as soon as these patents expire, the generic drug makers are able to undercut the big Pharma profit margin within
six (6) months by producing lower cost, and in most cases very effective alternatives. According to Baines (2010), the recent economic downturn, healthcare reform in many countries and less disposable income for customers have made the generic option more attractive to payers, insurance companies and consumers concerned with managing their costs. As a result the generic drug makers have been making inroads in the product sales of the branded products.

Baines (2010), Regulation also impacts many other issues and stakeholders concerned about issues like Global Warming - the effects of manufacturing plants on the environment. Animal Rights groups (resistance to testing in animals) and many other groups. These groups often have not only the monetary resources but also the political connections that can make it very difficult for Pharma companies to operate to their full potential in many countries and markets. Pharma companies would be well served to understand the concerns and improve these relationships and not get into a situation where they have trouble marketing and selling their products after clearing the high hurdle of research and development and passing product efficacy and safety clinical trials.

The United States is by far the biggest market for Pharmaceuticals. Many companies recognize the need to start putting more resources and infrastructure in other regions and countries that have the potential to become significant sources of growth in the very near future. China and India are the countries that readily come to mind, but countries like Brazil, Russia and even Poland are being looked at as markets that still have significant areas where the needs of patients with certain diseases are not being met (Baines, 2010).

### 2.2.2 Internal Company Challenges Facing the Marketing of Pharmaceuticals in Africa

While patients in the West enjoy widely accessible treatments that allow them to live longer, fuller lives, Hink (2001), treatment in Africa is practically non-existent. The drugs, manufactured by U.S. and European pharmaceutical companies with exclusive patents, are priced far out of the range that even Africa's most developed nations - including South Africa - can afford. At the center of this debate is the ongoing dispute between the US and
South Africa regarding intellectual property rights, compulsory licensing, and parallel importing of HIV medication. Lawmakers, public health officials, activists, and the drug companies continue to fight about which comes first - public health or corporate profits. According to Hink (2001), drug companies, until a recent legal and public relations struggle, had been unwilling to make good faith efforts to reduce prices. They believe that 1% of revenue is necessary for researching possible vaccines and cures for the disease. They also assert their intellectual property rights and patents, which until recently were rarely respected in the developing world. Since the World Trade Organization (WTO) was created in 1995, member nations have had to respect 20 year patents on file with other members - including the pharmaceutical company’s patents on AIDS medications.

Hink (2001), said that the WTO Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement codifies standards for adequate protection of patents. The TRIPS agreement also allows two special practices that countries can use to lower the price of pharmaceuticals - compulsory licensing and parallel importing. Compulsory licensing gives the government the right to grant a license to a domestic manufacturer of a generic drug, provided that they pay royalties to the patent holder. According to Hink (2001), the introduction of competition often drastically lowers prices, while both companies still turn a profit. Price reductions have been as high as 82%. Parallel importing allows countries to "comparison-shop" for the world's best market price of a drug and import quantities for sale in the domestic market.

According to IMS Health (2012), most of the major pharmaceutical MNCs have had a presence in Africa for a number of years. Among the first companies (or precursors of today’s companies) to enter the continent were Abbott (South Africa, 1930s), Sanofi-Aventis (Morocco, 1953), Novartis (Egypt, 1962), Pfizer (Morocco, 1963) and GSK (Nigeria, 1971). Eleven MNCs have predominantly focused on, and succeeded in marketing, branded innovative and generics drugs to the private sector in urban areas. Products have typically targeted in-demand therapy areas, such as vaccines, anti-infectives and anti-diabetics, with sales mainly concentrated in Northern and South Africa. Few opportunities have been realized in the public sector although MNCs have had some success through tendering, particularly in the more established markets such as South...
Africa. IMS Health (2012), In general, success strongly correlates with linguistic and economic links, where existing business ties stem from colonial history. French companies, for example, have typically performed best in predominantly Francophone North and West Africa, while companies from the UK and former British colonies see the healthiest revenues in predominantly Anglophone East and Southern Africa.

IMS Health (2012) postulated that there are three differentiating attributes to Africa when it comes to assessing what it takes to succeed. Firstly, to really fulfill pharmaceutical opportunity potential, a strategy needs to be tailored for different areas within a large, heterogeneous market. Pharmaceutical companies need to understand the similarities and differences across the continent that hinge on geographic, economic and cultural attributes. Secondly, unlike Western and other pharma-emerging markets, most African markets have nascent market access capabilities. IMS Health (2012), this is predominantly manifested in the hurdles companies must overcome when registering, pricing and distributing their product (e.g., path to market) and in ensuring their product is accessible and usable by the patient (e.g., path to patient). Finally, African markets are still poorly understood: information on medicine consumption is not systematically collected, resulting in fragmented and patchy data.

Consequently, market players need to work with local partners to strengthen and leverage data collection to inform the opportunity. Information is also crucial to sustain and build the opportunity moving forward, just as robust data has become a cornerstone of care provision and quality improvements in traditional markets (IMS Health 2012).

2.3 Regulatory Challenges Facing the Marketing of Pharmaceutical Products

2.3.1 Regulatory Challenges Facing the Marketing of Pharmaceutical Products Globally

The modern medicines regulation started only after breakthrough progress in the 19th century life sciences, especially in chemistry, physiology and pharmacology, which laid a solid foundation for the modern drug research and development and started to flourish after the Second World War. Unfortunate events have catalyzed the development of medicines regulation more than the evolution of a knowledge base. In 1937 over 100
people in the United States died of diethylene glycol poisoning following the use of a sulfanilamide elixir, which used the chemical as a solvent without any safety testing (Rägo and Santoso, 2008). This facilitated introduction of The Federal Food, Drug and Cosmetic Act with the premarket notification requirement for new drugs in 1938. The second catastrophe that influenced the development of medicines regulation far more than any event in history was the thalidomide disaster. Thalidomide was a sedative and hypnotic that first went on sale in Western Germany in 1956. According to, Rägo and Santoso (2008), between 1958 and 1960 it was introduced in 46 different countries worldwide resulting in an estimated 10,000 babies being born with phocomelia and other deformities.

As a result the whole regulatory system was reshaped in the UK where a Committee on the Safety of Drugs (CSD) was started in 1963 followed by a voluntary adverse drug reaction reporting system (Yellow Card Scheme) in 1964. In the United States, The Drug Amendments Act of 1962 was passed by Congress requiring the FDA to approve all new drug applications (NDA) and, for the first time, demanded that a new drug should be proven to be effective and safe (Rägo and Santoso 2008). Of equal importance, the FDA was also given the authority to require compliance with current Good Manufacturing Practices (GMP), to officially register drug establishments and implement other requirements.

Somewhat parallel with the ongoing harmonization and movement towards creating a common market for medicines inside the EU, the need for wider harmonization was after preliminary contacts between officials from Japan, EU and US discussed during the International Conference of Drug Regulatory Authorities (ICDRA – organized by WHO every second year) in Paris in 1989. According to Boxtel, Santoso and Edwards (2008), the preliminary informal discussions had revealed a need for the harmonization of requirements relating to the new innovative drugs and the green light given in Paris led to the establishment in 1990 of the International Conference on Harmonization of Technical Requirements for the Registration of Pharmaceuticals for Human Use (ICH), a collaborative initiative between the EU, Japan and the United States with observers from WHO, EFTA and Canada.
ICH harmonization focuses primarily on technical requirements for new, innovative medicines. However, countries with limited resources are mostly generic markets and may have difficulties of implementing numerous sophisticated ICH standards. Pharmaceutical regulatory harmonization facilitates the availability of safe, effective and good quality pharmaceuticals. Boxtel, Santoso and Edwards (2008), postulated that the World Health Organization (WHO) supports harmonization on national, regional, inter-regional and international levels. International consensus on quality, safety and efficacy standards can accelerate the introduction of new medicines and increase availability of generic medicines through fair competition, thereby lowering prices.

The Indian pharmaceutical industry, which was import dependent in the 1950s, has achieved self-sufficiency and gained global recognition as producer of low cost, high quality bulk drugs and formulations. It is ranked among top 20 pharmaceutical exporters of the world (Reuters, 2011). Indian pharmaceutical firms have their presence in more than 70 countries, including USA with largest number, sixty (60) of USFDA approved plants outside USA and large number, one hundred and twenty six (126) of DMF (Drug Master File) and product registration (Deccan Herald, 2005). Thus, it is observed that the Indian pharmaceutical firms have made a mark in international markets. They were facing most of the above-mentioned constraints as emerging market firms.

Pant (2014), concluded that one of the major constraints faced by Indian pharmaceutical firms in their internationalization was to manage regulatory requirements of various foreign markets. The main objective of regulations and good practices is the protection of public health in the context of pharmaceutical industry. Regulators and the general public are getting more and more sensitive to safety issues which call for identifying more stringent ways of considering the benefit risk ratio of new products. There has been an increase in the requirement of clinical trials data and other related data resulting into a longer time to market (more than 12 years) with escalating costs of Research and Development (more than 800 M Euro) (Juilett, 2007). Therefore, it is almost impossible to get return on investment in registering and marketing only in a few countries or regions. The development of new products is increasingly becoming a global decision and the aim
of the firms is to get a marketing authorization in most of the key countries. The marketing authorization refers to regulatory approval from respective countries regulatory authority. It is with respect to approval of manufacturing plant and product registration.

Regulatory approval is one of the barriers to market entry in international markets. To enter international markets pharmaceutical firms require complying with the norms of concerned country’s regulatory authority. The norms are related to approval of manufacturing plant that will be used to manufacture pharmaceutical products for international markets (Gray 2004, Hill and Johnson 2004, Timmermans 2004). The products to be manufactured in this plant are then required to be registered with respective countries’ regulatory authorities to sell it in the foreign markets. In most countries, the production and distribution of drugs is almost exclusively undertaken by the private sector, largely consisting of extremely powerful multinational corporations. Regulation of the industry is essential to ensure the production of safe and efficacious drugs. Recent efforts to improve access to medicines in the developing world has led to a focus not only prices and international barriers to trade, but on national drug regulatory agencies (DRAs), in their role in registering drugs for use (Gray 2004, Hill and Johnson 2004, Timmermans 2004).

2.3.2 Regulatory Challenges Facing the Marketing of Pharmaceutical Products in Africa

According to WHO (2002), in many countries, the national drug policy defines public policy relating to the pharmaceutical sector, including regulation. In Uganda, the National Drug Policy and Authority Statute, 1993 states “To ensure availability at all times of essential, efficacious and cost effective drugs to the entire Ugandan population.” Uganda passed its first drug regulation law, Eddagala Luwangula, in 1952. Regulation of medicines in Zimbabwe started in 1969, with the promulgation of the Drugs and Allied Substances Control Act, Chapter 320. The 1997 amendment transformed the Drugs and Allied Substances Control Act into the Medicines and Allied Substances Control Act (MASCA), which established the Medicines Control Agency of Zimbabwe (MCAZ), with increased authority. Zimbabwe’s policy “Ensuring the achievement of quality health
services delivery to the public in a safe, accessible and effective manner through the control of the manufacture, distribution, storage, and dispensing of both human and animal medicines throughout Zimbabwe at a sustainable cost.” (WHO, 2002).

