

MARKETING STRATEGIES USED BY MULTI-NATIONAL PHARMACEUTICAL  
COMPANIES TO HARMONIZE THE CONFLICT BETWEEN MAXIMIZING  
PROFITS AND MAINTAINING SOCIAL RESPONSIBILITY IN THE  
MARKETING OF SOCIAL-RELATED DISEASE THERAPIES - THE CASE OF  
HIV/AIDS DRUGS IN KENYA.

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BY

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A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL  
FULFILLMENT OF A MASTERS OF BUSINESS ADMINISTRATION DEGREE  
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## DECLARATION

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

Signed A. O. Ojwangi

Date 18.10.2002.

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

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## CHAPTER 1

### 1.0 INTRODUCTION

#### 1.1 Background Information

Muraah and Kiarie (2001) state that in the early and mid-1980's, Human Immune-deficiency Virus/Acquired Immune-deficiency Syndrome (HIV/AIDS) was largely unknown in Kenya and attracted little interest. They continue to state that it was not until September 1984 that the medical community was to officially learn of the first reported case of AIDS in Kenya.

According to the United Nations Program on AIDS (UNAIDS) the estimated number of adults and children living with HIV/AIDS, at the end of 1999 in Kenya were 2,100,000. Estimated number of deaths due to AIDS during 1999 was 180,000 or 700 deaths per day. The estimated number of orphans (while under the age of 15 years) was estimated to be 730,000 by 1999. The report further states that this is a high number representing 14% of the adult population (15-49 years) and 7% of the entire population. The report continues to state that, AIDS case reporting is carried out in most countries, following World Health Organization (WHO) and UNAIDS recommendations. Data from individual countries is aggregated at the national level and sent to WHO.

In November 1999, His Excellency the President of Kenya declared HIV/AIDS a national disaster and called for urgent measures to curb the first spreading HIV/AIDS epidemic according to the Kenya National HIV/AIDS Strategic Plan 2000-2005. The report continues to state that as a result of

information sharing and advocacy workshops sponsored by the Government and UNAIDS, there has been a commendable spirit of awareness by political leaders, who are talking openly to the general population about HIV/AIDS prevention and control.

The National Aids Control Council ( NACC) was officially launched in February 2000. The NACC emphasizes centrality in HIV/AIDS policy formulation as well as high-level political commitment. The NACC comprises of:

- ❖ The AIDS control units
- ❖ The provincial AIDS control committees
- ❖ The district AIDS control committees
- ❖ The constituency AIDS control committees.

This ensures a thorough decentralization and ownership of HIV/AIDS initiatives at the different levels of Government structures"-("Maisha-December 2001-February 2002)

Thomas and Lipman (1997) state that HIV/AIDS has no cure and because complete eradication of the virus is not possible, the term 'HIV/AIDS management' is preferred.

The most basic form of HIV/AIDS management involves counseling and motivation. This enables a patient acquire a positive attitude towards the disease. The management of HIV/AIDS infection is very expensive, since patients are often on a wide variety of drugs. They also require frequent hospitalization and laboratory monitoring to check on viral load so as to check disease progression and /or effectiveness of the therapy used. The high costs are further compounded by the fact that many insurance firms and employers do not pay for HIV/AIDS treatment. (Muraah and Kiarie-2001).

The Daily Nation (January 2001) reported that most forms of insurance cover exclude the majority of chronic illnesses - precisely where the burden of health is felt most. Kenyans therefore have to contend with the fact that diseases such as hypertension, heart and kidney disease, diabetes, tuberculosis and HIV/AIDS have taken root in society and the government should hammer out a health plan that will enable patients to stay alive.

The burden is even greater when more than one member of the family is affected (Muraah and Kiarie-2001). Muraah and Kiarie continue to state that the use of Highly Active Anti- Retroviral Therapy treatment (HAART)-revolutionized the management of HIV/AIDS treatment, especially in the West e.g. United States of America and the United Kingdom where these combinations are highly available. For the majority of patients on HAART, the viral load drops to a level that is not detectable with the most sensitive laboratory equipment. The authors continue to state that there was also a dramatic improvement in the patients' health status. Death rates and illnesses among HIV infected individuals have dramatically declined in the United States following the wide spread use of HAART.

