DISTRIBUTION STRATEGIES USED BY HEALTH MAINTENANCE ORGANIZATIONS IN KENYA

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BY

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DECLARATION

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

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

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DEDICATION

This work is dedicated to God, the almighty creator and sustainer for his great love and grace and who has enabled me to be alive today

ACKNOWLEDGEMENT

Special tribute goes to the following personalities without whom this work would not have been a success:

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ABSTRACT

The desire to have good health is common to all mankind. No normal person wishes to be sick. Never the less people fall sick and because of the contemplation of possibility of ill health at one time or other, man takes cover to facilitate his healthcare in the event of occurrence of ill health. The main objectives of the study were to determine the distribution strategies and the factors that influence the strategies used by HMO'S in the provision of healthcare services. Primary data was collected by means of survey questionnaire using both closed and open-ended questions. These questionnaires were given to executive officers entrusted with making decisions on distribution strategies. The response rate was 84% and data was analyzed using descriptive statistics.

The study findings showed that all firms were using various distribution strategies to reach the patients in varying extent. Most firms offered their services in all their outlets to a large extent all over the country and did not consider presence of competitor HMO as a factor in offering their services.

The most used distribution strategies were, increasing the number and location of outlets and reducing waiting time while providing mobile clinic and drop and pick services were the least used strategies. On factors that influence strategies used, managerial expertise and objectives and strategies of the firm were the most influential factors while the least was competition from other HMO's. Most of the firms used one level and direct channel to reach the patient in their provision of services.

From the research it can be concluded that most HMO's have appreciated the use of distribution strategies to reach target market. Most of theHMO's offered their services in all outlets and in a geographical defined area and control the services offered. The most used distribution strategies were increasing the number and location of outlets and reducing waiting time for patients. In determination of factors that influence the number of outlets for healthcare provision, managerial expertise and objectives and strategies of the company were the most important factors.

It was recommended that firms should adopt appropriate distribution strategies so that the services reach the patients in the right time and place. Proper legislation should be put in place by the government in the healthcare provision industry. The study-focused mainly on distribution strategies used by HMO's, it was suggested that other marketing mix variables also be studied. The study could also be replicated in other industries or sectors in Kenya.

ABBREVIATIONS

GNP	-Gross national product
G.O.K	-Government of Kenya
HDI	-Human development index
HIV/ AIDS	-Human immunodeficiency virus/Autoimmune deficiency
HMO'S	- Health maintenance organizations
MOH	- Ministry of health
NGO	-Non-government organization
NHIF	-National hospital insurance fund
PHC	-Primary health care
SSA	-Sub-Sahara Africa
TB	- Tuberculosis
UNDP	- United Nations development program
WHO	-World health organization

CHAPTER ONE

INTRODUCTION

1.1 Back ground

According to the economic recovery strategy for wealth and employment creation report of 2003, the Kenya's economic performance during the last two decades has been far below potential. Per capita income declined from US$ 271 in 1990 to US$239 in 2002.The number of people unemployed currently stands at over 2 million or 14.6% of the labour force. The persistent poor economic performance worsened the poverty situation. The declining economic performance, socio –economic disparities and decreasing HDI have resulted in human development challenges for the country which go beyond simply increasing economic growth to addressing social and economic inequalities (UNDP report Kenya 2001). The deterioration in the standard of living in Kenya is well demonstrated by the worsening in key social indicators over the last two decades. Illiteracy rates increased as enrolment rates in primary school declined while life expectancy and child mortality worsened. This disappointing development has further been complicated by the HIV/AIDS pandemic (Economic recover strategy report 2003).

Future policy challenges will involve a process of economic, social and political empowerment as a means of changing the balance in favor of those who have been kept out of the mainstream of economic and social activity (UNDP report Kenya 2001) .The major challenge of the government is how to restore economic growth, generate employment opportunities to absorb the unemployed, particularly the youth and reduce poverty levels. Shelter and housing are basic needs for human survival and are important for the advancement of well –being. The core aim of government policy is to facilitate the construction of 150 000 housing units. In addition, the government will explore the

possibility of working with development partners to develop a framework for upgrading slums and informal settlement in the urban areas. (Economic recovery strategy report 2003). Socio- economic analysis of the poverty dimension reveals that the main health challenge facing the poor is affordability. Thus the major objective of the government is to improve affordability and coverage of quality health services particularly for the poor. Although the government has been allocating substantial budgetary resources to health sector, the general health of Kenyans continues to deteriorate due to, emergence of new diseases such as HIV/AIDS, emigration of health workers and misuse of resources due to corruption (MOH report 1991). Hence the government has resulted into taking the following actions, rehabilitation of existing health facilities, overhauling the system of procurement and distribution of drugs for health facilities in order to reduce cost of drugs, make them affordable and also to rationalize the distribution system to ensure that drugs are supplied to areas where most needed, enactment of legislation converting NHIF into National social health insurance fund (NSHIF) that will cover both inpatient and outpatient medical needs by sharing costs between the exchequer, the employers and employees, informal sector and other productive segments of society (Economic recovery strategy report 2003).

1.1.1 Distribution strategies

Distribution is the place element of the marketing mix of benefits that the producer offers to the consumer (Elvy, 1991). Distribution is a vital part of making goods available to consumers when, where and in the form required (Needham et al, 1999). A distribution channel consists of individuals and organizations that make products and services accessible to the ultimate consumer (Needham et al, 1999). According to Needham et al (1999) several strategic decision need to be taken that include, selection of specific distribution channel and the level of distribution intensity. In the selection of distribution channels, the choice is

based on an analysis of market, product, producer and competitive factors (Needham, 1999).

The degree of distribution is best seen as a continuum with three categories.

Intensive distribution. Producers of convenience goods use intensive distribution, going for saturation coverage of the market so that the purchaser can buy the product with ease e.g. sweets soft drinks (Needham et al, 1999).

Selective distribution. This is a market coverage strategy in which a firm chooses a limited number of retailers in a market area to handle it product lines. By limiting the number of retailers, the firm can reduce its total marketing cost while establishing better working relationships within the channel e.g. computers (Needham et al, 1999).

Exclusive distribution. This is when producers grant exclusive rights to a wholesaler or retailer to sell in specific geographic area e.g. car dealership. Some market coverage may be sacrificed under a policy of exclusive distribution, but the losses by the development of an image of quality and prestige for the product and by reduced marketing costs associated with the small number of accounts (Needham et al, 1999).

According to McCarthy et al, (1990) offering customers a good product at a reasonable price is important to a successful marketing strategy, but its not the whole story, managers must also think about place i.e. making products available in the right quantities and location when customers want them. Provision of healthcare is more of a service. Marketing channels for services tend to be shorter than channels of products. This direct structure eliminates the challenge of designing an appropriate channel structure in terms of length, intensity and type of intermediaries at each level. However all of target market issues associated with channel design must be faced. These issues include, where to locate the facilities (market geography), how large the facilities should be to meet demand (market

size), and whether sufficient numbers of customer will be within range of service (market density), as well as when, where, how and who will use the services (market behavior), (Rosenbloom, 1995).

Manufacturers design channels that use intermediaries at the wholesale and retailers. Service providers who are in effect manufacturers and retailers combined have to address these issues themselves. Thus independent service providers must still design channels at the retail level that make their services conveniently available to their target market. (Rosenbloom, 1995). According to Kotler and Roberto, (2002) Place is where and when the target market will perform the desired behavior, acquire any tangible objects and receive any associated service. We live in a convenience-oriented world in which many of us place an extremely high value on our families, friends, and favorite leisure activities and hence we need to be keenly aware that our target market will evaluate the convenience of our offer relative to other exchanges (Kotler and Roberto 2002). Numerous access strategies are available for reaching target market which include, finding ways to make the location closer,. finding ways to extend hours, finding ways to make the location more appealing, finding ways to be there at the point of decision making and finding ways to make performing the desired behavior more convenient than the competing behavior.

1.1.2 Health sector reforms

The desire to have good health is common to all mankind .No normal person wishes to be sick. Nevertheless people fall sick and because of the contemplation of possibility of ill health at one time or other, man takes health cover to facilitate his healthcare in an event of occurrence of ill health. Governments everywhere including sub-saharaAfriaca are redefining health policies, restructing institutions and looking for new ways of organizing

and financing health systems and delivering health services through health sector reforms (MOH report 1999). These reforms are concerned with improving equity, increased and better management of health resources, improved performance of health systems and quality of care, greater satisfaction of consumer and providers of healthcare. The components of health sector reforms include, organization change, financing change and service delivery change, which were identified at the Arusha conference as main areas of health reforms (WHO report 1991).