Improperly functioning health regulatory systems have been observed in a range of LMICs (e.g. Zimbabwe, Tanzania, and Lao PD) (Hongoro and Kumaranayake 2000, Stenson et al 1997, Kumaranayake et al 2000). Hongoro and Kumaranayake (2000) identified capacity as a key factor influencing the ability of regulation to achieve its stated goals. Regulatory agencies often face crippling manpower shortages that severely curtail their ability to perform designated tasks. A comparative 10-country study of drug regulation concludes that ‘the shortage of qualified staff is the main problem faced by regulatory authorities’ (Ratanawijtrasin and Wondemagegnehu 2002).

According to Masebula, Goudge & Gilson (2005), countries have responded to capacity shortages in a variety of ways. Many developing countries employ part-time drug evaluators e.g. Health Professions Council in Zimbabwe, Drug Control Council in Tanzania etc, and Medicines Control Council in South Africa. Some agencies accept approval decisions taken by other countries or international organizations, such as the International Conference on Harmonization (ICH). Some developed countries have introduced fees paid by the pharmaceutical industry per approval application, providing sufficient funds to increase staff numbers and salaries e.g. Australia and the Netherlands. Yet, these strategies to cope with inadequate capacity have the potential to threaten the independence of a regulator, through, for example, the reliance on fees from industry, or part time evaluators. A key requisite for effective regulation is ‘independence from regulatory capture’ – the ability of the agency to take decisions that are guided by the interests of public health (Goddard 2003), and not shaped by the interests of industry or by a lack of government commitment financial or otherwise. WHO 2002, Legal provisions for inspection of distribution channels and control of drug promotion and information exist in all the countries.
2.3.3 Regulatory Challenges Facing the Marketing of Pharmaceutical Products in Kenya

Kenya is one of five countries which make up the East African Community (EAC), together with Burundi, Rwanda, Uganda and the United Republic of Tanzania; and Kenya is also a member of the Common Market for Eastern and Southern Africa (COMESA). Countries in the EAC sub-region are working towards regional economic, social and political integration; to this end, a common customs union and a legislative assembly are in place, and there is ongoing collaboration in many areas. Kenya plays a prominent role in the global and sub-regional health arena, and remains an important economic hub in the sub-region. It has the largest economy among the EAC countries, and is a major exporter of commodities – including pharmaceuticals - to the EAC and COMESA, giving pharmaceutical issues in Kenya a broader context and implications beyond the country’s borders. (Mbindyo, Okello and Kimani, 2010).

In the period 2005 to 2009, WHO provided intensified support to the pharmaceutical sector in Kenya, mainly in response to the multiple challenges facing the sector. Many other partners, including USAID, GTZ, DANIDA, JICA, UNICEF, the World Bank and some faith-based organizations (FBOs), continue to make significant contributions to assist the Government to address pharmaceutical issues. (Mbindyo, Okello and Kimani, 2010) According to Kenya pharmaceutical review (2005), the World-Bank supported a series of in-depth studies on the country’s pharmaceutical sector which highlighted the fact that pharmaceutical issues were poorly integrated within health sector policies and strategies, and that human resource constraints and lack of sector wide strategic engagement were severely hampering pharmaceutical services. Furthermore, crosscutting functions such as regulation, quality assurance, distribution and appropriate use of medicines remained largely unaddressed.

According to Mbendyo, Okello and Kimani (2010), Revision of the Kenya National Drug Policy (KNDP) was initiated in late 2006 and concluded in 2009. Revision of the policy framework had virtually been concluded in 2007, but the split of the Ministry of Health into two stand-alone ministries (Ministry of Public Health & Sanitation, and Ministry of
Medical Services) in mid-2008 completely derailed progress as the Government took time to define the exact roles of each new ministry.

According to PPB (2014), In Kenya, Medicines regulation is undertaken by the Pharmacy and Poisons Board (PPB), which was established in 1957 through an Act of Parliament. Although the mandate of the PPB has been enhanced over the years through various legislative amendments, the regulatory system was generally perceived as weak, and lacking the necessary mandate and independence to ensure full regulatory control of the sector. To identify priority areas of support in medicines regulation, WHO undertook a standardized assessment of the medicines regulatory system in February 2006 (WHO 2006), which highlighted several shortcomings. Problems included were lack of autonomy, conflicting roles and responsibilities, the inadequate scope of regulatory mandate, an outdated legal framework and inadequate technical and administrative structures.

**Table 2.3.3: Features of the Drug Registration System and Changes Introduced**

<table>
<thead>
<tr>
<th>Feature</th>
<th>Previous</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dossier assessors</td>
<td>External committee of experts</td>
<td>Internal staff trained (generics). External experts (innovator products)</td>
</tr>
<tr>
<td>Standards for drug registration</td>
<td>Not specified</td>
<td>Adapted from the Common Technical</td>
</tr>
<tr>
<td>Existence of published guidelines</td>
<td>No</td>
<td>Yes. Reviewed by stakeholders and international experts, and posted on the PPB web site. Implementation: March 2010</td>
</tr>
<tr>
<td>Number of staff</td>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td>Number of nationals trained in dossier assessment for products</td>
<td>2</td>
<td>30 (includes external assessors and personnel from other departments, e.g. NQCL and inspectorate)</td>
</tr>
<tr>
<td>Registration software (SIAMED)</td>
<td>SIAMED installed in 2006, but not used.</td>
<td>Re-installation of SIAMED and training scheduled in 2010, to support restructured registration system</td>
</tr>
</tbody>
</table>

Source: WHO (2010), Experience with supporting pharmaceutical policies and systems in Kenya.
According to Mbindyo, Okello and Kimani (2010), Drug registration has been streamlined through restructuring of procedures and guidelines, deployment of additional staff and skills enhancement for internal and external assessors. Key regulatory personnel were trained on assessment of dossiers for interchangeable multi-source (generic) medicines and risk-based approaches in medicines regulation. Training was mostly done in sub-regional workshops, and involved peer learning, enabling participants to share experiences and learn from regulators from neighboring countries.

The larger the number of drugs on the market, the greater the burden of conducting systematic evaluation and re-evaluation of the safety and efficacy of drugs, carrying out post-marketing quality surveillance and monitoring ADR in drugs available on the market.

2.4 Market Challenges Facing the Marketing of Pharmaceutical Products

2.4.1 Market Challenges Facing the Marketing of Pharmaceutical Products Globally

2.4.1.1 Marketing Channel Intermediaries and Relational Norms

Channel intermediaries are independent businesses and loosely aligned through consensus. They could be part of a simpler supply chain or could be part of a more complex network. In any case, to fulfill customer needs and wants, marketing channel systems or networks perform various activities such as physical distribution, warehousing, storage, flow of information, flow of revenue and profits, and logistics (Stern et al., 1996). While contractual or corporate channels are not uncommon, recent studies have questioned the traditional linear perspective of the supply chain and have suggested a more complex network perspective (Achrol, 1997; Achrol and Kotler, 1999; Snow, 1997; Walker, 1997).

Despite the divergent perspectives, the importance of relational norms towards the efficient and effective functioning of a distribution channel has been acknowledged in the channels and supply chain areas (e.g., Boyle et al., 1992; Dant and Schul, 1992; Ganesan, 1994; Kaufmann and Dant, 1992; Kaufmann and Stern, 1988; Mattila, 2001; Mentzer et al., 2001; and Paswan et al., 1998). Most researchers and practitioners in marketing channels, supply chain, and logistics agree that coordination and collaboration between channel members, and the relational norm guiding such behavior are the essence of modern day marketing channels management.
From a strategic perspective, Morgan and Hunt (1994) confirm that changes are taking place in the practice and theory of business relationships; in other words, towards establishing, developing, and maintaining successful relational exchanges. The importance of developing and maintaining enduring relationships with intermediaries is also widely accepted in logistics and supply chain literature (Fugate et al., 2006; Kahn et al., 2006; Mentzer et al., 2001). A strong feeling of trust, cooperation, open communication, and a reduction in the adversarial feelings towards the trading partners are the core characteristics of relationalism. While some of these sentiments have been used in the context of relationship marketing (Berry, 1983; Berry and Parasuraman, 1991; Gronroos, 1994), use these to characterize the relationship between supply chain partners). In fact, it is suggested that network partners may even forgo short-term profits if relationalism in the network leads to long term gains. To that end, expectations of a non-economic, psychological, and social payoff may even become more important than strict transactional payoffs.

2.4.1.2 Components of the Pharmaceutical Industry Manufacturing and Distribution Chain

A typical pharmaceutical supply chain will consist of the one or more of the following nodes (Shah, 2003): Primary manufacturing (possibly including contractor sites); secondary manufacturing (possibly including contractor sites); Market warehouses or distribution centers; Wholesalers; and retailers or hospitals.

2.4.1.2.1 Primary Manufacturing

The primary manufacturing site is responsible for the production of the active pharmaceutical ingredient (AI or API). This normally involves either several chemical synthesis and separation stages to build up the complex molecules involved, or fermentation and product recovery and purification in the case of biochemical processes. The manufacturing process is characterized by long task processing times, often rounded
to multiples of shifts. Where multistage processes are operated, considerable inventories are often held between stages. Furthermore, material from an intermediate stage must often pass some form of quality control check before being approved for use downstream in the process. This can introduce additional delays into the system. Since most complex pharmaceuticals are produced through multistage processes, the same often holds true for the stable intermediates (stage products). Needless to say, this mode of operation does not lend itself well to responsiveness, and contributes significantly to some of the poor supply chain metrics exhibited by this industry, (Shah, 2003).

A further source of complexity (and convenience) is the use of contractors to manufacture some or indeed all of the active ingredient stages. This process of outsourcing is a growing one, as research-oriented companies concentrate on the discovery and development activities and rely on third parties’ manufacturing competence. This gives rise to extended supply chain co-ordination problems.

2.4.1.2.2 Secondary Manufacturing

Shah (2003), This is concerned with taking the active ingredient produced at the primary site and adding “excipient” inert materials along with further processing and packaging to produce the final products. For example, a product that is sold in pill form would undergo: granulation: with addition of all the excipient materials; compression: forming the pills; coating; quality control; and packaging. The secondary manufacturing locations are often geographically separate from the primary manufacturing locations. Shah (2003), this is frequently the outcome of tax and transfer price optimization within the enterprise. There are often many more secondary manufacturing sites than primary ones, serving local or regional markets. Transportation between sites is of the order of 1 or 2 weeks if by ship (usually the default mode) and of the order of one or two days if by air. Wholesalers play a significant role in this sector. They tend to be large and few. About 80% of demand flows through this channel in the UK (with three large players accounting for almost all the demand), with the large part of the remainder going to hospitals. In the US another intermediary is growing—the managed care organization (MCO) or healthcare maintenance organization (HMO), (Shah, 2003).
2.4.1.2.3 Operational Issues in the Pharmaceutical Supply Chain

Shah (2003), Although the processes will vary between companies, all major pharmaceutical companies will operate ERP systems and follow a business process along five different lines i.e. Demand management—in each geographical region, forward forecasts (e.g. 3–24 months) are developed, based on historical data, market intelligence, etc. Tenders for manufacture may also be evaluated and possibly accepted at this stage. Inventory management and distribution requirements planning—the demands determined are aggregated and imposed on the appropriate warehouse/distribution center. The impact on finished goods inventory is assessed and if necessary, orders are placed on upstream secondary manufacturing sites. Secondary production planning and scheduling—the orders placed on the secondary sites are planned and then scheduled in detail. Shah (2003), the impact of production plans on active ingredient raw material stocks is evaluated and if necessary, orders for AI are placed on the upstream and finally, primary manufacturing campaign planning and API inventory management. Here, the demands placed by secondary manufacturing are satisfied by careful management of inventory and production planning.

