

**DETERMINANTS OF DISTRIBUTION INTENSITY
AMONG FIRMS IN THE KENYAN
PHARMACEUTICAL INDUSTRY**

By

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DECLARATION

This management project is my original work and has not been presented for a degree in any other university

SIGNED: 

DATE: 24/01/05

M'MBUI GITOBU

This management project has been submitted for examination with my approval as university supervisor

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DEDICATION

To my wife and best friend Nduta who will always be the only love of my life whose support and encouragement made this paper a reality

To my parents Julia and Murithi M'Mbui who taught me that with hard work and discipline all is possible

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ABSTRACT

As a strategic marketing tool, the field of marketing channels had, for many years taken a “back seat” to the three strategic areas of marketing i.e. product, price and promotion. But in recent years this relative neglect of marketing channels has been changing in many cases to a keen interest area. This has been due to greater difficulty in gaining sustainable competitive advantage; need to reduce distribution costs and new stress on growth. One of the key elements in channel management is deciding how many sales outlets should be established in a given geographic area. It was therefore necessary to conduct a study to find out distribution intensity used by firms in the pharmaceutical industry and to determine the factors they consider when deciding on the distribution intensity strategy to pursue.

To aid this study a survey was undertaken using a structured questionnaire. The questionnaire was administered using drop and pick later method. The questionnaire was adopted because of the high degree of anonymity it gives to respondents who considered certain responses strategic and sensitive to their business. The populations of the study were pharmaceutical companies based in Kenya. The sampling frame consisted of manufacturers, franchise importers, and generic importers of pharmaceutical products. A sample frame of sixty firms was picked for the study. The respondents of the study were the marketing or distribution managers of the respective companies. Data analysis was done using mean scores and factor analysis.

The study findings showed that most pharmaceutical firms follow intensive distribution strategy but a few companies with high end prescription products follow a selective distribution strategy.

The greatest limitation to this study was the reluctance by many respondents to disclose information deeming it strategic to them. Further research should be done on factors that determine distribution intensity on specific product categories.

CHAPTER ONE

INTRODUCTION

1.1 Background

There are enormous changes taking place in the environment continuously. No industry has remained isolated from the impact of certain trends and events in the environment. The global pharmaceutical industry worldwide sales (2000) have reached \$354 billion (IMS News). Pharmaceuticals constitute a large share of health expenditures especially in the developing world. Two elements differentiate this industry from others, these are large investment in research and development and substantial expenditures devoted to promoting the diffusion of new products through marketing (Schweitzer, 1997). Both production and sales of pharmaceuticals vary greatly by region of the world. Problems of access to needed drugs by populations in developing countries present serious dilemmas to governments of these countries. Underlying this situation is the fact that poor countries have a large number of patients in need of drugs but low incomes doesn't permit them to create economic demand for them (Schweitzer, 1997).

The similarity of so many drugs explains the fundamental importance of marketing in the pharmaceutical industry. Because drugs are very similar, marketing helps define a supposed difference and therefore it helps identify niches into which new drugs would fit (Chetlly, 1993). As Hans Peter Hauser head of international marketing at Ciba-Geigy said in 1983 "it used to be R&D that come up with products and said "You sell them" now as competition gets fiercer and the industry approaches maturity the marketing end becomes more important" (Chetlly, 1993). According to the Wall street journal the very survival of a drug in today's highly competitive market place often depends as much on a company's marketing talent as it does on the quality of its medicine (Chetlly, 1993).

In the 1970's and 1980's competition amongst firms was low and the marketing tools that mattered most were price and product availability, thus the production concept sufficed (Kibera and Waruingi, 1998). Today's marketers face tough decisions the market place is enormously more complex, new products are launched at an astonishing pace and major strides in technology have shortened time and distance (Kotler, 2001). Developing a marketing mix of products, price, promotion and distribution (place), strategies that meets the demands of the firm's target markets better than the competition is the essence of modern marketing management (Rosenbloom, 1999). The marketing manager strives to develop the right combination of the 4Ps to provide and maintain the desired levels of the target market satisfactions. To do so the marketing manager has to consider the possible

contributions of each variable in meeting the demands of the target market. When the target market places a high level of emphasis on how a product is sold, how timely and conveniently it is made available, and where it is sold, distribution becomes - the leading variable in the marketing mix (Rosenbloom, 1999)

As firms have become more target market oriented by listening more closely to their customers, the relevance of distribution has become apparent to an increasing number of companies because it plays a key role in providing customer service (Rosenbloom, 1999). As companies strive to move from the middle of the pack to their industry's top tier, many will have to undergo major change in the search for a true competitive advantage (Bauman et al 1984). Optimizing the marketing mix to meet the demands of the target market requires not only excellent strategy in each of the four strategic variables of the marketing mix but also an understanding of the relationships among them. Product strategy interfaces with pricing strategy, which is further related to distribution strategy (Rosenbloom, 1999).

One of the ways in which Companies can achieve competitive advantage is through the way they design their distribution channels (Kotler, 2001). Companies have to decide on the number of intermediaries to use at each channel level. Three strategies are available exclusive, selective and intensive distribution (Kotler 2001). Intensive distribution occurs when a brand can be purchased through many of the possible outlets in a trading area (Stern, El-Ansary, 2001). The opposite is exclusive, distribution whereby a brand can be purchased through one vendor in a trading area. How thoroughly to cover a given trading area is a critical channel decision for a manufacturer. Degree of channel intensity is a major factor driving the manufacturer's ability to implement its channel programs (Stern, El Ansary, 2001).

A decision made on one of the variables in the marketing mix has implications for the other variables. Thus a decision to change features of a product may require an increase in price, which in turn may require changes in promotion to explain the new product features and justify a higher price. Finally distribution will be affected because channel members selling the product may need to be informed about the changed product features (Rosenbloom,1999). Management must develop and operate the marketing channel in such a way as to support and enhance the other strategic variables of the marketing mix in order to meet the demands of the firm's target markets (Rosenbloom,1999).

Most producers do not sell their goods directly to final users. A consumer can't obtain a finished product unless the product is transported to where he or she can gain access to it stored until he is

ready for it, and eventually exchanged for money or other goods or services so that he can gain possession of it. In fact the four types of utility (form, time, place and possession) are inseparable, there can be no complete given product without incorporating all four into any given object, idea or service (Stern, & El – Ansary, 1977). Between producers and consumers stand a set of intermediaries performing a variety of functions. These intermediaries constitute a marketing channel or a distribution channel (Kotler, 2001).

1.1.2 Pharmaceutical industry

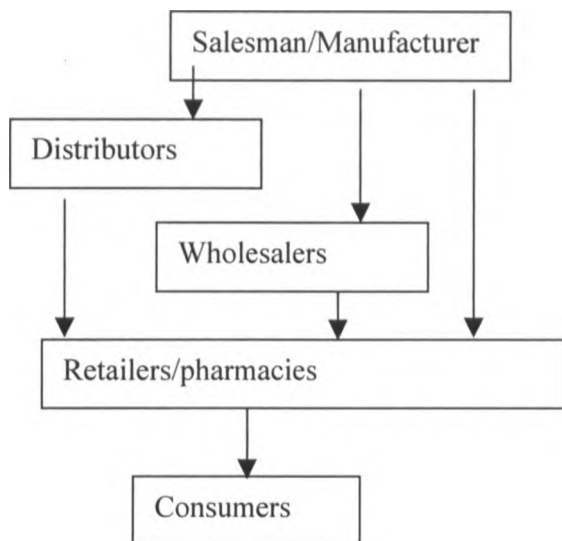
Pharmaceuticals raise the productivity of other health care inputs, such as physician visits and hospitals so this sector is vitally important in every country (Schweitzer,1997). Pharmaceutical industry is differentiated from other industries because of the peculiar consumer agent relationship characterized by health care demand. Prescribed drugs are selected by physicians on behalf of their patients whose role in product selection is passive. Four parties are involved in the consumption decision; physician, patient, pharmacist, and increasingly the insurer (Schweitzer,1997). With the increasing shift towards managed healthcare, prescribing power no longer remains exclusively in the hands of physicians. Physicians have to prescribe drugs available in the formulary; therefore marketers are increasingly focusing their efforts on pharmacy managers Schweitzer (1997).

The pharmaceutical market is characterized by considerable complexity. Part of the complexity is intrinsic in this industry, relating to the large number of similar products that are available but are differentiated by brand names. There are over 100,000 brand names in the world (Chetlly, 1993). In some countries it is not uncommon to find more than two hundred (200) brands of products such as analgesics or anti-biotic. In 1984 in the Philippines there were 185 cough preparations 111 of which had the same ingredients (Chetlly, 1993). It is important to distinguish ethical and over the counter medication (OTC). Ethical drugs have been categorized either as part I, II, III poisons under the (pharmacy and poisons act cap 244), and can only be obtained through prescription and are available only in licensed pharmacies, hospitals and dispensaries. Over the counter medication are not considered dangerous and hence can be bought and sold by anyone. The size of the OTC market has increased because many prescription drugs are “switched “to OTC status when their patents expire (Chetlly, 1993).

The pharmaceutical industry in Kenya is specifically regulated in accordance with cap 244 (pharmacy and poisons act), Laws of Kenya. This law regulates the importation, manufacture, marketing, stocking and distribution of pharmaceutical products in Kenya. All wholesalers, distributor’s retailers in the pharmaceutical industry have to be registered by the pharmacy and

poisons board, and this board regulates their activities. Once one has been licensed under section 27 of the pharmacy and poisons act as a wholesaler he is allowed to sell pharmaceutical products to:

- (a) Person lawfully carrying on the business of a wholesale dealer in poisons in Kenya.
- (b) A person lawfully carrying on the business of pharmacist in Kenya.
- (c) A duly qualified medical practitioner dentist or veterinary surgeon.



Source: Ronoh W. K Direct marketing-The case of pharmaceutical industry. Unpublished MBA Project (2001).

Unlike other commodities the distribution of drugs is highly regulated by the government. Drugs have been categorized into 3 distinct categories by the pharmacy and poisons board.

- i) Over the counter medicines (OTC) found in shops, supermarkets, pharmacies and kiosks
- ii) Pharmacy only medicines – found only in pharmacies and dispensed with professional advice
- iii) Prescription only medicines – found only in pharmacies and can only be issued upon production of a duly doctor signed prescription

The pharmaceutical industry in Kenya has undergone tremendous growth since the liberalization of the industry in 1991 by an Act of parliament. This occasioned new entrants into the industry increasing the availability of drugs and consequently increased competition amongst firms.

1.1.3 Marketing channels

Channels not only link a producer of goods to the buyers, but also provide a way through which an organization implements its marketing strategy (Kevin and Peterson 1995). Marketing channel decisions are among the most critical decisions facing management. A marketing channel is more than just a conduit for a product. It is also a means of adding value to the product marketed through it. In this sense, the marketing channel can be viewed as another “production line” engaged in producing not the product itself that is sold, but the ancillary services that define how the product is sold. These value added services created by channel members and consumed by end users along with the product purchased are called service outputs. Service outputs include (but may not be limited to) bulk breaking, spatial convenience waiting and delivery time, and assortment and variety (Stern, El Ansary, 2001).

As a strategic marketing tool, the field of marketing channels had, for many years, taken a ‘back seat’ to the three strategic areas of marketing i.e. product, price and promotion. But in the recent years this relative neglect of marketing channels has been changing in many cases to a keen interest area due to new stress on growth, need to reduce distribution costs, growing powers of distributors among others (Rosenbloom,1999). Marketing channels are today viewed as key strategic assets of a manufacturer (Stern, El-Ansary, 2001).

