MULTINATIONAL SELECTION OF FOREIGN MARKETS: THE CASE OF PHARMACEUTICALS IN KENYA

BY

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UNITED STATES INTERNATIONAL UNIVERSITY AFRICA

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UNITED STATES INTERNATIONAL UNIVERSITY AFRICA

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STUDENT’S DECLARATION

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

Signed __________________________ Date: __________________________
Isabel Nyanchama Obure (ID 615695)

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

Signed __________________________ Date: __________________________
Dr. Zachary Mosoti

Signed __________________________ Date: __________________________
Dean, Chandaria School of Business
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ABSTRACT

The purpose of this study was to investigate the multinational selection of foreign markets with a focus of pharmaceuticals in Kenya. The study was guided by the following research questions: What are the strategies used by pharmaceutical to enter into the Kenyan market? What are the key challenges involved when entering the Kenyan market? And what strategies that can be taken by pharmaceutical companies to overcome the challenges in the Kenyan market?

This research adopted a descriptive research design. The total population comprised of 60 employees in three management categories (top management position, senior and supervisory managers) working in 20 pharmaceutical companies in Kenya. However, since the total population was small the sample population was based on a census. The study used primary data. The collected data was coded and analyzed using the descriptive statistics, specifically mean, by use of Statistical Package for Social Science (SPSS). The presentation of data was by the use of tables and figures.

The findings on the strategies used by pharmaceuticals to enter into the Kenyan market established that most of the pharmaceutical companies allowed other companies to use their brands in marketing their products through licensing arrangement, followed by the pharmaceutical companies are using technology to manufacture products to ensure that they are of high quality to match customer specifications, that the products are easily available, and that the products are affordable. The least utilised marketing strategies included the distribution of pharmaceutical products is handled by an agent or distributor.

The key challenges faced by pharmaceutical companies included poor infrastructural development driving up operational costs, rules on taxation were not fair, customers still relied on traditional medicine practices and there is a poor legal infrastructure. The least challenge was on the instability of the local currency leading to losses or uncompetitive pricing, huge investment outlay in buying state of the art technology for manufacturing pharmaceutical products, strong customer loyalty from multinational pharmaceutical companies and the government is reluctant to develop and enforce laws protecting intellectual property rights.
On the strategic responses to overcome the challenges included providing differentiated products that offer very good value to the customers, splitting the market into segments to help serve the customer better, satisfying the needs of the customers and ensuring product availability across all trade channels the companies a competitive advantage. The least strategy was on the companies should embrace new product development approaches for the best price and benefit combination helps overcome infrastructural challenges, incremental funding to the marketing activities, repositioning the products to out-compete immediate competitors and building an efficient logistical system can make their organization to be competitive.

The study concluded that licensing arrangement was used in industries where branding is important for Fast Moving Consumer Goods. The main economic problems pharmaceutical companies face is frequent and severe financial crises, unstable capital flows, and high interest rates. A pharmaceutical company may choose to adopt a strategy whereby it splits the market into segments of similar or homogeneous characteristics, whose buyers’ exhibit homogeneity in purchase behaviours.

The study recommended that pharmaceutical companies should have a clear strategic balance on how to venture into and grow in the expansion market while still remaining focused on both home and foreign country. The government should develop and enforce laws protecting intellectual property rights as well as promote state of the art technology for manufacturing pharmaceutical products. For pharmaceutical companies to be competitive, the products should satisfy the needs of the customers. Pharmaceutical companies should lowly price their products enable growth of market share.
ACKNOWLEDGEMENT

There are many people who have invested their lives and time, thus making it possible for the development and completion of this research project. Without their input, guidance and support, I would not have anything to bring out of this research. My gratitude goes to my supervisor, Dr. Zachary Mosoti, who has guided me in the production of this work and classmates for their continuous support. I thank God for giving me courage and determination in the course of this research project.
DEDICATION

This proposal is dedicated to my family, particularly my husband, who are a living example of unconditional love and support.
TABLE OF CONTENTS

STUDENT’S DECLARATION ........................................................................................................ ii
COPYRIGHT ............................................................................................................................ iii
ABSTRACT ................................................................................................................................. iv
ACKNOWLEDGEMENT ........................................................................................................ vi
DEDICATION ............................................................................................................................ vii
LIST OF TABLES .................................................................................................................. x
LIST OF FIGURES ................................................................................................................ xi

CHAPTER ONE ......................................................................................................................... 1
1.0 INTRODUCTION .................................................................................................................. 1
1.1 Background of the Study ..................................................................................................... 1
1.2 Statement of the Problem ................................................................................................... 3
1.3 Purpose of the Study ........................................................................................................... 4
1.4 Research Questions .......................................................................................................... 4
1.5 Importance of the Study .................................................................................................... 4
1.6 Scope of the Study ............................................................................................................. 5
1.7 Definition of Terms ........................................................................................................... 5
1.8 Chapter Summary ............................................................................................................ 6

CHAPTER TWO ........................................................................................................................ 7
2.0 LITERATURE REVIEW ...................................................................................................... 7
2.1 Introduction ....................................................................................................................... 7
2.2 Market Entry Strategies and the Choice of Foreign Entry Modes ..................................... 7
2.3 Challenges Faced in the Selection of Foreign Market ...................................................... 11
2.4 Strategic Response to Overcome the Challenge of Market Selection .............................. 15
2.5 Chapter Summary ........................................................................................................... 20

CHAPTER THREE ................................................................................................................... 21
3.0 RESEARCH METHODOLOGY ......................................................................................... 21
3.1 Introduction ...................................................................................................................... 21
3.2 Research Design .............................................................................................................. 21
3.3 Population and Sampling Design .................................................................................... 22
3.4 Data Collection Method ................................................................................................. 23
3.5 Research Procedure ....................................................................................................... 24
3.6 Data Analysis Methods ................................................................................................. 24
3.7 Chapter Summary .......................................................................................................... 25

CHAPTER FOUR ....................................................................................................................... 26
4.0 RESULTS AND FINDINGS ............................................................................................... 26
4.1 Introduction ...................................................................................................................... 26
4.2 General Information ....................................................................................................... 27
4.3 Marketing Entry Strategies and the Choice of Foreign Entry Modes .............................. 30
4.4 Key Challenges Faced in the Selection of Foreign Market ............................................. 33
4.5 Strategic Responses to Overcome the Challenges of Market Selection ......................... 37
4.6 Chapter Summary .......................................................................................................... 42
LIST OF TABLES

Table 3.1: Sample Size Distribution.............................................................................................................. 23
Table 4.1: Managerial Level.............................................................................................................................. 27
Table 4.2: Marketing Entry Strategies and the Choice of Foreign Entry Modes .................. 31
Table 4.3: Correlation of Marketing Entry and Challenges in the Selection of Market ......... 32
Table 4.4: Regression of Firm Experience and Market Entry Strategies ......................... 33
Table 4.5: Key Challenges Faced in the Selection of Foreign Market ........................................ 35
Table 4.6: Correlation of Challenges and Strategic Response to Market Selection ........... 36
Table 4.7: Regression of Firm Experience and Challenges in Market Selection ............... 37
Table 4.8: Strategic Responses to Overcome the Challenges of Market Selection ........ 39
Table 4.9: Correlation of Challenges and the Strategic Responses to Market Selection .... 40
Table 4.10: Regression of Host Country Factors and Entry Mode ................................................. 41
LIST OF FIGURES

Figure 4.1: Response Rate ........................................................................................................... 26
Figure 4.2: Gender of Respondents .......................................................................................... 27
Figure 4.3: Responsibility of International Market Selection Strategy ................................. 28
Figure 4.4: Years of Experience ............................................................................................... 29
Figure 4.5: Education Level ....................................................................................................... 29
CHAPTER ONE

1.0 INTRODUCTION
1.1 Background of the Study

In today’s turbulent business environment, pharmaceutical firms worldwide are looking for ways to increase their competitiveness in the market. In an effort of doing so, more and more pharmaceutical companies are entering into the Kenyan market in search for cost effective ways to produce and market their products. This has been contributed by globalization which is a strategic decision that has been adopted by pharmaceutical companies in an effort to increase their survival and competitiveness worldwide (Meyer and Peng, 2011). These decisions are quite crucial as they involve different types of risks and heavy investment that has long term implications (Cavusgil, Knight and Riesenberger, 2008). This is because the business environment is unknown and filled with uncertainties (Meyer and Peng, 2011).

There can be little doubt that competition in the pharmaceutical industry has increased considerably over the past few years. Growth in the pharmaceutical industry in South Africa has been affected adversely in recent years by the increased competition from generic drug manufacturers (Wesgro, 2000). According to Schroff (2002), generic competition is viewed by marketers as a death knell for brand name products. As soon as a drug comes off patent, competitors are ready with generic copies, resulting in price drops (Jonash, 2000). Pharmaceutical companies are therefore forced to continually evaluate their existing strategies in order to ensure that their financial performance remains at the desired level.

An essential element of success in the pharmaceutical industry is the ability to compete globally (Dorris, 2003). The market is transforming, with an influx of more companies and products, which calls for long-term strategic initiatives in order to compete (Anon., 2002). Globalization has indeed become one of the most important strategies for many firms that seek opportunity to achieve further growth and development (Luo, Wu, and Zhou, 2007). While going global can be a source of growth in profitability for firms, it can also generate huge losses since it is very risky for firms to survive in the internationalized environment. The empirical evidence shows that success in the home countries does not guarantee success internationally (Bianchi and Ostale, 2006). This therefore, makes it important for
management of pharmaceutical firms to determine and analyze the various factors that they need to be keen about as these factors determine their overall survival in various countries.

In today’s global environment whoever manufactures products better, cheaper and faster, wins. In the past decade, pharmaceutical companies have expanded rapidly on a global scale. In this new century, the global spread of manufacturing knowledge is having far-reaching consequences for example the fundamental changes in international business structures and deployment of global capital (Andersson, 2004). The manufacturing sector remains significant in leading economies worldwide, but faces major issues such as cost competitiveness, product innovation and how to compete in an increasingly global market (Cavusgil, et al, 2008).

The recent recession has not only affected the pharmaceutical companies negatively but also encouraged them to experiment with a variety of approaches to address current cost concerns and position themselves for the recovery. Internationalization has then become a major strategy for consideration as pharmaceutical companies move closer to their suppliers. According to a research conducted by KPMG (2010) with regards to the global outlook, majority of companies are more concerned with the cost of labor and the cost of supplies. Many pharmaceutical companies in the United States, United Kingdom and Germany are moving away from their home countries and preferring to manufacture in China and India, with China being the most preferred, due to high cost of production. Pharmaceutical companies intend to do business less in the developed countries and move to less developed countries thus internationalization.

A number of leading pharmaceutical companies are positioning to take advantage of the competition in the Kenyan market. The strategy used by these companies range from setting up a distributorship, agency or subsidiary to establishing a whole processing plant if the conditions warrant it. Some of the pharmaceutical companies firms already internationalizing include African Cotton Industries Limited, Alpha Medical Manufacturers Limited, Beta Healthcare International Limited, Biodeal Laboratories Limited, Bulk Medicals Limited, Cosmos Limited, Dawa Limited, Elys Chemicals Industries Limited, Gesto Pharmaceuticals Limited, GlaxoSmithKline Kenya Limited, KAM Pharmacy Limited, Laboratory & Allied Limited, Manhar Brothers (K) Limited,
Medivet Products Limited, Novelty Manufacturing Limited, Pharm Access Africa Limited, Pharmaceutical Manufacturing Co (K) Limited, Regal Pharmaceuticals, Revital Healthcare and Universal Corporation Limited (PMK, 2009). The fundamentals driving these companies to go regional are as varied as the companies themselves.

1.2 Statement of the Problem
A number of studies have been done on pharmaceutical companies in Kenya. For instance, Cheruiyot (2003) conducted a study on the impact of promotion on the sales of locally manufactured pharmaceutical products in Kenya. The study discovered that pharmaceutical firms believe that promotion is the major factor contributing to the sales volume for their products especially for prescription and over the counter drugs. The study also discovered that effectiveness and coverage of any promotional method chosen are taken in high regards, which gave detailing an edge over the other methods of promotion. Lack of sufficient resources and congested market were given as the major factors hindering the promotion of locally manufactured pharmaceutical products. The impact of promotion on the sale of locally manufactured pharmaceutical products is enormous and need constant evaluation.