Shah (2003), an interesting feature of this process is that the customer-facing end is effectively a “pull” process (driven by orders) but the primary manufacturing stage has long cycle times which make it difficult to ensure end-to-end responsiveness. This means that primary production is effectively a “push” process, driven by medium- and long-term forecasts. Relatively large stocks of API must be held to ensure good service levels and ensure smooth operation at the interface of these processes. The well-documented “bullwhip” or Forrester effect is often felt at the primary manufacturing site, which is unfortunate since this is the least responsive part of the supply chain as it normally operates in campaign mode. This makes it difficult to exploit short-term opportunities (e.g. shortages of supply of a competitor’s product, tenders for national supplies, epidemics, etc.). Shah (2003), another feature of this process is an outcome of its large scale and geographical span. This is the distributed nature of decision-making, which can lead to tensions and sub-optimal decisions. Different nodes are not really aware of upstream nodes’ resource constraints, and orders may be filled in order of receipt, rather than on an
economic basis. Of course, centralized planning would not be without its difficulties in this context.

2.4.1.2.4 Strategic and Design Issues in the Pharmaceutical Supply Chain

Shah (2003), the decisions to be taken at this level are numerous and include, pipeline and development management, this involves the selection of potential drugs to develop further, and the planning of the development activity. Process development is the investigation of manufacturing routes and the generation of manufacturing processes. Capacity planning and plant and supply chain network design. Plant design is the selection and sizing of the major equipment and storage units. Some of the key issues are, Shah (2003), uncertainty in the demands for existing drugs (due to competition, uncertainty in the ability to extend the protected life through new formulations, etc.). Uncertainty in the pipeline of new drugs—in particular, which ones will be successful in trials, what sort of dosage and treatment regime will be optimal. Process development—this is a complex problem, driven by chemistry and yield optimization. It often results in inefficient processes that are operated much more slowly than the intrinsic rates—giving rise to batch processes and long cycle times responsible for some of the problems seen at the primary production planning stage. Capacity planning—the long lead times to make capacity effective mean that decisions often need to be taken at times of high uncertainty. Waiting for the uncertainties to be resolved might delay the time to market by an unacceptable amount. Network design—often tax implications take precedence over logistics issues, these results in economic but potentially complicated supply chains. Plant design as this tends to be very traditional, with no real change in manufacturing technology for 50 years (the workhorse of the primary manufacturing site is the glass-lined stainless steel batch reactor). There are significant opportunities for intensified, continuous processing (Shah, 2003).

2.4.2 Market Challenges Facing the Marketing of Pharmaceutical Products in Africa

While, Baines (2001), in the Emerging Markets i.e. Africa, present vast and untapped areas for Pharmaceutical companies to explore, there is also the uncertainty and potential risk
that need to be considered when contemplating the level of investment that would be required to develop and establish a long term and sustainable business. With the slow growth in revenue in the US compounded by the recent global economic downturn, Pharma companies have been making attempts to establish a presence in the so called Emerging Markets. They are making this decision because they currently do most of their business in the US and other developed countries, primarily in Europe. In many ways this represents the new frontier for these companies.

The threats associated with including the Africa as an emerging market and as a strategy for revenue growth include: Limited knowledge of the markets and culture which could lead to companies creating serious cultural and business transgressions leading to unfavorable perceptions of their brands. Political instability in some regions that could put huge investments in jeopardy when there is a change in regime. Difference in laws and the ways they are interpreted and implemented. Too much dependence on the countries in the emerging markets leading to a lack of focus on the developed markets which still provide the majority of the revenue and stability and lack of acceptance of the medicines by a broad section of the targeted populations resulting in unrealized growth. Baines (2001), this is not just about the research and development. It is also about understanding the medicinal needs of the people, the culture, way of doing business and developing a partnership with these region and seeing and treating them as equals, and not just as revenue potential.

2.4.3 Market Challenges Facing the Marketing of Pharmaceutical Products in Kenya

2.4.3.1 SWOT Analysis of the Kenyan Pharmaceutical Industry

The following assessment is an initial SWOT analysis of domestic pharmaceutical firms and the environment in which they are operating. It is recognized that further work needs to be done to shed light on a number of items alluded to, if the issues involved are to be fully understood. This is a prerequisite to formulating any meaningful strategy for the strengthening of the pharmaceutical sector (UNIDO, 2010).
2.4.3.1.1. Strengths

Kenya has the most well-established pharmaceutical manufacturing industry in the region. Compared with its neighbors, it has the greatest number of pharmaceutical firms and local manufacturing of the main formulations (tablets/capsules, parenterals, ointments/creams, liquids/syrups/suspensions) is already taking place. Most essential medicines, including anti-malarials and medicines for HIV/AIDS and TB are locally manufactured. At least two firms have voluntary licensing to manufacture ARVs. There is a growing domestic market projected at 11.5 per cent between 2008 and 2013. A trained and skilled workforce in pharmaceutical manufacture and know-how to scale up production capacity is available. Product profiles of the local pharmaceutical companies match the regional market disease patterns. Basic international standards have been achieved by some companies (UNIDO, 2010).

2.4.3.1.2 Weaknesses

UNIDO (2010), Imports domination in the local market, Ineffective regulation has resulted in a flood of substandard and counterfeit drugs on the market, High levels of competition from cheaper or subsidized products, Lack of specialization in industrial pharmacy and plant management, Inadequate facilities for specialized training in industrial pharmacy and management at university level, Reliance on imported inputs for manufacturing, High production costs in relation to competitors, Regulators lack experience in pharmaceutical production, GMP levels within the sector are uneven, Unclear and poorly enforced quality standards (product, plant specific and inspections), Lack of a clear policy to promote access to or expansion of external markets, Lack of common strategic vision for the pharmaceutical manufacturing industry, Administrative hurdles and bureaucracy and lack of awareness of the need for rapid market development.
2.4.3.1.3 Opportunities

Local preference of 15 per cent for public procurement should be implemented, Large and growing regional market in EAC, COMESA and sub-Saharan Africa, Trend towards harmonization of standards and drug registration requirements within the EAC which will facilitate exports, Potential to serve the regional market in most essential medicines, Increased domestic demand from planned introduction of social health insurance, Option of new product lines to suit emerging disease patterns and needs for the region, such as new demand for drugs for lifestyle diseases, such as diabetes, hypertension, etc.; diversification to produce other formulations within the sector is possible. Backward linkages and integration to bulk production of starting materials, such as Active Pharmaceutical Ingredients (API) or non API and primary packaging materials. Further to this, consolidation of functions within the industry and sectoral solutions to common problems such as environmental issues on disposal, quality standards, etc., strengthening cooperation within the sector to influence government policy, Possibility of recapitalization through joint ventures and partnerships and increased, aggressive efforts to attract foreign direct investment to the industry, (UNIDO, 2010).

2.4.3.1.4 Threats

UNIDO (2010), Increased dominance of imports from Asia, particularly India and China, which supply both finished and basic ingredients, Continued poor regulation of the pharmaceutical market, Growing influx of counterfeit and substandard medicines, Deterioration of infrastructure and even higher utility costs, Unilateral enforcement of non-tariff barriers by regulatory controls and regulations in export markets, Domestic political risk and possible donor displacement, Bilateral support to other countries in the region to set up pharmaceutical manufacturing, Adverse currency exchange rate and deteriorating terms of trade, Global financial crisis—leading to financial constraints, inflation and high costs.
2.5 Chapter Summary

The study sought to examine the influence of the challenges during marketing of pharmaceutical products which therefore influence the performance of the firms studied, specifically focusing on the internal company challenges, regulatory challenges and market challenges facing the marketing of pharmaceutical products, through the review of theoretical and empirical literature related to pharmaceutical strategic management practices globally, in the African continent and also in Kenya.

The review showed in general the interactions within the pharmaceutical industry and revealed several gaps in the pharmaceutical marketing strategies. In regards to the internal company challenges, it was revealed that most African markets, more so Kenya, have nascent market access capabilities due to challenges in promotion and pricing of products in the highly regulated pharmaceuticals. Regulatory challenges faced in Africa and Kenya in the quest to harmonize regulatory procedures, increase regulatory capacity in term of personnel and post marketing surveillance, were found to be diverse with a lot of effort form the regulators and policy makers to close these gaps and therefore create access to the products. Market challenges facing the marketing of pharmaceutical products were explored and it was found that Kenya has a growing trained and skilled workforce, increased product profiles from local manufacturing sites and growing regional market namely EAC and COMESA. The importance of efforts geared towards efficient and effective functioning of distribution and supply chain channels, was showed as many hurdles face Kenya in promoting access and expansion into external markets.

Chapter three describes the methods and procedures used to carry out the study. Specifically, the research design, population and sampling design, data collection methods, research procedures as well as data analysis methods will be addressed.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
This chapter presents an empirical investigation into those challenges in order either to confirm or to refute them. The credibility of findings and conclusions extensively depend on the quality of the research design, data collection, data management, and data analysis. This chapter was dedicated to the description of the methods and procedures done in order to obtain the data, how they were analysed, interpreted, and how the conclusion was met. This section is to justify the means in which the study was obtained and helped in giving it purpose and strength as it was then truthful and analytical. All these helped in the processing of the data and the formulation of conclusions.

3.2 Research Design
In this research, the descriptive method of research was used to gather information about the present existing condition. This descriptive type of research utilized questionnaires in the study. According to Creswell (1994), the purpose of employing this method, is to describe the nature of a situation as it exists at the time of the study and to explore the cause/s of particular phenomena. This kind of research was considered based on the desire of the researcher to obtain first hand data from the respondents so as to formulate rational and sound conclusions and recommendations for the study.

3.3 The Population and Sampling Design

3.3.1 The Population
A population is a well-defined or set of people, group of things or households that are being investigated (Cooper and Schindler, 2003). The population refers to the entire collection of entities under consideration (Frees 1996). According to Mugenda (2008), a statistical population consists of the set of all elements in the universe of interest. For the purpose of this study aimed at assessing the challenges facing marketing of pharmaceutical products in Kenya, the population consisted of pharmaceutical importing
SMEs in Kenya and was provided by PPB. The population of study was the 3 major pharmaceutical importing SMEs located in the city of Nairobi and having been in existence for over seven years, (GOK, 2010). The three major pharmaceutical distribution companies were chosen and identified by the number of product ranges they distribute, the length of time they have been operational in the Kenyan market and number of medical representatives they have employed. Nairobi was considered for the study because being the capital city it is the headquarters for majority of the pharmaceutical distribution companies in the country.

In order to gather the necessary data, the researcher used both qualitative and quantitative approaches. The respondents were divided into two categories i.e. the marketers and marketing managers. After a census count of all the respondents who constituted the marketers and marketing managers, it was found that they were three hundred (300) respondents and thirty (30) respondents respectively, from all the three selected pharmaceutical distribution companies. The survey-questionnaire method was the research instruments used for data-gathering. The marketing managers running these firms were included because they were assumed to possess past and present knowledge of challenges facing marketing of pharmaceutical products and therefore best placed to offer valuable information to the study. Relevant literatures were also used to support the gathered findings. The marketing managers were picked from a total of 30 respondents and selected randomly from each of the pharmaceutical distribution companies.