After a major outcry, on the price of anti-retroviral drugs, charged by multi-national companies, in 2001, lobby groups led by leading NGOs, Oxfam and Medicines San Frontiers began addressing the issue worldwide. Multi-national pharmaceutical companies then took a hasty retreat and began to pay attention to the public and consumers. This led to meetings with various donor agencies and pressure groups. (Oxfam -2001).

A joint communiqué between seven pharmaceutical companies and the United Nations Secretary-General, in October 2001, resolved to start a dialogue to explore ways to accelerate and improve the provision of HIV/AIDS



-related care and treatment in developing countries including Kenya. The pharmaceutical companies involved include -Boehringer Ingelheim, Bristol - Myers Squibb, GlaxoSmithKline, Merck & Company, Hoffman La Roche, Pfizer, Abbott Laboratories, all of which have indicated willingness to work with the stakeholders, to find ways to broaden access to care and treatment, while ensuring rational, affordable, safe and effective use of drugs for HIV/AIDS related illnesses.

The companies resolved to offer, individually, to improve significantly access to, and availability of, a range of medicines. Other pharmaceutical companies have also expressed interest in cooperating in this endeavor- (International Partnership Against AIDS in AFRICA-2000).

In Kenya, the government is taking steps to reduce the cost of drugs. (Daily Nation- 1999) Mr. Yusuf Haji, Member of Parliament stated that the State was improving the drugs procurement system. The government, he elaborated, was also providing waivers for poor people seeking treatment in public hospitals. The current health sector reform was to ensure health for all by the year 2010.

According to the Daily Nation, (2000), the Kenya Medical Association has asked Kenyans to stop depending on the Government's free medical services in these hard economic times. The grim reality, the report continues, is that there is little free treatment to be had in Government hospitals, anyway. In most institutions, patients can only hope for slightly lower than commercial rates for medicine. Many of the more expensive drugs are hardly available in Government pharmacies. It further states that, where they require specialist services they are referred to private clinics.

The Minister for Health, according to a report in the Daily Nation newspaper editorial (2001), announced that a task force to look into public

access to health services would be formed. The editor believes that this will come in handy when it is common knowledge that the cocktail of drugs necessary to prolong the lives of AIDS patients is well beyond the reach of the average Kenyan. The editor continues to state that, the typical profile of AIDS patients is people in their prime of their productive lives and with young families. It further states that, if Kenyans were to ward off a total social breakdown, they must strive to keep victims alive as long as possible. The Ministry of Health has already set up a challenge he observes; the policies to ensure people get medical services according to their needs. Two proposals are already on the cards, he states - which include health insurance and accessibility of essential drugs. But despite comments to the contrary, Kenyans do not receive free issue drugs or even subsidies. In working out a health strategy that works for all Kenyans, citizens will have to take into account the needs of the poorest of the poor, such as orphans and street children, and those without a regular and meaningful income. He concludes by observing that this will obviously mean making drugs cheaper and more widely available without compromising quality.

The September 11<sup>th</sup> terrorism attack in New York was subsequently followed by cases of bio-terrorism, using the deadly "*bacillus anthracis*" bacteria in mail. The afflicted required urgent medication in the form of "*ciprofloxacin*", an anti-biotic indicated for the treatment of anthrax and manufactured by the German pharmaceutical company-Bayer. However the cost of the drug was proving prohibitive, since more and more people were under the threat of bio-terrorism, while access to the drug was becoming a problem due to the pricing of the drug. Nader and Love- (2001).

Various pressure groups, led by Ralph Nader and James Love, two leaders of a consumer pressure group in the United States, were up in arms and began addressing the access and price issue directly with the United States

government, resulting in a letter to Secretary of Health and Human Services, Tommy G. Thompson regarding generic production of "*Ciprofloxacin*", an antibiotic that was recommended for the treatment of anthrax, used in bioterrorism which escalated in the United States Of America in October 2001. In the letter, Nader and Love indicated that the United States government would authorize companies to produce generic drugs following the outbreak of anthrax.