Nzioka (2001) also conducted a study of Health problems experienced by working women from selected pharmaceutical firms. The study observed that women working in the industrial occupations experience various health problems, which include stress, headache, chest pains, back pains, throat infections and injuries. It was further observed that working conditions and environment influence the experienced health problems. In addition, it was observed that policy initiatives and management practices were not adequate for the improvement of health conditions of the women employees. The textile industry was found to be characterized by high incidences of the health problems and strenuous working conditions as compared to pharmaceutical and food processing industries. The study concluded that the existing industrial policies have not been effectively enforced and particularly in the textile industry. Additional industrial policies and regulations are required in order to alleviate the health problems experienced by women working in the industrial sector. There is need for practical adoption and strict enforcement of policies and management that encourage fair working conditions and hazard-free work environments.
It is clear from the studies that none focused on the type of strategies that can be implemented for the survival of pharmaceutical companies in Kenya.

1.3 Purpose of the Study
The purpose of this study was to investigate the multinational selection foreign markets with a focus on pharmaceuticals in Kenya.

1.4 Research Questions
The study was guided by the following research questions:
1.4.1 What are the strategies used by pharmaceutical to enter into the Kenyan market?
1.4.2 What are the key challenges involved when entering the Kenyan market?
1.4.3 What strategies that can be taken by pharmaceutical companies to overcome the challenges in the Kenyan market?

1.5 Importance of the Study
1.5.1 Government
This study can be beneficial to the government as it can give it an understanding of how the policies, rules and regulation they set affect the competitiveness of pharmaceutical companies to either invest or divest in them. This can further aid government in making favorable policies, rules and regulations in order to attract investors who would bring growth and development in the nation.

1.5.2 Entrepreneurs
This study can aid pharmaceutical entrepreneurs who may want to invest in the country to have an understanding of how these key marketing strategies would affect their business’s survival in Kenya.

1.5.3 Researchers and academicians
This study can be useful to researchers and academicians as it adds to the body of knowledge. This will thus improve their understanding of the marketing strategies and their key influence on the survival of pharmaceutical companies in Kenya. The study can also be used as a point of reference for further research.
1.6 Scope of the Study
This research project was limited to pharmaceutical companies in Kenya. The instruments of the investigation were questionnaires that were distributed to 60 employees in three management categories (top management position, senior and supervisory managers) working in 20 pharmaceutical companies in Kenya and they include: African Cotton Industries Limited, Alpha Medical Manufacturers Limited, Beta Healthcare International Limited, Biodeal Laboratories Limited, Bulk Medicals Limited, Cosmos Limited, Dawa Limited, Elys Chemicals Industries Limited, Gesto Pharmaceuticals Limited, GlaxoSmithKline Kenya Limited, KAM Pharmacy Limited, Laboratory & Allied Limited, Manhar Brothers (K) Limited, Medivet Products Limited, Novelty Manufacturing Limited, Pharm Access Africa Limited, Pharmaceutical Manufacturing Co (K) Limited, Regal Pharmaceuticals, Revital Healthcare and Universal Corporation Limited (PMK, 2009).

1.7 Definition of Terms
The terms in this section are defined in the context in which they are being used in this research.

1.7.1 Multinational Corporations
Global Corporations also known as Multinational Corporations or Multinationals are firms that operate in more than one country and captures R&D, production, logistical, marketing and financial advantages in their costs and reputation that are not available to purely domestic competitors (Kotler, 2000).

1.7.2 Strategy
Strategy can be defined as the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfill stakeholders’ expectations (Johnson and Scholes, 2002).
1.8 Chapter Summary
This chapter gives an insight into multinational selection of international markets and the choice of foreign entry modes among pharmaceutical companies in Kenya. The chapter presents six main sections. The first section provides the background of marketing strategies. The second section looks at the problem statement of the research. The third section identifies the research objectives. The fourth section highlights the rationale of pursuing the study. The fifth section deals with the scope of the study and the sixth section provides the definition of terms. Chapter three addresses the research methodology. Chapter four is on the results and findings. Chapter five is on the summary, discussion and conclusion.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter reviewed literature on the multinational selection of international markets and the choice of foreign entry modes. The first section of the study reviewed literature on the types of marketing strategies utilized by pharmaceutical multinational companies and the choice of foreign entry modes into the market. The second section explored literature on the key challenges faced by pharmaceutical multinational companies and the choice of foreign entry modes into the market. The third section analyzed literature on strategic responses that can be taken by multinational companies to overcome the challenges involved in the choice of foreign market. The section ends with a chapter summary.

2.2 Market Entry Strategies and the Choice of Foreign Entry Modes

When a pharmaceutical makes a decision to venture in a new market, various strategic options have to be considered and clear choices made. A clear strategic balance has to be struck on how to venture into and grow in the expansion market while still remaining focused on their home country business competitively (Saxena, 2007). A pharmaceutical company willing to compete locally and abroad will ensure that its affiliates are linked by a common strategic vision. Various market strategies have been identified and applied by companies in their entry and service of the market (Stonehouse, Campbell, Hamill and Purdie, 2004).

2.2.1 Export Entry Modes

2.2.1.1 Direct Exporting Through Distributors

Direct exporting is where a product is manufactured at home by pharmaceutical company and marketed abroad, without the manufacturing firm necessarily being present in that country. The exportation is done through an agent or distributor who handles all the product responsibility (Madhok, 1997). Usually, the decision to export is opportunistic but sometimes the choice is made when the market back home becomes almost saturated.

2.2.1.2 Direct Branch Subsidiary Exports

There are times when the pharmaceutical company decides to open a satellite office or a branch in the export destination country (Madhok, 1997). This is usually a small outfit with
low cost of operation. The office becomes the key link with customers downstream. Essentially the pharmaceutical company makes a commitment to market overseas on its own behalf. This gives it greater control over its brand and operations overseas, over and above indirect exporting (Keegan and Schlegelmilch, 2001).

2.2.2 Contractual Entry Modes

2.2.2.1 Licensing
Under licensing arrangement, the pharmaceutical company allows the a third party to use its intellectual or property rights, product, brand etc., and the two parties agree on the basis of a profit sharing agreement, usually pro rata (Stonehouse et al., 2011). It is used in industries where branding is important especially in Fast Moving Consumer Goods, foods, pharmaceuticals and brewing. Fan, Nyland, and Zhu (2008) suggest that in some instances of licensing the organization charges a fee or royalty for the use of its technology, brand and expertise to a third party.

2.2.2.2 Franchising
Whilst there is similarity in concepts between licensing and franchising, in franchises the franchisee is allowed to use a whole business idea including the product, brand, image systems and processes of the franchiser. To the consumer, there is no difference between the franchise and the company (Root, 1994). Franchising involves the pharmaceutical company providing branding, concepts, expertise, and in fact most facets that are needed to operate in an overseas market, to the franchisee. Management tends to be controlled by the franchiser (Meyer and Peng, 2011).

2.2.2.3 Contract Manufacturing
In Contract Manufacturing the pharmaceutical company contracts a local company to manufacture some or all its products for sale in that foreign market. This significantly reduces the level of foreign direct investment the pharmaceutical company makes, while still making it possible to ensure product availability (Saxena, 2007). To obtain products that are manufactured to their specifications, multinational corporations normally transfer technology and technological assistance to the local manufacturer (Root, 1994). Contract manufacturing is especially attractive when the target market is too small to justify investment entry or it is too costly (Kakaz and Ulubeyli, 2009).
2.2.2.4 Local Manufacturing

In local manufacture, the pharmaceutical company sets up a production plant in the host country. In addition to the plant, it manages the entire logistical and production process. In this arrangement, the pharmaceutical company, or a local version of it, is incorporated in the host country (Meyer and Peng, 2011). Depending on the capacity of this local manufacturing unit, the pharmaceutical company uses it as a hub to produce for and sell to the neighbouring markets. Huge investments are made to set up local manufacturing plants (Odhiambo, 2013). Onkvisit and Shaw (1997) identify the determining factors on whether or not to venture into local manufacturing include when there is an advantage in access of raw materials, cheaper manufacturing resources or exploit a readily available market.

2.2.3 Investment Entry Modes

2.2.3.1 Establishing Foreign Subsidiaries

This is the case when the parent pharmaceutical company has total control of overseas operations, decision making and profits. Wholly owned subsidiaries operate in mirror images to the parent company’s, sometimes with little variation. While emerging market environments present many difficulties, they also offer some positive, unique features that can be leveraged to create advantage (Saxena, 2007). In developing economies, labor is easily available and cheap, creating opportunities for pharmaceutical company to set up local suppliers to help cut costs, especially for products being exported to developed countries (Baack and Boggs, 2007).

A pharmaceutical company may decide that none of the other options are as viable as actually owning an overseas manufacturing plant i.e. the organization invests in plant, machinery and labor in the overseas market. This is also known as Foreign Direct Investment (FDI). This can be a new-build, or the company might acquire a current business that has suitable plant (Meyer and Peng, 2011). Practically, it could assemble products in the new plant, and simply export components from the home market (or another country). The key benefit is that multinational becomes localized - it manufactures for customers in the market in which it is trading (Root, 1994). The pharmaceutical company will also gain local market knowledge and be able to adapt products and services to the needs of local consumers.
2.2.3.2 Acquisitions and Mergers

A merger is the case where two or more companies join to form a completely new business entity. For acquisitions, one company purchases the controlling interest in the other. These happen when the multinational wants to enter a foreign market rapidly and yet retain maximum control (Onkvisit and Shaw, 1997). An acquisition or a merger is usually easier for the pharmaceutical company than a startup, because in most cases it displaces a local ownership. It therefore is able to overcome the complexities of startups, since it is takes the form of a going concern. The reasons to acquire a local company include product or geographical expansion, acquisition of expertise and rapid market entry (Root, 1994).

2.2.3.3 Joint Venture and Strategic Alliances

A joint venture entails establishing a multinational firm that is jointly owned by two or more otherwise independent firms. Establishing a joint venture with a foreign firm has long been a popular mode for entering a new market (London and Hart, 2004). The most typical joint venture is a 50/50 venture, in which there are two parties, each of which holds a fifty percent ownership stake and contributes a team of managers to share operating control. In this case the business sought joint ventures if they have equal shares or have majority of the shares. However, in this case if the share ownership is not 50/50 owned then the proposal may be rejected Baack and Boggs, 2007). Specifically, a joint venture is a partnership formed by two or more companies for a specific business objective of which they share ownership and control. Each of the partners contributes a specialized skill (Root, 1994).

This is the case where two or more multinational companies from different countries contribute resources to carry out certain activities without forming a new company. Ventures facing challenging new environments usually need to turn to partner organizations for missing resources and expertise (Saxena, 2007). Indeed, government regulations often require a local corporate partner to ensure market access in emerging economies (London and Hart, 2004). Thus, instead of being an equity based investment, a strategic alliance may be more of a contractual arrangement whereby two or more partners agree to cooperate with each other and utilize each partner’s resources and expertise to achieve global market penetration (Onkvisit and Shaw, 1997). Therefore joint ventures are by their nature, strategic alliances, but not all strategic alliances are joint ventures.
There are many reasons why companies set up Joint Ventures to assist them to enter a new international market (Fan, Nyland and Zhu, 2008). These could be in order for the multinational corporation to access to technology, core competences or management skills, ease of faster entry to foreign markets, unlimited liability, taxes and the ability to collaborate with other owners. For example, Honda’s relationship with Rover in the 1980’s; to gain entry to a foreign market as any business wishing to enter China needs to source local Chinese partners; or access to distribution channels, manufacturing and research and development are most common forms of Joint Venture (Kim and Hwang, 1992).