In recent years it has become more difficult for companies to attain competitive advantage through product, price and promotion strategies. With regard to product strategy, rapid technology transfer from one company to another and global competition have made it much easier for companies to achieve parity in production design, features and quality. Gaining a sustainable competitive advantage via pricing strategy in today’s global economy is even less feasible. The ability of more and more firms to operate production facilities all over the world has created fierce price competition. Consequently a company whose strategy emphasizes lower prices than competitors is not likely to hold on to that advantage for very long (Rosenbloom, 1999).

Promotion has also become a precarious strategy for gaining a sustainable competitive advantage. The massive barrages of advertising and other forms of promotion to which consumers are exposed to daily have created enormous clutter, which drastically reduces the impact of promotional messages. So holding on to a competitive advantage gained through promotion in the face of such intense clutter has become all but impossible today. Channel strategy does offer greater potential for gaining competitive advantage than the others because it is more difficult for competitors to copy in

the short term (Rosenbloom, 1999). This is because channel strategy is long term, it is based on relationships with people and it requires a structure.

Setting up and maintaining superior marketing channels for marketing products and services available to customers usually involves a relatively long term period to plan and implement. This usually involves long term planning and selection of distributors and training over several years to implement successfully. In order for competition to copy this strategy they too would have to make a similar long-term effort (Rosenbloom, 1999). By its very nature, channel strategy usually requires a structure consisting of organizations and people to implement. The substantial effort and investment required to develop such a structure makes competition think long and hard before they are willing to develop competing channel structures (Rosenbloom, 1999).

A channel structure is a collection of people interacting with each other in different organizations. The success of the channel strategy and the structure that supports it are directly dependent on how effectively people in various organizations relate to each other in performing their jobs (Rosenbloom, 1999). Over the past decades a shift in economic clout has occurred from producers of goods to distributors of goods. This shift in economic power has been noticeable at the retail level of marketing channels where giant supermarkets e.g. Uchumi, Nakumatt, etc. are dominant players. These power retailers account for large shares of commodity lines in which they deal and hence they control access to the market place. Most of these operate on a low margin/low price format and have evolved as sophisticated marketers and fierce competitors that make tough demands on the manufacturers who supply them (Rosenbloom, 1999).

Distribution costs account for a significant percentage of the final price of products. In the recent past companies have been driving down costs of manufacturing and internal operations. This massive effort to squeeze out costs is now being extended to marketing channels that firms use to reach their customers (Rosenbloom, 1999). The internet may someday provide highly efficient electronic marketing channels whereby virtually any producer of goods/services will be connected electronically with hundreds of millions of potential customers around the globe (Rosenbloom, 1999).

The marketing channels chosen intimately affect all other marketing decisions (Kotler, 2001). The company's pricing depends on whether it uses mass merchandisers or high quality boutiques. A company's channel decisions involve relatively long – term commitments to other firms. Corey observes;

“A distribution system is a key external resource. Normally it takes years to build and is not easily changed. It ranks in importance with key internal resources such as manufacturing, research, engineering and field sales personnel and facilities. It represents a significant corporate commitment to large Number of independent companies, whose business is distribution and to particular markets they serve. It represents a commitment to a set of policies and practices that constitute the basic fabric on which is woven an extensive set of long term relationships”

1.2 Statement of the Problem

The key to developing high customer loyalty is to deliver high customer value. To survive in today’s turbulent environment a company must develop a competitively superior value proposition and a superior value delivery system (Kotler, 2000). One of the ways in which companies can achieve competitive advantage is through the way they design their distribution channels (Kotler, 2001). A differential advantage based on the design of a superior marketing channel can yield a formidable and long term advantage because it cannot be copied easily by competitors (Rosenbloom, 1999). The continuum of possibilities for intensity of distribution ranges from exclusive through selective to intensive. In choosing the appropriate level of intensity of distribution, the manufacturer must balance potentially conflicting factors such as lost sales and weak market coverage (Stern, El-Ansary, 2001).

Problems of access to needed drugs by populations in developing countries present serious dilemmas to governments of these countries (Schweitzer, 1997). There are a number of options open to pharmaceutical firms regarding the outlets to use, and the distribution strategy to use whether intensive, selective, or exclusive.

Studies carried out on distribution by Rotich (1981), Okecho (1977), Lutta (1997), Nganga (2000) focused on application of the transportation model and on choice of channel to use. Frazier et al (1996) study focused on why brands within many categories of consumer products (F.M.C.G industry) differ in distribution intensity in America. The pharmaceutical market situation in Kenya is different due to political, legal, environmental, and economic factors making generalization of their findings not possible. For example advertising pharmaceutical products and services is prohibited in Kenya while it is allowed in America.

Ideal distribution intensity would make a brand available widely enough to satisfy but not exceed, target customers needs, because over saturation increases marketing costs without providing benefits (McCathy Perreault 1984). Accordingly, Stern EI –Ansary and Coughlan (1996) state: “one of the

key elements of channel management is deciding how many sales outlets should be established in a given geographic area". It was therefore necessary to conduct a study to find out factors they consider when determining the distribution intensity strategy to pursue. This study's aim was to answer the following questions;

- I. What types of distribution intensities existed in the Kenyan pharmaceutical industry?
- II. What factors influenced distribution intensity?
- III. Why did distribution intensity vary among firms?

1.3 Objectives of the study.

This study focused on the following research issues:

- 1) Establishing the distribution intensity used by firms in the Kenyan pharmaceutical industry.
- 2) Determining the factors firms in the Kenyan pharmaceutical industry considered when deciding on the Distribution intensity strategy to pursue.

1.4 Importance of this study.

The results of this study could be of use to the following

- 1) Management of pharmaceutical firms who may be in a position to design efficient and effective marketing channels.
- 2) Potential pharmaceutical manufacturer's and franchise distributors who need to understand the pharmaceutical industry before investing in it.
- 3) Other scholars and researchers who may use the findings as a source reference.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

Distribution channels are behind every product and service that consumers and business buyers purchase everywhere. Yet in many cases, these end users are unaware of the richness and complexity necessary to deliver what might seem like every day items to them (Stern, El-Ansary, 2001).

2.2 DISTRIBUTION CHANNELS

Distribution channels is a set of interdependent organizations involved in the process of making a product or service available for use or consumption (Rosenbloom, 1999). Kotler (2001) defines distribution channels as sets of interdependent organizations involved in the process of making products or services available for use or consumption. Stern, El –Ansary (1977), define distribution channels as an inter-organizational system comprised of a set of interdependent institutions and agencies involved with the task of moving anything of value from its point of conception, extraction or production to points of consumption. Kibera, Waruingi (1998) define distribution channels as a chain of market intermediaries used by a producer to make products and services available when and where consumers want them. The definitions all have similar inferences that distribution channels involve many entities and each channel member depends on others to do their jobs. That secondly, running a distribution channel is a process not an event and takes time to accomplish, and even when a sale is finally made the relationship with the end user is usually not over.

2.2.2 Channel levels

The producer and the final customer are part of every channel. The number of intermediary levels designates the length of the channel (Kotler, 2001). The range and number of channel members is affected by the nature of demand by end users, and the captaincy of the channel can vary from situation to situation (Stern, El-Ansary, 2001). From this definition Kotler (2001) has given the following channel levels:

Zero – level channel (Direct marketing channel)

This consists of a manufacturer selling directly to the final customer. Products shipped and serviced from the manufacturers warehouse. The company's sales force or agents sell these products. These are products with few service needs and customers normally place large orders (Stern, El-Ansary, 2001).

The major examples are Door– to- door sales, mail order selling, telemarketing, T.V.selling, Internet selling, and manufacturer owned stores (Kotler, 2001). Selling direct to the final buyers requires a large capital outlay and, therefore, many organizations do not find it a feasible alternative (Kibera and Waruingi, 1998).

One level channel

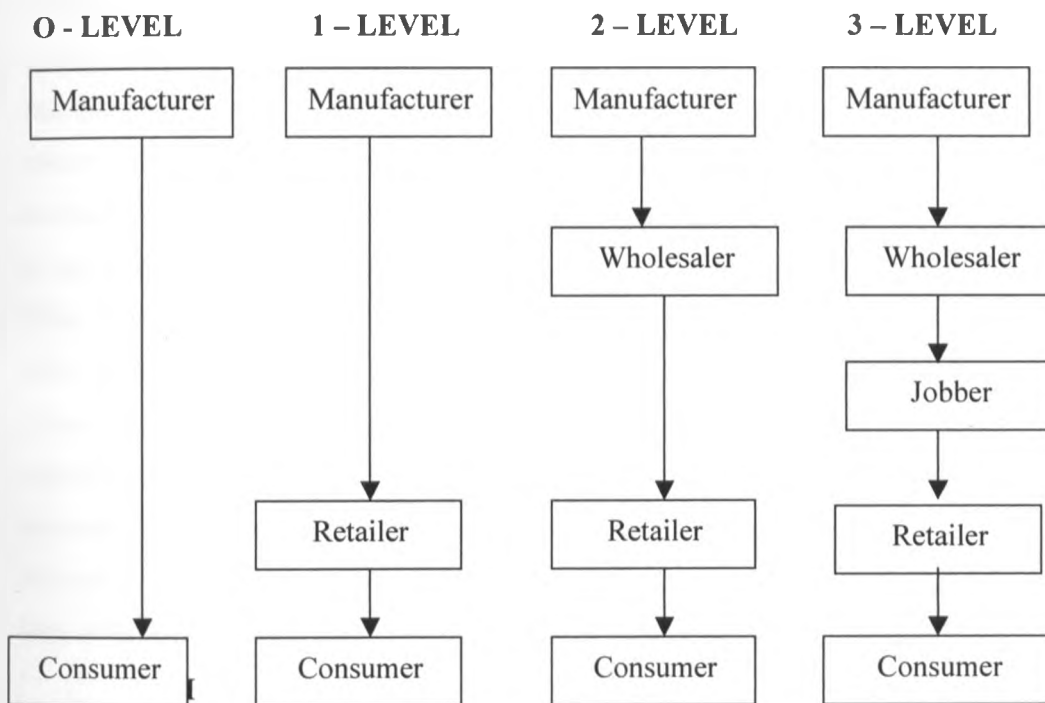
Contains one selling intermediary or middleman such as a retailer. This type of channel is common in the marketing of agricultural commodities. Large retailers such as Uchumi are also able to buy direct from manufacturers because of the volume of their orders (Kibera and Waruingi, 1998).

Two level channel

A two level channel contains two intermediaries. In consumer markets, this is typically a wholesaler and a retailer (Kotler, 2001).

Longer marketing channels can be found. In Japan, food distribution may involve as many as six levels, but from a producer's point of view, obtaining information about end users and exercising control becomes more difficult as the channel levels increase (Kotler, 2001).

CONSUMER MARKETING CHANNELS



Source: Kotler P. (2001) "Marketing Management" Prentice Hall pg 493

Service sector channels

Marketing channels are not limited to distribution of physical goods (Kotler, 2001). Producers of services and ideas also face the problem of making their output available and accessible to target populations. Hospitals and schools must be located conveniently for reaching out to populations in which they intend to serve. As Internet technology advances, service industries such as banking, insurance, travel, and stock selling will take place through new channels (Kotler, 2001).

2.3 DISTRIBUTION INTENSITY

Distribution intensity has been commonly defined as the number of intermediaries used by a manufacturer within its trade areas (Bonoma and Kosnik 1990, Covey, Cespedes and Rangan 1989, Stern, El – Ansary and Coughlan 1996). Frazier et al (1996) define distribution intensity as the extent to which a manufacturer relies on numerous retailers in each trade area to carry its brand. Kibera and Waruingi (1998) concur with the above scholars in defining distribution intensity as the number of intermediaries that are used at each level. According to Stern and El-Ansary (1977), distribution intensity should be determined primarily through studying consumers purchasing habits, relative to product or brand in question. Three basic choices appear to be available.