A press release from Teva Pharmaceutical Industries Ltd., an Israel company, announced on January 2, 2002, that the US FDA has issued a tentative approval for "*ciprofloxacin*" tablets 250,500 and 750 mg. Teva Pharmaceutical Company, headquartered in Israel, is among the top 40 pharmaceutical companies and among the largest generic pharmaceutical companies in the world. Over 80 % of Teva's sales are in North America and Europe. The company develops, manufactures and markets generic and branded human pharmaceuticals and active pharmaceutical ingredients. (Www.teva.com-2002).

This clearly shows that the issue of the cost of drugs cuts through and transcends borders. The pinch is felt both across the East and West divide.

Boehringer Ingelheim, the manufacturer of the drug "*nevirapine*", is an example of a company that has decided to forfeit its profits by announcing that for the next five years it would provide the drug for free, to pregnant, HIV infected women in developing countries- (IPAA Progress report - 2000).

Public attention and debate recently have focussed on access to treatment of Acquired Immunodeficiency Syndrome (AIDS) in poor, severely affected countries, such as those in Africa, Kenya included. Whether patents on anti-retroviral drugs in Africa are impeding access to life saving treatment for the 25 million Africans with Human Immunodeficiency Virus infection is

definitely something that has already been seen. Dramatic, often heated debate has focussed on the role of the *intellectual properties law* -specifically patents - which activists blame for creating monopolies that keep drugs inaccessible or unaffordable, and which multi-national pharmaceutical companies extol as a necessary incentive for expensive research and development". (Journal of America Medical Association-2001.)

In response to Oxfam's report on patents and HIV/AIDS access treatment, Pfizer Laboratories say in a statement that, Pfizer and other research-based pharmaceutical companies are the engines of innovation, discovering and delivering to patients 90% of the new medicines developed in the last 20 years. For instance, the report continues, in 1987 there was one pharmaceutical therapy for AIDS patients. Today there are 61, with more than 102 now in clinical trials. Pfizer believes that strong patent protection has helped make this achievement possible. Patent protection makes drug discovery possible and profitable. The report continues to state that it is the incentive that justifies investing billions of dollars and decades of time to find new cures. This year alone Pfizer will spend \$5 billion to discover and develop new medicines in virtually every therapeutic category. Pfizer believes that the elimination of patent protection will result in every research-based pharmaceutical company becoming a generic drug manufacturer, and the discovery of new medicines for Alzheimer's disease, cancer, diabetes, malaria and heart disease will slow to a trickle.

According to the Director-General of the International Federation of Pharmaceutical Manufacturers Associations, Dr Harvey Bail, (2001), attaining improved access to healthcare and medicines in developing countries requires a far-sighted vision and a long-term commitment. According to Dr. Bail, Oxfam's analysis, however, is myopic focussed on the short-term and on prices of drugs. He continues to state that many Non Governmental Organizations (NGOs),

economists and international experts recognize the key to improved healthcare, including medicines, is to address poverty, financial resource needs and build infrastructure to permit the use of today's advanced healthcare technologies. He continues to state that the cost of medicines is a factor to be considered in the access to care, but many companies in the industry have been addressing this issue, despite the lack of financial resources and infrastructure development. The reality, he continues, is that Trade-related Aspects of Intellectual Property Rights (TRIPs) will accelerate the introduction of new, patented medicines for HIV/AIDS, malaria and other diseases in the developed and developing world.