2.3 Challenges Faced in the Selection of Foreign Market
Pharmaceutical company corporations doing businesses in the international arena are faced with many challenges. Optimistic projections could be derailed by a variety of unforeseen factors. Corporate culture, management problems and finance hurdles are some of the unexpected challenges (Klonowski and Golebiowska-Tataj, 2010). In addition, major threats can surface unexpectedly, especially in hitherto unprecedented markets and regions. Innovations too, in various fields of transport, information technology, communication and manufacturing have brought more challenges in global businesses (McFarlin and Sweeney, 2006). These challenges are enumerated below.

2.3.1 Political-Legal Factors
The political factors define the legal and the regulatory issues within which the firm conducts its business. Political barriers are normally placed on firms through fair trade decisions, anti-trust laws, tax programmes, minimum wage legislation, pollution, and pricing policies (Pearce and Robinson, 2007). Other rules and regulations can take many forms, including the following terms that include many restrictions in trade within multiple countries that import and export any items of trade: import duty, import license, export license, import quotas, tariffs, and subsidies, non-tariff barriers to trade, voluntary export restraints, local content requirements and embargoes (Kibera, 1996). These actions might be aimed towards protecting the employees, consumers, and the general public in the area that the firm does its business (Statman, 2008).
Many companies operating in most Sub Sahara African countries are faced with challenges that are political-legal in nature (Akamavi, McKeivitt and Boateng, 2004). Many of these countries have unstable government structures and are riddled with corruption. It becomes difficult for a corporation to set up and operate as their values may not be embraced by those of the host country (Baack and Boggs, 2007). Some governments are reluctant to develop and enforce laws protecting intellectual property, partly because they believe that such actions favour large, rich multinational companies while gouging their impoverished people (Nakata and Sivakumar, 1997). For pharmaceutical company whose products utilize proprietary but imitable knowledge, this condition of nominal patent/trademark protection is disadvantageous. Pharmaceutical company are vulnerable to all forms of piracy, counterfeiting, etc and can lose substantial sales to black market or illegal versions of their products.

2.3.2 Technological and Product Innovation Factors

The technological factor is also constituted in the remote environment. Technological change is the engine of long term business growth. Technological analysis involves for example scanning operations and manufacturing techniques for creating profitability in the way good and services are produced. Thus all firms particularly those in turbulent growth industries, must strive to understand both of the existing technological advances that can affect their products and services (Reeder, Brierty and Reeder, 2001). Since companies operate in the high tech era, most organizations will require human resource activities that require specialized expertise. As an example, many organizations are developing computerized expert systems for making employee selection decisions (Odhiambo, 2013). These systems integrate interview data, test scores and application blank information. Similarly, many organizations are developing compensation systems with elaborate benefit packages to replace simple monthly or piece rate incentive systems (Desimone, Werner and Harris, 2002).

Big pharmaceutical companies such as GlaxoSmithKline, in most instances become the leaders in technological transfer. In third world countries, technological inhibitions deter pharmaceutical company’s growth as huge investments are needed upfront. Though this gives a potential disadvantage on the part of the local firm, the company is unable to operate at full potential (Kim and Hwang, 1992). To add to the challenge, global
manufacturers have built their capabilities and products on understanding the preferences, technical requirements, and acceptable pricing for consumers and businesses in developed markets (Coleman, 2007). However, they need to repackage much of what has made them successful in order to develop and profitably commercialize far less expensive products that meet the very different needs of consumers and businesses in emerging markets (Saxena, 2007).

2.3.3 Tough Competitive Environment
Every business has external peers that perform similar functions within their professional discipline. These peers are considered competitors and they are rival producers of goods or services (Yan, 2009). These competitors contribute to the overall industry by their ability to deliver goods and services of high calibre at competitive prices (Blackman, 2006). Competition is good from a market perspective as it gives consumers choices and provides the businesses and opportunity to create a niche (Porter and Teisberg, 2004). There are two major players in the local financial industry, the commercial company’s and microfinance institutions (Corso and Pavesi, 2000). It is important to recognize that companies need to re-align, re-brand and re-innovate their marketing strategies to suit the changing marketing environment (Statman, 2008).

The competitive platform in which many global corporations operate are tough and sometimes ruthless (Das, 1997). The pharmaceutical companies not only compete with each other with international approach but also with local firms with strong home support and customer loyalty. Thus penetrating these markets becomes a fight in the midst of bitter rivalry. Competition among multinationals these days is likely to be a three-dimensional game of global chess: the moves an organization makes in one market are designed to achieve goals in another market in ways that aren't immediately apparent to rivals. As strategists have learned from game theory, the results of any move a player makes stem in large part from the choices his opponent makes. Often those results are nonlinear, that is, out of proportion to the events that provoke them (Fan, 2008). For example, GlaxoSmithKline competes in three principal product categories such as prescription medicine, vaccines, consumer health and stiefel in three major global geographic arenas in Europe, the Americas, and the Asia-Pacific-Africa region. In most of those categories and in all of those territories, GlaxoSmithKline’s principal rival is U.S.-based Pfizer.
pharmaceutical company. This makes the success of the multinational to increasingly depend on its competitive agility (Odhiambo, 2013).

2.3.4 Economic Factors
Some government regulations in many African and East European countries play a pivotal role in establishing the business climate, be it positive or negative. The key challenges include evolving taxation rules, poor legal infrastructure, and government over-regulation of the fiscal and monetary sectors (Klonowski and Golebiowska-Tataj, 2010). Some pharmaceutical companies operate across regions and countries with different currencies. Whilst the pharmaceutical company can chose to standardize its reporting currency to say, the US Dollar or Euro, the local currencies in which they sell products to their consumers may be unstable, leading to losses or uncompetitive pricing. On a broad, macroeconomic level, conditions in third world markets are unfavourable. Baack and Boggs (1997) identify the main economic problems as frequent and severe financial crises, unstable capital flows, and high interest rates. These are often coupled with high inflation and volatile currencies. These conditions increase the complexity of formulating strategies for emerging markets (Saxena, 2007).

2.3.5 Socio-Cultural Barriers
Differences in cultural orientations across countries and regions result in higher product costs (Gomez-Mejia and Palich, 1997). This is because when pharmaceutical company strives to meet needs of their consumers, they may be compelled to structure or configure their products and brands to suit that cultural diversity, this way, they are unable to maximize on their economies of scale, as they will be producing differentiated products for pockets of consumption. Akamavi et al. (2004) singles out the importance of socio-cultural factors in determining the population size to be targeted, the religion, education and language determines the language and nature of brand communication that corporations would use. The greater the cultural gap between the multinational’s values and those of the host country, the higher the challenge for smooth operations (Hewett, Roth and Roth, 2003). This also affects the choice of market entry strategy as well as the overall product mix strategy for the pharmaceutical company (Kakaz and Ulubeyli, 2009).
2.3.6 Infrastructure
In Africa pharmaceutical company face tough challenges from poor infrastructural development thus driving up costs of operation, and is a drag on market efficiency owing to increasing investment and transaction cost thereby increasing entry barriers and causing a reduction in industry competitiveness and access to domestic and international markets (Nwankwo, 2000). Infrastructure affects both the productivity and effectiveness of manufacturing companies. It has a direct impact on the distribution of raw materials, parts, and finished goods to customers. In identifying the infrastructure-related problems; Koch (2001) calls for the host governments to pay closer attention to transportation systems in their effort to attract more multinationals and foreign investment. Studies also point to infrastructural constraints having a bearing on the development of the third world countries’ economy. In the recent times, information technology infrastructure is a key driver to decisions on which countries global corporations will venture into (Riege, 2007).

2.4 Strategic Response to Overcome the Challenge of Market Selection
Broadly, there are three ways in which a pharmaceutical company can position itself to ensure it captures markets it intends to enter. These strategies can be employed to a product category, a brand or the company in its entirety. The three strategies are reconfiguration, redefinition or pure spending.

2.4.1 Reconfiguration Strategies
2.4.1.1 Product Changes
Products which have attributes that are valuable to consumers make the manufacturer have market or industry leadership (Porter, 1985). A successful global product approach involves the development of universal products. These can be cosmetically or slightly adapted to fit into satisfying the local needs and usage conditions (Meyer and Peng, 2011). Examples may include the manufacturing of a Toyota car, with many standard features for a global market, but having tropicalized features modeled into the design for the African market.

Coleman (2007) believes that global manufacturers have the opportunity to achieve substantial market share and profitable growth by developing innovative, low-cost pharmaceutical products that meet the needs of emerging market customers, potentially
disruptive innovations that create new markets by addressing the needs of customers not being served effectively developed markets and taking advantage of their global capabilities pharmaceutical manufacturers can use emerging markets as real-world laboratories for innovation (Odhiambo, 2013).

2.4.1.2 Out-Bound Logistics and Service Changes
The leverage a pharmaceutical company can build on a more efficient logistical system, more responsive sales support is important in determining its success in the industry and market it chooses to enter. Efficiencies in distribution will ensure product availability across all trade channels (Tyagi, 1999). The use of appropriate distribution channels in international markets increases the chances of a multinational corporation’s success dramatically (Kotabe and Helsen, 2004). For instance, Coca-Cola’s global success relies on its strong and efficient distribution networks and logistics. A challenger can outdo a leader through product support, after sales service, distribution efficiency (Porter, 1980). Pharmaceutical companies that are unwilling to set up their own distribution organization but are still desirous of having a level of control in their products’ distribution in overseas markets can adopt an exporting model known as piggyback exporting (Meyer and Peng, 2011). This is an arrangement where the pharmaceutical company uses a distribution logistics of other companies whether local or foreign for selling its goods in a foreign market. For example, in its entry to the Kenyan market, Heineken piggy backed on the developed distribution channels of East African Breweries (EABL, 2009).

2.4.1.3 Marketing Changes
Market changes involve product repositioning, organizational restructuring or incremental funding of the market entry plans. Increase of marketing spend can make a challenger out compete a leader. Higher spending will make the firm gain higher brand recognition (Koch, 2001). The amount of marketing budget that a pharmaceutical company can deploy is a key factor to its success in the market it chooses to play in. In order to competitively win against its more established competitors, a corporation entering in any market may need to out-spend its competitors in marketing activities. This is through aggressive advertising and promotions, discounts and offers (Statman, 2008). Positioning is the
perception a consumer has of a product. It is the position a product occupies in the mind of
the consumer. By re-establishing this position, a competitive advantage is gained. This
anchoring of the product in the consumers mind makes it a powerful market strategy
(Keegan and Schlegelmilch, 2001). In some cases a complete organizational restructuring
is necessary.

2.4.1.4 Operations Changes
Changes in operational value activities that lower costs or enhance differentiation can
provide a successful attack on a leader (Fan, 2008). It is possible to leverage fairly large
positive swings on the consumption side by making fairly small changes on the product
design that drive down price and increase value. This calls for fundamental shifts in
product, packaging, and distribution innovation (Inkpen and Ramaswamy, 2007). In
summary, an emerging market strategy must embrace new product development
approaches that offer the best price and benefit combination, innovative distribution
methods that overcome infrastructural challenges that are common, and the willingness to
think long term and make the associated financial and strategic commitments that are
needed to realize the true potential of these unique markets (Kakaz and Ulubeyli, 2009).

2.4.2 Redefinition Strategies
Porter (1985) recognizes that to be effective, a pharmaceutical company seeking to
successfully enter and possibly dominate a market will need to apply either one or a
combination of some key elements such as the ones enumerated below.

2.4.2.1 Focus
It becomes difficult for the leader to retaliate without compromising its own strategy. The
focus strategy targets a particular buyer group, segment of the product line, or geographic
market. Whereas low cost and differentiation are aimed at achieving their objective
industry wide, focus is built around serving a particular target or niche extremely well
(Kotler, 2000). The strategy rests on the premise that the firm can serve its narrow strategic
target more effectively or efficiently than more broadly based competitors. The firm may
achieve differentiation from better meeting the needs of the particular target or lower costs
in serving the target. If the firm is good or lucky, it may manage to do both (Statman,
2008).
Even though the focus strategy does not achieve low cost or differentiation from the perspective of the market as a whole, it does achieve one or both in its narrow market target (Onkvisit and Shaw, 1997). The focus strategy always implies some limitations on the overall market share achievable and involves a trade-off between profitability and sales volume, but not necessarily a trade-off with overall cost position. Often the focus strategy of filling a limited need or offering a product that only a few buyers will purchase allows for products to be priced at a premium since the company is satisfying the desires of a small cluster of buyers (Yan, 2009).