The major purpose of reforms is to create conditions within the health sector for the provision of efficient, cost effective, accessible, equitable and good quality healthcare. However policy reforms maybe difficult to achieve in an environment going through rapid political and economic changes, drought, overall decline in macro-economic situation and opposition of political groups to user fee and privatization reforms (MOH report 1999). There is a notable trend by many countries in recent years of promoting private providers to help compensate for shortfall in government provision of healthcare services. This includes for profit private companies and individuals and not for profit private organization (WHO report 1991).

According to world bank, (1987) most of countries in (SSA) rely heavily on donor funding for up to 20% of their health expenditure, prospects of continued government expenditure on healthcare have been thwarted by a decline in economic growth resulting in declining levels of expenditures and share of public in GNP. Between 1981-1986 annual growth rates of GNP per capital for Kenya was for (1.03%), Zimbabwe (0.64%), Liberia (3.48%). Cost of achieving primary health care is estimated to be US $ 10 per person per year (World bank report 1987). The Kenyan health sector comprises of public health system with major player

being ministry of health and ministry of local authorities. Other players are NGO's, Mission and the private sector. The health services are delivered through a network of 4214 health facilities, GOK-2149, NGO-845, and private –1220 with the public system accounting for 51% of total (MOH report 1991) .In the policy framework of 1994 the MOH vision was to support the creation of enabling environment for the provision of sustainable quality healthcare that is accessible, affordable, and accessible to all Kenyan.

Over the last 10 years, macro-economic forces have led to inadequate financial resource flows of the health sector. These factors include low economic growth, inflation and devaluation of the Kenyan shilling. The rise in poverty levels is an increase in the burden of disease resulting from phenomenon such as AIDS/ HIV, TB and strains of malaria that are resistant to conventional treatment have further strained the financial resources .The decline in real earnings has direct negative implication on household expenditure on health (MOH report 1991).

Sources of financing of health include government, direct out of pocket payment, self funded schemes and risk pooling through insurance payment mechanism. In view of declining funding in provision of affordable healthcare, the government has resulted into creating conducive, environment for private sector to provide such services. Further due to economic liberalization, the responsibility of providing the service to the population is now effectively left to the private sectors i.e. both for profit and not for profit organization. Marketing of health services closely resembles social marketing concept that holds organization should concentrate on finding out the needs and wants of the target customer and deliver the desired services more effectively and efficiently than competition in a way

that maintains or improves the consumers and society (kotler and Roberto 2002) Primary health care is as old as human society. People everywhere have always practiced curative and preventive medicine, according to the culture and social organization. Cures may rely on local herbs; prevention may involve slaughtering a goat to satisfy the spirits or refraining from certain foods during pregnancy (Engelkes, 1990). PHC is defined as essential healthcare based on practical, scientifically sound and socially acceptable methods and universally accessible to individuals and families in the community through their full participation and at a cost that the community and country can afford to maintain at every stage of their development in the spirit of self reliance and self determination (Engelkes, 1990).

According to the WHO report (1978), PHC should at least include appropriate treatment of common diseases and injuries, provision of essential drugs, immunization against the infectious diseases and education. The health situation in Kenya improved progressively after independence up to 1990 but has been deteriorating. Although the government has been allocating substantial budgetary resources to health sector, the general health of Kenyans continues to deteriorate for various reason including, emergence of HIV/AIDS, misuse of resources due to corruption (MOH report 1999). The government has resulted into creating enabling environment for increased private sector involvement in provision and financing healthcare. Hence the emergency of Health Maintenance Organizations and Insurance companies in the field of health care provision.

1.1.3 Health maintenance organizations

According to Knickman and Thoupe (1995), HMO's deliver comprehensive health maintenance and treatment services for a group of enrolled persons who pay pre-negotiated

fixed payment. HMO's accepts the responsibility for the organization, financing and delivery of health care services for its members. One of the most unique aspects of an HMO is that it needs not be an organization in the conventional sense .An HMO is a grouping of facilities, physical and other health personnel into a single system that provides a full range of medical services to a specifically enrolled population for a fixed fee paid in advance. Thus it can exit as a set of contracts, a paper organization in essence or it can be a true organization (Rakich et al, 1977). According to Zelten (1979), the features that most clearly differentiate HMO's from the existing health delivery and financing systems, is the combination of delivery and financing within one organization.

The concept of HMO's started in the 1980's in Kenya. They offer health packages but commissioner of insurance does not regulate them like the insurance companies offering health services. This has resulted to very steep competition between the HMO's and insurance companies and among the proposals made by Association of Kenya Insurers on reforms to the Insurance Act is legislation of HMO's (Arasa, 2002). Hence organizations in healthcare provision are competing to reach the target market at the right time and place better than others.

1.2 Statement of the Problem

The role of primary health care is to provide essential health i.e. appropriate treatment of common diseases and injuries, provision of essential drugs, immunization against the major diseases and health education. In many African countries including Kenya health care provision was the prerogative of the government after independence (MOH report 1999). However over the last 10 years macro economic forces have led to inadequate financial resources flow of the health sector. These factors include low economic growth, inflation

and devaluation of the Kenya shilling .The rise in poverty levels and increase in the burden of diseases resulting from phenomena such as AIDS/HIV, TB and strains of malaria that are resistant to conventional treatment have further strained the financial resources.

The decline in real earnings has direct negative implication on house expenditure on health, (MOH report 1999). With the above in mind there is a notable trend by many countries in recent years of promoting private providers to help compensate for shortfall in government provision of health care, which includes for profit private companies and individuals, and not for profit private organization, (MOH report1999). Due to liberalization of the Kenyan economy, there has been intense competition even between profit oriented and non-profit oriented organization, (Wainde, 2002). The concept of HMO's started in Kenya in the 1980's with the aim of providing affordable heath care at a pre-paid premium. (Arasa, 2002).

This has led to the emergence of more players in the field of HMO's, necessitating the need to reach target market conveniently than competition. Stiff competition between these organizations has led to some of them closing down e.g. Medi Plus. According to Kotler, (1999) marketers use numerous tools to elicit desired response from their target markets; one of these tools is Place. Unlike products that are produced, sold and then used, services are often sold first, then produced and used at the same time. Simultaneous production and use creates unique consideration regarding healthcare provision and necessitate appropriate distribution strategies to help reduce cost, remove access barriers, and increase perceived benefits, (Kotler and Roberto 2002). Studies carried out on distribution by Nganga (2000), Odondi (2001), Muiruri (1998), focused on distribution channels for product and the problems facing them. The finding cannot be generalized to distribution strategies of

healthcare services, given the unique nature of healthcare provision and the political, legal, environmental and economic factors involved. It is therefore necessary to conduct a study to find out distribution strategies used by HMO's to reach target market. This study aims to answer the following questions;

i. What are the distribution strategies used to reach the target market by health maintenance organizations?

ii. What factors influence the choice of such distribution strategies?

1.3 Objectives of the study

This study focuses on the following research objectives

i. To determine the distribution strategies used by HMO's in the provision of healthcare.

ii. To determine factors that influence strategies used by HMO's in the provision of healthcare.

1.4 Importance of the study

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

a. The Kenya government, which may use the finding to help put in place the relevant legislation regulating the sector.

b. The HMO's in understanding the nature of distribution strategies and helps them develop effective distribution strategies for their respective organization.

c. Future scholars and researchers who may use the findings as a source reference.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter contains literature review on distribution. The review includes distribution channels, distribution strategies and distribution intensity. Factors that influence the choice of distribution strategies are also reviewed.

2.2 Concept of Distribution

According to Rosenbloom (1995) it is not possible to have one definition of the marketing channel because of the different perspective or viewpoints from manufacturer's, wholesaler's, retailer's, consumer and researcher. Manufacturer's may focus on the different intermediaries needed to get products to customers, wholesalers and retailers may view it as the flow of the title to the goods as the proper delineator of the marketing channels, consumer may view the marketing channel as simply a lot of Middlemen standing between them and the producer of product. And finally the researcher may describe it as structural dimensions and efficiency of operation. Thus the marketing channel can be defined from the marketing management point of view of producing and manufacturing firms as, the external contractual organization that management operates to achieve its distribution objectives (Rosenbloom, 1995).