On the issue of the loss in profits that multi-national companies will have to contend with, J.P. Garnier the Chief Executive Officer (CEO) of GlaxoSmithKline (GSK), says that the problem is that without profits there will be no new drugs. GlaxoSmithKline has to be very responsible and J.P. Garnier feels the reason the multi-national pharmaceutical companies are in this predicament, in the first place, is that they invented the drugs. He continues to state that the drugs are very important and multi-national companies need to sustain the enterprise. He continues to state that the pharmaceutical companies are not going to sustain the enterprise and invest in research if they make no profits. He concludes by saying that in the least developed countries GlaxoSmithKline makes no profits with the AIDS drugs and is actually sold at cost. - (CNN-2001)

Marcello & Starchar (1996) state that one of the core beliefs of the European Baha' i Business Forum is that business has a social responsibility as well as an economic mission. Drucker (1942) also argued that companies have a social dimension as well as an economic one. Marcello and Starchar continue to state that, during the late 1960's and 1970's, corporate social responsibility emerged

as a top management concern in both the United States and Europe, only to wither in the 1980's. They continue to state that today it is in the agenda of many CEO's of pharmaceutical companies.

According to the Business for Social Responsibility (2001-2002) corporate social responsibility, addressed comprehensively, can deliver the greatest benefits to a company and its stakeholders when integrated with business strategies and operations.

According to Silverman et al (1981), the pharmaceutical industry is the largest and most studied component of the for-profit sector in healthcare. They continue by adding that, prescription and non-prescription drug sales to Canadian consumers amounted to \$ 14 73.4 million and \$ 1357.7 million in 1982. The authors continue by stating that firms in the pharmaceutical industry incur very high research, testing and approval costs for new drugs, after which costs of production are relatively small. They add that, additional sales, therefore translate into high gross profit margins, and so the firms can support a very large selling expense.

According to Southwick (2002), pharmaceutical companies comprise the most profitable industry in the United States; this according to the annual Fortune 500 ranking released in April and based on 2001 corporate financial statements. The author however adds that the industry faces a serious public relations problem that will be exacerbated by its elevated profits. The author continues to add that there is a deep and growing undercurrent of public resentment over rising drug prices and the pharmaceutical industry's image of greed and excess profits.

Southwick continues to state that the issue of pricing products fairly, to make company products affordable to consumers bedevils all companies, but perhaps none more than the pharmaceutical manufacturers. The author continues to

state that consumers for whom there are no alternatives cannot avoid pharmaceutical products, with hefty price tags. The author concludes by stating that the economic impact therefore extends to all employers, who subsidize healthcare costs and find they are paying a large part of the rising drug bill.

According to Morgan (2002), for profit private corporations, such as pharmaceutical manufactures have limited objectives, since they are legally obligated to pursue the singular objective of profit maximization.

## 1.2-STATEMENT OF THE PROBLEM

The problem of access of essential medicines and the price of these products is an issue that opens up lively debates between the various stakeholders in the issue. The main players being the pharmaceutical companies, the pressures lobby groups and the consumers. (Oxfam-2001)

The Oxfam report (2001) cites that WTO rules recognize the potential conflict between public health interests and the private interests of patent holders. Under *Article 31* of the Agreement, the paper continues, governments can issue compulsory licenses to authorize production without the consent of patent holders, subject to adequate compensation. Another option open to governments is that of parallel importation of patented product, which is marketed elsewhere at prices lower than those in the domestic market are.

It is against this backdrop, that it has become very difficult for multi-national pharmaceutical companies to justify their presence in Africa, to the parent company shareholders, since the high profits these companies used to achieve in the past have declined. Also, one may ask, how do they match their social

responsibility and profit maximization as multi-national pharmaceutical companies, considering the social and economic impact of HIV/AIDS?

The main problem can therefore be summarized as follows:

**What are the marketing strategies used by multi-national pharmaceutical companies to resolve the conflict between social responsibility and profit maximization of anti-retroviral drugs marketed by multi-national pharmaceutical companies in Kenya?**

### **1.3- OBJECTIVES OF THE STUDY**

- To determine marketing strategies multi-national pharmaceutical companies use to resolve the conflict between social responsibility and profit maximization in the marketing of anti-retroviral drugs.
- To examine the awareness of the concept of social responsibility among senior managers of multi-national pharmaceutical companies in Kenya.
- To examine the application of social responsibility strategies by multi-national pharmaceutical companies in Kenya.