Most winning midsize growth companies are leaders in market niches, often in markets they have created through innovation. Such niche strategies are often born of necessity, since these firms lack the resources to fight broad, head-to-head battles with larger, entrenched competitors (Walters and Samiee, 2003). They succeed by seeking out niches that are too small to interest the giants. Alternatively, some firms pick niches that can be captured and protected by sheer perseverance and by serving customers extremely well (Saxena, 2007).

2.4.2.2 Differentiation

Differentiating of products or services can be defined as the means of creating something that is perceived within the industry to be unique (Das, 1997). Differentiation may take the form of design or brand image, technology, product feature, customer service, distribution network, etc. Ideally, the firm differentiates itself among several dimensions that are important to the customer. Differentiation does not mean that the firm will ignore costs, although costs are not the primary strategic target. Achieving differentiation may preclude gaining a high market share since it often requires a perception of exclusivity (Odhiambo, 2013). According to Porter (1980), achieving differentiation implies a trade-off with a cost position if the activities required in creating it are inherently costly, such as extensive research. Backward or forward integration do sometimes lower costs or enhance differentiation.

2.4.2.3 Vertical and Horizontal Integration Strategy

In this case, the market challenger exploits interrelationships as a way of broadening the scope of competition. According to Porter (1985), vertical integration the firm controls its
inputs and the distribution of its products and services. To forms of vertical integration exist – backward integration whereby the firm is in control of its inputs and supplies mostly common in many food industries, or forward integration where the firm controls its distribution network, as is evident with most petroleum companies (Baack and Boggs, 2007). Backward or forward integration do sometimes lower costs or enhance differentiation (Meyer and Peng, 2011).

On the other hand, horizontal integration occurs when a company diversifies into dealing with similar products as the ones existing within its portfolio, or even substitutes to its existing range (Porter, 1980). In addition, a pharmaceutical company may acquire competitors or broaden its product offering such as to offer a complete package to the consumer, as is common with Microsoft office software (Klonowski and Golebiowska-Tataj, 2010).

### 2.4.2.4 Geographic Redefinition

Market challengers can usurp the market leader’s position by exploiting geographical interrelationships. A company may choose to adopt a strategy whereby it splits the market into segments of similar or homogeneous characteristics, whose buyers’ exhibit homogeneity in purchase behaviors (Kotler, 2000). This process hence enables a pharmaceutical company to target a particular market with a particular product, or a set of products. This process makes it easy for the companies to concentrate on its strengths in a particular geographical region (Odhiambo, 2013).

### 2.4.2.5 Multiple Redefinition

The four modes of redefinition are not fully exclusive. Combinations of any of them would yield to higher competitive advantage. Most multinationals take up more than one strategy at a time (Meyer and Peng, 2011). They may adopt one strategy with one product ad take a completely different approach with another. Thus, when considered in its entirety, the multinational will have taken a multiple redefinition strategy to win over its competitors (Darling and Seristo, 2004).
2.4.3 Pure Spending Strategy
Some multinationals opt to spend heavily to buy market share, cumulative volume or brand identification through low prices, heavy marketing activities, consumer promotions (Statman, 2008). Here, the market challenger does not do anything differently or better than the leader but simply out invests the other players in the market (Porter, 1980). This is usually costly and unsustainable over the long term.

2.5 Chapter Summary
This chapter gave a detailed review of the literature available from the works of other authors and scholars in this field. This gives a firm base on the knowledge and understanding on the topic so as to ensure exhaustive study and coverage of the research questions. The literature review will show the strategic marketing strategies employed by pharmaceutical companies to survive in the market, the challenges they have faced in entering different markets, and how they have been able to overcome them. Chapter three describes the methodology to be used in the study. This includes population, sample size and sampling techniques as well as methods of data collection and analysis. The chapter will also address the format in which results will be presented.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

The study aimed to investigate the multinational selection of foreign markets with a focus of pharmaceuticals in Kenya. This chapter highlights the various methods and procedures the researcher adopted in conducting the study in order to answer the research questions raised in the first chapter. The chapter was organized in the following structure: the research design, population and sample, data collection methods, sampling design and sample size, research procedures, data analysis methods and lastly the chapter summary.

3.2 Research Design

This research adopted a descriptive research design. A descriptive research design is a scientific method which involves observing and describing the behavior of a subject without influencing it in any way. In addition, a descriptive study attempts to describe a subject, often by creating a profile of a group of problem, people or events, through collections of data and the tabulation of frequencies on research valuables and the research reveals who, what, when, where or how much (Shuttleworth, 2006).

Descriptive method tries to measure the types of activities, how often, when, where and by whom. The data was gathered using questionnaires and analyzed using frequency distribution method. A frequency distribution is a list containing the values of a variable and the corresponding frequencies with which each value occurs. A frequency distribution condenses the raw data into a more useful form and allows a quick visual interpretation of the data (Cooper & Schindler, 2000).

This method enabled the researcher to establish priorities in the specific areas under study. In addition, this approach helped the researcher assess the multinational selection of foreign markets with a focus of pharmaceuticals in Kenya. In order to reduce biases associated with qualitative research the current study applied structured methodology to gather, measure and analyze the data collected. Descriptive design is appropriate because it will give conclusive results between two variables. For this case, the strategies used by pharmaceutical to enter into the Kenyan market, the key challenges involved when entering the Kenyan market and the strategies taken by pharmaceutical companies to
overcome the challenges in the Kenyan market were the independent variable where as the dependent variable was the multinational selection of foreign markets.

3.3 Population and Sampling Design

3.3.1 Population

Cooper and Schindler (2006) describe a population as the total collection of elements whereby references have to be made. The total population comprised of 60 employees in three management categories (top management position, senior and supervisory managers) working in 20 pharmaceutical companies in Kenya. The selection of managers was part of the population of interest that provided the relevant information establish the type of marketing strategies used by pharmaceutical companies to enter into the Kenyan market.

3.3.2 Sampling Design and Sample Size

3.3.2.1 Sampling Frame

A sampling frame is a list of elements from which the sample is actually drawn and closely related to the population (Cooper and Schindler, 2006). The sampling frame of all the managers was obtained from each pharmaceutical company head office database as at May 2015. This ensured that the sampling frame was current, complete and relevant for the attainment of the study objectives.

3.3.2.2 Sampling Techniques

This study adopted a non probability sampling technique which was purposive sampling technique. In purposive sampling, the sample is in mind. The researcher sought information from a three specified predefined groups (managers from the top management position, senior and supervisory managers) were approached to be sampled with the questionnaires. Therefore, the elements for the study comprised of client service directors, business development managers and accounts managers who were well familiar with the advertising industry competitive strategies for sustainable growth.

3.3.2.3 Sample Size

The sample size is a smaller set of the larger population (Cooper and Schindler, 2006). However, since the total population is small the sample population was based on a census and the respondents are indicated in Table 3.1.
Table 3.1: Sample Size Distribution

<table>
<thead>
<tr>
<th>Company</th>
<th>Numbers of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>African Cotton Industries Limited</td>
<td>3</td>
</tr>
<tr>
<td>Alpha Medical Manufacturers Limited</td>
<td>3</td>
</tr>
<tr>
<td>Beta Healthcare International Limited</td>
<td>3</td>
</tr>
<tr>
<td>Biodeal Laboratories Limited</td>
<td>3</td>
</tr>
<tr>
<td>Bulk Medicals Limited</td>
<td>3</td>
</tr>
<tr>
<td>Cosmos Limited</td>
<td>3</td>
</tr>
<tr>
<td>Dawa Limited</td>
<td>3</td>
</tr>
<tr>
<td>Elys Chemicals Industries Limited</td>
<td>3</td>
</tr>
<tr>
<td>Gesto Pharmaceuticals Limited</td>
<td>3</td>
</tr>
<tr>
<td>GlaxoSmithKline Kenya Limited</td>
<td>3</td>
</tr>
<tr>
<td>KAM Pharmacy Limited</td>
<td>3</td>
</tr>
<tr>
<td>Laboratory &amp; Allied Limited</td>
<td>3</td>
</tr>
<tr>
<td>Manhar Brothers (K) Limited</td>
<td>3</td>
</tr>
<tr>
<td>Medivet Products Limited</td>
<td>3</td>
</tr>
<tr>
<td>Novelty Manufacturing Limited</td>
<td>3</td>
</tr>
<tr>
<td>Pharm Access Africa Limited</td>
<td>3</td>
</tr>
<tr>
<td>Pharmaceutical Manufacturing Co (K) Limited</td>
<td>3</td>
</tr>
<tr>
<td>Regal Pharmaceuticals</td>
<td>3</td>
</tr>
<tr>
<td>Revital Healthcare</td>
<td>3</td>
</tr>
<tr>
<td>Universal Corporation Limited</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60</strong></td>
</tr>
</tbody>
</table>

Source: PMK (2014).

3.4 Data Collection Method

The study used primary data. The primary data collection method was collected by the use of questionnaires. Maholtra (2007) explains that questionnaires are an important data collection tool. In addition, the use of questionnaires is justified because they provide an effective and efficient way of gathering information within a very short time. Further, questionnaires facilitated easier coding and analysis of data collected. The questionnaires administered included open ended questions. This was because open ended questions provide an insight of new ideas whereas closed ended questions ensure that the respondents are restricted to certain categories in their responses.

The questionnaires were organized in the following ways. The first section contained questions relating to the respondents characteristics. The second section looked at the types of marketing strategies utilized by pharmaceutical companies to survive in Kenya. The third section focused on the key challenges faced by pharmaceutical companies’ survival in


the Kenya and the fourth section highlighted the strategies that can be taken by pharmaceutical companies to overcome the challenges in the Kenyan market.

3.5 Research Procedure
A pilot test involving 2 respondents was carried out to evaluate the completeness, precision, accuracy and clarity of the questionnaires. This ensured the reliability of the data collection instruments used. After the amendment of the final questionnaire, the researcher explained the purpose of the research and sought permission from the pharmaceutical company office to carry out the research. The questionnaires were administered to the managers during the working hours. The questionnaires were personally administered by the researcher with the help of a research assistant. This method of administration was justified as the nature of the research required expert knowledge of multinational selection of foreign markets for the participants to be able to provide appropriate response as expected from the research questions. Each questionnaire took approximately 8 minutes to fill. Follow up on the questionnaires using email, phone calls and text messages ensured a high response rate.

3.6 Data Analysis Methods
Data analysis included both qualitative and quantitative techniques. Qualitative technique refers to any kind of research that produces findings not arrived at by means of statistical procedures or other means of quantification. This research approach is often expressed as personal value judgments from which it is difficult to draw any collective general conclusions. Qualitative research seeks insight through a less structured and more flexible approach. While quantitative research generally involves the collection of data from large numbers of respondents with the aim of presenting the findings to a large population. The aim is to generalize about a specific population based on the results of a representative sample of that population. The research findings may then be subjected to mathematical or statistical manipulation to produce a broad representative of data to the total population and forecasts of future events under different conditions (McDanile and Gates, 2001). The collected data was coded and analyzed using the descriptive statistics, specifically mean, by use of Statistical Package for Social Science (SPSS). In addition, inferential statistics was used. Regression and correlation analysis determined the relationship between the
dependent and independent variable. The presentation of data was by the use of tables and figures.

3.7 Chapter Summary
This chapter highlighted the various methods and procedures the researcher adopted in conducting the study in order to answer the research questions raised in the first chapter. The research design was a descriptive research, the total population comprises of 60 employees from 20 pharmaceutical companies in Kenya, data collection methods involved primary data collections, research procedures involved the conducting of a pilot study to confirm the reliability of the research instruments and also explain the purpose of the study to the respondents, data analysis methods involved quantitative technique in which the data was analyzed using Statistical Package For Social Science (SPSS). Chapter four presents the results and findings of the study.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter addressed the results and findings on the multinational selection of foreign markets with a focus on pharmaceutical companies in Kenya. The findings were outlined according to specific objectives of the study. The findings were based on the responses from the questionnaires filled and information gathered from the research questions. The first research question was to determine the strategies used by pharmaceuticals to enter into the Kenyan market. The second section provided responses on the key challenges involved when entering the Kenyan market. The third section examined the strategies that can be taken by pharmaceutical companies to overcome the challenges in the Kenyan market. Out of a targeted 60 respondents, 48 responded to the questionnaires. This represented an effective response rate of 80%. The findings are presented in Figure 4.1.