Stanton et al (1994), defines a distribution channel as the set of people and firms involved in the transfer of the title to a product as the product moves from producer to ultimate consumer or business user. Besides producer, middlemen and final customer, other institutions aid the distribution process. Among these intermediaries are banks, insurance

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companies, storage firms and transportation companies, which are not formally included in the distribution channel.

Place Includes Company's activities that make the product available to target consumers. The role and purpose of distribution is to transport goods and services in the most effective and efficient way from where they are to where they need to be (Worsan and Wright 1995). In goods marketing framework the product manufacturers control promotion and pricing, but distribution is normally delegated to marketing intermediaries. Firms must consider the needs and attitudes of potential target markets when developing place, and people in particular target market should be satisfied with the same place system (McCarthy et al, 1991).

Distribution channels are among the most critical decisions facing management. This is because channel choices once made are often very difficult to change; the company's chosen channels ultimately affect other marketing decisions (Kotler, 1997). According to McCarthy and Williams (1991), Place decisions have long -run effects; they are harder to change than product, price, and promotion decisions. Effective working arrangements with others in the channels partners may also limit changes.

Marketing channels are sets of interdependent organizations involved in the process of making a product or service available for use or consumption (Kotler, 1997). Intermediaries smoothen the flow of goods and services, which is necessary in order to bridge the discrepancy between the assortment of goods and services generated by the consumers. The discrepancy results from the fact that manufacturers typically produce a large quantity of a limited variety of goods whereas consumers usually desire only a limited quantity of a wide variety of goods (Kotler, 1997).

According to Okatch (2002), marketing channel perform the work of moving goods from producer to consumer. It overcomes the time place and possession gaps that separate goods and services from those who need them. Members of marketing channel perform key functions, which include; Information: they collect and disseminate marketing research information about potential and current customers, competitors and other actors and forces in the market environment, Promotion: i.e. development and dissemination of persuasive communications designed to attract customers to the offer, Negotiation: they attempt to reach final agreement on price and other terms so that transfer of ownership or possession can be affected, Ordering: Placing notice of intention to buy from manufacturer, Financing: the acquisition and allocation of funds required to finance inventories at different levels of the marketing channel, Risk taking: the assumption of risk connected with carrying out the channel work, Title: The actual transfer of ownership from one organization or person to another, Physical: the successive storage and movement of physical products from raw materials to the final customer, Payment: buyer's payment of their bills to the seller through banks and other financial institution.

2.3 Distribution Channels

A channel of distribution is defined as a chain of market intermediaries or middlemen used by a producer or marketer to make products and services available when and where consumers or users want them. It is thus a route followed by a product as it moves from the producer to the user (Kibera and Waruingi 1998). Kotler and Roberto (2002), have described four types of distribution channels i.e. Zero level i.e. direct marketing channels - consists of manufacturer selling directly to the final customer. One level – Contains one selling intermediary e.g. retailer .Two Level- Contains two intermediaries e.g. Wholesaler

and retailer. Three –level channel –Contains three intermediaries. According to Stanton et al (1994), diverse distribution channels exist; main ones are, distribution channels for consumer goods, business goods and services. In the distribution of consumer goods, five channels are widely used. They include

Producer, Consumer; it is the shortest and simplest distribution and involves no middlemen.

Producer, retailer, consumer; where many large retailers buy directly from manufacturers and agricultural producers.

Producer, wholesaler, retailer, consumer; it is the traditionally used and the only economically feasible choice.

Producer, agent, retailer, consumer, producers; producers prefer to use an agent middlemen to reach the retail market, especially large-scale retailer.

Producer, agent, wholesaler, retailer, consumer; to reach small retailers, producers often use gent middlemen, who in turn call on wholesalers that sell to large retail chain and small retail stores. The distribution of business goods usually incorporate the product into their manufacturing process or use them in their operations. Four common channels for business goods include;

Producer, user; it's a direct channel, which accounts for a great dollar volume of business products than any other distribution structure e.g. manufacturer of large installation such as airplane.

Producer, industrial distributor, user; e.g. manufacturers of building materials. Producers of operating supplies and small accessory equipment frequently use industrial distributors to reach their markets.

Producer, agent, user -Firms without their own sales department finds this a desirable channel. Also a company that wants to introduce a new product or enter a new market may prefer to use agents rather than its own sales force.

Producer, agent, Industrial distributor, user; it is similar to the preceding one and used when for some reason, it is not feasible to sell through agents directly to the business user.

The intangible nature of services creates special distribution requirement. There are only two channels for services that are;

Producer, Consumer; because a service is intangible, the production process and sales activity often requires personal contact between producer and consumer, hence a direct channel is used e.g. healthcare and legal advices. Other examples of services include travel, insurance, weight-loss counseling and entertainment, which may all require direct channel (Rosenbloom, 1999).

Producer, agent, and consumer – agents frequently assist a service producer with transfer of ownership (the sales task) or related tasks. Traveling, lodging advertising media, entertainment and insurance, are sold through agents. Because most services are produced and consumed at the same time, services are distributed through short channels. Thus one must go to the people providing those services .The most common distribution channel for services is the direct one The concept of marketing channel is not limited to the distribution of physical goods; Producers of services and ideas also face the problem of making their output available and accessible to target population. e.g. Hospital must be located in geographic space to serve people with complete medical care.

2.4 Distribution Strategies

The objective of the place-marketing tool is to develop strategies that are convenient and pleasant as possible to target audience more than competitor. As a key marketing -mix tool it includes various activities the company undertakes to make the product or service accessible and available to target customer (Kotler, 1997).

Services have special characteristics that distinguish them from products. These characteristics include, perishability, customer involvement, and difficulty of standardization, inseparability and intangibility. These special characteristics have significant implications for all areas of marketing management, especially the formulation of channel strategy, designing the channel, managing the channel, and in some cases evaluating channel members (Rosenbloom, 1999) .The intangibility of services makes them more difficult to differentiate than products and requires marketers to be more imaginative in order to successfully distinguish their services from those of competitors. The service provider can attempt to use product strategy to tangibilize the service .i .e by attempting to associate the service with some image or object; it can be made more concrete (Rosenbloom, 1999).

How the service is actually offered to customers, i.e. the marketing channels through which it is sold can provide the most direct and most potent basis for tangibilizing the service and hence can create a stronger basis for differentiating it from competitors services, because the customer is directing exposed to and experiences the services provided by channel (Rosenbloom, 1999). For example Residence Inns specializes is providing accommodations on long-term basis and in addition all accommodation are suites of several rooms, with furnishing that includes sofas, chairs, kitchen complete with pots, pans and dishes so that residents can cook a meal just as if they are at home. The purpose of providing this is to

differentiate it from hotels providing accommodation of two to three days (Rosenbloom, 1999). The service and the channel providing it are virtually inseparable and all aspects of the marketing channel with which the consumer come in contact are thus a reflection of the quality of the services e.g. important aspects of the physical facilities include access, parking, external signs, appearance of the building exterior, and the interior decor, lighting, climate, control, fixtures and cleanliness (Rosenbloom, 1999).

According to Rosenbloom (1999) any provider of services that achieves a level of service capable of satisfying its target customers would like to be able to duplicate the performance throughout all of its units at any given time as well as to be able to repeat the performance over time. Standardization of services is a theoretical ideal, not achievable in the real world, however organizations can still attempt to achieve standardization through franchised channels. Franchised channels are characterized by a close business relationship between franchisor and franchisee that includes product, service, trademark, marketing strategy, training, merchandising, management, operating manuals and standards quality control.

Though a franchisor can require its franchisees to build virtually identical outlets all over the country or even around the world, to get them behave the same way in every outlet is much more difficult, some may be more capable than others, some may be more or less highly motivated, and some will have different opinions from the franchisor about how their business should run. Such divergences can be a help or hindrance in providing service to the customer (Rosenbloom, 1999). The main implication of perishabiltiy of service is that the channel should be designed to maximize the sale of a service during its limited exposure of target market, because unsold services cannot be packed up and put away to sell on another day as in the case products (Rosenbloom, 1999).