1) Intensive Distribution

Intensive distribution means that a brand can be purchased through many of the possible outlets in a geographical area (at saturation, every possible outlet) Stern, El- Ansary 2001. Intensive distribution consists of the manufacturer placing goods and services in as many outlets as possible (Kotler, 2001). Intensive distribution occurs when manufacturers are not selective in their choice of Associated retailers and put no limits on the number of retailers allowed to carry their Brands in each trade area (Frazier et al 1996). The More intensively a manufacturer Distributes its brand in a market, the less the Manufacturer can influence how channel Members perform marketing flows (Stern, El-Ansary, 2001). To control the performance of Flows, a manufacturer must refrain from saturating a trading area's distribution outlets. Yet, by limiting coverage, the manufacturer may be giving up sales and profits to its competitors. Naturally, manufacturer's prefer to maximize coverage and actively resist the Idea of deliberately restricting the availability of their brand (Stern, El-Ansary, 2001)

2) Selective Distribution

The numbers of possible intermediaries at a particular level are closely chosen (Rosenbloom, 1999). A producer places his product or brand in a more limited number of outlets within a defined geographical area. Mainly used by established companies and by new companies seeking distributors. This strategy enables the producer to gain adequate market coverage with more control and less cost than intensive distribution. Producers normally select those channel partners in a market who meet their financial, marketing, sales and technical criteria (Kotler, 2001). Highly selective distribution policy has disadvantages, which include weak market coverage, poor bargaining position with associated retailers, and lost sales opportunities (Stern, El-Ansary, 2001).

3) Exclusive Distribution

In this distribution strategy intermediaries are severely limited. A producer places his brand in hands of only one outlet in a specified geographic area (Rosenbloom, 1999). The chosen outlet has a “local monopoly” on the brand (Stern, El-Ansary, 2001). Mainly used when the producer wants to maintain control over the service level and output offered by the resellers. Often it involves exclusive dealing arrangements, in which the resellers agree not to carry competing brands. By granting exclusive distribution, the producer hopes to obtain more dedicated and knowledgeable selling. This requires greater partnership between seller and reseller and is used in distribution of new automobiles, some major appliances, and some women apparel brands (Kotler, 2001).

Manufacturers are constantly tempted to move from exclusive or selective distribution to more intensive distribution to increase coverage and sales. This strategy may help in the short term but often hurts long term performance. If Bill Blass expanded from its current high end retailers to mass merchandisers, it would lose some control over display arrangement, the accompanying service levels, and the pricing. As the product entered lower cost retail outlets, they would undercut other retailers resulting in a price war. Buyers would attach less prestige to Bill Blass apparel, and the manufacturers’ ability to command premium prices would be reduced (Kotler, 2001).

2.4.1 Product positioning

A brand's positioning on quality reflects the extent to which a manufacturer attempts to convey to consumers that the brand has superior ability to perform its functions (Kotler, 2001). Manufacturers of brands positioned near the low end of the quality continuum are expected to rely on numerous retailers in each trade area to promote convenience and competitive pricing for their customers. In general the lower the unit value of a product, the longer the channel should be (Rosenbloom, 1999). In contrast manufacturers positioning their brands as high quality are likely to be more diligent in screening prospective retailers, because retailer image or reputation can influence the image of brands within the store (Lusch and Dunne 1990; Pegram 1965). Retailers with strong store images and a reputation for excellent operations are preferred. Such manufacturers are less likely to align with retailers whose internal operations and ability to sell and service high-end brands are uncertain (Jacoby and Mazurski, 1984). Relatively few retailers are likely to surpass the standards of performance established by manufacturers of high end brands.

2.4.2 Market variables

In developing and adapting the marketing mix, the marketing managers should take their basic cues from the needs and wants of the target markets at which they are aiming. Hence, just as the products a firm offers, the prices it charges, and the promotional messages it employs should closely reflect the needs and wants of the target market, so too should the structure of its marketing channels. Market variables are therefore the most fundamental to consider when designing a marketing channel. Four basic subcategories of market variables are particularly important in influencing channel structure. They are market geography, market size, market density, and market behavior (Rosenbloom, 1999).

Market Geography: Market geography refers to the geographical size of markets and their physical location and distance from the producer or manufacturer. From a channel design standpoint, the basic tasks that emerge when dealing with market geography are the development of a channel structure that adequately covers the markets in question and provides for an efficient flow of products to those markets. The greater the distance between the manufacturer and its markets, the higher the probability that the use of intermediaries will be less expensive than direct distribution. Hence the greater likelihood of intensive distribution (Rosenbloom, 1999).

Market Size: The number of customers making up a market (consumer or industrial) determines the market size. From a channel design standpoint, the greater the number of individual customers the larger the market size. If the market is large, the use of intermediaries is more likely to be needed. Conversely, if the market is small, a firm is more likely to be able to avoid the use of intermediaries (Rosenbloom (1999).

Market Density: The number of buying units (consumers or industrial firms) per unit of land area determines the density of the market. In general, the less dense the market, the more difficult and expensive is distribution. The less dense the market, the more likely it is that intermediaries will be used, the greater the density of the market the higher the likelihood of eliminating intermediaries (Rosenbloom, 1999).

2.4.3 Contractual restrictiveness

Contractual restrictiveness reflects the extent to which a formal agreement between a manufacturer and retailer reduces freedom to of managerial choice. Standards of conduct relating to brand sales goals, retailer behaviors and relationship termination can be imposed. Some manufacturers require associated retailers to accept highly restrictive contracts; whereas other manufactures use lenient contracts or none at all (Gary Frazier et al, 1996). Voluntarily constraining activities through contract terms is a form of credible commitment from the retailer to manufacturer (Williamson 1983,-1985). Anderson and Weitz (1992) define a credible commitment or pledge as a specific action undertaken by a channel member that demonstrates good faith and binds it to a relationship with another channel member. Retailers agreeing to restrictive contracts self-select themselves as channel members, because the more opportunistically inclined ones are likely to avoid binding themselves in this fashion (Rubin, 1990).

2.4.4 Customer characteristics

Where customers are widely and sparsely scattered it is difficult to sell direct because of logistic problems and, therefore, long channels tend to be more appropriate (Kibera and Waruingi, 1998). Target focus is the extent to which a manufacturer concentrates on a narrow spectrum of the general market. A manufacturer pursuing a broad cross –section of the market for its brand must reach diverse groups of consumers that differ in preferences and shopping patterns. An intensive distribution approach is likely necessary in such cases to ensure adequate availability of the brand (Levy and Weits, 1992). In contrast a manufacturer targeting market niche for its brand deals with a relatively small and homogeneous group of consumers with at least some similarity in shopping patterns (Dickson and Ginter,1987) A more selective distribution approach may be appropriate in

servicing such a customer group, though pressures to reduce opportunity costs associated with lost sales may lead such manufacturers to expand the number of retailers in such manufacturers to expand the number of retailers in each trade area to some degree (Stern, El-Ansary and Coughlan, 1996).

2.4.5 Company Variables

The most important company variables affecting channel design are size, financial capacity, managerial expertise, financial status, product mix, and past channel experiences (Kibera and Waruingi, 1998).

Size: In general, the range of options for different channel structures is a positive function of a firm's size. The power bases available to large firms particularly those of reward, coercion, and expertise enable them to exercise a substantial amount of power in the channel. This gives large firms relatively high degree of flexibility in choosing channel structures, compared to smaller firms (Rosenbloom, 1999).

Financial Capacity: Generally, the greater the capital available to a company the lower is its dependence on intermediaries. In order to sell directly to ultimate consumers or industrial users, a firm often needs its own sales force and support services or retail stores, warehousing, and order processing capabilities. Larger firms are better able to bear the high cost of these facilities (Kibera and Waruingi, 1998). There are, of course, exceptions to this pattern, particularly when direct mail order channels are used or more recently in the case of electronic channels utilizing the Internet (Rosenbloom, 1999). In some cases the producer may wish to control the price the consumer pays for his product, he will therefore sell direct or use one middleman (Kibera and Waruingi, 1998).

Managerial Expertise: Some firms lack the managerial skills necessary to perform distribution tasks. When this is the case, channel design must of necessity include the services of intermediaries, which may include wholesalers, manufacturers' representatives, selling agents, brokers or others. Over time, as the firm's management gains experience, it may be feasible to change the structure to reduce the amount of reliance on intermediaries (Rosenbloom, 1999).

2.4.6 Co-ordination efforts

Certain manufacturers devote considerable resources to co-ordinating their channel relationships with retailers, whereas others show little interest in doing so, partly because of the costs involved (Stern, El Ansary and Coughlan, 2001). Manufacturers needing to closely co-ordinate their channel

relationships are expected to set limits on the number of retailers used in each trade area (Rosenbloom, 1999). Co-ordination efforts can be hampered by a large and diverse array of retailers (Cespedes 1988; Klein and Murphy, 1988). As the number of retailers in a channel system increases, so do opportunities for transshipment variation in maintenance and repair services different stocking levels, different pricing strategies and inconsistent sales efforts. The likelihood of such difficulties occurring is reduced when distribution intensity is kept reasonably low (Cespedes 1988; Manson and Ezell, 1993). Furthermore, close coordination requires retailer receptivity and support (Rosenbloom, 1999); Stern, El-Ansary and Coughlan (2001). Manufacturers devoted to co-ordinating their channel relationships, therefore are likely to try to keep levels of intra-brand competition low. Such an approach protects retailer sales volumes and margins to some degree and reduces the likelihood of significant free riding activities, thus giving associated retailers some incentive to be receptive to manufacturer coordination efforts (Jordan and Jaffee 1987; Scherer and Ross, 1990).

2.4.7 Retailer investments

Retailer investments in the brand are another form of credible commitment or pledge to the manufacturer (Russell, 1980). Such investments are brand specific and driven by manufacturer requirements. They include investments in inventory as well as time and money spent on training sales personnel about the brand. They signal the retailer's good faith and their willingness to do what is required, at least in part, to sell and service the brand quality properly. Retailers agreeing to make heavy investments in the brand self-select themselves as channel members (Rubin, 1990). Moreover, retailers are likely to provide better support for brands in which they have made sizable investments. Therefore, when required investments are high the manufacturer is likely to have greater confidence that associated retailers are receptive and responsive to its coordination efforts. As a result, the manufacturer may be able to increase the market coverage of the brand without reducing the effectiveness of its coordination efforts (Frazier et al, 1996).

2.4.8 Customer support programs

Support programs are means of assistance the manufacturer makes available to associated retailers (e.g. accounting support, dealer hot line). Manufacturers that provide several support programs in the channel are trying to stimulate interest in their brands among retailers and assist associated retailers in their operations (Frazier et al, 1996). Retailers clearly can be motivated by manufacturer assistance (Gaski and Nevin, 1985). When support programs are available, the retailer's job maybe made easier. Problems associated with carrying, selling and servicing the brand may be reduced, which leads to lowered retailer cost and risks levels. As a result, when a manufacturer offers many support programs, retailers are encouraged to join and remain in its channel system. Limiting this

effect is the fact that the costs of providing support for additional retailers in the channel system outweigh their marginal contribution at some threshold level. The strength of the positive relationship between manufacturer support programs and distribution intensity is expected to increase when retailer investments are high (Frazier et al, 1996).

2.4.9 Product Variables

Product variables are another important category to consider in evaluating alternative channel structures. Some of the most important product variables are bulk and weight, perishability, unit value, degree of standardization (custom made versus standardized), technical versus non-technical and newness (Rosenbloom, 1999).

Bulk and Weight: heavy and bulky products have very high handling and shipping costs relative to their value. The producer of such products should therefore attempt to minimize these costs by shipping only in large lots to the fewest possible points. Consequently, the channel structure for heavy and bulky products should, as a general rule, be as short as possible usually direct from producer to user (Rosenbloom, 1999).