![Response Rate](image)

Figure 4.1: Response Rate
4.2 General Information
The general information is organized in the following areas: gender, managerial level, age range, educational level, years of experience and the departments of the respondents.

4.2.1 Gender
The findings illustrated that 57% of the respondents were male and 43% of the respondents were female. Thus, the findings indicated that majority of the respondents were male Small and Medium size entrepreneurs. The findings are indicated in Figure 4.2.

![Figure 4.2: Gender of Respondents](image)

4.2.2 Management Level
The results in Table 4.1 indicated that most of the respondents were in supervisory managerial level (50%) followed by senior management (33%) and top management level (17%).

<table>
<thead>
<tr>
<th>Managerial Level</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Top Management</td>
<td>8</td>
</tr>
<tr>
<td>Senior Management</td>
<td>16</td>
</tr>
<tr>
<td>Supervisory Managers</td>
<td>24</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>48</strong></td>
</tr>
</tbody>
</table>
4.2.3 Responsibility of International Market Selection Strategy

The study determined the responsibility of international market selection strategy from the respondents involved in the study. It was revealed that most of the respondents (64%) were fully responsible, 34% were partly responsible and 2% had no responsibility in international market selection strategy. The findings are indicated in Figure 4.3.

![Pie chart showing responsibility distribution]

**Figure 4.3: Responsibility of International Market Selection Strategy**

4.2.3 Years of Experience

The study determined the level of work experience among the respondents involved in the study. It was revealed that most of the respondents (62%) had worked for less than 5 years, 34% between 5 to 10 years and 4% between 15 to 20 years. The findings indicate that most of the respondents were relatively experienced. The findings are indicated in Table 4.5.
4.2.5 Education Level

To find out the education level of the respondents, Figure 4.3 indicated that 48% of the respondents had university level of education, 2% doctorate level, 47% college level and 2% graduate level of education. Thus, the findings indicate that majority of the respondents were relatively educated.
4.3 Marketing Entry Strategies and the Choice of Foreign Entry Modes

The study aimed to determine the types of marketing strategies utilized by pharmaceutical companies from the respondents involved in the study. The findings in Table 4.2 established that most of the pharmaceutical companies allowed other companies to use their brands in marketing their products through licensing arrangement (mean=3.74). Under licencing arrangement, the pharmaceutical company allows a third party to use its intellectual or property rights, product, brand etc, and the two parties agree on the basis of a profit sharing agreement, usually pro rata and the licensing arrangement is used in industries where branding is important for Fast Moving Consumer Goods.

A large number of the respondents claimed that pharmaceutical companies used technology to manufacture products to ensure that they are of high quality to match customer specifications (m=3.72). To obtain products that are manufactured to their specifications, multinational corporations normally transfer technology and technological assistance to the local manufacturer. The, the products are easily available (m=3.70) and the products are affordable (m=3.50). In contract manufacturing the pharmaceutical company contracts a local company to manufacture some or all its products for sale in that foreign market. A local manufacture ensures easy management of logistical and production processes. Huge investments are made to set up local manufacturing plants to take advantage in access of raw materials, cheaper manufacturing resources or exploit a readily available market.

There are times when the pharmaceutical company decides to open a satellite office or a branch. Though, the least utilised marketing strategies included setting up a local manufacturing plant to serve the needs of the clients within the country (m=3.09), manufacturing products and selling them outside the country (m=3.21). In developing economies, setting up local suppliers helps cut costs, especially for products being exported to developed countries thus the findings indicated that a few number of respondents claimed that opening a fully operational office to establish a key link with the customers (m=2.70) was among the least utilized strategies by multinational companies. Hence, very few respondents mentioned that the distribution of pharmaceutical products was handled by an agent or distributor (m=2.85) was among the very least strategy used by pharmaceutical companies. The exportation is done through an agent or distributor who
handles all the product responsibility. The decision to export is opportunistic but sometimes the choice is made when the market back home becomes almost saturated.

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>The responsibility of distributing our products is handled by an agent or distributor.</td>
<td>2.85</td>
<td>13</td>
</tr>
<tr>
<td>We have opened an office to establish a key link with the customers.</td>
<td>2.70</td>
<td>12</td>
</tr>
<tr>
<td>We allow other companies to use our brands in marketing our products (Licensing arrangement).</td>
<td>3.74</td>
<td>5</td>
</tr>
<tr>
<td>We use our expertise in marketing our products (Franchising)</td>
<td>1.81</td>
<td>14</td>
</tr>
<tr>
<td>We use technology to manufacture our products to ensure that they are of high quality to match customer specifications.</td>
<td>3.72</td>
<td>2</td>
</tr>
<tr>
<td>We manufacture our products and sell them outside the country.</td>
<td>3.21</td>
<td>11</td>
</tr>
<tr>
<td>We have set up a local manufacturing plant to serve the needs of our clients within the country.</td>
<td>3.09</td>
<td>10</td>
</tr>
<tr>
<td>Our products are easily available.</td>
<td>3.70</td>
<td>1</td>
</tr>
<tr>
<td>Our products are affordable.</td>
<td>3.50</td>
<td>3</td>
</tr>
<tr>
<td>We purchase the controlling interest of other companies to be competitive.</td>
<td>3.40</td>
<td>4</td>
</tr>
<tr>
<td>We work with other organizations to combine resources to carry out certain activities.</td>
<td>3.20</td>
<td>8</td>
</tr>
<tr>
<td>Our organization uses technology to efficiently market our products</td>
<td>3.10</td>
<td>6</td>
</tr>
<tr>
<td>Our employees employee have the appropriate skills and qualifications to enhance our competiveness</td>
<td>2.90</td>
<td>9</td>
</tr>
</tbody>
</table>

4.3.1 Correlation of Marketing Entry and Challenges in the Selection of Market

This section examined the correlation between the firm’s marketing entry strategies and the challenges in the choice of foreign entry modes. The findings presented in Table 4.3 indicated that there was a significant correlation between the company’s products being easily available and poor infrastructural development driving up operational costs ($r=0.648$, $p<0.01$). The relationship was extended to the use of technology to manufacture products to ensure that they are of high quality to match customer specifications ($r=0.613$, $p<0.01$) and the companies using brands in marketing their products (Licensing arrangement) ($r=0.455$, $p<0.01$). In addition, there was a significant relationship between the usage of technology to manufacture our products to ensure that they are of high quality to match customer specifications and the fairness of taxation rules at ($r=0.504$, $p<0.01$).
The relationship was extended to having a high inflation leading to high operational costs and the organization using technology to efficiently market the products (r=0.457, p<0.01).

Table 4.3: Correlation of Marketing Entry and Challenges in the Selection of Market

<table>
<thead>
<tr>
<th>Our products are easily available.</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>Rules on taxation are not fair.</th>
<th>There is high inflation leading to high operational costs.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>.648**</td>
<td>.000</td>
<td>.143</td>
<td>.023</td>
</tr>
<tr>
<td></td>
<td>.613**</td>
<td>.000</td>
<td>.455**</td>
<td>.504**</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>We use technology to manufacture our products to ensure that they are of high quality to match customer specifications.</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>Rules on taxation are not fair.</th>
<th>There is high inflation leading to high operational costs.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>.640**</td>
<td>.000</td>
<td>.397*</td>
<td>.503**</td>
</tr>
<tr>
<td></td>
<td>.399*</td>
<td>.018</td>
<td>.369*</td>
<td>.409*</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Our products are affordable.</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>Rules on taxation are not fair.</th>
<th>There is high inflation leading to high operational costs.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>.494**</td>
<td>.003</td>
<td>.232</td>
<td>.352*</td>
</tr>
<tr>
<td></td>
<td>.166</td>
<td>.341</td>
<td>.211</td>
<td>.457**</td>
</tr>
</tbody>
</table>

4.3.2 Regression of Firm Experience in the Industry and Market Entry Strategies

The findings in Table 4.4 indicate that there is a significant correlation between the two variables, Firm’s experience in the industry and market entry strategies (r=0.640, p=0.000). R square is 0.410 which implies that only 41% of the market entry strategies are determined by the firm’s experience in the industry. In addition, with every increase in one unit of the firm’s experience in the industry, the level of market entry strategies increases by a margin of 1.582 units.
The equation of regression line is: Market Entry Strategies = 4.502+1.592 (Firm’s Experience)

Table 4.4: Regression of Firm Experience and Market Entry Strategies

<table>
<thead>
<tr>
<th>Model</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>.640(^a)</td>
<td>.410</td>
<td>.392</td>
<td>1.361</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Firm's experience in the industry

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>4.502</td>
<td>1.519</td>
<td>-2.964</td>
</tr>
<tr>
<td></td>
<td>Firm's experience in the industry</td>
<td>1.592</td>
<td>.333</td>
<td>.640</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Market Entry Strategies

4.4 Key Challenges Faced in the Selection of Foreign Market

The study aimed to determine the key challenges faced by pharmaceutical companies from the respondents involved in the study. It is known that poor infrastructure results in higher product costs and hence the findings in Table 4.5 established that most of the respondents claimed that there was poor infrastructural development driving up operational costs (m=4.04) as one of the main key challenge facing the companies. This is because poor infrastructure may prevent the pharmaceutical company from maximizing on its economies of scale. Therefore, infrastructural gap may present a greater challenge for the smooth operations of operations.
Some pharmaceutical companies operate across regions and countries with different currencies. Thus the rules on taxation were not fair (m=4.00), customers still relied on traditional medicine practices (m=3.66) and there is a poor legal infrastructure (m=3.60) were among the leading challenges. Even though the pharmaceutical company chose to standardize its reporting currency this exposes them to uncompetitive pricing. These conditions increase the complexity of formulating strategies for emerging markets.

Among the least challenges faced by pharmaceutical companies included instability of the local currency leading to losses or uncompetitive pricing (m= 2.96), there was also a huge investment outlay in buying state of the art technology for manufacturing pharmaceutical products (m= 2.74). Technological inhibitions deter pharmaceutical company’s growth as huge investments are needed upfront. Though this gives a potential disadvantage on the part of the local firm, the company is unable to operate at full potential.