Many services do require affair degree of involvement of the customer and channels designed to provide services requiring customer input should attempt to facilitate customer involvement e.g. In the healthcare field one firm Vita -stat- medical services Inc, developed a machine that requires total customer involvement called a health monitor center (HMC), the machine enables consumers without the aid of any employee to weigh themselves and take their own blood pressure and pulse (Rosenbloom, 1999). The machine can be located virtually any where e.g. supermarket, drugstores, as long as there are enough interested customers to use the (HMC) which is usually provided at no charge, customers become their own doctor, for a range of diagnostic tests provided by the HMC (Rosenbloom, 1999). However these machines are not meant to replace the job done by trained healthcare professionals, but their growing acceptance does suggest that people are able and willing to become involved in providing services for themselves (Rosenbloom, 1999).

The location and channel used to supply services to target customers are two key decision areas and involve considering how to deliver services to the customers and where this should take place. This has particular relevance to service as very often they cannot be stored and will be produce and consumed at the same point. Place also has importance as the environment in which the service is delivered, and how it is delivered, are part of the perceived value and benefits of the service. The diversity of services makes generalization about place strategies difficult (Payne, 1993). According to Payne (1993) location is concerned with the decision a firm makes about where its operations and staff are situated. The importance of location for a service depends upon the type and degree of interaction involved. When the customer has to go to the service provider, site location becomes very important and the service provider seeking growth can consider offering their service at more

than one location (Payne, 1993). Where the service provider can go to the customer site location becomes much less important provided it is sufficiently close to the customer for good quality service to be received. When the customer and the service organization transact at arm's length, location may be largely irrelevant (Payne, 1993).

The importance of location varies according to the service concerned and some of the key considerations that should be addressed by the service marketers include, market requirement; if service is not provided in convenient location, will purchase of the service be post phoned, or use delayed? trends -what are the trends in the service sector? Are competitors reaching out into markets? Flexibility- how flexible is the service and is it people or technology based? if the organization has the obligation to locate in a convenient site e.g. public services like health care? how critical are complementary services to the location decision? are customers seeking services systems or service clusters?

The second type of decision relates to who participates in the service delivery in terms of both organization and people. There are three kinds of participants, the service provider, intermediaries and customers. Although direct sale has been traditionally appropriate in distribution for services, many services are now being delivered by intermediaries (Payne, 1993). According to Kotler and Roberto (2002) there are numerous access strategies; **Finding ways to make the location closer;** e.g. dental office on wheels .A mobile clinic called Smile mobile travels to communities all across Washington state, it brings dental services directly to children aged 13 years an younger who don't have access to care .A full time dentists and their staffs provide a range of dental services (Kotler and Roberto 2002).

Finding ways to extend hours e.g. Pets on the Net. According to kotler and Roberto (2002) viewing pets available for adoption on the internet can help reduce the chances of adopting a pet that isn't what they are really looking for and reduces the time it takes to travel to a center. Thus many Humane societies across America have created websites where all or some of the pet currently available for adoption are featured 24 hours a day 7 days a week. Some websites include features such as daily updates on opportunity to put a temporary hold on an animal information on, how to choose the right shelter pet, and reasons the pet was given up for adoption.

Finding ways to make the location more appealing; e.g. Mammograms at the mall .The idea was to set a mammogram clinic at malls because many women already pick -up birthday gifts, grab dinner and get their haircut at the mall. Hence this atmosphere would be less intimidating setting than traditional doctor's office or hospital (Kotler and Roberto 2002).

Finding way to be there at the point of decision-making; e.g. includes loaning vests at public beaches, making free litterbags available at gas pumps and providing pets waste bags and receptacles at parks and walking trails (Kotler and Roberto 2002).

Finding ways to make performing the desired behavior more convenient than the competing behavior; examples in which the desired behavior is made more appealing relative to competition include; Smoking location that have been limited to standing outside buildings or in small smoke-filled rooms at airports (Kotler and Roberto 2002)

Recognizing that numerous routes to buyer's exits, marketing executives typically consider three questions when choosing a marketing channel and intermediaries; i.e. the channel and intermediaries that will provide the best coverage of the target market, that will best satisfy the buying requirements of the target market and that which will be most profitable

(Berkowitz et al, 1994). Achieving the best coverage of the target market requires attention to the density and type of intermediaries to be used at retail level of distribution.

Three degrees of distribution density exit i.e. Intensive, exclusive, and selective. Intensive distribution means that a firm tries to place its products and services in as many outlets as possible. It's usually appropriate for convenience products or services e.g. automatic teller machines and increasingly medical services are distributed in this fashion (Berkotwitz et al, 1994). Exclusive distribution is the extreme opposite of intensive distribution because only one retail outlet in a specified geographical area carries the firm's product and sometimes manufacturer signs exclusive distribution agreements (Berkotwitz et al, 1994). Selective distribution entails a policy of using less than all those willing to distribute the product and is favored by manufacturers of shopping and specialty goods since there is prestige attached to where the product are purchased from as well as in the quality of the brands (Kibera and Waruingi 1998).

2.5 Factors influencing the choice of distribution strategies.

According to Rosenbloom (1995) there are various factors that influence the choice of distribution strategies for both products and services. This strategies are market, product, company, intermediary, environmental and behavioral variables

Market variables

Market variables are the most fundamental to consider when designing a marketing channel. Four basic subcategories are particularly important. They include market geography, market size, market density and market behavior.

Market geography -refers to the geographical size of markets and their physical location

and distance from the producer or manufacturer. The basic tasks usually are the development of a channel structure that adequately covers the markets in question and provides for an efficient flow of product to those markets (Rosenbloom, 1995). Market size - refers to the number of customers making up a market, hence the larger the number of individual customers, the larger the market size (Rosenbloom, 1995). Market density- determined by the number of buying units (consumer or industrial firms) per unit of land area. In general the less dense the market, the more likely it is that intermediaries will be used (Rosenbloom, 1995). Market behavior - It refers to how, when, where customers buy and who does the buying (Rosenbloom, 1995)

Product variables

According to Churchill et al (1995) marketers need to ask themselves whether the nature of the product lends itself to a particular type of distribution channel. In some cases, a product – related characteristic may override other factors in channel selection. e.g. a highly perishable product such as most services and complex product may require a direct channel. Lifecycle stage is important as a new product may require established intermediaries to give it credibility.

Intermediary variables

The marketer can in many cases narrow the selection process by asking what intermediaries are already serving the market's industry (Churchill et al, 1995). These traditional channels are not always the best choice, but markets would do well to consider why they are so widely used and whether they offer important efficiencies. The key intermediary variables related to channel structure are availability, cost and services offered. If the cost of using intermediaries is too high for services performed, the channel structure is likely to minimize the use of

intermediaries The basic approach of the evaluation of intermediary services involves, evaluating the services offered by particular intermediaries to see which one can perform them most effectively (Rosen bloom, 1995)

Environmental variables

Many factors in the marketing environment can influence which channel will be most effective, this includes competitors, the economy and laws and regulations pertaining to distribution. Marketers do well to observe which channels competitors are using because it may be hard to compete if the product is not available in the same place. On the other hand, marketer may take advantage of making product available somewhere that competitors are not present (Churchill et al, 1995). Changes in economic climate tend to influence where consumers make their purchases. During recession, they are more likely to restrict their shopping to retailers that specializes in low prices or high value hence the producer could focus in such stores. During recession the producer may also find that intermediaries are more conservative about taking on new products (Churchill et al, 1995).

Company variables

The most important company variables affecting channel design are size, financial capacity, managerial expertise, and objectives and strategies. In general, the range of options for different channel structures is a positive function of a firm's size. Hence large firms have a relatively high degree of flexibility in choosing channel structures, compared with smaller firms (Rosenbloom, 1995). A business with adequate finances can establish its own sales force, grant credit to its customers and warehouse its own products while financially weak firm uses middlemen to provide these services (Stanton et al, 1994) The marketing experience and managerial capabilities of a producer influence decisions about which channel

to use. Many companies lacking know-how turn the distribution job over to middlemen, (Stanton et al, 1994). Marketing and general objectives and strategies such as a desire to exercise a high degree of control over the product and its service may limit the use of intermediaries. Hence such strategies as an emphasis on aggressive promotion and rapid reaction to changing market conditions will constrain the type of channel structure available to those firms employing such strategies (Rosenbloom, 1995).

Consumer's factor

According to Berkowitz et al (1994) consumer characteristics have a direct bearing on the choice and management of a marketing channel. Hence in determining which channel is most appropriate is based on answers to fundamental questions such as; who are potential customers? Where do they buy? How do they buy? What do they buy?