Perishability: Products subject to rapid physical deterioration (such as fresh foods) and those that experience rapid fashion obsolescence are considered to be highly perishable. When products are highly perishable, channel structures should be designed to provide for rapid delivery from producers to consumers. Where products are highly perishable, short channels are appropriate (Kibera and Waruingi, 1998).

Positioning on quality

Brands positioned high on quality may exhibit a tendency to be positively associated with narrow spectrum of the general market. However, the correlation is unlikely to be that high. There are many examples of manufactures that position their brands as reasonably high quality and still target a broad spectrum of consumers. Some of the differentiators that Porter (1980) discusses appear to fit in that category. Manufacturers of brands positioned lower on quality may focus on a narrow segment of the market for a variety of reasons, such as low manufacturing capacity or poor competitive position (Frazier et al, 1996).

2.4.10 Intermediary Variables

The key to intermediary variables related to channel structure are availability, costs, services offered and the markets the intermediaries serve (Kibera and Waruingi, 1998).

Cost: The cost of using intermediaries is always a consideration in choosing a channel structure. If the channel manager determines that the cost of using intermediaries is too high for the services performed, the channel structure is likely to minimize the use of intermediaries (Rosenbloom, 1999). Some intermediaries may be financially weak and therefore insist on buying on credit if the marketer is unwilling to extend credit the producer will not make use of them (Kibera and Waruingi, 1998).

Services: The third variable, the services offered by intermediaries, is closely related to the problem of selection. Essentially this involves evaluating the services offered by particular intermediaries to see which ones can perform them most effectively at the lowest cost (Rosenbloom, 1999).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research design

This was a descriptive survey meant to establish the factors that influence the distribution intensity strategy used by various pharmaceutical companies in the Kenyan market.

Cooper and Emory (1995) assert that a descriptive study is used to learn the who, what, when, where and how of a phenomenon, which is the focus of the current study.

3.2 The Population

The population of interest in this study included all pharmaceutical companies in Kenya; this included multinational companies, generic importers, local manufacturers, and franchise importers in the pharmaceutical industry. This group was chosen because it is the management of these firms that develop distribution strategies for pharmaceutical products.

3.3 Sampling frame

A list of all manufacturers, franchise importers, generic importers and local manufacturers was obtained from the latest medical directory of year 2002 (see appendix 3). From the list there were one hundred and twenty (120) firms involved in the manufacturing, marketing and distribution of pharmaceutical products in Kenya. (See appendix 3).

3.4 Sample and sampling design

A sample size of 60 firms was studied. This represented 50% of the population. This sample size conformed to the widely held rule of thumb that, a sample size should have thirty (30) or more units (Wayne and Terrel, 1975). Proportionate stratified sampling method was used to determine the sample size for each group as described below.

FIRMS	NO.	PROPORTION %	SAMPLE SIZE
Local Manufacturers	14	12	7
Multinationals	22	18	11
Generic Importers	77	64	38
Franchise Importers	7	6	4
Totals	120	100	60

Individual firms from each stratum were selected randomly.

3.5 Data Collection

Primary data was collected using a structured questionnaire. The respondents for the study were either the Marketing or Distribution Manager for each selected pharmaceutical company. Drop and pick later method was used to administer the questionnaire. Pre-testing of the questionnaire was done to determine the clarity of the questions. The questionnaire was divided into three parts, section (A) questions aimed to get company characteristics, while questions in part (B) were to find out the determinants of distribution intensity, and section (C) questions will found out the factors that influence distribution intensity. The opinions and attitudes were captured on a 5-point likert scale.

3.6 Data Analysis

Percentages were used to summarize responses from part (A) and (B). Mean scores were used to determine the factors that influenced distribution intensity. Ranking was done based on the mean scores to determine the factors that influenced distribution intensity the greatest. Factor analysis was used to reduce the factors into fewer groups.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 Introduction

The questionnaires were edited and coded once they were filled in .All questionnaires returned by the respondents were usable for data analysis. Data was analyzed using percentages and mean scores for section (A) and (B). Section (C) responses were analyzed using factor analysis.

The response rate was 32 firms out a population of 60 firms. This response rate was deemed adequate and sufficient by the researcher for purposes of data analysis. This compares well with other studies such as Karemu (1993) with 55 % and Lagat (1995) with 62 %

4.2 Characteristics of Respondent firms

From table 4.1 below, it can be concluded that firms established after the year 1970 form the highest percentage (69 %) in this industry. This category is followed by those established between 1941 and 1970 with 8 (25%) of the respondents. This clearly indicates that there has been high increase of entrants in the Pharmaceutical Industry in recent years than was the case before 1970. This may be attributed to increased demand of pharmaceutical products due increasing world population, and increased consumer awareness over the last three decades.

Table 4.1 Year of establishment

Years	Frequency	Percentage %
1911-1940	2	6
1941-1970	8	25
1971-2000	22	69
Total	32	100

Source: Research data

4.2.2 Number of employees

The results below indicate that most of the pharmaceutical companies surveyed employ between 1 to 50 people. This category has 10 (31 %) of the 32 respondents. Those firms employing 51 to 100 people produced 6 (19 %) of the respondents. This was followed by the firms employing 101 to 151 people, which formed 5 (16 %) of the respondents. It came out clearly that as the number of employees increase, the frequency reduces. This means that majority of pharmaceutical companies in Kenya do not have more than 100 employees. In the study, companies with up to 100 employees formed 16 (50 %) of the respondents.

Table 4.2 Number of employees

Number of employees	Frequency	Percentage %
1-50	10	31
51-100	6	19
101-150	5	16
151-200	4	13
201-250	3	9
251-300	2	6
301-350	2	6
Total	32	100

Source: Research data.

4.2.3 Branch Network

Branch network gives an indication of the distribution intensity strategy a company wants to pursue. It came out clearly that those companies with the largest branch network also pursued an intensive distribution strategy. As shown on table 4.3 below, the companies with the highest number of branches across the country had 5. The category of companies with only 2 branches had the highest frequency of 14 (44 %). This was followed by those with only one branch, which were 5 (16 %) of the respondents. Eight companies (25%) had only three branches. From these results, it can be argued that most pharmaceutical companies operate from not more than 3 branches across the country.

Table 4.3 Branch Network

Branches	Frequency	Percentage
1	5	16
2	14	44
3	8	25
4	3	9
5	2	6
Total	32	100

Source: Research data

4.2.4 Ownership of Firms

From the table below, 19 (59 %) of the firms surveyed are foreign owned, 10 (31 %) are local ones, while 3 (10 %) are joint ventures between foreigners and some local people. This indicates that most of the pharmaceutical firms operating in Kenya are foreign owned.

Table 4.4 Ownership

Ownership	Frequency	Percentage %
Local	10	31
Foreign	19	59
Joint Venture	3	10
Total	32	100

Source: Research data.

4.2.5 Presence of a Marketing Department.

The survey results indicated that 30 out of the 32 respondents have marketing department. This forms 94 % of the respondents and means that majority of the pharmaceutical firms take the marketing function as key to their success. The formulation of a value adding marketing mix is thus not left to chance. The structure of the distribution channel is therefore given consideration as it forms critical part of the marketing mix (Research findings).

4.3 Types of Pharmaceutical Products marketed in Kenya.

From the results below, there was not a single pharmaceutical firm that was dealing with over the counter products only. Of the firms surveyed, 14 (44 %) dealt with pharmacy and prescription products only while 18 (56 %) are dealing with over the counter products in addition to the pharmacy and prescription products. This means that majority of pharmaceutical firms operating in Kenya deal with all the three main categories pharmaceutical products.

Table 4.5 Product categories

Type	Frequency	Percentage %
OTC Products only	0	0
Pharmacy & prescription only	14	44
All	18	56
Total	32	100

Source: Research data.

4.4 Basis of selection of number of outlets

Analysis in this section was to find out which distribution intensity strategy firms used when marketing their different pharmaceutical products. The analysis was done taking into consideration the three different types of products pharmaceutical companies market.

4.4.1 Basis of selection of number of outlets for over the counter products

There were 18 respondents who deal with over the counter products. As Table 4.6 below shows the firms tended to agree on the extent to which they considered the various distribution intensity options. Of the 18 respondents, 13 (72%) with a mean of 3.94 indicated that to a very large extent, they do not limit the number of pharmacies carrying their brands. There was not a single firm that indicated to be seriously limiting the number of outlets carrying the over the counter products.

On the availability of brands in every outlet, the firms had varying considerations. Only 4 out of 18 (22%) indicated this as a very important consideration. On the other hand 4 (22%) did not consider to any extent that their brands should be available in every outlet, while still another 4 (22%) only considered it as important to a small extent. With a mean of 1.0 all the firms were in agreement that they did not consider putting their brands in only one outlet or in outlets without competitor brands. The issue of placing brands in only a few outlets also received no consideration from 15 (83%) of the respondents. At the same time, majority of the firms considered availability of their brands all over the country as important to a large extent. This also contributed 15 (83%) of the surveyed firms.

Table 4.6 over the counter products N=18

Factors & Frequency	Mean
Do not limit number of pharmacies	3.94
Brand available in every outlet	3.4
Brands placed in only one outlet	1
Use only outlets without competitor brands	1
Brands placed in few outlets	1.6
Operating only within defined geographical area	2.78
Brands found all over the country	4.78

Source: Research data.

4.4.2 Basis of selection of number of outlets for Pharmacy Products

As shown in table 4.7, on pharmacy products the respondents considered various strategies to varying extents. With a mean of 4.8 (87%) of the respondents did not limit the number of outlets carrying their pharmacy products. Further, (56%) of the respondents stated to a large extent that their products are available in every outlet. On brands being placed in only one outlet and usage of only outlets without competitor brands, the respondents tended to agree that this was not a consideration at all. These factors had means of 1.7 and 1.76 respectively of the firms giving that indication. At the

same time, 21 (65%) of the respondents stated that their brands should be available all over the country. This was followed by 14 (44%) of the respondents indicating that they were largely concerned about covering a defined geographical area and controlling their brands.

Table 4.7 Pharmacy Products

Factor and frequency	mean	Total
No limit on number of pharmacies	4.8	32
Brand available in every outlet	4.7	32
Brands placed in only one outlet	1.7	32
Use outlet without competitor brands	1.7	32
Brands placed in a few outlet	2.07	32
Operate only within a defined geographical area	2.79	32
Brands found all over the country	4.6	32
Adequate area coverage and brand control	4.3	32

Source: Research data

4.4.3 Basis of selection of number of outlets for Prescription only products

From table 4.8 below, the firms also had various considerations as pertaining to the stocking of their prescription only products. Of the firms surveyed 22 (69%) of the respondents indicated that they do not at all limit the number of pharmacies that carry their products. Also 22 (69%) of the firms said that they consider their brands being available in every outlet as an important factor to a large extent. This compares well with 22 (69%) of the firms again indicating that they do not consider placing their products only in a few outlets as important. Further, 27 (84%) of the respondents indicated that placing their brands in only one outlet was not at all an important consideration. A similar number , gave the same results when it came to using only outlets that do not carry competitor brands. Majority of the respondents also tended to indicate that they consider to a large extent the factors concerned with adequate coverage of the defined geographical area, and also ensuring that their brands are available all over the country. This result was given by 24 (75%) of all the respondents.

Table 4.8 Prescription only products

Factor and frequency	Mean	Total
No limit on number of pharmacies	4.9	32
Brand available in every outlet	4.2	32
Brands placed in only one outlet	1.6	32
Use outlet without competitor brands	1.63	32
Brands placed in a few outlet	2.04	32
Operate only within a defined geographical area	3.45	32
Brands found all over the country	4.25	32
Adequate area coverage and brand control	4.25	32

Source: Research data

4.5 Number of distributors

From the table 4.9 below 8 (45%) of the 18 firms that deal with over the counter products came out as having between 11-15 distributors for their products. This category was followed by the ones having between 6-10 distributors with a frequency of 4. For all the firms in this category, the number of distributors was found to range between 1 and 25.