The competitive platform in which many global corporations operate are tough and sometimes ruthless thus there is a challenge of strong customer loyalty from multinational pharmaceutical companies (m=2.66) and the government is reluctant to develop and enforce laws protecting intellectual property rights (m= 2.64). Competition among multinationals these days is likely to be a three-dimensional game of global chess: the moves an organization makes in one market are designed to achieve goals in another market in ways that aren't immediately apparent to rivals.
Table 4.5: Key Challenges Faced in the Selection of Foreign Market

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our local government is riddled with corruption</td>
<td>3.21</td>
<td>10</td>
</tr>
<tr>
<td>The government is reluctant to develop and enforce laws</td>
<td>2.64</td>
<td>15</td>
</tr>
<tr>
<td>Low technology available locally inhibits our company from competing competitively</td>
<td>3.09</td>
<td>9</td>
</tr>
<tr>
<td>Locally the competition is tough and sometimes ruthless</td>
<td>3.21</td>
<td>12</td>
</tr>
<tr>
<td>There is a strong customer loyalty from local pharmaceutical companies.</td>
<td>3.32</td>
<td>8</td>
</tr>
<tr>
<td>There is a strong customer loyalty from multinational pharmaceutical companies.</td>
<td>2.66</td>
<td>14</td>
</tr>
<tr>
<td>Customer still rely on traditional medicine practices</td>
<td>3.66</td>
<td>4</td>
</tr>
<tr>
<td>Rules on taxation are not fair.</td>
<td>4.00</td>
<td>2</td>
</tr>
<tr>
<td>There is a huge investment outlay in buying state of the art technology for manufacturing pharmaceutical products</td>
<td>2.74</td>
<td>13</td>
</tr>
<tr>
<td>There is a poor legal infrastructure</td>
<td>3.60</td>
<td>6</td>
</tr>
<tr>
<td>The government has over-regulation the industry</td>
<td>3.44</td>
<td>5</td>
</tr>
<tr>
<td>The local currency is unstable, leading to losses or uncompetitive pricing</td>
<td>2.96</td>
<td>7</td>
</tr>
<tr>
<td>There is high inflation leading to high operational costs.</td>
<td>3.40</td>
<td>3</td>
</tr>
<tr>
<td>Our products do not meet the needs of the consumers who still rely on traditional medicine</td>
<td>3.07</td>
<td>11</td>
</tr>
<tr>
<td>There is poor infrastructural development driving up operational costs</td>
<td>4.04</td>
<td>1</td>
</tr>
</tbody>
</table>

4.4.2 Correlation of Challenges Faced and Strategic Response to Market Selection

This section examines the correlation between the challenges faced and strategic response to market selection. The findings are presented in Table 4.6 indicated that there was a significant relationship between poor infrastructural development driving up operational costs and the products satisfying the needs of the customers (r=0.495, p<0.01). The relationship was extended to the company providing different products that offer very good value to the customers (r=0.533, p<0.01) and the provision of a more responsive sales support to give a company an edge at (r=0.482, p<0.01). There was also a significant relationship between the customer relying on traditional medicine practices and provision of a more responsive sales support to give the organization an edge (r=0.518, p<0.01).
Table 4.6: Correlation of Challenges and Strategic Response to Market Selection

<table>
<thead>
<tr>
<th>Challenge</th>
<th>To be competitive, our products should satisfy the needs of the customers</th>
<th>Our company provides different products that offer very good value to our customers.</th>
<th>Providing after sales service is critical for distribution efficiency</th>
<th>Providing a more responsive sales support gives us an edge</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is poor infrastructural development driving up operational costs</td>
<td>Pearson Correlation .495**</td>
<td>.533**</td>
<td>.508**</td>
<td>.482**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.003</td>
<td>.001</td>
<td>.002</td>
<td>.003</td>
</tr>
<tr>
<td>Rules on taxation are not fair.</td>
<td>Pearson Correlation .101</td>
<td>.300</td>
<td>.028</td>
<td>.165</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.565</td>
<td>.080</td>
<td>.875</td>
<td>.343</td>
</tr>
<tr>
<td>There is high inflation leading to high operational costs.</td>
<td>Pearson Correlation -.396*</td>
<td>-.294</td>
<td>.232</td>
<td>-.145</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.019</td>
<td>.086</td>
<td>.180</td>
<td>.407</td>
</tr>
<tr>
<td>Customer still rely on traditional medicine practices</td>
<td>Pearson Correlation .193</td>
<td>-.002</td>
<td>-.045</td>
<td>.518**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.267</td>
<td>.990</td>
<td>.799</td>
<td>.001</td>
</tr>
</tbody>
</table>

4.4.3 Regression of Firm Experience and Challenges in Market Selection

The findings in Table 4.7 indicate that there is a significant correlation between the two variables, firm’s experience and challenges in market selection ($r=0.836$, $p=0.000$). R square is 0.699 which implies that only 69.9% of the firm’s experience is determined by the challenges in Market Selection. In addition, with every increase in one unit of the challenges in Market Selection, the level of entry mode increases by a margin of 0.802 units.
The equation of regression line is: Market Selection = 5.157+0.802 (Challenges in Market Selection).

Table 4.7: Regression of Firm Experience and Challenges in Market Selection

<table>
<thead>
<tr>
<th>Model</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>.836*</td>
<td>.699</td>
<td>.690</td>
<td>.458</td>
</tr>
</tbody>
</table>

Table 4.7 Notes:
- a. Predictors: (Constant), Challenges in Market Selection

<table>
<thead>
<tr>
<th>Model</th>
<th>Coefficients¹</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unstandardized Coefficients</td>
</tr>
<tr>
<td></td>
<td>B</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
</tr>
<tr>
<td></td>
<td>Challenges in Market Selection</td>
</tr>
</tbody>
</table>

Table 4.7 Notes:
- a. Dependent Variable: Firm Experience

4.5 Strategic Responses to Overcome the Challenges of Market Selection

The study aimed to determine the strategic responses to overcome the challenges to survive in Kenya from the respondents involved in the study. The findings in Table 4.8 established that the most of the respondents recommended the following ways of overcoming the challenges to survive that the company provides different products that offer very good value to the customers (m=4.19). Differentiation may take the form of design or brand image, technology, product feature, customer service, distribution network, etc. Ideally, the firm differentiates itself among several dimensions that are important to the customer.

Another good recommendation was on splitting the market into segments to help serve the customer better (m=3.98). A company may choose to adopt a strategy whereby it splits the market into segments of similar or homogeneous characteristics, whose buyer’s exhibit homogeneity in purchase behaviours. This process hence enables a pharmaceutical company to target a particular market with a particular product, or a set of products. To be competitive, the pharmaceutical company’s products should satisfy the needs of the customers (m=3.96). A pharmaceutical company may decide that none of the other options
are as viable as actually owning an overseas manufacturing plant and the solution may lie in satisfying customer needs to be competitive.

A number of the respondents claimed that the company’s should ensure product availability across all trade channels give them an advantage (m=3.83). The physical location of the pharmaceutical company and the use of intermediaries make the products available to the customer. Where production is separate from consumption, an organization can take drastic measures to make sure that the final output is received by customers. Also, a number of the respondents claimed that they were neutral on the following strategies that the companies should provide a more responsive sales support gives them an edge (m=3.77), providing after sales service is critical for distribution efficiency (m=3.74), strong brand (m=3.70) and embracing new product development approaches for the best price and benefit combination helps overcome infrastructural challenges (m=3.60).

Among the least strategies to overcome the challenges in order to survive in Kenya, few respondents mentioned that the companies can invest in heavy marketing activities to outdo the, competition (m=3.53). The marketing activities in pharmaceutical companies can range from customer relations, public relations and corporate social responsibility. Without proper investment in marketing activities a business is likely to fail. Therefore, investing in marketing activities improves the company’s overall performance and recognition in the market.

A few number of the respondents claimed that pharmaceutical companies should embrace new product development approaches for the best price and benefit combination helps overcome infrastructural challenges (m=3.60). There should also be incremental funding to the marketing activities makes market penetration easier (m=3.28). To leverage, a pharmaceutical company can build on a more efficient logistical system, more responsive sales support is important in determining its success in the industry and market it chooses to enter.

Though a few number of the respondents claimed that pharmaceutical companies should and there should be an efficient logistical system that can make their organization to be competitive (m=3.40) and reposition their products to out-compete immediate competitors
This is because customer-led companies should always keep their innovation pipelines filled by continually monitoring customer behavior and tastes and tracking what their competitors are doing so as to innovate on their products to remain competitive at the same time acquire new customers by matching their needs, tastes and preferences.

Table 4.8: Strategic Responses to Overcome the Challenges of Market Selection

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Rankings</th>
</tr>
</thead>
<tbody>
<tr>
<td>To be competitive, our products should satisfy the needs of the customers</td>
<td>3.96</td>
<td>1</td>
</tr>
<tr>
<td>Our low-cost pharmaceutical products enable the company grow its market share</td>
<td>3.38</td>
<td>8</td>
</tr>
<tr>
<td>Building an efficient logistical system can make our organization to be competitive</td>
<td>3.40</td>
<td>13</td>
</tr>
<tr>
<td>Providing a more responsive sales support gives us an edge</td>
<td>3.77</td>
<td>4</td>
</tr>
<tr>
<td>Ensuring product availability across all trade channels give us an advantage</td>
<td>3.83</td>
<td>5</td>
</tr>
<tr>
<td>Providing after sales service is critical for distribution efficiency</td>
<td>3.74</td>
<td>3</td>
</tr>
<tr>
<td>Incremental funding to the marketing activities makes market penetration easier.</td>
<td>3.28</td>
<td>11</td>
</tr>
<tr>
<td>Repositioning our products out-competes our immediate competitors.</td>
<td>3.38</td>
<td>12</td>
</tr>
<tr>
<td>Embracing new product development approaches for the best price and benefit combination helps overcome infrastructural challenges.</td>
<td>3.60</td>
<td>10</td>
</tr>
<tr>
<td>Our company provides different products that offer very good value to our customers.</td>
<td>4.19</td>
<td>2</td>
</tr>
<tr>
<td>Splitting the market into segments helps serve the customer better.</td>
<td>3.98</td>
<td>6</td>
</tr>
<tr>
<td>Our cumulative volume of sales is attributed to our strong brand.</td>
<td>3.70</td>
<td>7</td>
</tr>
<tr>
<td>We invest in heavy marketing activities to out-do the, competition.</td>
<td>3.53</td>
<td>9</td>
</tr>
</tbody>
</table>

4.5.1 Correlation of Challenges and the Strategic Responses to Market Selection

This section determined the correlation between the challenges and the strategic responses to market selection. The findings are presented in Table 4.9 indicated that there was a significant relationship between the company providing different products that offer very good value to the customers and poor infrastructural development driving up operational costs at \( r=0.531, p<0.01 \). The relationship was extended to the fairness of the rules on taxation \( r=0.531, p<0.01 \) and the customer relying on traditional medicine practices.
(r=0.550, p<0.01). There was also a significant relationship between the provision of after sales service is critical for distribution efficiency and the fairness of taxation rules at (r=0.531, p<0.01). The relationship was extended to the provision of a more responsive sales support and taxation rules (r=0.799, p<0.01) and customer relying on traditional medicine practices (r=0.501, p<0.01). The availability of products across all trade channels was significantly correlated with the poor infrastructural development driving up operational costs (r=0.464, p<0.01). The relationship was extended to taxation rules (r=0.464, p<0.01) and reliance on traditional medicine practices (r=0.449, p<0.01).

**Table 4.9: Correlation of Challenges and the Strategic Responses to Market Selection**

<table>
<thead>
<tr>
<th></th>
<th>There is poor infrastructural development driving up operational costs</th>
<th>Rules on taxation are not fair</th>
<th>There is high inflation leading to high operational costs</th>
<th>Customer still rely on traditional medicine practices</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Our company provides different products that offer very good value to our customers.</strong></td>
<td>Pearson Correlation .531**</td>
<td>Sig. (2-tailed) .001</td>
<td>Pearson Correlation .391*</td>
<td>Sig. (2-tailed) .001</td>
</tr>
<tr>
<td>Providing after sales service is critical for distribution efficiency</td>
<td>Pearson Correlation .341*</td>
<td>Sig. (2-tailed) .045</td>
<td>Pearson Correlation .531**</td>
<td>Sig. (2-tailed) .001</td>
</tr>
<tr>
<td>Providing a more responsive sales support gives us an edge</td>
<td>Pearson Correlation .397*</td>
<td>Sig. (2-tailed) .018</td>
<td>Pearson Correlation .799**</td>
<td>Sig. (2-tailed) .000</td>
</tr>
<tr>
<td>Ensuring product availability across all trade channels give us an advantage</td>
<td>Pearson Correlation .464**</td>
<td>Sig. (2-tailed) .005</td>
<td>Pearson Correlation .464**</td>
<td>Sig. (2-tailed) .005</td>
</tr>
</tbody>
</table>

* = p<0.05, ** = p<0.01
4.5.2 Regression of Firm Experience and the Strategic Responses to Market Challenges

The findings in Table 4.10 indicate that there is a significant correlation between the two variables, firm experience and the strategic responses to market challenges (r=0.323, p=0.000). R square is 0.323 which implies that only 32.3% of the market selection is determined by the strategic response to the market challenges in the host market. In addition, with every increase in one unit of the strategic response in the industry, the level of market entry increases by a margin of 0.551 units.