The objective of the Place-marketing tool is to develop strategies that are convenient and pleasant as possible to target audience more than competitor. As a key marketing-mix tool it includes various activities the company undertakes to make the product or service accessible and available to target customer (Kotler, 1997). Provision of healthcare is a service and services have special characteristics that distinguish them from product. Hence the study seeks to find out distribution strategies that are used by HMO's to reach the patient.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter contains the research methodology used for the study. The research design, population and data collection and analysis methods are elaborated

3.1 Research Design

This is a descriptive survey aimed at evaluating the extent of use of distribution strategies by HMO's in their objective to reach the target market. Cooper and Emory (1995) assert that 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 Population

The population of interest in this study comprises of 19 HMO's dealing with healthcare provision in Kenya. These have been obtained from the Kenya medical directory, 2003-2004 edition. Since the number is small a census study will be conducted.

3.3 Data Collection

Primary data was collected using a structured questionnaire; one executive officer entrusted with making of decisions on distribution strategies was studied in each organization. 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 has been divided into three sections. Section (A) questions aim to get company characteristics, while questions in section (B) aims to find out the extent of use of distribution strategies, and section (c) questions will find out the factors that influence the choice of distribution strategies.

3.4 Data Analysis

Descriptive statistics was used to analyze the data. Data in section one of the questionnaire was analyzed using frequencies and percentages. To determine the extent of use of distribution strategies, mean scores and standard deviation were used to analyze data in section two. Distribution strategies with the highest mean scores were regarded as the most used and vice versa. In section three mean scores and standard deviation were used to determine factors that influence the choice of distribution strategies used. Those with the highest mean scores were regarded as most important and vice verse.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter contains summaries of data finding together with possible interpretation. Data collected was initially coded to enable grouping of similar reponses, after which were used to analyze the data of 19 HMO's that were targeted. There were 16 respondents giving a response rate of 84%This chapter is divided into three sections, the first section analyses the general information of the firms, the second section analyses the extent of use of distribution strategies and the third section analyses the factors that influence the distribution strategies used.

4.2 General Profile of respondents

The general profile of the respondents such as year of establishment, number of employees, number of branches countrywide, presence of marketing department and ownership of the company are presented in this section.

4.2.1 Year of establishment

Respondents were asked to indicate the year in which the firms were established. The results are summarized in table 4.1 below

Table 4.1 Year of establishment

Years	Frequency	Percentage
1984 - 1990	2	12.5
1991-1995	2	12.5
1996- 2000	5	31.25
2001-2004	7	43.75
Total	**16**	**100**

Source: Research data

From table 4.1 it can be concluded that firms established between 2001 and 2004 formed the highest percentage of 43.75%. Firms that were established between 1996 and 2000 followed this with 31.25% of the industry while firms established between 1984 and 1995,1991and 1995 had the lowest percentage of 25%. It can clearly be seen that there has been growth in the healthcare provision industry from 1990 to date.

4.2.1 Number of employees in the HMO's Industry

Respondents were asked to indicate the number of employees in their firms as this was likely to have implication on the type of services offered by this firms. The findings have been summarized in table 4.2 below

Table 4. 2 Number of employees in the HMO's Industry

Number of employees	Frequency	Percentage
1-100	12	75
101-200	2	12.5
201-300	0	0
301-400	2	12.5
Total	**16**	**100**

Source: Research data

From the table 4.2 above most HMO's employed between 1 to 100 people. This category had the highest percentage of 75%. There were only two firms (12.5%) that employed between 101 to200 people. Those that employed 301 to 400 formed 12.5% of the respondents.

4.2.3 Number of branches the HMO's have in the country

The number of branches was determined by asking respondents how many branches the firms had in the country. The findings have been summarized in the table below.

Table 4.3 Number of branches countrywide

Branches	Frequency	Percentage
1	4	25
2	2	12.5
4	4	25
6	4	25
10	2	12.5
Total	**16**	**100**

Source: Research data

From table 4.3 the company with the highest number of branches had 10 branches, which formed 25% of the organizations. 4(25%) of the firms had 6 branches. Four (25%) of the firms had 4 branches while other 4(25%) had 1 branch each. Two (12.5%) had 10 branches while the last two (12.5%) of the organizations had 2 branches countrywide.

4.2.4 Ownership of the firms

Respondents were asked to indicate the ownership of the firms and the following table 4.4 summarizes the findings.

Table 4.4 Ownership of the firms

Ownership	Frequency	Percentage
Local	4	25
Foreign	2	12.5
Joint Venture	10	62.5
Total	**16**	**100**

Source: Research data

From table 4.4,10 (62.5%) of the firms are joint ventures between local and foreign individuals. Four (25%) of the firms are Locally owned while 2(12.5%) of the firms are owned by foreigners. This shows that most HMO's are joint ventures.

4.2.5 Presence of a marketing department

Respondents were asked to indicate if their organization had marketing department.12 (75%) had marketing departments while 4(25%) did not have. The results show that most of the organizations had marketing departments.

4.3 Type of health services offered by health maintenance organizations in Kenya

Respondents were asked to indicate the type of services their organization offered to patients. The following table summarizes the findings

Table 4.5 Type of services offered to the patients

Type of services	Frequency	Percentage
Accident hospitalization, illness hospitalization, Rescue and evacuation, outpatient	6	37.5
Accident hospitalization, illness hospitalization, and outpatient	2	12.5
Outpatient	2	12.5
Accident hospitalization, illness hospitalization, outpatient	4	25
Accident hospitalization, illness hospitalization, Rescue and evacuation, outpatient	2	12.5
Total	**16**	**100**

Source: Research data

From table 4.5 above, there are only two firms which offer outpatient services only; the other firms offer a combination of services.37.5% of the firms offer a combination of accident and illness hospitalization, rescue and evacuation and outpatient services. 12.5% of the firms offer accident and, illness hospitalization and outpatient services. The other 12.5% of the organizations offer the combination of accident and illness hospitalization, rescue and evacuation and outpatient services

4.3.1 Methods used to offer health services to patients

In the provision of health services HMO's use different methods to offer service.

Respondents were asked to indicate the method used to offer service to the patients and the following table 4.6 summaries the findings.

Table 4.6 Methods used for service offer

Type of method	Frequency	Percentage
Own outlet(s), contract hospital, contract doctors	6	37.5
Contract hospitals and doctors only	6	37.5
Own outlets and contract hospitals only	2	12.5
Own outlet only	2	12.5
Total	**16**	**100**

Source: Research data

From table 4.6, most organizations use combinations of methods to offer health services. 6(37.5%) of the firms offer services from their own outlets and contracts doctors and hospitals. Only 2(12.5%) of the organizations offer their services in their own outlet only. 6(37.5%) of the firm's contracts hospitals and doctors only, while 2 (12.5%) have their own outlets and also contracts hospitals.

4.4 Intensity of distribution

In this section intensity of distribution i.e. Selective, Exclusive and Intensive are analyzed. The analysis was done on the four services offered by HMO's i.e. Illness hospitalization, Accident hospitalization, Rescue and evacuation and Outpatient services using a likert scale. Data has been analyzed using means scores and standard deviation. Stardard deviations below zero meant that respondents were clustered around the mean while those above one meant that respondents varied from the mean. The following tables summarize the findings.

Table4.7 Intensity of distribution for accident hospitalization services

Intensity of distribution	Mean score	Std deviation
Services offered in all outlets	3.78071	1.20438
Services offered in a few outlets	0.92357	0.75593
Services offered in only one outlet	0.85214	0.63333
Services offered in a defined geographical area	3.4950	1.10940
Services offered all over the country	4.20928	0.61124
Services offered in a defined geographical area & controlled	4.23571	0.57893
In outlet used there is no competitor HMO	0.78071	0.61124

Source: Research data (n=14)

From table 4.7 there were 14 respondents who offer accident hospitalization. From the mean scores, offering accident hospitalization services in a defined geographical area and controlling the service offer rated the top with a mean score of (4.2357). This was followed by offering the services all over the country and in all outlets with mean scores of 4.2092 and

3.7807 respectively to a large extent. Using one outlet for the service offer was considered to some extent (3.495). The least used strategies were offering the service in a few outlets, one outlet and using outlets with no competitor HMO's with mean scores of 0.923,0.852,0.780 respectively.

4.4.1 Intensity of distribution for illness hospitalization services

Respondents were asked to indicate the extent to which they used the number of outlets for illness hospitalization services to reach the patients. The findings are summarized in the table below.