In the category of firms dealing with pharmacy products, those between 11-15 distributors were the majority and contributed 8 (25%) of those surveyed. This was followed by those with between 16-20 distributors, each with 7 (22%) of the respondent. In total, there were no respondents with more than 30 distributors for this category of products.

The results for the prescription only products tended to resemble those of pharmacy ones. In this category, 8 (25%) of the respondents had between 1-5 distributors while those with between 11-15 and 16-20 distributors had 7 (22%) respondents each respectively. The respondent with the highest number of distributors in this category did not have more than 30. From the above results, all the firms surveyed therefore had less than 30 distributors each regardless of the product categories.

Table 4.9 Number of distributors

No. of distributors	Over the counter		Pharmacy		Prescription	
	Frequency	%	Frequency	%	Frequency	%
1—5	2	11	7	22	8	25
6-10	4	22	5	16	5	16
11-15	8	45	8	25	7	22
16-20	2	11	7	22	7	22
21-25	2	11	3	9	3	9
26-30	-	-	2	6	2	6
Total	18	100	32	100	32	100

Source: research data

4.6 Channels used to reach consumers

From the data collected, majority of the firms that deal with over the counter products indicated that they use two level channel of distributor- retailer- consumer. There were also a few of them who used one level channel of Retailer- consumer. In the case of pharmacy products, different firms also used different channel. The majority of firms used a two level channel starting from Distributor- Retailer- Consumer. This was followed by those using the one level channel from doctor-Consumer. In this category of products, a number of firms also used the three level channels from distributor to sub- distributor- retailer and then to consumer.

The respondents dealing with prescription only products had the one level channel of doctor to consumer as the most popular. The two level channel of distributors- doctors-Consumer followed this. However, even in this category of product, a number of firms used a three level channel from Distributor-Retailer and then consumer.

4.7 Perception about number of potential customers

Most of the respondents tended not to agree with the statement their brands had a small number of potential customers. This was the case for the three categories of products (over the counter, pharmacy and prescription products). For example 9(50%) of all those dealing with over the counter products strongly disagree with the statement. This means that according to these people, their products in this category have a big number of potential customers. However, in the pharmacy only category 14 (44%) of the respondents were of the opinion that their products have a small number of potential customer (Research data).

4.8 Areas where Pharmaceutical brands are available

From the data collected, most of the products are available in both urban and rural areas. Majority of the firms indicated that their products are found in the two areas. This was regardless of any category of products not being available in an area based on whether it is urban or rural (Research data).

Table 4.9.1 Geographical spread

Dispersion	Over the counter		Pharmacy		Prescription	
	Frequency	%	Frequency	%	Frequency	%
Urban & rural	16	89	27	84	24	75
Urban only	2	11	4	12	8	25
Rural only	-	-	1	4		
Total	18	100	32	100	32	100

Source: Research data

4.9 THE RELATIVE IMPORTANCE OF FACTORS CONSIDERED

Factors that firms considered important before appointing retailers were analyzed and this were ranked according to their importance.

4.9.1 Over the counter products

As the table below shows the pharmaceutical firms considered various factors to varying degrees.

Table 4.10 factors for over the counter products N=18

Factors considered	Mean	Std. Deviation
Product quality	3.2222	2.04524
Efficacy of products	3.0556	1.92422
Price of products	2.7222	1.27443
Geographical market size	2.7778	1.21537
No. of consumers	2.4444	1.09664
Credit worthiness of retailer	3.4444	1.09664
Customer location	1.9444	.87260
Past experience	3.1111	1.13183
Managerial expertise of retailer	1.6667	.97014
Weight of product	1.1667	.38348
Product shelf life	1.5556	.92178
Reputation of retailer	3.0000	.59409
Size of pharmacy	1.3333	.76696
Competition from other brands	2.7778	1.66470
Financial capability of retailer	2.7222	1.56452
Product indications	2.7222	1.56452
Distance of retailer from consumers	2.6111	1.68519
Minimum order quantity	1.8333	1.24853
Training needs of pharmacy staff	1.1667	.38348
Size of your company	2.7222	1.90373

Mean & score marked on a 5-point scale with 1=No extend 5= to a very large extent.

Source: Research Data

The most important factors for over the counter products were credit worthiness of the retailers with a mean of 3.4.4.4. This was followed by product quality and then past experience within to means of 3.222 and 3.111 respectively. At the lower end was weight of products and training needs of pharmacy staff each with a means of 1.166. These were followed lastly by size of pharmacy with 1.333.

4.9.2 Pharmacy products

Pharmacy products are products that are dispensed with the authority of a duly registered pharmacist

Table 4.11 Factors for pharmacy products N=32

Mean score marked on a 5-point scale with 1=No extent and 5= to a very large extent

Source: Research data.

Factors considered	Mean	Std. Deviation
Product quality	3.1563	1.70595
Efficacy of products	3.1875	1.82169
Price of products	3.4063	1.73873
Geographical market size	3.5625	1.24272
No. of consumers	3.5938	1.21441
Credit worthiness of retailer	4.1875	1.14828
Customer location	3.9063	1.02735
Past experience	3.9063	.96250
Managerial expertise of retailer	3.4687	.98323
Weight of product	1.8750	1.23784
Product shelf life	2.3438	1.33463
Reputation of retailer	3.3750	1.47561
Size of pharmacy	2.9063	1.37628
Competition from other brands	3.1250	1.43122
Financial capability of retailer	3.9687	1.28225
Product indications	3.9375	1.36636
Distance of retailer from consumers	2.8438	1.58845
Minimum order quantity	2.4375	1.24272
Training needs of pharmacy staff	2.2188	1.09939
Size of your company	2.5625	1.56447

As shown on table 4:11 above, in this category of products, credit worthiness of the retailer came out as the root product factor with a mean score of 4.187. The second factor was financial capability of retailer, which had 3.968 as a mean score. Product indications were third position with a mean score of 3.937. However, while most of the factors had average scores; some were indicated as not being worth a lot of consideration. These include weight of products with 1.875 mean score training needs of pharmacy staff (2.218) and product shelf life with 2.343.

4.9.3 Prescription only products

Prescription products can only be dispensed upon production of a duly signed doctor's prescription

Table 4.12 Factors for prescription only products N=32

Factors considered	Mean	Std. Deviation
Product quality	3.3750	1.53979
Efficacy of products	3.0938	1.63351
Price of products	3.4375	1.58496
Geographical market size	3.5625	1.34254
No. of consumers	3.8750	1.18458
Credit worthiness of retailer	4.0000	.91581
Customer location	4.0000	.76200
Past experience	3.8438	.76662
Managerial expertise of retailer	3.5625	.80071
Weight of product	2.0937	1.25362
Product shelf life	2.5000	1.50269
Reputation of retailer	2.8750	1.43122
Size of pharmacy	3.1250	1.31370
Competition from other brands	3.4063	1.45601
Financial capability of retailer	3.8750	.97551
Product indications	3.8438	1.08090
Distance of retailer from consumers	3.1250	1.26364
Minimum order quantity	2.6875	1.22967
Training needs of pharmacy staff	2.6875	1.30600
Size of your company	2.3125	1.46876

Mean score marked on a 5=point scale with 1=No extent and 5= to a very large extent.

Source: Research data

In the category of prescription only products, credit worthiness of the retailer, and customer location came as the most considered factors. Each had a mean of 4.000. These were followed by financial capability of the retailer, and number of consumers each with mean score of 3.875. On the other hand weight of products is not given much consideration as it was lowest with mean of 2.093. The size of the pharmaceutical firm was also not given a lot of consideration. The factor scored 2.312.

Factor Analysis on factors considered by pharmaceutical firms when appointing Retailers

The large number of factors being considered that belonged together were reduced to a more manageable number using the principle component analysis technique.

4.10.1 Over the Counter Products

Communalities represent the proportion of variance of each particular item that is due to common factors or that is shared with other items.

Table 4.13 Communalities

FACTORS	Initial	Extraction
Product Quality	1.000	1.000
Efficacy of products	1.000	1.000
Price of products	1.000	.999
Geographical market size	1.000	.981
No of Consumers	1.000	1.000
Credit worthiness of retailer	1.000	1.000
Customer location	1.000	1.000
Past Experience	1.000	1.000
Managerial expertise of retailer	1.000	1.000
Weight of Products	1.000	1.000
Product shelf life	1.000	1.000
Reputation of retailer	1.000	.999
Size of Pharmacy	1.000	1.000
Competition from other brands	1.000	1.000
Financial capability of retailer	1.000	1.000
Product Indications	1.000	1.000
Distance of retailer from consumers	1.000	1.000
Minimum order quantity	1.000	1.000
Training needs of pharmacy staff	1.000	1.000
Size of your Company	1.000	1.000

The above table helps to estimate the communalities for each variance. This is the actual proportion of variance that each item has in common with other factors. In this case, all the variables other than three have 100% communality or shared relationship each with others. This is the greatest communality possible. The variable with the least communality is geographical market size with 98.1%

4.10.1.2 Total variance explained

Table 4.14 Total variance explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loading		
	Total	% Variance	Cumulative %	Total	% Variance	Cumulative %	Total	% Variance	Cumulative %
1	8.377	41.883	41.883	8.377	41.883	41.833	7.458	37.288	37.288
2	7.312	36.561	78.443	7.312	36.561	78.443	6.498	32.492	69.780
3	4.289	21.433	99.886	4.289	21.443	99.886	6.021	30.106	99.886
4	2.276E-02	.114	100.000						
5	1.263E-15	6.314E-15	100.000						
6	8.215E-16	4.108E-15	100.000						
7	2.806E-16	1.403E-15	100.000						
8	2.536E-16	1.268E-15	100.000						
9	1.964E-16	9.820E-16	100.000						
10	3.428E-17	1.714E-16	100.000						
11	-6.992E-20	-3.496E-19	100.000						
12	-2.551E-17	-1.275E-16	100.000						
13	-8.923E-17	-4.462E-16	100.000						
14	-1.416E-16	-7.082E-16	100.000						
15	-2.425E-16	-1.212E-15	100.000						
16	-3.490E-16	-1.745E-15	100.000						
17	-5.014E-16	-2.507E-15	100.000						
18	-5.499E-16	-2.750E-15	100.000						
19	-1.205E-15	-6.023E-15	100.000						
20	-1.655E-15	-8.277E-15	100.000						

Extraction Method: Principal Component Analysis

Source: Research findings

The use of the Kaiser Normalization criterion allows for the extraction of components that have an Eigen value greater than 1. The principal component analysis was used and three factors were extracted. As shown in the table, these three factors explain 99.88% of the total variation. Factor 1 contributed the highest variation of 41.88%

4.10.1.3 Rotated Component Matrix

Table 4.15 Rotated component matrix

FACTORS	Component		
	1	2	3
Product Quality	-.324	.696	.640
Efficacy of Products	-.455	.680	.575
Price of Products	.060	.985	.168
Geographical Market size	.965	.076	.208
No. of Consumers	.703	.700	.125
Credit Worthiness of Retailer	.198	-.361	.911
Customer Location	.970	.020	-.241
Past Experience	.937	.297	-.185
Managerial expertise of Retailer	.240	.114	.964
Weight of Products	.557	.830	.027
Product Shelf Life	-.202	-.192	-.960
Reputation of Retailer	.068	-.979	.192
Size of Pharmacy	.300	-.686	.663
Competition from other Brands	.349	-.157	-.924
Financial Capability of Retailer	-.269	-.181	.946
Product Indications	-.181	.946	-.269
Distance of retailer from Consumer	-.981	.010	.194
Minimum order Quantity	.344	.920	.187
Training needs of pharmacy staff	.557	.027	.830
Size of your Company	.746	-.059	.663

Source: Research findings

Extraction Method: Principle Component Analysis

Rotation Method: Varimax Kaiser Normalization

Rotation converged in 5 iterations

The initial component matrix was rotated using Varimax (Variance Maximization) with Kaiser Normalization. The above results allowed the researcher to identify what variables fall under each of the 3 major extracted factors. Each of the twenty variables was placed to one of the three factors depending on the percentage of variability it explained in the total variability of each factor. A variable is said to belong to a factor to which it explains more variation than any other factor.