3.3.2 Sampling Design

3.3.2.1 Sampling Frame
The sampling frame describes the list of all population units from which the sample was selected (Cooper and Schindler, 2003). The sampling frame of all the marketers and marketing managers was obtained from the human resources departments from the three companies as it keeps the records of the employees in the organization.

3.3.2.2 Sampling Technique
Sampling technique depicts how a sample is picked from the general population. The sample was determined using statistics. Stratified random sampling was used in the study to select the respondents from the marketers and marketing managers. Stratified random
sampling method was preferred in this study because it gives statistical efficiency, provides adequate data for analysis and enables different research methods and procedures to be used in different strata (Cooper and Schindler, 2003).

### 3.3.2.3 Sampling Size

Cooper and Schindler (2003) argue that a sample size of between 10-30% of the target population can be adequate for generalization of the research findings to the study provided the sample is scientifically determined. To determine the sample size, this study therefore used, Yamane (1967), simplified formula which resulted in; the marketing managers proposed sample of ninety three percent (93%) i.e. twenty eight (28) respondents and for the medical representatives, a proposed sample of fifty seven percent (57%) i.e. one hundred and seventy one (171) participants. Therefore, the entire sample size was one hundred and ninety nine (199) participants as shown in the table 3.1 below:

<table>
<thead>
<tr>
<th>Total Research Population</th>
<th>Target Population</th>
<th>Sample Size</th>
<th>Percentage for each population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketers</td>
<td>300</td>
<td>171</td>
<td>57%</td>
</tr>
<tr>
<td>Marketing Managers</td>
<td>30</td>
<td>28</td>
<td>93%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>330</strong></td>
<td><strong>199</strong></td>
<td><strong>60.3%</strong></td>
</tr>
</tbody>
</table>

Source: Author (2016).

### 3.4 Data Collection Methods

For the purpose of collecting data on the challenges facing marketing of pharmaceutical products in Kenya, primary data (information gathered directly from respondents) was collected using questionnaires. On the other hand secondary data such as the performance of distribution companies was collected from newspapers, published books and journals. Primary data was collected using questionnaires on the effect of company, regulatory and market challenges facing marketing of pharmaceutical products in Kenya in selected pharmaceutical distribution companies. A structured questionnaire was used to collect primary data.
The questionnaires were preferred in this study because respondents of the study were literate and quite able to answer questions asked adequately. According to Mugenda and Mugenda (2003), questionnaires are commonly used to obtain important information about a population under study. The questionnaires were carefully designed and tested with a few members of the population for further improvements. This was done in order to enhance its validity and accuracy of data to be collected for the study.

3.5 Research Procedures

Questionnaires were used for collecting data in this study, as the primary data. According to Mugenda and Mugenda (2003), questionnaires are commonly used to obtain important information about a population under study. The questionnaires were structured questionnaire, a self-administered survey questionnaire in Likert format was given to the respondents to answer. The questionnaires used both open ended and closed questions. It was divided into three sub-sections, A, B, C and D. Subsection A targeted data on the general demographics of the participants, Subsection B targeted data on the internal challenges faced, Sub-section C collected data on the regulatory challenges experienced by the marketers and company, while sub-section D collected data on the market challenges.

Drop and pick later approach which is a variation of mail survey was used to administer the questionnaires. They were given to the marketing managers. Reliability of the questionnaire was evaluated through administration of the said instrument to the pilot group of 20 randomly selected respondents from the selected distribution companies. A construct composite reliability co-efficient (Cronbach alpha) of 0.6 or above, for all the constructs, were considered adequate for this study. The acceptable reliability coefficient is 0.6 and above (Rousson, Gasser and Seifer, 2002). Data was collected over a period of two (2) months from June 2015 to July 2015. This period was considered adequate to derive conclusive results.

In the entire research procedure, the participants are testing objectives qualitatively. The secondary data was collected from past document reviews and relevant articles. Nordin (2009), in his study on consumer attitude towards counterfeit products in Malaysia recommends use of questionnaires because of time saving and confidentiality.
3.6 Data Analysis Methods

Qualitative analysis involved coding and organizing collected data into themes and concepts that address the research questions, (Mugenda and Mugenda, 2003). Quantitative data analysis consisted of measuring values which were analyzed using descriptive analysis such as central tendencies like mean, median and mode and measures of dispersion such as range, standard deviation and variance (Kothari, 2004).

For this study, both qualitative and quantitative data analysis techniques were used. Responses in the questionnaires were tabulated, coded and processed by use of a computer Statistical Package for Social Science (SPSS) version 21.0 programme to analyze the data using descriptive statistics. These offered extensive data handling capabilities and numerous statistical analysis routines that analyzed small to very large data statistics (Kuhn, 1996). The data was presented in form of frequency tables, statistical tables, charts, and bar graphs (Chambers & Skinner, 2003). This provided the generalization of the findings on the challenges facing marketing of pharmaceutical products in Kenya. Before analysis, the data was checked for completeness and consistency. Descriptive statistics such as frequencies, means and percentages were used.

3.7 Chapter Summary

The purpose of this chapter was to describe the research methodology of this study, explain the research design, population and sample selection design, describe the procedure used in designing the instrument and collecting the data, and provide an explanation of the statistical procedures used to analyze the data, as well as how the findings are presented. Chapter four presents the results and findings, using tables and figures, of the research based on the data analysis.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter discusses the interpretation and presentation of the findings obtained from the field and also presents the analysis of the data obtained. Mugenda and Mugenda (2003), Descriptive and inferential statistics were used to discuss the findings of the study. The study targeted a sample size of 199 respondents, which resulted in a response rate of 82.41% with 164 filled in and returned the questionnaires. This response rate was satisfactory and representative to make conclusions for the study. According to, Mugenda and Mugenda (2003), a response rate of 60% is good, a rate of 50% is adequate and a response rate of 70% and over is excellent for analysis and reporting. Based on this assertion, the response rate the study obtained was considered excellent.

Table 4.1: Instrument Return Rate

<table>
<thead>
<tr>
<th>Category</th>
<th>Population</th>
<th>Sample Size</th>
<th>Response</th>
<th>Response Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketers</td>
<td>300</td>
<td>171</td>
<td>140</td>
<td>81.9%</td>
</tr>
<tr>
<td>Marketing Managers</td>
<td>30</td>
<td>28</td>
<td>24</td>
<td>85.7%</td>
</tr>
<tr>
<td>Total Population</td>
<td>330</td>
<td>199</td>
<td>164</td>
<td>82.41%</td>
</tr>
</tbody>
</table>

4.2 Background information

4.2.1 Length of Service as a Pharmaceutical Marketer

The study sought to determine the length of time the respondents had worked as a pharmaceutical products marketer, from the findings the study established that, 45.4% had worked for a period of 5 to 9 years, 23.2% of the respondents had worked for a period of 10 to 14 years, 19.5% of the respondents had worked for a period not exceeding 0-4 years, 6.5% of the respondents worked as a pharmaceutical marketer for 15-19 years and that
5.4% of the respondents had worked for a period exceeding 20 years, this implies that majority of the respondents engaged in this study had worked in the pharmaceutical sector for a considerable time and thus they had vast knowledge which could be relied upon in the study. This indicates that most of the respondents of this study had worked for an ample time thus they were conversant with the information that the study sought, pertaining the challenges facing the marketing of pharmaceutical products in Kenya by importers and distributors.

![Figure 4.1: Length of Service](image)

**4.2.2 Education Relevance**

The study sought to reveal whether there is relevance in the respondents education in pharmaceutical marketing activities and from the findings 88.4% of the respondents agreed that they have education backgrounds which are relevant to pharmaceutical marketing whereas 11.6% of the respondents were of the contrary opinion.
Table 4.2: Relevance of Education in Pharmaceutical Marketing Activities

<table>
<thead>
<tr>
<th>Opinion</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>145</td>
<td>88.4</td>
</tr>
<tr>
<td>No</td>
<td>19</td>
<td>11.6</td>
</tr>
<tr>
<td>Total</td>
<td>164</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.2.3 Level of Education

The study requested the respondent to indicate their highest level of education. From the findings 45.9% of the respondent indicated their highest education level as diploma, 23.8% of the respondent indicated their highest education level as degree, and 17.3% of the respondents indicated their highest education level as certificate, whereas 13% of the respondents indicated their highest education level as masters. This is an indication that most of the respondents engaged in this study had diploma as their highest level of education. This finding is as observed by Katz (1992) that those with higher education are more successful as they have more knowledge and have modern managerial skills making them more conscious of the reality of the business work.
4.2.4 Largest Category of Products the Company Deals With

The study sought to find out the largest category of products the respondents company deals with. The findings revealed that majority (28.6%) of the respondents agreed that their companies deals largely with prescription medicine, 26.9% of the respondents showed that their companies deal with pharmacy-only drugs, 25% of the respondents showed that the targeted companies deal with OTC(Over the counter drugs) whereas 19.5% of the respondents showed that their companies deals with cosmetics.
Figure 4.3: Category of products

4.2.5 Respondents Hindrances to Pharmaceutical Marketing

Table 4.3: Respondents Hindrances to Pharmaceutical Marketing

<table>
<thead>
<tr>
<th>Statement</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal company issues</td>
<td>89</td>
<td>54.2</td>
</tr>
<tr>
<td>Regulatory/ Legal issues</td>
<td>59</td>
<td>36.0</td>
</tr>
<tr>
<td>Market issues</td>
<td>16</td>
<td>9.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>164</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

The study sought to establish the biggest hindrance that the respondents face in pharmaceutical marketing activities. From the findings 54.2% of the respondents indicated Internal company issues, 36% of the respondents indicated regulatory/ Legal issues, and 9.8% of the respondents indicated Market issues.
4.2.6 Pharmaceutical Marketing Activities Exposed to Respondents

The study sought to find out the Pharmaceutical Marketing activities which Respondents are exposed to in their professional Life. From the findings, 27.6% of the respondents agreed that attendance at medical congress(es) sponsored by a pharmaceutical company (i.e. registration, travel, accommodation and meals) is a Pharmaceutical Marketing activities which they are exposed to in their professional Life, 25.9 % of the respondents agreed that visit physicians and business owners, 17.3% agreed that they give inexpensive 'gifts' from a pharmaceutical company e.g. pens, tissue boxes, coffee mugs, 16.4 % of the respondents agreed that Placing advertisements for Prescription Medicines in medical journals while 12.8% of the respondents agreed that they give free ‘samples’ of a Prescription Medicine.