Table4.8 Intensity of distribution for illness hospitalization services

Intensity of distribution	Mean scores	Std deviation
Services offered in all outlets	3.4950	1.2403
Services offered in a few outlets	0.9950	0.9405
Services offered in only one outlet	0.7092	0.5789
Services offered in a defined geographical area	3.4950	1.1094
Services offered all over the country	4.0664	0.7559
Services offered in a defined geographical area & controlled	4.2092	0.4688
In outlet used there is no competitor HMO	0.5664	0.3601

Source: Research data (n=14)

There were 14 respondents who offered illness hospitalization services. The most used strategy rated from top were offering the services in a defined geographical area and controlling the service offer and availing the services all over the country with means scores of 4.2092 and 4.0664 respectively. Providing the services in all outlets and in a geographical defined area were considered to some extent with a 3.945 means score for both. Offering the service in few or one outlet and outlets with no competitor HMO's were the least used strategies with means scores of 0.995,0.7092,0.5664 respectively.

4.4.2 Intensity of distribution for rescue and evacuation services

The number of outlets used for provision of rescue and evacuation services was determined by asking the respondents to indicate the number of outlet used to offer the services. The findings are summarized in table 4.9 below.

Table4.9 Intensity of distribution for rescue and evacuation services

Intensity of distribution	Mean scores	Std deviation
Services offered in all outlets	4.2950	0.4216
Services offered in a few outlets	0.7950	0.6749
Services offered in only one outlet	1.2950	1.0327
Services offered in a defined geographical area	3.8950	0.8432
Services offered all over the country	4.0935	0.7088
Services offered in a defined geographical area & controlled	3.9950	0.7071
In outlet used there is no competitor HMO	0.7950	0.4830

Source: Research data (n=10)

From table 4.9 there were 10 respondents who offered rescue and evacuation services .The most used strategy was offering the services in all outlets with a means score of (4.2950). This was followed closely by offering the services all over the country (4.0935) .The least used strategies were offering the service in few outlets and in outlets without competitors both with mean score of 0.795. Offering the services in a geographical defined

4.4.3 Intensity of distribution for outpatient services

Respondents were asked to indicate the number of outlets used to offer outpatients services. The findings are summarized in the table below.

Table4.10 Intensity of distribution for outpatient services

Intensity of distribution	Mean scores	Std deviation
Services offered in all outlets	3.4950	1.3861
Services offered in a few outlets	1.3521	0.8644
Services offered in only one outlet	1.4978	1.6613
Services offered in a defined geographical area	4.2092	0.4688
Services offered all over the country	2.9042	1.5933
Services offered in a defined geographical area & controlled	3.4950	1.3587
In outlet used there is no competitor HMO	0.9235	1.0894

Source: Research data (n=14)

There were 14 respondents who offered outpatient services. From the means score in table 4.10 above, the most used strategy was offering the service in a geographical defined area (4.2092), followed closely with offering the service in all outlets and in geographical area and controlling the service offer with both having a mean score of (3.4950). The least used strategies were providing the service in few outlets, one outlet and in an outlet without competitor HMO's with mean scores of 1.3521,1.4978, and 0.9235 respectively.

4.5 Distribution strategies used to reach the patient

It was important to determine other strategies used by HMO's to reach the patients other than number of outlets. The findings have been summarized in table 4.11 below

Table 4.11 Strategies used to reach the patients

Strategies used	Mean score	Std deviation
Increasing the number& location of outlets	2.8712	1.7816
Providing mobile clinic	0.8700	0.7187
Reducing waiting time	2.8700	1.4548
Provide pickup and dropping services	1.4950	1.5491
Being there at the point of decision	2.8700	1.3601
Extending working hours and days	2.7450	1.6930
The option of online, phone, mail purchase	1.7450	1.4375
Making location more appealing	2.4950	1.7126

Source: Research data (n=16)

From the table 4.11 above the most used distribution strategy by HMO's to reach patients is increasing the number and location of outlets, which had a mean score of (2.8712). This was followed closely by reducing waiting time and being there at the point of decision with patients, which had both mean score of (2.87). Extending working hours and days of the week and finding ways of making location more appealing followed with mean scores of (2.745) and (2.495) respectively. At the lower end offering the option of purchasing online, by phone or through mail, providing pick-up and dropping services, Providing mobile clinics were the least used distribution strategies with mean scores of 1.745, 1.4 95 and (0.8700) respectively.

4.6 Channel used to reach patients

For each service offered it was important to find out the number of intermediaries used for the service offer. Respondents were asked to indicate the channel used to provide illness hospitalization, accident hospitalization, rescue and evacuation and outpatient services. From the respondents who offered accident hospitalization services majority used, one level

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channel that is, Service provider-Broker/Agent- patients, followed by direct channel and few used, service provider-Franchise –patients channel. This was consistent with those respondents who offered illness hospitalization, outpatient and rescue and evacuation services.

4.7 Factors that influence the number of outlets used for accident hospitalization services

In provision of accident hospitalization services several factors influence the number of outlets to be used. Respondents were asked to indicate the factors that influence the number of outlets to use for accident hospitalization services. The findings are summarized in table 4.12 below

Table 4.12 Factors that influence the number of outlets for accident hospitalization services

Factors	Mean Scores	Std deviation
Number of patients making the market	2.7807	1.3259
Patients physical location	2.9235	1.4525
Past experience with an outlet	3.2092	1.4475
Competition from other HMO's	0.9235	0.7559
Economic situation	2.2092	1.3259
Laws and regulations	2.9235	1.7415
Size of company	2.4950	1.66415
Financial capacity of the company	2.3521	1.2924
Objectives and strategies of the company	3.7801	1.0690
Managerial expertise of the company	4.0664	0.7559
Number of patients per unit area	3.0664	0.9376

Source: Research data (n=14)

It is evident from the table 4.12 below that HMO's consider various factors in varying extent in determination of the number of outlets for accident hospitalization services. The most important factor was managerial expertise of the company with a mean score of (4.06642). This was followed by objectives and strategies of the company, Past experience with an

outlet, number of patients per unit area with mean scores of (3.7801), (3.20928) and (3.06642) respectively. Laws and regulations (2.9237), patient physical location (2.92357), Number of patients making the market (2.78071), Size of the company (2.4950), Financial capacity of the company (2.35214) and Economic situation (2.2357) followed in that order. However the presence of competitor HMO's in an outlet was the least important factor with a mean of (0.9235).

4.7.1 Factors that influence the number of outlets used for illness hospitalization services

In provision of illness hospitalization services several factors influence the number of outlets to use. Respondents were asked to indicate the factors that influence provision of these services by HMO's. The findings have been summarized in the table below

Table 4.13 Outlets for illness hospitalization services

Factors	Mean Score	Std deviation
Number of patients making the market	2.2814	2.1877
Patients physical location	2.7807	1.3257
Past experience with an outlet	3.4950	0.9607
Competition from other HMO's	0.6375	0.3631
Economic situation	2.3521	1.0271
Laws and regulations	3.3521	1.4064
Size of company	2.4821	0.8300
Financial capacity of the company	2.9235	1.4525
Objectives and strategies of the company	3.7807	1.0690
Managerial expertise of the company	3.7807	1.0690
Number of patients per unit area	3.2028	1.0896

Source: Research data (n=14)

From the table 4.13, managerial expertise, objectives and strategies of the company both with a mean score of (3.7807) were the most important factors that influenced the number of outlets that offered illness hospitalization services. This was followed by past experience with an outlet, laws and regulation and number of patients per unit area with mean scores of

3,495,3.3521,3.202 respectively. Financial capacity (2.9235), Patient physical location (2.7807), size of the company (2.4821), Economic situation (2.3512) and number of patients making the market (2.2814),) followed in that order. Presence of competitor HMO's in an outlet was the least important factor with a mean score of (0.6378).