From the table 4.16 in the previous page the individual variables constituting the three factors extracted are summarized below:-

Factor 1

- Customer location
- Past experience
- Geographical market size
- Number of customers
- Competition from other brands
- Size of your company

This factor may be called market characteristics

Factor 2

- Product quality
- Efficacy of products
- Price of products
- Weight of products
- Product shelf life
- Product indications
- Minimum order quantity

This factor may be called product characteristics

Factor 3

- Managerial expertise of retailer
- Reputation of retailer
- Size of pharmacy
- Financial capability of retailer
- Distance of retailer from customers
- Credit worthiness of retailer
- Training needs of pharmacy staff

Factor 3 may be referred to as channel member characteristics

4.10.2 Pharmacy Products

Table 4.16 communalities

FACTORS	Initial	Extraction
Product Quality	1.000	.893
Efficacy of products	1.000	.937
Price of products	1.000	.948
Geographical market size	1.000	.924
No of Consumers	1.000	.823
Credit worthiness of retailer	1.000	.873
Customer location	1.000	.866
Past Experience	1.000	.838
Managerial expertise of retailer	1.000	.673
Weight of Products	1.000	.917
Product shelf life	1.000	.862
Reputation of retailer	1.000	.914
Size of Pharmacy	1.000	.721
Competition from other brands	1.000	.826
Financial capability of retailer	1.000	.751
Product Indications	1.000	.714
Distance of retailer from consumers	1.000	.874
Minimum order quantity	1.000	.762
Training needs of pharmacy staff	1.000	.850
Size of your Company	1.000	.845

Source: Research data

Extraction Method: Principal Component Analysis.

From the table 4.17 above, Price of products has 94.8% communality or shared Relationship with other factors. This variable has the greatest communality with the other factors. This is followed by geographical market size that has a communality of 92.4%. On the other hand, managerial expertise of the retailer has 67.3% shared relationship with the other variables, and it is the variable with the least communality.

4.10.2.2 TOTAL VARIANCE EXPLAINED

Table 4.17 total variance explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation sums of squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.868	29.338	29.338	5.868	29.338	29.338	4.460	22.301	22.301
2	3.665	18.237	47.666	3.605	18.327	47.666	3.039	15.197	37.497
3	2.682	13.412	61.078	2.682	13.412	61.078	2.797	13.983	51.481
4	2.139	10.696	71.774	2.139	10.696	71.774	2.553	12.764	64.245
5	1.379	6.893	78.666	1.379	6.893	78.666	2.142	10.711	74.955
6	1.076	5.380	84.047	1.076	5.380	84.047	1.818	9.091	84.047
7	.844	4.220	88.267						
8	.658	3.289	91.556						
9	.486	2.429	93.985						
10	.393	1.963	95.947						
11	.341	1.704	97.652						
12	.262	1.309	98.961						
13	.128	.640	99.601						
14	7.977E-02	.399	100.00						
15	5.493E-16	2.747E-15	100.00						
16	2.086E-17	1.043E-15	100.00						
17	2.977E-16	1.488E-16	100.00						
18	-1.764E-16	-8.819E-16	100.00						
19	-3.740E-16	-1.819E-15	100.00						
20	-4.820E-16	-2.410E-15	100.00						

Extraction Method: Principal Component Analysis

Source: Research Data

The principal component analysis extracted six (6) factors. The six factors explain 84.04% of the total variation. Factor one contributed the greatest variation of 29.33%. The contribution decreases downwards with factor six contributing the smallest variation.

4.10.2.3 Rotated Component Matrix

Table 4.18 Rotated Component Matrixes.

FACTORS	Component					
Product Quality	.773	.067	.398	-.138	.184	-.280
Efficacy of products	.929	.143	.144	.053	-.018	-.173
Price of products	.121	.950	.114	.082	.099	-.021
Geographical market size	.103	.216	.264	.384	-.461	.661
No of Consumers	.612	.137	-.048	.072	-.017	.649
Credit worthiness of retailer	.238	.470	.324	-.058	.697	.011
Customer location	.030	-.307	-.307	-.084	-.387	-.071
Past Experience	.034	.015	.781	.224	.022	-.114
Managerial expertise of retailer	.092	.275	.879	.685	.035	-.239
Weight of Products	-.049	.082	-.951	.038	-.050	.025
Product shelf life	.794	.221	.209	.068	.354	-.093
Reputation of retailer	.158	.204	.209	.872	-.081	-.205
Size of Pharmacy	.344	.063	-.492	-.414	.373	.211
Competition from other brands	.292	-.063	.484	.070	.250	.659
Financial capability of retailer	.277	-.221	-.104	.272	.733	-.051
Product Indications	.764	-.113	-.093	.107	.201	.237
Distance of retailer from cons	.067	-.089	-.064	-.159	.884	-.225
Minimum order quantity	-.439	.645	.137	-.264	.139	-.212
Training needs of pharmacy staff	.004	-.317	-.058	.125	.854	-.024
Size of your Company	-.030	.051	-.177	-.132	.424	.783

Source: Research Data

Extraction method: Principal Component Analysis
 Rotation Method : Varimax with Kaiser Normalization.
 a. Rotation Converged in 8 iterations

After the initial component matrix was rotated using Varimax with Kaiser Normalization, the researcher was able to identify what variables fall under each of the six major extracted factors. This enabled for the placing of each of the twenty variables to the factor for which it is explained the highest variation than any other. The individual variables constituting the six factors extracted are summarized in the next page:

Factor 1

- Product quality
- Efficacy of products
- Product shelf life
- Product indications

Factor 1 can be called Product Performance

Factor 2

- Price of products
- Weight of products
- Minimum order quantity

This factor can be called Product price and Packaging

Factor 3

- Customer Location
- Past Experience

This factor can be called Customer Behaviour

Factor 4

- Managerial expertise of retailer
- Reputation of retailer

This factor can be called reputation of the channel members

Factor 5

- Credit worthiness of retailer
- Size of Pharmacy
- Financial capability of retailer
- Distance of retailer from consumers
- Training needs of pharmacy staff

Factor no.5 can be called capacity of Channel members

Factor 6

- Geographical market size
- Number of consumers
- Competition from other brands
- Size of the pharmaceutical company

Factor 6 can be called external market environment

4.10.3 PRESCRIPTION PRODUCTS

Table 4.19 communalities

FACTORS	Initial	Extraction
Product Quality	1.000	.730
Efficacy of Products	1.000	.926
Price of Products	1.000	.895
Geographical Market Size	1.000	.886
Number of Customers	1.000	.801
Credit Worthiness of Retailer	1.000	.717
Customer Location	1.000	.815
Past Experience	1.000	.641
Managerial Expertise of Retailer	1.000	.758
Weight of Products	1.000	.741
Products Shelf Life	1.000	.762
Reputation of Retailer	1.000	.741
Size of Pharmacy	1.000	.512
Competition From Other Brands	1.000	.857
Financial Capability of Retailer	1.000	.548
Product Indications	1.000	.679
Distance of Retailer From Consumers	1.000	.866
Minimum Order Quantity	1.000	.829
Training Needs of Pharmacy Staff	1.000	.745
Size of Your Company	1.000	.728

Source: Research Data

Extraction Method: Principal Component Analysis

As shown on the above table, efficacy of products at 92.6% has the highest communality or shared relationship with other factors. It is followed by price of products with 89.5%. At the lower end is size of pharmacy, which has 51.2%. All the other variables lie in between the two.

4.10.3.2 TOTAL VARIANCE EXPLAINED

Table 4.20 total variance explained

Initial Eigen values				Extraction Sums of Squared Loadings			Rotation sums of Loadings		
Content	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.669	28.347	28.347	5.669	28.347	28.347	4.406	22.028	22.028
2	2.738	13.689	42.035	2.738	13.689	42.035	2.936	14.681	36.710
3	2.297	11.486	53.521	2.297	11.486	53.521	2.097	10.485	47.195
4	1.844	9.218	62.739	1.844	9.218	62.739	2.035	10.173	57.368
5	1.580	7.899	70.638	1.580	7.899	70.638	1.947	9.736	67.104
6	1.049	5.244	75.882	1.049	5.244	75.882	1.756	8.778	75.882
7	.980	4.900	80.782						
8	.888	4.440	85.222						
9	.711	3.553	88.774						
10	.599	2.993	91.767						
11	.447	2.237	94.004						
12	.342	1.709	95.713						
13	.242	1.212	96.925						
14	.225	1.126	98.051						
15	.138	.689	98.741						
16	9.988E-02	.499	99.240						
17	7.745E-02	.387	99.627						
18	4.265E-02	.213	99.840						
19	2.318E-02	.116	99.956						
20	8.737E-03	4.369E-02	100.000						

Extraction Method: Principal Component Analysis

Source: Research Data

The use of the Principle Component Analysis allowed for the extraction of six (6) factors. The extracted six factors explain 75.88% of the total variation. This amount is shared out by six factors with each contributing a different percentage. Factor one contributed 28.34%, which is the highest from one single factor.

4.10.3.3 ROTATED COMPONENT MATRIX

Table 4.21 Rotated component matrix

FACTORS	Component					
Product Quality	.766	.542	-.332	.168	-.015	-.035
Efficacy of products	.950	.094	-.044	.076	.050	.065
Price of products	.097	.903	-.027	.020	.262	.026
Geographical market size	.052	.140	.255	.005	.005	.811
No of Consumers	.790	.376	.045	.158	-.076	.788
Credit worthiness of retailer	.454	.002	.059	.117	.679	.197
Customer location	.019	-.170	.871	-.099	-.123	-.037
Past Experience	.256	.310	.131	.306	.025	.606
Managerial expertise of retailer	.025	.192	-.034	.714	-.062	.454
Weight of Products	.118	-.004	.131	-.166	-.824	.061
Product shelf life	.704	.413	-.267	.070	.084	.113
Reputation of retailer	.323	.023	.531	.550	.173	-.146
Size of Pharmacy	.060	.193	-.374	-.209	.343	-.408
Competition from other brands	.264	.825	.081	-.167	.309	-.093
Financial capability of retailer	.262	-.116	.160	.219	.623	-.063
Product Indications	.309	.003	-.690	.179	.248	.118
Distance of retailer from cons	.047	.022	.178	-.196	-.927	.019
Minimum order quantity	.151	.082	.811	-.128	-.100	-.343
Training needs of pharmacy staff	.224	.171	-.240	.103	.771	-.040
Size of your Company	.110	.172	.101	-.043	.097	.415

Extraction Method: Principal Component Analysis

Rotation Method: Varimax with Kaiser Normalization

^a Rotation converged in 8 iterations

In order to identify the variables under each of the six major extracted variables, the initial component matrix was rotated using Varimax with Kaiser Normalization. Each of the twenty variables was placed under the factor where it explained the highest variation.

Below is a summary of the in divided variables that constituted the six factors extracted:-

Factor 1

- Product Quality
- Efficacy of Products
- Product Shelf Life
- Product Indications

This factor may be named Product Performance.

Factor 2

- Price of Products
- Competition From Other Brands

This factor can be called Price and Customer Bargaining Power.

Factor 3

- Customer Location
- Weight of Products
- Distance of Retailer From Customers
- Minimum Order Quantity

This factor can be called Packing and Easy Availability of Product.