Table 4.4: Pharmaceutical Marketing Activities which Respondents are exposed to in their Professional Life

<table>
<thead>
<tr>
<th>Statement</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visits to physicians and business owners</td>
<td>25.9</td>
</tr>
<tr>
<td>Giving of free ‘samples’ of a Prescription Medicine</td>
<td>12.8</td>
</tr>
<tr>
<td>Placing advertisements for Prescription Medicines in medical journals</td>
<td>16.4</td>
</tr>
<tr>
<td>Attendance at medical congress (es) sponsored by a pharmaceutical company (i.e. registration, travel, accommodation and meals)</td>
<td>27.6</td>
</tr>
<tr>
<td>Giving of inexpensive 'gifts' from a pharmaceutical company e.g. pens, tissue boxes, coffee mugs</td>
<td>17.3</td>
</tr>
</tbody>
</table>

4.2.7 Challenges in the Field of Marketing Pharmaceutical Products

The study sought to establish the Challenges that respondents face in the field of marketing pharmaceutical products. From the findings, 34.1% of the respondents agreed that they face the Lack of adequate product knowledge from the customers and their clients, 27.8% of the respondents indicated that they face competition from other marketers with similar
products at cheaper prices, 17.8% of the respondents indicated that they face company deadlines and commission based salaries therefore a lot of pressure to perform, 13.3% of the respondents agreed that there are regulatory hindrances from the aggressive promotion of pharmaceuticals whereas 7% of the respondents indicated that the receipt of funding from the pharmaceutical company to conduct medical education event(s) locally.

Table 4.5: Challenges in the Field of Marketing Pharmaceutical Products

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competition from other marketers with similar products at cheaper prices.</td>
<td>27.8</td>
</tr>
<tr>
<td>Lack of adequate product knowledge from the customers and their clients</td>
<td>34.1</td>
</tr>
<tr>
<td>Company deadlines and commission based salaries therefore a lot of pressure to perform.</td>
<td>17.8</td>
</tr>
<tr>
<td>Receipt of funding from your pharmaceutical company to conduct medical education event(s) locally</td>
<td>7.0</td>
</tr>
<tr>
<td>Regulatory hindrances from the aggressive promotion of pharmaceuticals.</td>
<td>13.3</td>
</tr>
</tbody>
</table>

4.2.7 Factors Affecting Decisions on the Marketing Activities

The study sought to find out the factors that affect manager’s decisions on the marketing activities of the various product categories that the companies distribute. The study showed that majority (48%) of the respondent indicated they are affected by price of the product in the market, 30% of the respondents use stated that regulatory issues and factors e.g. advertising, 15% of the respondents indicated that they face the costs of training the markers while 7% of the respondents indicated product category.
The study sought to determine the areas in which the managers encourage the workers in. The study revealed that majority (45.4%) of the managers said they encourage their team into Placing advertisements for Prescription Medicines in medical journals, 26.2% of the respondents stated that they encourage their workers on organizing and attending medical congress (es) sponsored by a pharmaceutical company (i.e. registration, travel, accommodation and meals). 22.5% of the respondents said they tell the staff to visit physicians and business owners, 15.2% of the respondents said they tell the staff to receipt funding from their pharmaceutical company to conduct medical education event(s) locally, 14.0% of the respondents said they tell the staff to give free ‘samples’ of a Prescription Medicine while 9.1% of the respondents agreed they encourage workers to give inexpensive 'gifts' from a pharmaceutical company e.g. pens, tissue boxes, coffee mugs.
Table 4.6: Team Encouragement

<table>
<thead>
<tr>
<th>Opinion</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visits to physicians and business owners</td>
<td>37</td>
<td>22.5</td>
</tr>
<tr>
<td>Giving of free ‘samples’ of a Prescription Medicine</td>
<td>23</td>
<td>14.0</td>
</tr>
<tr>
<td>Placing advertisements for Prescription Medicines in medical journals</td>
<td>43</td>
<td>45.4</td>
</tr>
<tr>
<td>Organizing and attending medical congress (es) sponsored by a pharmaceutical company (i.e. registration, travel, accommodation and meals)</td>
<td>21</td>
<td>26.2</td>
</tr>
<tr>
<td>Receipt of funding from your pharmaceutical company to conduct medical education event(s) locally</td>
<td>25</td>
<td>15.2</td>
</tr>
<tr>
<td>Giving of inexpensive 'gifts' from a pharmaceutical company e.g. pens, tissue boxes, coffee mugs</td>
<td>15</td>
<td>9.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>164</td>
<td>100</td>
</tr>
</tbody>
</table>

4.2.10 Challenges Faced by Managers in Provision of Quality Products into the Market

The study sought to find out the challenges faced by managers in provision of quality products into the market. From the findings, majority (46.4%) of the managers agreed that their organizations face market challenges. The study further indicate that 38.2% of the respondents believed that their organizations are face regulatory challenges and finally only 15.4% of the respondents indicated that their organization face company systems challenges.

![Figure 4.5: Challenges Faced by Managers in Provision of Quality Products.](image)
4.3 Internal Company Challenges facing Marketing of Pharmaceutical Products

4.3.1 Extent of Statement Agreement on Pharmaceutical Marketing by Marketers

The study sought to find out the respondents’ extent of agreement or disagreement with statements regarding Pharmaceutical marketing. A scale of 1-5 was used. The scores “strongly disagree” and “Disagree” were represented by mean score, equivalent to 1 to 2.5 on the continuous Likert scale. The scores of ‘Not sure’ was represented by a score equivalent to 2.6 to 3.5 on the Likert. The score of “Agree” and “Strongly disagree” were represented by a mean score equivalent to 3.6 to 5.0 on the Likert Scale.

The study findings showed that, majority of the respondents strongly agreed that their company has exposed them to various trainings on marketing of the products as shown by a mean score of 4.8478 and a standard deviation of 1.2287, that their companies have provided adequate resource materials, promotional materials and samples to facilitate promotional activities as shown by a mean score of 4.5652 and a standard deviation of 1.3768, that their companies has adequate supplies and delivers their orders in a timely manner as shown by a mean score of 4.7826 and a standard deviation of 1.3649.

Furthermore, the study showed that they are expected to use all means possible to acquire an order from potential clients as shown by a mean score of 4.6522 and a standard deviation of 1.2332, that aggressive selling is important and determines their commissioned pay or promotion as shown by a mean score of 4.9565 and a standard deviation of 1.1344, that their company supplies to all orders as long as they sell at a good price as shown by a mean score of 4.9783 and a standard deviation of 1.3742. Refer to table 4.7A.
Table 4.7A: Extent of statement agreement on pharmaceutical marketing by marketers

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std_Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The company has exposed me to various trainings on marketing of the products</td>
<td>4.8478</td>
<td>1.2287</td>
</tr>
<tr>
<td>2. The company has provided adequate resource materials, promotional materials and samples to facilitate promotional activities</td>
<td>4.5652</td>
<td>1.3768</td>
</tr>
<tr>
<td>3. The company has adequate supplies and delivers my orders in a timely manner</td>
<td>4.7826</td>
<td>1.3649</td>
</tr>
<tr>
<td>4. Marketers are expected to use all means possible to acquire an order from potential clients.</td>
<td>4.6522</td>
<td>1.2332</td>
</tr>
<tr>
<td>5. Aggressive selling is important and determines my commissioned pay or promotion</td>
<td>4.9565</td>
<td>1.1344</td>
</tr>
<tr>
<td>6. The company supplies to all orders as long as I sell at a good price</td>
<td>4.9783</td>
<td>1.3742</td>
</tr>
</tbody>
</table>

4.3.2 Extent of statement agreement on Pharmaceutical marketing by Managers

The study sought to find out the extent that respondents agreed with statements on pharmaceutical marketing by marketers. According to the findings, respondents agreed that their companies have provided the best product related training to their marketers shown by a mean of 3.623 and a standard deviation of 0.227. Further, respondents agreed that the companies has provided adequate resource materials, promotional materials and samples to facilitate all promotional activities as shown by a mean of 3.885 and a standard deviation of 0.962.

It was further established from the study that respondents agreed that the companies ensure adequate supplies and deliver orders in a timely manner as shown by a mean of 4.192 and a standard deviation of 0.281; that marketers are expected to use all means possible to acquire an order from potential clients as shown by a mean of 3.626 and a standard deviation of 0.130; that aggressive selling is important and determines their commissioned pay or promotion as shown by a mean of 3.532 and a standard deviation of 0.194; that administrative hurdles and bureaucracies in regulatory authorities are a major hindrance in
pharmaceutical importation as shown by a mean of 4.234 and a standard deviation of 0.195; that liaising with manufacturers and customers in order to make product available locally is logistically challenging as shown by a mean of 4.267 and a standard deviation of 0.239;

**Table 4.7B: Extent of statement agreement on pharmaceutical marketing by managers**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std_Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The company has provided the best product related training to their marketers</td>
<td>3.623</td>
<td>0.227</td>
</tr>
<tr>
<td>2. The company has provided adequate resource materials, promotional materials and samples to facilitate all promotional activities</td>
<td>3.885</td>
<td>0.962</td>
</tr>
<tr>
<td>3. The company ensures there is adequate supplies and deliver orders in a timely manner</td>
<td>4.192</td>
<td>0.281</td>
</tr>
<tr>
<td>4. Marketers are expected to use all means possible to acquire an order from potential clients</td>
<td>3.626</td>
<td>0.130</td>
</tr>
<tr>
<td>5. Aggressive selling is important and determines their commissioned pay or promotion</td>
<td>3.532</td>
<td>0.194</td>
</tr>
<tr>
<td>6. Administrative hurdles and bureaucracies in regulatory authorities are a major hindrance in pharmaceutical importation</td>
<td>4.234</td>
<td>0.195</td>
</tr>
<tr>
<td>7. Liaising with manufacturers and customers in order to make product available locally is logistically challenging</td>
<td>4.267</td>
<td>0.239</td>
</tr>
</tbody>
</table>

**4.4 Regulatory challenges facing marketing of Pharmaceutical products**

**4.4.1 Extent of statement agreement on Pharmaceutical marketing by marketers**

According to the findings, the study found out that while some respondents agreed that they do not need a license to market and sell pharmaceutical product to anyone, their qualifications and experience are enough as shown by a mean score of 4.0652 and standard deviation of 1.5261. Respondents agreed that all pharmaceutical products are marketed and sold to the public as shown by a mean of 4.3261 and a standard deviation of 1.56424, that there is a regulatory criterion for which we use in order to identify potential clients and retain existing clients as shown by a mean of 4.2391 and a standard deviation of
1.56610; that Pharmacy and Poisons Board has little or no mandate regulating the promotional activities of the pharmaceutical marketer as shown by a mean of 4.0435 and a standard deviation of 1.618731. Further, respondents agreed that substandard and counterfeit products are a major hindrance to our promotional activities as shown by a mean of 4.0435 and a standard deviation of 1.49006 the respondents agreed that they only promote registered pharmaceutical products as shown by a mean of 3.8913 and a standard deviation of 1.53808.