4.7.2 Factors that influence the number of outlets for rescue and evacuation services

In provision of rescue and evacuation services several factors influence the number of outlets for the service offer. Respondents were asked to indicate the factors that influence the provision of the service by HMO's. The findings have been summarized in table 4.14 below

Table 4.14 Outlets for rescue and evacuation services

Factors	Mean score	Std deviation
Number of patients making the market	2.295	1.2292
Patients physical location	2.295	1.2292
Past experience with an outlet	2.095	1.0749
Competition from other HMO's	0.895	0.5163
Economic situation	1.695	1.2503
Laws and regulations	3.095	2.5411
Size of company	2.495	1.5081
Financial capacity of the company	1.695	0.7888
Objectives and strategies of the company	3.295	1.2503
Managerial expertise of the company	3.295	1.2503
Number of patients per unit area	1.695	0.7888

Source: Research data (n=10)

There were 10 respondents who offered rescue and evacuation services, managerial expertise and objectives and strategies of the company were the factors that most influenced the number of outlets to offer this services with both having a mean score of (3.295). Laws and regulation (3.095), size of the company (2.495), number of patients making the market (2.295), patients physical location (2.295), past experience with an outlet (2,095) followed in that order. At the lower end was number of buying consumers per unit area, financial

capacity and economic situation all with a mean scores of (1.695). Competition from other HMO's had the lowest mean score of 1.85 hence the factor with least influence.

4.7.3 Factors that influence the number of outlets for outpatient services

Respondents were asked to indicate the factors that influence the number of outlets that were used for outpatient services. The findings are summarized in table 4.15 below

Table 4.15 Outlets for outpatient services.

Factors	Mean Score	Std deviation
Number of patients making the market	3.7807	0.7262
Patients physical location	3.0664	1.7415
Past experience with an outlet	3.2128	1.3166
Competition from other HMO's	0.9235	1.0894
Economic situation	2.3521	1.7032
Laws and regulations	3.4950	1.3587
Size of company	2.6378	1.7032
Financial capacity of the company	3.4950	0.7844
Objectives and strategies of the company	4.0664	0.5135
Managerial expertise of the company	4.0664	0.5135
Number of patients per unit area	3.6378	0.8644

Source: Research data (n=14)

In providing outpatient services the most important factors, which influenced the number of outlets to be used, were managerial expertise and objective and strategies of the company both with a mean score of (4.0664) as shown in table 4.15.This was followed closely with number of patients making the market (3.7807) and number of patients per unit are (3.637). Laws and regulation and financial capacity both with a mean score of (3.4950) were next. Past experience with an outlet, patient's physical location, with mean scores of (3.2128) and (3.0664) respectively followed in that order. At the lower end, size of the company (2.6378), Economic situation (2.3521)), competition from other HMO's (0.92357) were the factors which least influenced the number of outlets to be used for outpatient services

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter gives a summary of the findings as well as conclusions gathered from the analysis of the data. Findings have been summarized alongside the objectives of the study, conclusions have been drawn from the study and the recommendations for action are also given.

5.1 Discussions

The aim of the study was to determine the extent of use of distribution strategies by HMO's and the factors that influence strategies used in provision of healthcare. HMO's offer various kinds of services such as accident hospitalization, illness hospitalization, rescue and evacuation and outpatient services. From the data obtained from the respondents most of the services were offered in all outlets to a large extent.

Thus in terms of degree of distribution HMO's are using intensive distribution which means a firm tries to place its products and services in as many outlets as possible Its usually appropriate for convience products or services e.g. medical services (Berkotwitz et al, 1994). Most of the HMO's were in agreement that most of these services are offered all over the country to a large extent and the presence of a competitor HMO in an outlet was not an important consideration in determining the number of outlet offering the services. Also most of the HMO's offer their services in a geographical defined area and control the services and do not limit their service offer in a few or one outlet.

HMO's use different strategies to reach the patients. The most used distribution strategies were, Increasing the number and location of outlets (2.8712), and this is in consistency with what Payne (1993) asserts, that when customers have to go to the service provider site location become very important and service provider seeking growth can consider offering

their services at more than one location. Reducing waiting time and being there at the point of decision followed closely with both having a mean score of (2.8700) At the lower end the least used distribution strategies were providing pickup and dropping services and providing mobile clinics with mean scores of (1.4950) and (0.8700) respectively.

Regarding the channel used to reach patients, one level channel was the most preferred followed by direct channel of service provider – patient. According to Rosenbloom (1995) marketing channels for services tend to be shorter than those of products this could explain why the firms used these two channels. According to Payne (1993) direct sale has been traditionally appropriate in distribution of services however many services are being delivered by intermediaries also and this is in consistent with the respondents in the study regarding the number of channel used to reach the patients.

In determining the factors which influence strategies used by HMO's, managerial expertise and objectives and strategies of the company emerged as the most important factors in determining number of outlets to use for all services while competition from other HMO's was the least important factor to be considered. Past experience with an outlet was important for illness and accident hospitalization services because this service needs the patient to spend a longer time in the outlet and hence patients will prefer to have had an experience with an outlet. Number of patients per unit area was an important factor in outpatient services because patients often require this service compared to illness hospitalization, rescue and evacuation and accident hospitalization. Thus in determing number of outlet to offer this service number of patients per unit area is an important factor to consider.

5.2 CONCLUSION

From this research it is evident that HMO's have appreciated the use of distribution strategies to reach target market to varying extent. All firms felt that it was paramount to reach the customer at the right place and time because of the unique aspect of provision of healthcare being a service and not a product. Regarding the number of outlets to use for provision of health services most HMO's offered their services in all outlets, in a geographical defined area and controlled the service offer and did not consider the existence of competitor HMO's in an outlet as important factor in their service offer. The most used distribution strategies to reach the patients were increasing the number and location of outlets and reducing waiting time for patients while the least used were Providing mobile clinics and pickup and dropping services. The main channel used to reach the patients was one level channel followed by direct channel. In the determination of factors that influence the number of outlets for healthcare provision, managerial expertise and objectives and strategies of the company emerged as the most important factors, while competition from other HMO's was the least important factor .It can be concluded that distribution strategies are used to varying extent by different organizations in the provision of health services.

5.3 RECOMMENDATIONS

Marketers must think and believe like entrepreneur by creating market driven strategies. They will be challenges to initiate and attempt new ideas by applying new technology, developing industry infrastructure and setting new standards. The healthcare provision is a key sector and service quality is of paramount importance, considering the services are meant for treatment of sick patients and any mismanagement would have a catastrophic effect on the patients. HMO's should therefore strive to maintain highest standards in order to maintain patient confidence.

Hence distribution strategies should be adopted so that the services reach the patient in the right time and place. Firms should reexamine the profit motive especially in provision of healthcare that is an essential service. Firms should also look at criteria of exclusions and try to manage chronic illness for members who got the sickness while being members. Proper legislation should be put in place by the government to protect patient's premiums from mismanagement.

LIMITATIONS OF THE STUDY

i. The major limitation of the study was time. Some respondents had to be contacted and reminded several times for them to fill the questionnaires.

ii. A few of the sampled firms were reluctant to fill the questionnaire citing policy issues while were on suspicion that the information could leek out to their competitor firms.

iii. There was also some problem with the level of awareness among some respondents on certain aspects of marketing. Some concepts had to be elaborated

SUGGESTION FOR FUTHER RESEARCH

There is need to look at other marketing mix variable used by HMO' s to reach target market since in this study only one of the variables that is distribution was studied. Also the study can be replicated in other industries or sectors in Kenya since it focused on healthcare provision, which is in the service industry and given the unique nature of services generalization cannot be made on other industry.

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APPENDICES

APPENDIX: ONE

UNIVERSITY OF NAIROBI

DEPARTMENT OF BUSINESS ADMINISTRATION

FACULTY OF C OMMERCE

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 requirement for the award of the degree in masters in business administration,

I am conducting a study entitled: Distribution strategies used by HMO to reach target market in Kenya. Your company has been selected to participate in the study. For the purpose of completing my research I wish to collect data through the attached 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

ALUMILA GEOFFREY MWAGWI

MBA CANDIDATE

MARGRET OMBOK

LECTURER

DEPARTMENT OF MARKETING

SUPERVISOR

APPENDIX: TWO

QUESTIONNAIRE

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

SECTION A

1.Name of the organization ____________________

2.Year of Establishment ____________________

3.Designation of respondent ____________________

4. Number of Employees ____________________

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

6.Doyou have a marketing department? (Tick the appropriate one)

a) Yes( ) b) No ( )

7.What is the ownership of the company? (Please tick where applicable)

- Locally owned ( )
- Foreign Owned ( )
- Joint Venture ( )
- Others ____________________

SECTION B

1. What type of health services does your company offer in Kenya?

i. Accident Hospitalization ☐

ii. Illness Hospitalization ☐

iii. Rescue and Evacuation ☐

iv. Funeral and Rehabilitation ☐

v. Outpatient ☐

vi. Others_______________________________

2.In provision of your health services which of the following methods does your organization use?