### **1.4- IMPORTANCE OF THE STUDY**

The purpose of this study is to outline how the major pharmaceutical companies, in Kenya, are resolving the conflict facing them as concerning ensuring profit maximization from the sale of the HAART drugs and evoking the social responsibility aspect to the community as multi-national pharmaceutical companies. Secondly the study will seek to show how the companies have resolved the price issue and how they continue to employ the marketing mix in the sustainability of the profits required to justify their presence in Africa.



Subsequently illustrating innovative strategies companies can employ to ensure a balance between social responsibility and profit maximization: the case of marketing HIV/ AIDS drugs in Kenya.

The introduction of Highly Active Anti-Retroviral Treatment and the availability of drugs for opportunistic infections and malignancies (Pneumocystis carinii, cytomegalovirus disease, herpes, and tuberculosis) led to a substantial reduction in AIDS related mortality in the developed world. In developing countries, however, access to these drugs is seriously lacking. A number of WHO member states have expressed the opinion that affordability is a major factor contributing to lack of access to drugs. (UNAIDS & WHO-2000)

The paper further states that International trade agreements and policies can affect access to goods and services, which are crucial to HIV prevention, care and mitigation. These goods and services, cited in the report include: male and female condoms, HIV/AIDS drugs and drugs to be used to treat Sexually Transmitted Diseases and opportunistic infections, drugs to prevent mother to child infections, future vaccines and prevention methods such as microbicides, HIV testing and safe blood transfusion equipment, materials and services.

According to a Journal of American Medical Association -2001 article, the ministerial conference of the World Trade Organization (WTO) that ended in November 14, 2001, in Doha, Qatar, resulted in a declaration that puts *public health-read- ' social responsibility ' before commercial interest-read - 'profit maximization'* where pharmaceutical patents are concerned. The key WTO treaty, the report continues, related to pharmaceutical innovation and access in the TRIPS agreement.

The TRIPS agreement requires that all WTO members pass national intellectual property laws that provide patent protection with a minimum 20-

year term. In the case of pharmaceuticals, it further explains, that while patent protection is important for innovation, the granting of a monopoly for production and sales for 20 years undoubtedly harms access, particularly because of higher prices for drugs. It concludes by stating that, the most visible issue in this regard has been the access to HIV/AIDS drugs in developing countries.

The study will therefore form a basis for further research in the same area or industry. It would in particular be of significance to those who would like to pursue research on the social change programs and campaigns, worldwide, pinpointing their strength and weaknesses.

## **DEFINITIONS**

### **HIV-**

This stands for Human Immunodeficiency Virus; the virus that causes AIDS. The Human Immunodeficiency virus (HIV) has had a profound effect upon the practice of medicine worldwide. A vast amount of money, time and effort has been spent upon research and patient care into the disease generated by the invasion of this virus. The disease caused by HIV and the eventual progression to the Acquired Immunodeficiency Syndrome (AIDS) has become more clearly over the last decade.

### **ANTI-RETROVIRAL DRUGS**

These are drugs used to manage HIV/AIDS disease. Combinations of various Anti-Retroviral drugs, which result in increased potency, and reduction of resistance to the emergent forms of HIV resistant strains are referred to as HAART or Highly Active Anti-Retroviral Therapy - which results in a drop in the viral load of most patients.

## SOCIAL RESPONSIBILITY

The concept of social responsibility of business is concerned with the obligation that businesses have in helping to promote the welfare of society.

Multi-national pharmaceutical companies have been experiencing an increasing pressure from the society to be socially responsible. Two major factors have accredited to this:

- Society has become more enlightened. A major educated society is more aware of its problems, rights and the role business can play in social welfare
- Society's problems have become more alarming. The HIV/AIDS scourge has resulted in a vast amount of time, money and effort being spent to combat this scourge.