The equation of regression line is: Market Entry = 4.536 + 0.551 (Strategic Responses to Market Challenges)

Table 4.10: Regression of Host Country Factors and Entry Mode

<table>
<thead>
<tr>
<th>Model</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>.323&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.104</td>
<td>.077</td>
<td>.790</td>
</tr>
</tbody>
</table>

<sup>a</sup> Predictors: (Constant), Strategic Responses to Market Challenges

<table>
<thead>
<tr>
<th>Coefficients&lt;sup&gt;a&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

<sup>a</sup> Dependent Variable: Firm Experience
4.6 Chapter Summary

The findings on the types of marketing strategies utilized by pharmaceutical companies to survive in Kenya established that most of the pharmaceutical companies allow other companies to use their brands in marketing their products through licensing arrangement, followed by the pharmaceutical companies are using technology to manufacture products to ensure that they are of high quality to match customer specifications. The key challenges faced by pharmaceutical companies included poor infrastructural development driving up operational costs, rules on taxation were not fair, customers still relied on traditional medicine practices and there is a poor legal infrastructure. The strategic responses to overcome the challenges included providing differentiated products that offer very good value to the customers, splitting the market into segments to help serve the customer better, satisfying the needs of the customers and ensuring product availability across all trade channels the companies a competitive advantage. The next chapter is on the summary, discussion, conclusion and recommendations.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
In this section, the researcher provided discussion on the findings of the research as compared to the findings in the literature review, the summary of the study and recommendations for further improvement on identifying the measures to be taken on the multinational selection of foreign markets. The research was concluded on the basis of the conclusions drawn from the research questions.

5.2 Summary
The purpose of this study was to investigate the multinational selection of foreign markets with a focus of pharmaceuticals in Kenya. The study was guided by the following research questions: What are the strategies used by pharmaceutical to enter into the Kenyan market? What are the key challenges involved when entering the Kenyan market? And what strategies that can be taken by pharmaceutical companies to overcome the challenges in the Kenyan market?

This research adopted a descriptive research design. The total population comprised of 60 employees in three management categories (top management position, senior and supervisory managers) working in 20 pharmaceutical companies in Kenya. However, since the total population was small the sample population was based on a census. The study used primary data. The collected data was coded and analyzed using the descriptive statistics, specifically mean, by use of Statistical Package for Social Science (SPSS). The presentation of data was by the use of tables and figures.

The findings on the strategies used by pharmaceutical to enter into the Kenyan market established that most of the pharmaceutical companies allow other companies to use their brands in marketing their products through licensing arrangement, followed by the pharmaceutical companies are using technology to manufacture products to ensure that they are of high quality to match customer specifications, the products are easily available, and the products are affordable. The least utilised marketing strategies included the distribution of pharmaceutical products is handled by an agent or distributor.
The key challenges faced by pharmaceutical companies included poor infrastructural development driving up operational costs, rules on taxation were not fair, customers still relied on traditional medicine practices and there is a poor legal infrastructure. The least challenge was on the instability of the local currency leading to losses or uncompetitive pricing, huge investment outlay in buying state of the art technology for manufacturing pharmaceutical products, strong customer loyalty from multinational pharmaceutical companies and the government is reluctant to develop and enforce laws protecting intellectual property rights.

On the strategic responses to overcome the challenges included providing differentiated products that offer very good value to the customers, splitting the market into segments to help serve the customer better, satisfying the needs of the customers and ensuring product availability across all trade channels the companies a competitive advantage. The least strategy was on the companies should embrace new product development approaches for the best price and benefit combination helps overcome infrastructural challenges, incremental funding to the marketing activities, repositioning the products to out-compete immediate competitors and building an efficient logistical system can make their organization to be competitive.

5.3 Discussion
5.3.1 Marketing Entry Strategies and the Choice of Foreign Entry Modes
Under licencing arrangement, the pharmaceutical company allowed a third party to use its intellectual or property rights, product, brand etc, and the two parties agree on the basis of a profit sharing agreement, usually pro rata (Stonehouse et al., 2004). The findings established that most of the pharmaceutical companies allow other companies to use their brands in marketing their products through licensing arrangement (mean=3.74). According to Fan, Nyland, and Zhu (2008), licencing arrangement is used in industries where branding is important for Fast Moving Consumer Goods.

In contract manufacturing, the pharmaceutical company contracts a local company to manufacture some or all its products for sale in that foreign market. This was among the least utilised marketing strategies where a pharmaceutical company was setting up a local manufacturing plant to serve the needs of the clients within the country (m=3.09). This
ensures there is product availability (m=3.70) and are affordable (m=3.50). A local manufacture ensures easy management of logistical and production processes. Huge investments are made to set up local manufacturing plants. Onkvisit and Shaw (1997) identify the determining factors on whether or not to venture into local manufacturing include when there is an advantage in access of raw materials, cheaper manufacturing resources or exploit a readily available market.

To obtain products that are manufactured to their specifications, multinational corporations normally transfer technology and technological assistance to the local manufacturer (Root, 1994). In this regard, quite a large number of the respondents claimed that the pharmaceutical companies were using technology to manufacture products to ensure that they are of high quality to match customer specifications (m=3.72). In this case, contract manufacturing is especially attractive when the target market is too small to justify investment entry or it is too costly.

There are times when the pharmaceutical company decides to open a satellite office or a branch. The findings suggested that the companies were manufacturing products and selling them outside the country (m=3.21). This is usually a small outfit with low cost of operation. The office becomes the key link with customers downstream. Essentially the pharmaceutical company makes a commitment to market overseas on its own behalf. This gives it greater control over its brand and operations overseas, over and above indirect exporting (Keegan and Schlegelmilch, 2001).

In developing economies, setting up local suppliers helps cut costs, especially for products being exported to developed countries. The findings suggested that the pharmaceutical companies were opening up a fully operational office to establish a key link with the customers (m=2.70). This is the case when the parent pharmaceutical company has total control of overseas operations, decision making and profits. Wholly owned subsidiaries operate in mirror images to the parent company’s, sometimes with little variation. While emerging market environments present many difficulties, they also offer some positive, unique features that can be leveraged to create advantage (Baack and Boggs, 2007).
Direct exporting is where a product is manufactured at home by pharmaceutical company and marketed abroad, without the manufacturing firm necessarily being present in that country. The findings indicated that the distribution of pharmaceutical products is handled by an agent or distributor (m=2.85). The exportation is done through an agent or distributor who handles all the product responsibility. According to Madhok (1997), the decision to export is opportunistic but sometimes the choice is made when the market back home becomes almost saturated.

5.3.2 Key Challenges Faced in the Selection of Foreign Market

Poor infrastructure resulted in higher product costs. The findings established that most of the respondents claimed that there was poor infrastructural development driving up operational costs (m=4.04) as one of the main key challenge facing the companies. This is because poor infrastructure may prevent the pharmaceutical company from maximizing on its economies of scale. Therefore, infrastructural gap may present a greater challenge for the smooth operations of operations (Hewett, Roth and Roth, 2003).

Some pharmaceutical companies operate across regions and countries with different currencies. The findings suggested that the rules on taxation were not fair (m=4.00) even though the pharmaceutical company chose to standardize its reporting currency this exposes them to uncompetitive pricing. Baack and Boggs (1997) identify the main economic problems pharmaceutical companies are frequent and severe financial crises, unstable capital flows, and high interest rates. These are often coupled with high inflation and volatile currencies. These conditions increase the complexity of formulating strategies for emerging markets.

Differences in cultural orientations across countries may be a threat to the operations of a pharmaceutical company. The findings suggested that the customers still relied on traditional medicine practices (m=3.66). Reliance on traditional medicine reflects the gap in socio-cultural factors between the company values and personal values that are guided by culture. Hewett, Roth and Roth (2003) mentions that culture may determine the choice of market entry strategy as well as the overall product mix strategy for the pharmaceutical company.
Many companies operating in African countries are faced with challenges that are political-legal in nature. The findings indicated that there is a poor legal infrastructure (m=3.60) as also among the leading challenges. For pharmaceutical company whose products utilize proprietary but imitable knowledge, this condition of nominal patent/trademark protection is disadvantageous. In addition, the government was reluctant to develop and enforce laws protecting intellectual property rights (m= 2.64). Some governments are reluctant to develop and enforce laws protecting intellectual property, partly because they believe that such actions favour large, rich multinational companies while gouging their impoverished people (Nakata and Sivakumar, 1997). Hence, pharmaceutical company are vulnerable to all forms of piracy, counterfeiting, etc and can lose substantial sales to black market or illegal versions of their products.

Technological inhibitions deter pharmaceutical company’s growth as huge investments are needed upfront. The findings indicated that there is a huge investment outlay in buying state of the art technology for manufacturing pharmaceutical products (m= 2.74, sd= 1.052). Though this gives a potential disadvantage on the part of the local firm, the company is unable to operate at full potential (Kim and Hwang, 1992). To add to the challenge, global manufacturers have built their capabilities and products on understanding the preferences, technical requirements, and acceptable pricing for consumers and businesses in developed markets (Coleman, 2007). However, they need to repackage much of what has made them successful in order to develop and profitably commercialize far less expensive products that meet the very different needs of consumers and businesses in emerging markets.

The competitive platforms in which many global corporations operate are tough and sometimes ruthless. Though among the least variable, the findings suggested that there was a strong customer loyalty from multinational pharmaceutical companies (m=2.66). The pharmaceutical companies not only compete with each other with international approach but also with local firms with strong home support and customer loyalty. Thus penetrating these markets becomes a fight in the midst of bitter rivalry. Competition among multinationals these days is likely to be a three-dimensional game of global chess: the moves an organization makes in one market are designed to achieve goals in another market in ways that aren't immediately apparent to rivals. As strategists have learned from
game theory, the results of any move a player makes stem in large part from the choices his opponent makes. Often those results are nonlinear, that is, out of proportion to the events that provoke them (Fan, 2008).

5.3.3 Strategic Responses to Overcome the Challenges of Market Selection

Differentiating of products or services can be defined as the means of creating something that is perceived within the industry to be unique. Most of the respondents recommended that the company should provide different products that offer very good value to the customers (m=4.19). Differentiation may take the form of design or brand image, technology, product feature, customer service, distribution network, etc. Ideally, the firm differentiates itself among several dimensions that are important to the customer. Differentiation does not mean that the firm will ignore costs, although costs are not the primary strategic target. Achieving differentiation may preclude gaining a high market share since it often requires a perception of exclusivity. According to Porter (1980), achieving differentiation implies a trade-off with a cost position if the activities required in creating it are inherently costly, such as extensive research. Backward or forward integration do sometimes lower costs or enhance differentiation.

Market challengers can usurp the market leader’s position by exploiting geographical interrelationship. Another good recommendation was on splitting the market into segments to help serve the customer better (m=3.98). A company may choose to adopt a strategy whereby it splits the market into segments of similar or homogeneous characteristics, whose buyers’ exhibit homogeneity in purchase behaviours. This process hence enables a pharmaceutical company to target a particular market with a particular product, or a set of products. (Kotler (2000) argues that this process makes it easy for the companies to concentrate on its strengths in a particular geographical region.

A pharmaceutical company may decide that none of the other options are as viable as actually owning an overseas manufacturing plant and the solution may lie in satisfying customer needs to be competitive. It was recommended that the company’s products should satisfy the needs of the customers (m=3.96). Root (1994) argues that this can be made possible by pharmaceutical company understanding the local market through market research and adapting its products and services to the needs of local consumers.
The physical location of the pharmaceutical company and the use of intermediaries make the products available to the customer. The respondents claimed that the company’s should ensure product availability across all trade channels give them an advantage (m=3.83). Where production is separate from consumption, an organization can take drastic measures to make sure that the final output is received by customers (Lovelock, 2000) as an important element of marketing mix (Paley, 2006).

The internal and external environment has to be thoroughly scanned to identify business opportunities and threats and thereby come up with appropriate strategies to explore the opportunities and overcome the threats. Among the least strategies to overcome the challenges in order to survive in Kenya, few respondents mentioned that the companies can invest in heavy marketing activities to out-do the, competition (m=3.53). The marketing activities in pharmaceutical companies can range from customer relations, public relations and corporate social responsibility. Kibera (1996) argues that without proper investment in marketing activities a business is likely to fail. Therefore, investing in marketing activities improves the company’s overall performance and recognition in the market.