i. Our organization has its own outlet ☐

ii. Our organization contracts hospitals ☐

iii. Our organization contracts doctors ☐

iv. Others ______________________________

3.In the selection of the number of outlets for use for your accident hospitalization services, indicate the extent to which the following statement apply 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

		5	4	3	2	1
i.	We offer our services in all our outlets	( )	( )	( )	( )	( )
ii.	We offer our services in a few outlets	( )	( )	( )	( )	( )
iii.	We offer our services in only one outlet	( )	( )	( )	( )	( )
iv.	We offer our services in a geographical defined area	( )	( )	( )	( )	( )
v.	We offer our services all over the country	( )	( )	( )	( )	( )
Vi .	We operate within a defined geographical area and control Our services	( )	( )	( )	( )	( )
vii.	In the outlet we use there is no competitor HMO	( )	( )	( )	( )	( )

4. In the selection of the number of outlets for use for your illness hospitalization services indicate the extent to which the following statement apply 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 offer our services in all our outlets	( )	( )	( )	( )	( )
ii.	We offer our services in a few outlets	( )	( )	( )	( )	( )
iii.	We offer our services in only one outlet	( )	( )	( )	( )	( )
iv.	We offer our services in a geographical defined area	( )	( )	( )	( )	( )
v.	We offer our services all over the country	( )	( )	( )	( )	( )
vi.	We operate within a defined geographical area and control	( )	( )	( )	( )	( )
vii.	In the outlet we use there is no competitor HMO	( )	( )	( )	( )	( )

5. In the selection of the number of outlets for use for your rescue and evacuation services indicate the extent to which the following statement apply 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 offer our services in all our outlets	( )	( )	( )	( )	( )
ii.	We offer our services in a few outlets	( )	( )	( )	( )	( )
iii.	We offer our services in only one outlet	( )	( )	( )	( )	( )
iv.	We offer our services in a geographical defined area	( )	( )	( )	( )	( )
v.	We offer our services all over the country	( )	( )	( )	( )	( )
vi.	We operate within a defined geographical area and control Our services	( )	( )	( )	( )	( )
vii.	In the outlet we use there is no competitor HMO	( )	( )	( )	( )	( )

6. In the selection of the number of outlets for use for your outpatient services indicate the extent to which the following statement apply 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 offer our services in all our outlets	( )( ) ( )( )( )
ii.	We offer our services in a few outlets	( )( ) ( )( )( )
iii.	We offer our services in only one outlet	( )( ) ( )( )( )
iv.	We offer our services in a geographical defined area	( )( ) ( )( )( )
v.	We offer our services all over the country	( )( )( )( )( )
vi.	We operate within a defined geographical area and control	( )( )( )( )( )
vii.	In the outlet we use there is no competitor HMO	( )( )( )( )( )

7. To what extent does, your organization use the following strategies to reach the target consumers 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.	Increasing the number and location of outlets	( )	( )	( )	( )	( )
ii.	Moving outlets closer to target market	( )	( )	( )	( )	( )
iii.	Providing mobile clinics	( )	( )	( )	( )	( )
iv.	Reducing waiting time	( )	( )	( )	( )	( )
v.	Provide pick-up and delivery service	( )	( )	( )	( )	( )
vi.	Being there at the point of decision	( )	( )	( )	( )	( )
vii.	Extending hours and days of the week	( )	( )	( )	( )	( )
viii.	Offering the option of purchasing online, phone mail	( )	( )	( )	( )	( )
Ix	Finding ways of making location more appealing	( )	( )	( )	( )	( )

8. **For each type of service you offer indicate the channel you use to reach your consumers**

	Accident Hospitalization	Illness Hospitalization	Out Patients	Rescue and Evacuation
a) Service Provider ⟶ Consumer	( )	( )	( )	( )
b) Service Provider ⟶ Broker or Agent ⟶ Consumer	( )	( )	( )	( )
c) Service Provider ⟶ Franchise Service Deliverer ⟶ Consumer	( )	( )	( )	( )

SECTION C

1. In determining the number of outlets to use for your accident hospitalization services, indicate the extent to which the following factors influence your choice 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.	Number of patients making the market	( )	( )	( )	( )	( )
ii.	Patients physical location	( )	( )	( )	( )	( )
iii.	Past experience with an outlet	( )	( )	( )	( )	( )
iv.	Competition from other HMO's	( )	( )	( )	( )	( )
v.	Economic situation	( )	( )	( )	( )	( )
vi.	Laws and regulation	( )	( )	( )	( )	( )
vii.	Size of your company	( )	( )	( )	( )	( )
viii.	Financial capacity of your company	( )	( )	( )	( )	( )
ix.	Objectives and strategies of your company	( )	( )	( )	( )	( )
x.	Managerial expertise of your company	( )	( )	( )	( )	( )
xi.	Number of patients per unit area	( )	( )	( )	( )	( )

2. In determining the number of outlets to use for your illness hospitalization services, indicate the extent to which the following factors influence your choice 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.	Number of patients making the market	( )	( )	( )	( )	( )
ii.	Patients physical location	( )	( )	( )	( )	( )
iii.	Past experience with an outlet	( )	( )	( )	( )	( )
iv.	Competition from other HMO's	( )	( )	( )	( )	( )
v.	Economic situation	( )	( )	( )	( )	( )
vi.	Laws and regulation	( )	( )	( )	( )	( )
vii.	Size of your company	( )	( )	( )	( )	( )
viii.	Financial capacity of your company	( )	( )	( )	( )	( )
ix.	Objectives and strategies of your company	( )	( )	( )	( )	( )
x.	Managerial expertise of your company	( )	( )	( )	( )	( )
xi.	Number of patients per unit area	( )	( )	( )	( )	( )

3. In determining the number of outlets to use for your rescue and evacuation services, indicate the extent to which the following factors influence your choice 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.	Number of patients making the market	( )	( )	( )	( )	( )
ii.	Patients physical location	( )	( )	( )	( )	( )
iii.	Past experience with an outlet	( )	( )	( )	( )	( )
iv.	Competition from other HMO's	( )	( )	( )	( )	( )
v.	Economic situation	( )	( )	( )	( )	( )
vi.	Laws and regulation	( )	( )	( )	( )	( )
vii.	Size of your company	( )	( )	( )	( )	( )
viii.	Financial capacity of your company	( )	( )	( )	( )	( )
ix.	Objectives and strategies of your company	( )	( )	( )	( )	( )
x.	Managerial expertise of your company	( )	( )	( )	( )	( )
xi.	Number of patients per unit area	( )	( )	( )	( )	( )

4. In determining the number of outlets to use for your out patient services, indicate the extent to which the following factors influence your choice 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

	Factor	5	4	3	2	1
i.	Number of patients making the market	( )	( )	( )	( )	( )
ii.	Patients physical location	( )	( )	( )	( )	( )
iii.	Past experience with an outlet	( )	( )	( )	( )	( )
iv.	Competition from other HMO's	( )	( )	( )	( )	( )
v.	Economic situation	( )	( )	( )	( )	( )
vi.	Laws and regulation	( )	( )	( )	( )	( )
vii.	Size of your company	( )	( )	( )	( )	( )
viii.	Financial capacity of your company	( )	( )	( )	( )	( )
ix.	Objectives and strategies of your company	( )	( )	( )	( )	( )
x.	Managerial expertise of your company	( )	( )	( )	( )	( )
xi.	Number of patients per unit area	( )	( )	( )	( )	( )

THANK YOU

APPENDIX THREE

LIST OF HMO'S

1. AAR SERVICES
2. AVENUE HEALTHCARE
3. BUPA INTERNATIONAL
4. HEALTH ACCESS LIMITED
5. HEALTHFIRST INTERNATIONAL
6. HEALTH MANAGEMENT SOLUTION
7. HEALTHPLAN
8. KENYA ALLIANCE HEALTHCARE
9. MAXIMED
10. MEDEX
11. MEDICAL EXPESS KENYA LTD
12. MEDICRED
13. MEDIGUARD
14. MEDIPLAN
15. MEDIVAC
16. MESCO CONSULTANTS (k) LTD
17. MHG KENYA LTD
18. RESOLUTION HEALTH EAST AFRICA
19. STRATEGIS HEALTH EAST AFRICA