## CHAPTER 2

### 2.0-LITERATURE REVIEW

#### 2.1-INTRODUCTION

In an attempt to help South Africa combat HIV/AIDS and other infectious diseases, President Nelson Mandela introduced a law in 1997 making it possible for South Africans to obtain the cheapest possible medicines from abroad and local suppliers (read pharmaceutical companies)-James Ensor (2001). If implemented, this law would see the prices of essential medicines drop more than tenfold. James Ensor continues to write that thirty nine (39) of the world's largest drug giants took legal action against the South African Government preventing the new law from being implemented. At the crux of the debate are the drug patents -rights to the inventor of a new medicine to sell that product exclusively and protect against copying and marketing of their product by rival manufacturers for 20 years. He further states that the drug companies claimed that the South African law was unconstitutional as it gave the Government the power to override pharmaceutical patents when public health was at stake. The companies', he continues, claim this violates their intellectual property rights under the World Trade Organization's TRIPS agreement signed by numerous Governments including South Africa.

What emanated from the South Africa, opened up a Pandora box, and lobby groups in Kenya, including Oxfam, Action AID and Medicines san Frontiers, began the never-ending debate of drug patents, pricing and profitability of the sale of these drugs made by multi-national pharmaceutical companies. (Oxfam-2001)

Another angle to the debate arises from the Australian drug industry. The Australian Pharmaceutical Manufacturers Association (APMA) launched a spirited defense of the legal action claiming the case is about protecting property from arbitrary seizure. In an Oxfam report- (2001) the APMA claimed that the battle against HIV/AIDS involves not only access to affordable medicines, but also a commitment from a country's healthcare system, government and community to tackle the crisis. The report continues to state that, patented versions of anti-retroviral therapies which are used to keep HIV in check, and other drugs effective against the diseases which accompany HIV and cause opportunistic infections, typically cost more than 3-15 times as much as the generic equivalents.

The paper continues to state that, with countries with over stretched budgets and large numbers of HIV sufferers, price differentials can mean the exclusion of millions of people from effective treatment. The paper continues to elaborate that the price of basic medicines is a vital factor in determining public health and a critical issue in rich as well as poor countries. It further state that it is in the poorest countries where budget resources are more limited, and where household poverty is widespread, that faces the gravest threat from rising costs of drugs. The paper concludes by stating that the high cost of treatment relative to income can result in poor households either delaying or not seeking treatment. Worse still, the paper continues, it can lead to the diversion of expenditure from other vital areas such as food and education.

In Kenya, the Government finally announced the commencement date for the Industrial Property Act, according to a report in the Daily Nation newspaper of (April 2002). It is, among other things, the report continues, that is expected to enable the country access cheap generic AIDS drugs from the international market. The report further states that, through a Gazette notice published by

Trade and Industry Minister on March 28, 2002, the Government said the Act, which was passed by Parliament last June 2001, would come into force on May 1<sup>st</sup> 2002.

The Act, the report continues, will make allowance for a way to widen access to essential medicines through innovative sourcing and local production. Key among this is parallel importation, which lays down the legal framework for a licensed importer to shop around the world for the cheapest medicines regardless of patent rights held by multi-national pharmaceutical companies. In essence the lowest prices are passed on to the patients. The Industrial Property Act, through Sections 72 to 79, as well as Section 80, also strongly strengthens compulsory licensing above the provisions of the IPA of 1989.

Marcello and Starchar (1996) state that most business leaders are managing in times of turbulence and accelerating change. The authors continue to add that the business leaders would find consensus about most of the trends and forces that are challenging their traditional views of competitiveness and of the success factors for survival and profitability. The authors continue by outlining the forces as follows:

- Globalizations of markets, consumer preferences, supply chains and financial flows.
- Increasing intensity of competition
- Rapid technological changes transforming markets, alleviating burdensome tasks, enabling greater customization of production, and contributing to great labor displacement.
- A shift from an industrial economy to a knowledge and information based economy.
- Demographic changes which threaten the sustainability of the planet creating a mismatch between jobs and suitably trained workers

- Environmental challenges caused by pollution and resource depletion testing the sustainability of the planet.
- Changing value systems, thus finding expression in different life styles and expectations on the part of employees, customers and communities as a whole.