Table 4.8A: Extent of statement agreement on pharmaceutical marketing by marketers

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std_Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>7. A market does not need a license to market and sell pharmaceutical product to anyone, my qualifications and experience are enough</td>
<td>4.0652</td>
<td>1.5261</td>
</tr>
<tr>
<td>8. All pharmaceutical products are marketed and sold to the public.</td>
<td>4.3261</td>
<td>1.56424</td>
</tr>
<tr>
<td>9. Pharmacy and Poisons board has little or no mandate regulating the promotional activities of the pharmaceutical marketer</td>
<td>4.0435</td>
<td>1.61873</td>
</tr>
<tr>
<td>10. There is a regulatory criterion for which we use in order to identify potential clients and retain existing clients.</td>
<td>4.2391</td>
<td>1.56610</td>
</tr>
<tr>
<td>11. The organization promote registered pharmaceutical products</td>
<td>3.8913</td>
<td>1.53808</td>
</tr>
<tr>
<td>12. Substandard and counterfeit products are a major hindrance to our promotional activities.</td>
<td>4.0435</td>
<td>1.49006</td>
</tr>
</tbody>
</table>

4.4.2 Extent of statement agreement on pharmaceutical marketing by managers.

The respondents also agreed that product range is licensed and distributed according Pharmacy and Poisons Board guidelines as shown by a mean of 4.422 and standard deviation of 0.375. The respondents also agreed that all pharmaceutical products are marketed and sold directly to the public as shown by a mean of 3.945 and a standard deviation of 0.450. The study further found out that; the respondents agreed that lack of regulatory experience and competence has lead to infiltration of Substandard and counterfeit products as shown by a mean of 3.717 and a standard deviation of 0.294; respondents agreed that products are mainly sourced from international sources due to lack
of specialization and GMP experience in local manufacturing companies as shown by a mean of 3.970 and a standard deviation of 0.146; that the respondents agreed most local companies lack a common strategic vision to spearhead the local pharmaceutical industry as shown by a mean of 4.040 and a standard deviation of 0.185; that the respondents agreed the growing regional market is encouraging new entrants into the pharmaceuticals distribution business as shown by a mean of 3.707 and a standard deviation of 0.257. The respondents agreed that substandard and counterfeit products have lead huge losses for our company as indicated by a mean of 3.683 and a standard deviation of 0.196.

Table 4.8B: Extent of statement agreement on pharmaceutical marketing by managers

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std_Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>8. Product range is licensed and distributed according Pharmacy and Poisons Board guidelines</td>
<td>4.422</td>
<td>0.375</td>
</tr>
<tr>
<td>9. All pharmaceutical products are marketed and sold directly to the public</td>
<td>3.945</td>
<td>0.450</td>
</tr>
<tr>
<td>10. Lack of regulatory experience and competence has led to infiltration of Substandard and counterfeit products</td>
<td>3.717</td>
<td>0.294</td>
</tr>
<tr>
<td>11. Products are mainly sourced from international sources due to lack of specialization and GMP experience in local manufacturing companies</td>
<td>3.970</td>
<td>0.146</td>
</tr>
<tr>
<td>12. Most local companies lack a common strategic vision to spearhead the local pharmaceutical industry</td>
<td>4.040</td>
<td>0.185</td>
</tr>
<tr>
<td>13. The growing regional market is encouraging new entrants into the pharmaceuticals distribution business</td>
<td>3.707</td>
<td>0.257</td>
</tr>
<tr>
<td>14. Substandard and counterfeit products has lead huge losses for our company</td>
<td>3.683</td>
<td>0.196</td>
</tr>
</tbody>
</table>

4.5 Market challenges facing marketing of Pharmaceutical products

4.5.1 Extent of statement agreement on Pharmaceutical marketing by marketers

The study found out that the respondents strongly agreed that there was a requirement to account for all promotional samples as well as high customer royalty due to product exclusivity, by showing a mean of 3.9348 and 2.843 respectively and a standard deviation
of 1.5261 and 1.4394 respectively. Respondents supported the claim that their customers are the general public, we supply to anyone that has an order as shown by a mean of 4.5000 and a standard deviation of 1.7606. Respondents agreed pharmaceutical promotional activities to the public include TV/radio advertisements, branding, giving of free samples, etc as shown by a mean of 4.1087 and a standard deviation of 1.4488.

The study found out that respondents strongly agreed that due to influx of similar products, the cost of products is very competitive as shown by a mean of 4.9348 and a standard deviation of 1.5973; that the respondents strongly agreed that most of their clients are very knowledgeable about new products in the market as shown by a mean of 4.8261 and a standard deviation of 1.4803. Further, the respondents agreed that their target market has increased with the growing of regional and domestic market as shown by a mean of 4.1739 and a standard deviation of 1.3549.

Table 4.9A: Extent of statement agreement on pharmaceutical marketing by marketers

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std_Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>13. I am required to account for all promotional samples that I am given for promotion.</td>
<td>3.9348</td>
<td>1.5261</td>
</tr>
<tr>
<td>14. The organization clients are royal and always order from me because they are the only distributor for most products</td>
<td>2.8043</td>
<td>1.4394</td>
</tr>
<tr>
<td>15. The company has a very good relationship with our clients i.e. the retailers.</td>
<td>4.8667</td>
<td>1.2508</td>
</tr>
<tr>
<td>16. The organization customers are the general public, we supply to anyone that has an order</td>
<td>4.5000</td>
<td>1.7606</td>
</tr>
<tr>
<td>17. Pharmaceutical promotional activities to the public include TV/radio advertisements, branding, giving of free samples, etc.</td>
<td>4.1087</td>
<td>1.4488</td>
</tr>
<tr>
<td>18. Most of our clients are very knowledgeable about new products in the market.</td>
<td>4.8261</td>
<td>1.4803</td>
</tr>
<tr>
<td>19. Due to influx of similar products, the cost of products is very competitive.</td>
<td>4.9348</td>
<td>1.5973</td>
</tr>
<tr>
<td>19. The target market has increased with the growing of regional and domestic market.</td>
<td>4.1739</td>
<td>1.3549</td>
</tr>
</tbody>
</table>
4.5.2 Extent of statement agreement on Pharmaceutical marketing by Managers

The study found out that respondents agreed that distribution network upstream is greatly affected by the road and infrastructure as shown by a mean of 3.965 and a standard deviation of 0.227; that the respondents agreed that the companies sources are largely from generic pharmaceutical manufacturers in Asia as shown by a mean of 3.854 and a standard deviation of 0.215; that the respondents agreed that the company customers are the general public market, but the private market is fast growing as shown by a mean of 3.732 and a standard deviation of 0.159. The respondents agreed that Pharmaceutical promotional activities to the public include TV/ radio advertisements, branding, giving of free samples, etc. as shown by a mean of 3.953 and a standard deviation of 0.183; respondents agreed that the organization has acquired new product lines due to increasing domestic demand and emergence of new disease patterns as shown by a mean of 3.740 and a standard deviation of 0.332 and they finally agreed that rising customer expectations scrutinize the value medicines offer much more carefully as shown by a mean of 3.522 and a standard deviation of 0.208.

Table 4.9B: Extent of statement agreement on pharmaceutical marketing by managers

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std_Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>15. Distribution network upstream is greatly affected by the road and infrastructure.</td>
<td>3.965</td>
<td>0.227</td>
</tr>
<tr>
<td>16. The company sources are largely from generic pharmaceutical manufacturers in Asia.</td>
<td>3.854</td>
<td>0.215</td>
</tr>
<tr>
<td>17. The company customers are the general public market, but the private market is fast growing.</td>
<td>3.732</td>
<td>0.159</td>
</tr>
<tr>
<td>18. Pharmaceutical promotional activities to the public include TV/ radio advertisements, branding, giving of free samples, etc.</td>
<td>3.953</td>
<td>0.183</td>
</tr>
<tr>
<td>19. The organization has acquired new product lines due to increasing domestic demand and emergence of new disease patterns.</td>
<td>3.740</td>
<td>0.332</td>
</tr>
<tr>
<td>20. Rising customer expectations who scrutinize the value medicines offer much more carefully.</td>
<td>3.522</td>
<td>0.208</td>
</tr>
</tbody>
</table>
According to Juilett, (2007) it is almost impossible to get return on investment in registering and marketing only in a few countries or regions. The development of new products is increasingly becoming a global decision and the aim of the firms is to get a marketing authorization in most of the key countries. The marketing authorization refers to regulatory approval from respective countries regulatory authority. It is with respect to approval of manufacturing plant and product registration.

These findings were in collaboration with Thompson & Strickland (1998) who argued that competitive moves and business approaches that managers employ in running the company determines its success. Company strategy is a game-plan that management has for positioning the company in its chosen market arena, competing successfully, pleasing customers and achieving good business performance. According to Armstrong (2006), training is the use of systematic and planned instruction activities to promote learning. It involves the use of formal processes to impact knowledge and help people to acquire the skill necessary for them to perform their jobs satisfactorily.

4.6 Inferential Analysis

The study applied regression analysis because it is less expensive in terms of time and the information to make the predictions was readily available. In this study, a multiple regression analysis was conducted to establish relationship between the variables and the dependent variable. Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (challenges facing marketing of pharmaceutical products) that is explained by all the 3 independent variables (company challenges, regulatory challenges and market challenges). The three independent variables that were studied, explain 77.6% of variance in challenges facing marketing of pharmaceutical products as represented by the R2. This therefore means that other factors not studied in this research contribute 22.4% of variance in the dependent variable. Therefore, further research should be conducted to assess the challenges facing marketing of pharmaceutical products in Kenya. Findings are presented in the following tables;
Table 4.10: Regression Model Summary

<table>
<thead>
<tr>
<th></th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.844</td>
<td>0.776</td>
<td>0.674</td>
<td>.443</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), company challenges, regulatory challenges and market challenges.

b. Dependent Variable: challenges facing marketing of pharmaceutical products

The probability value of 0.0001 indicates that the regression model was highly significant in predicting how company challenges, regulatory challenges and market challenges influenced distribution company’s performance. The F calculated at 5% level of significance was 55.407 since F calculated is greater than the F critical (value = 2.5252), this shows that the overall model was significant.

Table 4.11: ANOVA results Model

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>42.759</td>
<td>3</td>
<td>10.69</td>
<td>55.407</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>13.164</td>
<td>40</td>
<td>0.196</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>55.923</td>
<td>43</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Y = 4.835 + 0.241X1 + 0.154X2 + 0.142X3 40

The regression equation above has established that taking all factors into account (company challenges, regulatory challenges and market challenges) constant at zero distribution company’s performance will be 4.835. The findings presented also show that taking all other independent variables at zero, an increase in market challenges would lead to a 0.245 increase in challenges facing marketing of pharmaceutical products. In addition, the findings show that an increase in regulatory challenges would lead to a 0.164 increase in challenges facing marketing of pharmaceutical products.
The study also found that an increase in the scores of company challenges would lead to a 0.132 increase in challenges facing marketing of pharmaceutical products. Overall, market challenges had the highest effect and company challenges had the least effect on challenges facing marketing of pharmaceutical products. Further, company challenges were not significant at p=0.056 confirming the low regression coefficient of 0.132.

**Table 4.12: Regression Coefficients Model**

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>4.932</td>
<td>0.523</td>
</tr>
<tr>
<td>Market Challenges</td>
<td>0.718</td>
<td>0.233</td>
</tr>
<tr>
<td>Regulatory challenges</td>
<td>0.682</td>
<td>0.195</td>
</tr>
<tr>
<td>Company challenges</td>
<td>0.371</td>
<td>0.202</td>
</tr>
</tbody>
</table>

a. Dependent Variable: challenges facing marketing of pharmaceutical products

### 4.7 Chapter Summary

It is therefore depicted that challenges facing marketing of pharmaceutical products are not significantly influenced by company challenges significant according to the respondents. Company challenges depend on some fairly unique capabilities of a company to achieve and sustain their competitive edge within the industry of operation. Striving to adhere to regulatory requirements for product groups is another key competitive strategy, which greatly aids marketing of pharmaceutical products. These findings conforms with Grant, (2002) who observed that long term strategy should derive from a firm’s attempt to seek a competitive advantage based on one of three generic strategies which are essential in ensuring company performance.