Factor 4

- Management Expertise of Retailer
- Reputation of Retailer

Factor 4 may be named Reputation of Channel Member

Factor 5

- Credit Worthiness of Retailer
- Financial Capability of Retailer
- Training Needs Of Pharmacy Staff

This factor can be named Strength of Channel Members.

Factor 6

- Geographical Market Size
- Number of Consumers
- Past Experience
- Size of Pharmaceutical Company

Factor 6 may be called Size of the Market.

CHAPTER FIVE

DISCUSSIONS, SUMMARY AND CONCLUSION

4.0 Introduction

The study intended to find out the distribution intensity used by the pharmaceutical firms in Kenya. The research also wanted to establish the factors that pharmaceutical firms in Kenya consider when deciding on the distribution intensity strategy to use. In the literature review, the three main choices of distribution intensity were highlighted. A number of determinants of distribution intensity were also introduced. The study sought to find out the extent to which such factors were considered by pharmaceutical firms in Kenya.

5.1 Discussion

From the analysis, it was apparent that the pharmaceutical companies do not operate many branches by themselves. This leaves the firms with the choice to distribute their products through intermediaries. As such, pharmaceutical products are available through intermediaries. This is also confirmed by the fact that most pharmaceutical firms have a relatively small work force, with most of them employing less than one hundred people in total. At the same time, considering the heterogeneous nature of the Kenya economy in terms of supply and demand, there are only one hundred and twenty pharmaceutical companies, which comprise the supply segment as opposed to over thirty million people making up the demand side. Hence, intermediaries have to play the critical role of bringing supply and demand together in an efficient and orderly fashion.

In their choice of number of outlets, most of the companies indicated that they do not limit the number of outlets keeping their brands. For the majority of the firms, there was also great concern that their products should be available in most of the outlets. Indeed, most firms indicated that they do not put their products in only a few outlets. The behavior of the firms seemed to be consistent across all the products as categorized by the research as “Over the Counter”, “pharmacy only” and “prescription only” products. Also for most of pharmaceutical firms, adequate coverage of their geographical area is of great concern.

The distribution strategy of the pharmaceutical firms also saw most of them having between 10 to 20 distributors across the country. This is also in line with the perception held by most of the firms that their products have a high number of potential customers.

A careful consideration of the characteristics of the pharmaceutical firms as brought out by this study shows clearly that their distribution strategies are more or less intensive. However, there were slight indications of selective distribution for the few cases where some prescription products only pass from manufacturer to doctor and then consumer. The fact that most of the firms also indicated that their products are also available in outlets which are not pharmacies is also a pointer towards an intensive distribution strategy.

5.2.2 Factors underlying distribution intensity decisions

Most of the respondents rated the factors highlighted as being important considerations in their choices of distribution strategy. For the most of the firms, the factors highly considered had diverse directional origins and requirements. Some of them were related to customer characteristics, others to product characteristics, some to middlemen characteristics, and still others to competitive characteristics. Because of the high capital requirements in the pharmaceutical industry, credit worthiness of the retailer and reputation of the retailer are some of the middlemen characteristics that were given great consideration. The greater the capital available to a company the lower is its dependence on intermediaries (Kibera and Waruingi, 1998). Product quality, efficacy of products, and products indications are some of product characteristics which are considered a lot. There are many manufacturers that position their brands as reasonably high quality and still target a broad spectrum of consumers (Frazier et al, 1996). The greater the distance between the manufacturer and its markets, the higher the probability that the use of intermediaries will be less expensive than direct distribution (Rosenbloom, 1999) hence geographical size of the market, which is a customer characteristic, received high consideration. Size of the company is a company characteristics, and came out as a major consideration by most firms.

After the factor analysis, three factors emerged for the “Over the Counter product”. These were market characteristics, product characteristics and channel member characteristics. The factor of market characteristics brought together variables related to competitors and environment. Product characteristics were also related to the product itself, while channel members characteristics related directly with the middlemen.

For the “Pharmacy only products”, six factors emerged. These factors included the products performance, product price and packaging, customer behavior, reputation of the channel members, capacity of the channel members, and market size and reach. Each of these factors had variables that were related.

Lastly the “Prescription only products” also had six factors emerging. These were almost similar to the ones of pharmacy products. They were product performance, price and customer bargaining power, packaging and easy availability of the product, reputation of the channel members, strength of channel members, and size of the market. Each of these factors had variables that were related.

From the above, the researcher found that pharmaceutical firms’ considerations are not unique from those of firms dealing with other convenience goods. They follow similar patterns and trends in distribution intensity decision making. Further, it came out clearly that the middlemen characteristics were the most highly considered. These were followed by the characteristics of the product. It can be argued that the combination of the two is used by firms in trying to increase market reach without compromising brand image.

5.3 Conclusion

From the findings, it is clear that there exist some fundamental issues in making a decision in distribution intensity. The pharmaceutical firms need to understand their customers in terms of the capability, geographical dispersion, and also their numbers. This will enable the firms make distribution decisions that optimize on customer reach hence product availability. It is also recommended that the pharmaceutical marketers work to understand

the dynamics of the market as related to the competitors' products, strategies and size. This will enable the firm's come up with competitive strategies.

The pharmaceutical firms also have a challenge to ensure that the products they present to the market agree with environmental factors such as the economy. This calls on the companies to continuously research and come up with products whose prices are customer-friendly. This should go together with the research aimed at improving the quality and efficacy of the products in the market. Lastly, it is necessary that the firms develop programs to train the intermediaries. Considering that the intermediaries' characteristics to a large extent determine the marketers' decision, the pharmaceutical firms have no choice than to keep developing good intermediaries. This can be achieved through training of diverse issues like products handling, customer service, finance management, and general business management issues. Definitely, the pharmaceutical firms can only meet their production and financial objectives if they are dealing with successful intermediaries.

LIMITATIONS OF THE STUDY

The results of the study may have affected by the following possible limitations

- 1) The small size of the sample (60) could have limited confidence in the results and this may limit the generalization to other situations.
- 2) Most of the respondents were unwilling to disclose some of the required information. This may be due to the nature of such information being strategic to their firms. Some may have tilted information given.
- 3) The use of a predetermined questionnaire may have forced the respondents to respond even without understanding the questions.
- 4) Some respondents refused to fill the questionnaires. This reduced the probability of reaching a more conclusive study; however conclusions were made with this response rate.

SUGGESTION FOR FURTHER RESEARCH

This research was very broad. It dealt with all categories of products marketed by pharmaceutical companies. It also dealt with many factors that are key to decision making in distribution intensity. The researcher suggests that future research could be done centering on either specific product categories or specific products. This may help give a deeper insight of the extent of importance of specific parameters. A research could also be done to determine customer perception on the distribution intensity adopted by the pharmaceutical industry.

Appendix 1

LETTER OF INTRODUCTION

**UNIVERSITY OF NAIROBI
DEPARTMENT OF BUSINESS
ADMINISTRATION
FACULTY OF COMMERCE
P.O. BOX 30197
NAIROBI**

Dear Respondent,

Ref: Request for Research data

I am a postgraduate student at the University of Nairobi, Faculty of Commerce. In partial fulfillment of the requirements for the Award of the Degree in Master of Business Administration, I am conducting a study entitled; Determinants of Distribution intensity Among the Kenya Pharmaceutical industry. Your company has been selected to participate in this study. For the purpose of completing my research I wish to collect data through the attached questionnaire. I shall be grateful if you would kindly assist me by completing this questionnaire. This information is purely for the purpose of my project work and pledge to you that it shall be treated with strict confidentiality. A copy of the final research report will be availed to you upon request.

Thank you for your cooperation.

**M'MBUI GITOBU
MBA CANDIDATE**

**MARGRET OMBOK
LECTURER
DEPARTMENT OF MARKETING
SUPERVISOR.**

Appendix 2

QUESTIONNAIRE

Please kindly answer the questions given as directed against the given square or Blank space.

SECTION A

1. Name of organization _____

2. Year of establishment _____

3. Designation of respondent _____

4. Number of employees _____

5. How many branches, offices do you have country wide. _____

5. Do you have a marketing department?

Yes () No ()

7. What is the Ownership of your company? Tick the appropriate box

- i. locally owned ()
- ii. Foreign owned ()
- iii. Joint venture ()
- iv. Other ()

SECTION B

1. What type of product(s) do you market in the Kenya?

- i. OTC products ()
- ii. Pharmacy only products ()
- iii. Prescription only products ()

2. Indicate the extent to which the following statements apply to your organization in the selection of the number of outlets to use for your (OTC) products on a scale of 1--5

Where:

1—No extent

2—to a small extent

3—to some extent

4—to a large extent

5—to a very large extent

	5	4	3	2	1
i. We do not limit the number of pharmacies carrying Our brands.	()	()	()	()	()
ii. Our brand is available in every outlet	()	()	()	()	()
iii. We place our brands in only one outlet	()	()	()	()	()
iv. In the outlets we use there is no competitor brand	()	()	()	()	()
v. We place our brands in a few outlets	()	()	()	()	()
vi. We operate within a defined geographical area	()	()	()	()	()
vii. We ensure we adequately cover a geographical area and control our brands	()	()	()	()	()
viii. Our brands are found all over the country	()	()	()	()	()

3. Indicate the extent to which the following statements apply to your organization in the selection of the number of outlets to use for your Pharmacy only products on a scale of 1--5

Where:

		5	4	3	2	1
	1—No extent					
	2—to a small extent					
	3—to some extent					
	4—to a large extent					
	5—to a very large extent					
viii.	We do not limit the number of pharmacies carrying our brands.	()	()	()	()	()
ix.	Our brand is available in every outlet	()	()	()	()	()
x.	We place our brands in only one outlet	()	()	()	()	()
xi.	In the outlets we use there is no competitor brand	()	()	()	()	()
xii.	We place our brands in a few outlets	()	()	()	()	()
xiii.	We operate within a defined geographical area	()	()	()	()	()
xiv.	We ensure we adequately cover a geographical area and control our brands	()	()	()	()	()
viii.	Our brands are found all over the country	()	()	()	()	()

4. Indicate the extent to which the following statements apply to your organization in the selection of the number of outlets to use for your Prescription only products on a scale of 1--5

Where:

1—No extent

2—to a small extent

3—to some extent

4—to a large extent

5—to a very large extent

5 4 3 2 1

- | | | | | | | |
|--------|--|-----|-----|-----|-----|-----|
| xv. | We do not limit the number of pharmacies carrying our brands. | () | () | () | () | () |
| xvi. | Our brand is available in every outlet | () | () | () | () | () |
| xvii. | We place our brands in only one outlet | () | () | () | () | () |
| xviii. | In the outlets we use there is no competitor brand | () | () | () | () | () |
| xix. | We place our brands in a few outlets | () | () | () | () | () |
| xx. | We operate within a defined geographical area | () | () | () | () | () |
| xxi. | We ensure we adequately cover a geographical area and control our brands | () | () | () | () | () |
| viii. | Our brands are found all over the country | () | () | () | () | () |

5. How many distributors stock your different brands in Kenya?

OTC Brands _____ Pharmacy brands _____ Prescription only _____

6. Are your different brands stocked in other outlets other than pharmacies?

OTC Brands _____ Pharmacy brands _____ Prescription only _____

7. For each type of product, indicate the channel you use to reach your consumers?

	<u>OTC</u>	<u>Pharmacy</u>	<u>Prescription</u>
A. Distributor—Retailer--Consumer	()	()	()
B. Doctor--- Consumer	()	()	()
C. Retailer---Consumer	()	()	()
D. Distributor—Sub-distributor—Retailer- consumer	()	()	()
E. Distributor---Doctor—Consumer	()	()	()