In conclusion the authors state that, as the world of business changes, so do the requirements for success and competitiveness. They further add that, because of the forces at work, building deeper and more strategic relationships with customers, suppliers, employees, communities and other stakeholders (the corporate eco-system) can become central to competitiveness and even survival. They add that building relationships can form the foundation for a new, progressive and people-centered corporate strategy, which attacks the sources - not the symptoms - of challenges facing business today. This, in the authors' view, brings us to the increased importance of corporate social responsibility.

Describing HIV/AIDS as "a catastrophe for development" that is reversing life expectancy by decades in some countries, World Bank President, James D. Wolfensohn "appealed to government and business leaders, charitable foundations and other groups attending the United Nations General Assembly Special Session on HIV/AIDS to mobilize their political and financial support behind a global action plan to fight the spread of AIDS (World Bank press release-2001).

He further stated that while money alone will not solve the problem, it is a vital part of the solution, and funds earmarked for confronting the epidemic are currently much too low. Although dramatic reductions in prices of anti-retroviral drugs are key to treatment, Mr. Wolfensohn continues to elaborate in the report that, at US\$ 400-US\$ 500 (31,200 Kshs-39, 000 Kshs), down from

US\$10,000(780,000 Kshs), they are more affordable, but still well out of reach for the vast majority of infected people in developing countries where per capita income is less than US \$ 500(39, 000 Kshs) per year, and where many governments spend less than US \$ 5(390 Kshs) per person on healthcare.

According to Bartos et al (2001), the scale of the Human Immunodeficiency Virus (HIV/AIDS) epidemic has exceeded all expectations since its identification 20 years ago. Globally, the authors continue, an estimated 36 million people are currently living with HIV, and some 20 million people have already died, with the worst of the epidemic centered on sub-Saharan Africa. They conclude by stating that, just as the spread of HIV has been greater than predicted, so too has the impact on social -capital, population structure and economic growth.

According to the Journal of American Medical Association (June 2001), the most effective intervention therapy for persons infected with HIV is the use of a combination of anti-retroviral agents. However, the report continues, the high cost of these regimens and the infrastructure needed to monitor their use have put these medications beyond the reach of most HIV- infected persons. Although the price of these drugs have fallen, the report further states that, by making treatment a possibility for a great number persons, infrastructures to support the effective use of these medications remain inadequate and need strengthening. The report concludes by stating that, given the needs for both prevention and treatment, public health officials and international donors will need to determine the best mix of drug treatment and prevention programs.

This literature review will thus seek to address pertinent issues that relate to the conflict and conflict resolution of multi-national companies with reference to profit maximization and social responsibility fulfillment.



It will also partake to look at the issue of drug patents and the effect they have on pricing and profitability to multi-national companies through the sale of these drugs used in the treatment of social related diseases

The paper will look into the social-economic impact of HIV/AIDS on the general population.

It will seek to find out the role pharmaceutical companies can play in they quest to apply methods of social marketing as a possible answer to stem down the price-profitability war currently being waged on the industry.

## 2.2- DRUG PATENTS, PROFITABILITY AND PRICING OF ANTI-RETROVIRAL DRUGS

Kibera and Waruingi (1998) define price as the value placed on a good or service by customers at some point in time. They further state that a product placed in the market with a higher price or lower than the value perceived by potential customers does not really contain the customer orientation necessary to market the good or service.

Cecilia Oh (2001), states that with product patents, conferring a monopoly by multi-national pharmaceutical companies, in the production of the patented drug, enables them to charge exorbitant prices for their products. The TRIPS Agreement of the WTO (a body avowedly dedicated to trade liberalization) sanctions this anti-competitive behavior.

The author further states that, product patents enables prices of these drugs to be sold at high prices due to the curb on competition. The author goes on further to expound on the two types of patents: product patents and process patents.