Chapter five discusses the contributions of the study and then makes conclusions and recommendations.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

From the analysis and data collected the following discussions, conclusions and recommendations were made. The responses were based on the objectives of the study. This study sought to determine the challenges facing the marketing of pharmaceutical products in Kenya by importers and distributors. This chapter consists of the summary, conclusion, recommendations based on the findings of the study and the suggestion for further studies.

5.2 Summary

The purpose of the study was to establish the challenges facing the marketing of pharmaceutical products in Kenya by distributors. Three research questions guided this study. Specifically, the research questions sought to establish the company specific challenges, regulatory challenges and market challenges facing the marketing of pharmaceutical products in Kenya.

The study employed descriptive statistics to determine the effect of the challenges under study on the marketing of pharmaceutical products in Kenya. The researcher used the Yamane formula to determine the minimum sample size. The sample was derived from the population of a combined total of 330 respondents from the two study groups using stratified random sampling technique where a final combined sample size of 199 respondents was obtained. The primary data collection methods used involved the use of self-administered questionnaires where 164 questionnaires were returned back to the researcher. Finally, the results of the study were presented using tables and figures and data collected was analyzed using Statistical Package for Social Science (SPSS) software.

The findings showed that indeed pharmaceutical organizations face internal company challenges, market challenges and regulatory challenges. The various challenges encountered brought about a different but direct impact to the overall marketing of pharmaceutical products in Kenya. The findings revealed that the company leadership and
provision of marketing resources, the marketing approach adopted by the marketers and marketing managers and regulatory requirements to a large extent affect the general marketing of pharmaceutical products in Kenya.

5.3 Discussion

5.3.1 Internal Company Challenges Facing the Marketing of Pharmaceutical Products in Kenya

From the research findings, there is a direct correlation between the internal company challenges and the marketing activities it carries out for promotion of its pharmaceutical products.

For the marketers, they strongly agreed that exposure to the various product specific trainings, provision of adequate resource, promotional materials and samples, availability of stocks and timely delivery of orders by the company, made their work of marketing highly efficient and well supported. Furthermore, the marketers expressed that they were expected to use all means possible to secure orders from potential clients and this aggressive selling determined their commissioned pay or promotion.

For the marketing managers, they strongly agreed that the companies had provided the best product related training to the marketers, also the marketers were provided with resource materials, promotional materials and samples. Furthermore the marketing managers felt that their challenges were greatly related to product importation hurdles due to regulatory restrictions and also transport logistics of making the products available to the customers at the point of need.

The study revealed that company specific challenges e.g. company deadlines and commission based salaries affected performance of the distribution companies to a great extent. It was further established that majority of the multinational companies (MNC’s) already have a presence in Africa and therefore access to their innovative products, by the distributors are limited as this MNC’s have focused on marketing branded innovation and generic drugs in the private market, leaving the distributors with general generics a small
share of the market. Companies must overcome various hurdles when registering, pricing and distributing their product to ensure accessibility and safe usage. Also, the study found out that economies of scale to a very great extent affect company performance. the capacity utilization of resources, reducing operations time and costs, efficiency and cost control, e.g. promotional samples, gifts and other marketing activities affected marketing performance in the companies to great extent.

5.3.2 Regulatory Challenges Facing the Marketing of Pharmaceutical Products in Kenya

From the research findings, there is a direct correlation between the regulatory challenges and the marketing activities it carries out for promotion of its pharmaceutical products. For the marketers, they were confident that qualifications and experience in the marketing industry was enough and a marketing license was not necessary, also all pharmaceutical products were marketed and sold to the general public, there was a regulatory criterion used to identify potential customers and retain existing clients. Furthermore, the marketers felt that the pharmacy and poisons board had little or no mandate in regulating the promotional activities and also agreed that substandard and counterfeit products were a major hindrance to their promotional activities.

For the managers, they felt that lack of regulatory experience and competency had led to infiltration of substandard and counterfeit products, leading to huge losses from the companies, also the pharmaceutical products were sourced from international sources due to lack of specialization and good manufacturing practices (GMP) experience locally, there was lack of common strategic vision to spearhead the local pharmaceutical industry. Furthermore, the growth in the regional market was encouraging new entrants into the pharmaceutical industry.

The study indicated that forming regulatory linkages by dealing with the human resource shortage amongst the regulators, including pharmaceutical product registration and licensing, identifying potential clients, licenses for promotion of pharmaceuticals, and the seeming lack of sector wide strategic engagement to further strengthen the industry. The study further deduced that lack of regulatory competence, due to autonomy, conflicting
roles and responsibilities, inadequate scope of the regulatory mandate with an outdated legal framework and inadequate technical and administrative structures therefore leading to huge influx of substandard and counterfeit products, leading to huge losses by companies who have to compete in the same market with this products that are obviously cheaper and do not have a regulatory obligation, therefore greatly affecting performance of the pharmaceutical industry.

5.3.3 Marketing Challenges Facing the Marketing of Pharmaceutical Products in Kenya

From the research findings, there is a direct correlation between the market challenges and the marketing activities it carries out for promotion of its pharmaceutical products.

For the marketers, they agreed that the following played are huge role in supporting their marketing activities i.e. the need to account for all promotional samples allocated to them, the high customer loyalty due to product exclusivity offered by the company, customer’s high knowledge on the products available in the market, company support in encouraging high cost promotional activities e.g. TV or Radio advertisements, promotional materials branding and free promotional samples. Furthermore, they agreed that the high influx in substandard and counterfeit products has led high competition and increase in the price of products as the various agents try to distinguish their own product, also their target market has increased with the growth of the regional and domestic market.

For the managers, they agreed that the distribution logistics were a challenge due to road and infrastructural challenges, importation challenges as majority of the products are sourced internationally, increased demand for new product lines due to open regional markets and emergence of new disease patterns. The managers felt that the largest customer base was the public market but the private market was also growing steadily.

The study established that market challenges affected performance of distribution companies to a great extent through various aspects such as competition from other marketers with similar products at cheaper prices therefore the need for more aggressive marketing, competition from other distributors with ‘similar’ cheaper products especially
those that are illegitimate products and do not invest in the marketing activities due to unclear and poorly enforced quality standards i.e. product and plant specific inspections. Also, lack of common strategic vision in the industry and lack of clear policies to promote access to external markets as there is greater public knowledge on the different pharmaceutical product options and changing disease trends, shows lack of awareness of the need for rapid market development.

5.4 Conclusion

The pharmaceutical industry is extremely important for the economy and for the Kenyan society. Besides business and production, the producers, importers and distributors of generic drugs are important employers, massive contributors to Gross Domestic Product (GDP) and a significant source of economic growth. A systematic approach into understanding the pharmaceutical distribution industry in Kenya is imperative in order to achieve appropriate functionality i.e. have a proper orientation to the public/patient, the supply chain and the regulator to achieve the optimum level that characterizes any service.

5.4.1 Internal Company Challenges Facing the Marketing of Pharmaceutical Products in Kenya

The study concludes that company challenges affect performance of pharmaceutical distribution companies in Kenya through achieving economies of scale, capacity utilization of resources, reducing operations time and costs, efficiency and cost control, forming linkages with various pharmaceutical product manufacturers and service providers and other supplementary institutions and mass distribution of the pharmaceutical products.

In order to deal with the challenges of pricing and distribution, the companies must achieve a low-cost advantage, low-cost operations with integrated sections/business units of their workforce i.e. maintain high sales margins whilst supporting supply, logistic and marketing activities that ensure their products are popular in the market will maximize production while minimizing their cost of operation.
5.4.2 Regulatory Challenges Facing the Marketing of Pharmaceutical Products in Kenya

On the topic of regulatory challenges, this study concluded that formation of regulatory links was crucial to the success of any pharmaceutical product in the market. Regulatory linkages and lack of sector wide engagement affects performance of the company’s through product and/or service i.e. all pharmaceutical products must be registered with the Pharmacy and Poisons Board which is both time and resources consuming. Promotion campaigns, these are also regulated by the Pharmacy and Poisons Board, i.e. how and the type of the product information that is disseminated to the public is different from what is disseminated to the medical personnel.

Personnel licensing, all pharmaceutical marketers are required to be professionally trained and qualified for marketing activities as well as received a marketing license allowing them to carry out their activities. The huge challenge is the influx of substandard and counterfeit products further exacerbated by lack of regulatory experience and competence, which greatly affects performance.

5.4.3 Marketing Challenges Facing the Marketing of Pharmaceutical Products in Kenya

The study also concluded that market challenges affected performance of distribution companies to a great extent through distribution network affected by bad roads and infrastructure e.g. lack of proper pharmaceutical transport and storage facilities in the rural areas e.g. cold rooms for temperature sensitive pharmaceuticals.

The study also lack of common strategic vision and clear policies on access to external markets due to revealed rising customer product knowledge and therefore increased demand for different product option and emergence of new disease patterns, the rigorous regulatory requirements required for pharmaceutical registration as well as lack of well-established and licensed local manufacturing facilities forcing the distributors to source products far and wide.
5.4 Recommendations

5.4.1 Recommendations for Improvement

5.4.1.1 Internal Company Challenges Facing the Marketing of Pharmaceutical Products in Kenya

Based on the research findings, this study recommends that in order to reduce their company challenges, distribution companies should invest in achieving economies of scale i.e. bulk importation and bulk distribution, capacity utilization of resources, reducing operations time and costs, efficiency and cost control, forming linkages with service providers e.g. suppliers and customers and partnerships with courier service providers to assist in distribution, since it will enable them achieve competitive advantage as compared to other companies that are not investing in these strategies.

The management should respond swiftly to environmental changes and eroded value that arises from competitor activities e.g. keep abreast with new pharmaceutical products available and ensure their availability and also new marketing channels. To develop core competences there is need for good leadership from the management and involvement of all stakeholders. This process of strategy choice will lead to motivation and commitment during implementation. For good involvement of stakeholders i.e. marketers, suppliers and customers, communication has to be efficient and effective.

Pharmaceutical distribution companies will need to demonstrate that their brands add value to patients and they will have to offer a package of products and healthcare services that the market not only wants and needs. There is a real need for the pharmaceutical industry to format its marketing and sales functions in order to sustain future growth and performance.

In order to be successful, companies will need to stop the aggressive marketing focusing only on the product of the current model and recognize the interdependence of the payer, provider and pharmaceutical value chains; invest in sourcing of medicines the market needs; adopt a more flexible approach to pricing; develop plans for marketing and selling
specialist therapies; manage multi-product launches; form a web of alliances to offer supporting services; create cultures that are suitable for marketing specialist healthcare packages; develop marketing and sales functions that are fit for the future and a knowledge based commercial organization.

5.4.1.2 Regulatory Challenges Facing the Marketing of Pharmaceutical Products in Kenya

Based on research findings, this study recommends that in order to face their regulatory challenges, as regulatory links was crucial to the success of any pharmaceutical product in the market. Greater effort should be put in formation of the regulatory linkages of product and/or service licensing e.g. by increasing the capacity of the Poisons Board to handle the huge inflow of new pharmaceutical registration and also making use of the regional agreements to allow for product inflow if they have been approved by another recognized regional regulatory body.