Understanding of innovation is vital to organizations, competing in an environment characterized by high uncertainty and a high rate of change. The findings indicated that pharmaceutical companies should embrace new product development approaches for the best price and benefit combination helps overcome infrastructural challenges (m=3.60). Pharmaceutical company should stress the importance of innovation to survive or will become marginalized. Kotler (2000) also argues that product development is inevitable if businesses are to remain relevant and sustainable.

The pharmaceutical company should reposition their products to out-compete immediate competitors (m=3.38). Customer-led companies should always keep their innovation pipelines filled by continually monitoring customer behavior and tastes and tracking what their competitors are doing so as to innovate on their products to remain competitive at the same time acquire new customers by matching their needs, tastes and preferences.

To leverage, a pharmaceutical company can build on a more efficient logistical system, more responsive sales support is important in determining its success in the industry and
market it chooses to enter. The findings indicated that there should be an efficient logistical system that can make their organization to be competitive (m=3.40, sd=1.245) with a large variation of data (skewness=0.366). Efficiencies in distribution will ensure product availability across all trade channels. According to Kotabe and Helsen (2004), the use of appropriate distribution channels in international markets increases the chances of a multinational corporation’s success dramatically.

5.4 Conclusions
5.4.1 Marketing Entry Strategies and the Choice of Foreign Entry Modes
Licensing arrangement was used in industries where branding was important. A local manufacture ensured easy management of logistical and production processes. Huge investments were made to set up local manufacturing plants. Contract manufacturing was especially attractive when the target market was too small to justify investment entry. Setting up local suppliers helped cut costs, especially for products being exported to other countries. Direct exporting was used where a product was manufactured at home by pharmaceutical company and marketed abroad, without the manufacturing firm necessarily being present in that country.

5.4.2 Key Challenges Faced in the Selection of Foreign Market
Poor infrastructure resulted in higher product costs. The main economic problems pharmaceutical companies faced were frequent and severe financial crises, unstable capital flows, and high interest rates. Differences in cultural orientations across countries were a threat to the operations of a pharmaceutical company. Technological inhibitions deterred pharmaceutical company’s growth as huge investments were needed upfront. The competitive platforms in many global corporations operated tough and ruthless market conditions. The pharmaceutical companies competed with each other with strong home support and customer loyalty.
5.4.3 Strategic Responses to Overcome the Challenges of Market Selection
Pharmaceutical companies offered different products that offered good value to the customers. Pharmaceutical companies adopted a strategy to split the market into segments of similar or homogeneous characteristics, whose buyers exhibited homogeneity in purchase behaviours. Pharmaceutical companies looked at other options viable in owning overseas manufacturing plant and the solution lied in satisfying customer needs to be competitive. Understanding of innovation was vital for pharmaceutical organizations competing in an environment characterized by high uncertainty and a high rate of change. The pharmaceutical companies were able to reposition their products to out-compete immediate competitors and build a more efficient logistical system as a strategic response on the challenges of market selection.

5.5 Recommendations
5.5.1 Recommendation for Improvement
5.5.1.1 Marketing Entry Strategies and the Choice of Foreign Entry Modes
The study recommends that pharmaceutical companies should have a clear strategic balance on how to venture into and grow in the expansion market while still remaining focused on both home and foreign country. The study recommends that agents or distributors can be used to distribute their products. Pharmaceutical companies can also open up an office to establish a key link with the customers. Branding and expertise should be utilised in marketing of products. Technology should be utilized to manufacture products to ensure that they are of high quality to match customer specifications. The products should be easily available and affordable.

5.5.1.2 Key Challenges Faced in the Selection of Foreign Market
The study recommends that local government should promote eradication of corruption. The government should develop and enforce laws protecting intellectual property rights as well as promote state of the art technology for manufacturing pharmaceutical products to enable pharmaceutical companies compete effectively with multinational companies. Rules on taxation should be fair. The government should stabilise the local currency to avoid uncompetitive pricing. In addition, the company’s should meet the needs of the consumers who still rely on traditional medicine and develop infrastructure in reduce operational costs.
5.5.1.3 Strategic Responses to Overcome the Challenges of Market Selection
The study recommends that for pharmaceutical companies to be competitive, the products should satisfy the needs of the customers. Pharmaceutical companies should logically price their products to enable growth of market share. The companies should build an efficient logistical system to make the companies more competitive. There should be a more responsive sales support to provide a competitive edge for the companies. Providing after sales service is critical for distribution efficiency. Embracing new product development approaches for the best price and benefit combination helps overcome infrastructural challenges. The pharmaceutical company should provide different products that offer very good value to the customers as well as split the market into segments helps serve the customer better.

5.5.2 Recommendations for Further Studies
The purpose of the study was to investigate on the multinational selection of foreign markets by pharmaceutical companies in Kenya. The study recommends that future researchers can use the same research objectives on the impact of multinational marketing strategies and the survival of commercial banks in Kenya to compare the differences or similarities of the findings. Further, researchers can investigate whether pharmaceutical companies in Kenya show some tendencies towards oligopoly or not.
REFERENCES


Dear Sir/Madam,

**RE: RESEARCH STUDY**
I am pleased to inform you that I am a student at United States International University pursuing a degree of Masters in International Business Administration (MBA). As partial fulfillment for my degree, I am conducting a research on the strategies used by pharmaceutical multinational companies to enter into the Kenyan market.

Please note that any information you give will be treated with confidentiality and at no instance will it be used for any other purpose other than for this project. Your assistance will be highly appreciated. I look forward to your prompt response.

Yours faithfully,

Isabel N. Obure
Researcher
APPENDIX II: QUESTIONNAIRES

This study is a requirement for the partial fulfillment of the degree of Masters in International Business Administration (MBA). The purpose of this research is to investigate the strategies used by multinational pharmaceutical companies to enter into the Kenyan market. Please note that any information you give will be treated with confidentiality and at no instance will it be used for any other purpose other than for this project. Your assistance will be highly appreciated. I look forward to your prompt response.

Section A: Bio-Data

Kindly answer all the questions by ticking in the boxes or writing in the spaces provided.

1. Gender
   [ ] Male       [ ] Female

2. Management Level
   [ ] Top Management [ ] Senior Management [ ] Supervisory Managers

3. How responsible are you in your organization’s international market selection strategy?
   [ ] No Responsibility [ ] Partly Responsible [ ] Fully Responsible

3. For how long have you worked for the Pharmaceutical Company?
   Less than 5 years [ ]
   5-10 years [ ]
   11-15 years [ ]
   Above 15 years [ ]

4. Educational Level
   Secondary school [ ]
   College level [ ]
   Undergraduate level [ ]
   Graduate level [ ]
Section B: Marketing Entry Strategies and the Choice of Foreign Entry Modes

Indicate the extent to which you agree with the following statements by using a scale of 1 to 4 where 1 = strongly disagree and 4 = strongly agree. Circle (O) which best describes your opinion of the statement on the strategies used by pharmaceutical companies to enter into the Kenya market.

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The responsibility of distributing our products is handled</td>
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<tr>
<td>by an agent or distributor.</td>
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<tr>
<td>2. We have opened an office to establish a key link with the customers.</td>
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<td>3. We allow other companies to use our brands in marketing our products</td>
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<tr>
<td>(Licensing arrangement).</td>
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<tr>
<td>4. We use our expertise in marketing our products (Franchising)</td>
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<td>5. We use technology to manufacture our products to ensure that they are</td>
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<td>of high quality to match customer specifications.</td>
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<td>6. We manufacture our products and sell them outside the country.</td>
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<td>7. We have set up a local manufacturing plant to serve the needs of our</td>
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<td>clients within the country.</td>
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<tr>
<td>8. Our company has networked with the local distributors to cut costs in</td>
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<tr>
<td>distribution.</td>
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<tr>
<td>9. Our products are easily available.</td>
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<tr>
<td>10. Our products are affordable.</td>
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<tr>
<td>11. We purchase the controlling interest of other companies to be</td>
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<tr>
<td>competitive.</td>
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<tr>
<td>12. We work with other organizations to combine resources to carry out</td>
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<tr>
<td>certain activities.</td>
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<tr>
<td>13. Our organization uses technology to efficiently market our products</td>
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<td>14. Our employees have the appropriate skills and qualifications to</td>
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<tr>
<td>enhance our competitiveness.</td>
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</tbody>
</table>

15. What other marketing strategies are utilized by Pharmaceutical Companies to Survive in Kenya?
Section C: Key Challenges Faced in the Selection of Foreign Market

Indicate the extent to which you agree with the following statements by using a scale of 1 to 4 where 1 = strongly disagree and 4 = strongly agree. Circle (O) which best describes your opinion of the statement on key challenges faced by pharmaceutical companies’ survival in Kenya.

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Our local government is riddled with corruption</td>
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<tr>
<td>2. The government is reluctant to develop and enforce laws protecting intellectual property rights</td>
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<tr>
<td>3. Low technology available locally inhibits our company from competing competitively</td>
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<tr>
<td>4. Locally the competition is tough and sometimes ruthless</td>
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<tr>
<td>5. There is a strong customer loyalty from local pharmaceutical companies.</td>
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<tr>
<td>6. There is a strong customer loyalty from multinational pharmaceutical companies.</td>
<td>1</td>
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<tr>
<td>7. Customer still rely on traditional medicine practices</td>
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<td>2</td>
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<tr>
<td>8. Rules on taxation are not fair.</td>
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<tr>
<td>9. There is a huge investment outlay in buying state of the art technology for manufacturing pharmaceutical products</td>
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<tr>
<td>10. There is a poor legal infrastructure</td>
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<tr>
<td>11. The government has over-regulation the industry</td>
<td>1</td>
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<tr>
<td>12. The local currency is unstable, leading to losses or uncompetitive pricing</td>
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<tr>
<td>13. There is high inflation leading to high operational costs.</td>
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<tr>
<td>14. Our products do not meet the needs of the consumers who still rely on traditional medicine</td>
<td>1</td>
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<tr>
<td>15. There is poor infrastructural development driving up operational costs</td>
<td>1</td>
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</tr>
</tbody>
</table>

16. What other challenges are faced by Pharmaceutical Companies’ to enter into Kenya?

______________________________________________________________________________
Section D: Strategic Responses to Overcome the Challenges of Market Selection

Indicate the extent to which you agree with the following statements by using a scale of 1 to 4 where 1= strongly disagree and 4 = strongly agree. Circle (O) which best describes your opinion of the statement on the strategic responses taken by pharmaceutical companies’ to survive in Kenya.

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. To be competitive, our products should satisfy the needs of the customers</td>
<td>1</td>
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</tr>
<tr>
<td>2. Our low-cost pharmaceutical products enable the company grow its market share</td>
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<tr>
<td>3. Building an efficient logistical system can make our organization to be competitive</td>
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<tr>
<td>4. Providing a more responsive sales support gives us an edge</td>
<td>1</td>
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<tr>
<td>5. Ensuring product availability across all trade channels give us an advantage</td>
<td>1</td>
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</tr>
<tr>
<td>6. Providing after sales service is critical for distribution efficiency</td>
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<tr>
<td>7. Incremental funding to the marketing activities makes market penetration easier.</td>
<td>1</td>
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</tr>
<tr>
<td>8. Repositioning our products out-competes our immediate competitors.</td>
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</tr>
<tr>
<td>9. Embracing new product development approaches for the best price and benefit combination helps overcome infrastructural challenges.</td>
<td>1</td>
<td>2</td>
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<td>4</td>
</tr>
<tr>
<td>10. Our company provides different products that offer very good value to our customers.</td>
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<td>4</td>
</tr>
<tr>
<td>11. Splitting the market into segments helps serve the customer better.</td>
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</tr>
<tr>
<td>12. Our cumulative volume of sales is attributed to our strong brand.</td>
<td>1</td>
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</tr>
<tr>
<td>13. We invest in heavy marketing activities to out-do the, competition.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

14. What other strategies are taken by pharmaceutical companies’ to enter into Kenya?