8. By design, our pharmaceutical brands have a small number of potential customers

	<u>OTC</u>	<u>Pharmacy</u>	<u>Prescription</u>
1) Strongly Agree	<input type="text"/>	<input type="text"/>	<input type="text"/>
2) Agree	<input type="text"/>	<input type="text"/>	<input type="text"/>
3) Neither Agree nor Disagree	<input type="text"/>	<input type="text"/>	<input type="text"/>
4) Disagree	<input type="text"/>	<input type="text"/>	<input type="text"/>
5) Strongly Disagree	<input type="text"/>	<input type="text"/>	<input type="text"/>

9. Our Pharmaceutical brands are mainly found in the following areas?

	<u>OTC</u>	<u>Pharmacy</u>	<u>Prescription</u>
1) In both urban and rural areas	_____	_____	_____
2) Only in urban areas	_____	_____	_____
3) Only in rural areas	_____	_____	_____

SECTION C

1. Please indicate the extent to which you use the following factors to determine the number of outlets you use for your OTC products on a scale of 1—5 where

1—No extent

2—to a small extent

3—to some extent

4—to a large extent

5—to a very large extent

	5	4	3	2	1
i. Product quality	()	()	()	()	()
ii. Efficacy of products	()	()	()	()	()
iii. Price of products	()	()	()	()	()
iv. Geographical market size	()	()	()	()	()
v. Number of consumers	()	()	()	()	()
vi. Credit worthiness of retailer	()	()	()	()	()
vii. Customer location	()	()	()	()	()
viii. Past experience	()	()	()	()	()
ix. Managerial expertise of retailer	()	()	()	()	()
x. Weight of product	()	()	()	()	()
xi. Product shelf life	()	()	()	()	()
xii. Reputation of retailer	()	()	()	()	()
xiii. Size of pharmacy	()	()	()	()	()
xiv. Competition from other brands	()	()	()	()	()
xv. Financial capability of retailer	()	()	()	()	()
xvi. Product indications	()	()	()	()	()
xvii. Distance of retailer from consumers	()	()	()	()	()
xviii. Minimum order quantity	()	()	()	()	()
xix. Training needs of pharmacy staff	()	()	()	()	()
xx. Size of your company	()	()	()	()	()

2. Please indicate the extent to which you use the following factors to determine the number of outlets you use for your Pharmacy only products on a scale of 1—5 where

1—No extent

2—to a small extent

3—to some extent

4—to a large extent

5—to a very large extent

	5	4	3	2	1
i. Product quality	()	()	()	()	()
ii. Efficacy of products	()	()	()	()	()
iii. Price of products	()	()	()	()	()
iv. Geographical market size	()	()	()	()	()
v. Number of consumers	()	()	()	()	()
vi. Credit worthiness of retailer	()	()	()	()	()
vii. Customer location	()	()	()	()	()
viii. Past experience	()	()	()	()	()
ix. Managerial expertise of retailer	()	()	()	()	()
x. Weight of product	()	()	()	()	()
xi. Product shelf life	()	()	()	()	()
xii. Reputation of retailer	()	()	()	()	()
xiii. Size of pharmacy	()	()	()	()	()
xiv. Competition from other brands	()	()	()	()	()
xv. Financial capability of retailer	()	()	()	()	()
xvi. Product indications	()	()	()	()	()
xvii. Distance of retailer from consumers	()	()	()	()	()
xviii. Minimum order quantity	()	()	()	()	()
xix. Training needs of pharmacy staff	()	()	()	()	()
xx. Size of your company	()	()	()	()	()

3. Please indicate the extent to which you use the following factors to determine the number of outlets you use for your Prescription only products on a scale of 1—5 where

1—No extent

2—to a small extent

3—to some extent

4—to a large extent

5—to a very large extent

	5	4	3	2	1
i. Product quality	()	()	()	()	()
ii. Efficacy of products	()	()	()	()	()
iii. Price of products	()	()	()	()	()
iv. Geographical market size	()	()	()	()	()
v. Number of consumers	()	()	()	()	()
vi. Credit worthiness of retailer	()	()	()	()	()
vii. Customer location	()	()	()	()	()
viii. Past experience	()	()	()	()	()
ix. Managerial expertise of retailer	()	()	()	()	()
x. Weight of product	()	()	()	()	()
xi. Product shelf life	()	()	()	()	()
xii. Reputation of retailer	()	()	()	()	()
xiii. Size of pharmacy	()	()	()	()	()
xiv. Competition from other brands	()	()	()	()	()
xv. Financial capability of retailer	()	()	()	()	()
xvi. Product indications	()	()	()	()	()
xvii. Distance of retailer from consumers	()	()	()	()	()
xviii. Minimum order quantity	()	()	()	()	()
xix. Training needs of pharmacy staff	()	()	()	()	()
xx. Size of your company	()	()	()	()	()

4. Do you have contractual agreement with pharmacies concerning the sale of your brand?

Yes

No

5. If yes which of the following issues are addressed in your contractual agreement?

a) Product displays for your brands

b) Brand sales goals sales per store

c) Brand sales promotions

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Alphabetical Listing for Pharmaceutical Manufacturers & Distributors

1) A.S. Lundbeck Overseas.....	Nairobi
2) Aesthetics Ltd,.....	Nairobi
3) Alliance Enterprises & Saitone.....	Kisumu
4) Alsafr Healthcare Ltd.....	Mombasa
5) Amoun Pharmaceutical Industries Co. Ltd.....	Nairobi
6) Angelica Medical Supplies	Nairobi
7) Apple Pharmaceuticals.....	Nairobi
8) Armicon Pharmaceuticals Ltd.....	Nairobi
9) Arnimont-Pharma GMBH.....	Nairobi
10) Assia Pharmaceuticals Ltd,	Nairobi
11) Bakpharm Ltd.....	Nairobi
12) Bayer East Africa Ltd,	Nairobi
13) Beta Healthcare International,	Nairobi
14) Betroy Pharmaceuticals.....	Nyeri
15) Biochemie GMBH Austria	Nairobi
16) Biodeal Laboratories Ltd	Nairobi
17) Boehringer Ingelheim	Nairobi
18) Boma Drug house Ltd.....	Nairobi
19) Bristol Myers Squibb Company	Nairobi
20) Bulk Medicals Ltd.....	Nairobi
21) Mehta&Co.Ltd	Nairobi
22) Cadila Pharmaceuticals (E.A) Ltd.	Nairobi
23) Caroga Pharma Kenya Ltd,	Nairobi
24) Cedar Pharmacare Ltd.....	Nairobi
25) Choice Meds Ltd,	Nairobi
26) Chemid Kenya Ltd.	Nairobi
27) Cooper Pharmaceuticals	Nairobi

28) Core Healthcare Ltd.	Nairobi
29) Cosmos Ltd.....	Nairobi
30) Curamed Pharmaceuticals.....	Nairobi
31) Cussons & Company Ltd	Nairobi
32) Dawa Pharmaceutical s Ltd	Nairobi
33) Denken Pharmaceuticals Ltd.....	Nairobi
34) Didy Pharmaceuticals Lid	Nairobi
35) Donvet Pharmaceuticals Ltd.....	Nairobi
36) Drugphan-n Services Ltd	Nairobi
37) Ell-Lilly (Suisse) SA	Nairobi
38) Elys Chemical Industries Ltd,	Nairobi
39) Europa Healthcare Ltd.....	Nairobi
40) Fortepharma Ltd	Nairobi
41) Framin Kenya Ltd	Nairobi
42) Galaxy Pharmaceuticals Ltd.....	Nairobi
43) Gesto Pharmaceuticals Ltd	Nairobi
44) Glaxosmithkline	Nairobi
45) Globe Pharmacy.....	Nairobi
46) Goodman Agencies Lid,	Nairobi
47) Harleys Limited,	Nairobi
48) Health Gate Pharmaceutical Products.....	Kisumu
49) Hoechst Marion Roussel E.A. Ltd.	Nairobi
50) Howse & McGeorge Ltd,	Nairobi
51) Infusion Kenya Ltd,.....	Nairobi
52) Janssen Pharmaceutical	Nairobi
53) Jaskam & Company Ltd	Nairobi
54) Jos. Hansen & Soehne (E.A) Ltd	Nairobi
55) Kam Industries Ltd.....	Nairobi
56) Karuri Stores Pharmaceuticals	Nairobi
57) Kemipharm Ltd	Nairobi
58) Laboratory & Allied Ltd	Nairobi

59) Ladopharma Company Ltd	Nairobi
60) Leo Pharmaceuticals.....	Nairobi
61) Letap (Kenya) Ltd,.....	Nairobi
62) Lords Healthcare Ltd	Nairobi
63) Macs Pharmaceuticals Ltd.....	Nairobi
64) Maimed Healthcare (K) Ltd	Nairobi
65) Maher Brothers (K)Ltd.....	Nairobi
66) Medical & Health Care Industries	Nairobi
67) Medivet Products Ltd,	Kiambu
68) Merck Sharp and Dohme,	Nairobi
69) Merrel Dow Pharmaceutical Ltd.....	Nairobi
70) Metro Pharmaceuticals	Nairobi
71) Mission For Essential Drugs & Supplies (MEDS)	Nairobi
72) Mombasa Medical Stores (K)	Nairobi
73) Monks Medicare Africa.....	Nairobi
74) Nairobi Enterprises Ltd,	Nairobi
75) Nairobi Medical Stores	Nairobi
76) Nairobi Pharmaceuticals (K) Ltd	Nairobi
77) Nimit Medical Systems Limited.....	Nairobi
78) Novartis Pharma Services Inc.....	Nairobi
79) Novelty Manufacturing Ltd	Nairobi
80) Novo Nordisk.	Nairobi
81) Orient Pharmaceuticals Ltd.....	Nairobi
82) Pan Pharmaceuticals Ltd	Nairobi
83) Paramedic & Pharmaceuticals,	Nairobi
84) Petterson Pharmaceuticals Ltd	Nairobi
85) Pfizer Laboratories Ltd,	Nairobi
86) Pharma Share K) Ltd.,	Nairobi
87) Pharmaceutical Manufacturing Co, (K) Lid,	Nairobi
88) Pharmaceutical Products Ltd	Nairobi
89) Pharmacia Africa Ltd.....	Nairobi

90) Polymeric Pharmaceuticals Ltd	Nairobi
91) Polystar(K)Ltd,	Nairobi
92) Procter & Gamble SEA) Ltd	Nairobi
93) Ray Pharmaceuticals Ltd,	Nairobi
94) Reckitt & Colman Industries Ltd,	Nairobi
95) Regal Pharmaceuticals Ltd,	Nairobi
96) Regency Pharmaceuicals Ltd.	Nairobi
97) Rhone Poulenc Kenya Limited,	Nairobi
98) Roche Products Ltd,	Nairobi
99) Sai Pharmaceuticals Ltd,	Nairobi
100) Sal Healthcare,	Nairobi
101) Schering Africa GMBH.....	Nairobi
102) Schering-Plough Corporation, U.S.A.	Nairobi
103) Sipri Pharmaceuticals,	Kisumu
104) Spectropharm Ltd,	Mombasa
105) Sphinx Pharmaceuticals,	Nairobi
106) Statim Pharmaceuticals Ltd,	Nairobi
107) Surgilinks,	Nairobi
108) Surgipharm Ltd.,	Nairobi
109) Syner-Med Pharmaceuticals (K),.....	Nairobi
110) Trinity Pharma Limited,	Nairobi
111) Twiga Pharmaceuticals,	Nairobi
112) Universal Pharmacy,	Nairobi
113) U.B, Pharma Ltd,	Nairobi
114) UpjohnE.A,	Nairobi
115) Warner-Lambert (E.A.) Ltd.....	Nairobi
116) Westway Pharmaceuticals Ltd,	Nakuru
117) Wockaine Westco Kenya Ltd,	Nairobi
118) Wockhardt (Europe) Ltd,	Nairobi
119) Wyeth-Ayerst Promotions Ltd	Nairobi
120) Zeneth Pharmaceuticals.	Nairobi