Promotion campaigns, clear guidelines on pharmaceutical promotion should be issued by the regulatory body and a quick and efficient process of approving applications that fit the guidelines criteria. Personnel licensing, this can be emphasized and regulated by liaising with learning institutions to ensure the quality of marketers graduating is up to par and that they are recognized in the marketing personnel system or members list at the Poisons Board as soon as they graduate.

However, on the huge challenge is the influx of substandard and counterfeit products further exacerbated by lack of regulatory competence, the companies can assist the regulatory authority by reporting cases of counterfeit and illegal imports and therefore assist the regulator in informing the public in the case of any public notices. The regulator should also set up adequate legal, technical and administrative systems to capture the influx of this products at the ports of entry especially at the border points, blacklisting companies found to be involved in this products and also creating a robust system of registered products and whereby members of the public can track and confirm on suspect products.
5.4.1.3 Marketing Challenges Facing the Marketing of Pharmaceutical Products in Kenya

This study recommends that for market challenges affecting performance of distribution companies, they should first understand and know their motive and capability by adopting a common strategic vision before adopting a certain competitive strategy e.g. promotion. As the markets become dynamic and consumers more irregular and fickle, the companies need some form of market segmentation to efficiently satisfy the market needs and new demands e.g. prescription only products, over the counter (OTC), pharmacy only drugs and cosmetics. Managers need to ensure that the message of differentiation and wide variety of product lines and ranges and options reaches the clients, as the customer’s perceptions of the institution are significant.

There is a real need of continuous pharmaceutical analysis, because for success, it is essential to understand the uniqueness of the pharmaceutical industry, therefore benefiting from the complex and interactive process. This will build a pharmaceutical data warehouse, a necessity to the strategic direction of any pharmaceutical company facing increased competition and external pressure. Pharmaceutical analysis takes into account that the implementation of an enterprise data warehouse (EDW) which allows the organization to achieve the ultimate integration goal, making it possible to supply all components of the business with a single version of “truth”, an integrated EDW approach facilitating the ability to integrate disparate data sources for a complete picture of the business and helping strategic planners to use this more complete picture to steer the company.

5.4.2 Recommendations for Further Studies

The study was only carried out by interviewing the marketers and marketing managers of pharmaceutical firms in Kenya thus the same study should be carried out in the other pharmaceutical stakeholders e.g. The regulatory authority, product consumers i.e. general public/patients) to find out if the same results will be obtained. Equally there is room for further research on other challenges facing the marketing of pharmaceutical products in Kenya by importers and distributors.
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WHO 2013/ 2006/ 2004

APPENDICES

APPENDIX I: QUESTIONNAIRE

Dear Respondent,

I am an MBA student at Chandaria School of Business United States International University- Africa conducting research on ‘Challenges facing the marketing of pharmaceutical products in Kenya’. Your response to this questionnaire is crucial to successful completion of this project. Please attempt to answer all the questions by filling in the spaces provided and/or by ticking the appropriate answer that best suits your view for each question.

SECTION A: PURPOSE OF THE QUESTIONNAIRE

The purpose of this questionnaire is to elicit the opinion and perspectives of marketers and managers of pharmaceutical marketing industries. The name of the participating companies will also not be divulged in any way. The recommendations of the findings will be shared with management of Pharmaceutical companies and other relevant stakeholders seeking to understand the challenges facing marketing of pharmaceutical products. An interview may be requested should any of the questions answers be unclear to the researcher.

SECTION B: CONFIDENTIALITY

All the answers provided in this questionnaire will be kept confidential and all measures shall be put in place to assure this confidentiality. I consent to be identified as the source of this feedback.

[ ] Yes  [ ] No

SECTION C: CONSENT

You are encouraged to complete the questionnaire, and in the case that you do NOT wish to participate; your stand will be respected. I consent to participate as a respondent to this questionnaire.

[ ] Yes  [ ] No
SECTION D: INSTRUCTIONS

Here-in are nineteen (26) questions that can take you a maximum of (thirty) 30 minutes to respond. Kindly email your completed questionnaire to dremilyngamau@gmail.com.

APPENDIX II: MARKETERS QUESTIONNAIRE

The questionnaire should take approximately 10 minutes to complete. Your participation is greatly appreciated.

Please specify the length of time that you have spent as a pharmaceutical products marketer?

- [ ] 0 – 4 years
- [ ] 5 – 9 years
- [ ] 10 – 14 years
- [ ] 15 – 19 years
- [ ] 20 + years

1. Is your education relevant to the pharmaceutical marketing activities you perform?
   - [ ] Yes
   - [ ] No

2. What is your level of education?
   - [ ] Certificate
   - [ ] Diploma
   - [ ] Degree
   - [ ] Masters

3. What is the biggest hindrance to your pharmaceutical marketing activities? (If more than one answers, please tick ALL appropriate answers)
   - [ ] Internal company issues
   - [ ] Regulatory/ Legal issues
   - [ ] Market issues
None of the above
Other (specify) ...........................................

4. Which of the following Pharmaceutical Marketing Activities are you exposed to in your professional life?
- Visits to physicians and business owners
- Giving of free ‘samples’ of a Prescription Medicine
- Placing advertisements for Prescription Medicines in medical journals
- Attendance at medical congress (es) sponsored by a pharmaceutical company (i.e. registration, travel, accommodation and meals)
- Giving of inexpensive 'gifts' from a pharmaceutical company e.g. pens, tissue boxes, coffee mugs

5. The challenges I face in the field of marketing pharmaceutical products include;
- Competition from other marketers with similar products at cheaper prices
- Lack of adequate product knowledge from the customers and their clients
- Company deadlines and commission based salaries therefore a lot of pressure to perform.
- Receipt of funding from your pharmaceutical company to conduct medical education event(s) locally
- Regulatory hindrances from the aggressive promotion of pharmaceuticals

1. To what extent do you agree with the following statements? Give your ratings on 5 point scale where 1- Strongly disagree, 2-Disagree, 3-Not sure, 4-Agree, 5-Strongly agree

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<tr>
<th>Statements</th>
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<td>My company has exposed me to various trainings on marketing of the products</td>
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<td>My company has provided adequate resource materials, promotional materials and samples to facilitate promotional activities</td>
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<td>My company has adequate supplies and delivers my orders in a timely manner</td>
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<td>I am expected to use all means possible to acquire an order from potential clients.</td>
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<td>Aggressive selling is important and determines my commissioned pay or promotion</td>
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<td>My company supplies to all orders as long as I sell at a good price</td>
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<td>I do NOT need a license to market and sell pharmaceutical product to anyone, my qualifications and experience are enough</td>
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<td>All pharmaceutical products are marketed and sold to the public.</td>
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<td>Pharmacy and Poisons board has little or no mandate regulating the promotional activities of the pharmaceutical marketer</td>
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<td>There is a regulatory criterion for which we use in order to identify potential clients and retain existing clients.</td>
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<td>We only promote registered pharmaceutical products</td>
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<td>Substandard and counterfeit products are a major hindrance to our promotional activities.</td>
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<td>I am required to account for all promotional samples that I am given for promotion.</td>
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<td>My clients are royal and always order from me because are the only distributor for most products</td>
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<td>My company has a very good relationship with our clients i.e. the retailers.</td>
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<td>Our customers are the general public, we supply to anyone that has an order</td>
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<td>Pharmaceutical promotional activities to the public include TV/ radio advertisements, branding, giving of free samples, etc.</td>
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<td>Most of our clients are very knowledgeable about new products in the market.</td>
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<td>Due to influx of similar products, the cost of products is very competitive.</td>
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<td>Our target market has increased with the growing of regional and domestic market.</td>
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APPENDIX III: MANAGERS QUESTIONNAIRE

The questionnaire should take approximately 10 minutes to complete. Your participation is greatly appreciated.

1. Please specify the length of time that you have spent as a pharmaceutical products marketer?

   - 0 – 4 years
   - 5 – 9 years
   - 10 – 14 years
   - 15 – 19 years
   - 20 + years

2. Is your education relevant to the decisions you make in regards to pharmaceutical marketing activities performed in your company?

   - Yes
   - No

3. What is your level of education?

   - Certificate
   - Diploma
   - Degree
   - Masters

4. What is the largest category of products your company deals with? (If more than one answers, please tick ALL appropriate answers)

   - OTC (Over the counter drugs)
   - Prescription Medicine
   - Cosmetics
   - Pharmacy- Only drugs
   - Other (specify) .........................................................
5. What factors affect my decisions on the marketing activities of the various product categories my company distributes?

- Price of the product
- Regulatory Issues factors eg advertising
- Cost of training the marketers
- Product category
- Other (specify) ..........................................................

6. I encourage the following activities from my team

- Visits to physicians and business owners
- Giving of free ‘samples’ of a Prescription Medicine
- Placing advertisements for Prescription Medicines in medical journals
- Organizing and attending medical congress (es) sponsored by a pharmaceutical company (i.e. registration, travel, accommodation and meals)
- Receipt of funding from your pharmaceutical company to conduct medical education event(s) locally
- Giving of inexpensive 'gifts' from a pharmaceutical company e.g. pens, tissue boxes, coffee mugs

7. My challenges in provision of quality products into the market include

- Regulatory Challenges
- Market Challenges
- Company systems challenges
- All the above

8. To what extent do you agree with the following statements? Give your ratings on 5 point scale where 1- Strongly disagree, 2-Disagree, 3-Not sure, 4-Agree, 5-Strongly agree
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<tr>
<td>My company has provided the best product related training to our marketers.</td>
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<td>My company has provided adequate resource materials, promotional materials and samples to facilitate all promotional activities.</td>
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<td>We ensure, my company has adequate supplies and delivers my orders in a timely manner.</td>
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<td>Marketers are expected to use all means possible to acquire an order from potential clients.</td>
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<td>Aggressive selling is important and determines their commissioned pay or promotion</td>
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<td>Administrative hurdles and bureaucracies in regulatory authorities are a major hindrance in pharmaceutical importation.</td>
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<td>Liaising with manufacturers and customers in order to make product available locally is logistically challenging.</td>
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<td>Our entire product range is licensed and distributed according Pharmacy and Poisons Board guidelines.</td>
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<td>All pharmaceutical products are marketed and sold directly to the public.</td>
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<td>Lack of regulatory experience and competence has lead to infiltration of Substandard and counterfeit products</td>
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<td>Products are mainly sourced from international sources due to lack of specialization and GMP experience in local manufacturing companies</td>
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<td>Most local companies lack a common strategic vision to spearhead the local pharmaceutical industry.</td>
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<td>The growing regional market is encouraging new entrants into the pharmaceuticals distribution business.</td>
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<td>Substandard and counterfeit products has lead huge losses for our company</td>
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<td>Our distribution network upstream is greatly affected by the road and infrastructure</td>
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<td>Our sources are largely from generic pharmaceutical manufacturers in Asia</td>
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Our customers are the general public market, but the private market is fast growing.

Pharmaceutical promotional activities to the public include TV/ radio advertisements, branding, giving of free samples, etc.

We have acquired new product lines due to increasing domestic demand and emergence of new disease patterns.

Rising customer expectations who scrutinize the value medicines offer much more carefully.