Product patents, the author continues, provides for absolute protection of the product while process patents, on the other hand, and provides protection in respect of the technology and methods of manufacture. With process patents, the author adds, generic versions of medicines may be produced through alternative processes, allowing for competition from other producers. Product patents, however, prevent generic production. The author goes on further to explain that, the TRIPS Agreement, in requiring patent protection for both product and processes, will allow the patent holder an effective monopoly on the production and sale of the patented product for the duration of the patent (which under TRIPS is a minimum of 20 years). The author adds that, the patent holder is therefore able to exercise a monopoly of pricing of the

product. The author further states that, the relationship between patents and pricing of drugs must be viewed in light of the WHO estimate that one-third of the world population currently lack access to essential medicines, and this is a number likely to increase.

The author concludes that pharmaceutical companies fix the prices for medicines by setting the limits according to what the market can bear. Profit maximization, the author adds, through the elimination of competition and the maintenance of market monopoly, is the main objective. The author elaborates further to state that, patent protection is the most effective tool for drug multinational companies to keep out competition from generic producers and thus maintain monopoly control over the production, marketing and pricing of drugs.

Attaran, Gillespie-White (2001) states that the conclusion drawn a variety of *de facto* barriers are more responsible for impeding access to anti-retroviral treatment. They further add that this includes among other issues, poverty of African countries, the high cost of anti-retroviral therapies, national regulatory requirements for medicines, tariffs and sales taxes, and above all, a lack of sufficient international financial aid to fund anti-retroviral treatment. The authors consider these findings in light of policies for enhancing anti-retroviral treatment access in poor countries.

Chakravarthi Raghavan (2001) states that differential pricing, segmentation of markets, and measures to restrict or prevent "leakage" of products in ordinary trade from low-priced to high-priced segmented markets were some of the ideas the WTO secretariat had flagged for the Norway workshop on differential pricing and financing of essential drugs.

The author adds that the current move by the WTO, the European Union and certain sections of the pharmaceutical industry to promote differential pricing

as a solution to the problem of inaccessibility of medicines by three poor nations raises fears of a hidden agenda: a calculated move to change the TRIPS Agreement to prevent parallel imports and compulsory licensing.

### 2.2.1- THE LOBBY GROUPS AND THE PRICING OF ANTI-RETROVIRAL DRUGS

An Oxfam report (2001) states that, price increases resulting from the extension of exclusive marketing rights will have grave consequences for public health in developing countries. The report expounds that infectious diseases that were relatively easily curable with simple anti-biotics are becoming increasingly drug-resistant. Old killers such as malaria, tuberculosis, bloody diarrhea and respiratory infections - a group of diseases that cost millions of lives each year - the report continues are proving increasingly difficult to treat. The report concludes that improved access to effective and affordable medicines is essential if these threats are to be addressed. The authors however feel that the use of the next generation of drugs needed to protect public health will be restricted, either by new patent protection or by the extension of old patent rights.

According to a Medicins Sans Frontiers report (2002), currently there are approximately 32.3 million cases of HIV/AIDS found in developing countries, with more than 2.5 million people dying of AIDS per year. The report goes on further to explain that, data from the United States of America illustrates that HAART has reduced AIDS-related mortality by 75% and morbidity by 73% over a period of 3 years. However, the report states that, the price of these

treatments is such that only AIDS patients from industrialized countries can be treated. Yearly treatment cost ranges between US\$10,000(780,000Kshs-US\$ 15,000(1,117,000 Kshs). Gross Domestic Product of most developing countries ranges from US \$ 140(10,920 Kshs- US\$ 6,190(482,820 Kshs).

The paper further states that a generic manufacturer has offered to sell quality Anti-retroviral triple-combinations at US\$ 800(62,400 Kshs)- US \$ 1000(78,000 Kshs) /year per patient, less than one-tenth the current United States price.

The paper further reveals a lack of transparency of the pricing system of pharmaceutical industry since manufacturing price is always considered a corporate secret. The minimum price in the developing countries studied, according to this report is, on average, 82%-90% less than the United States price, as a result of the availability of generic products. The report further reveals that there are remarkable differences in the prices charged for originator's brand drugs in different countries. For example, Diflucan's price (Pfizer's 200mg flucunazole capsule) is nearly 49% less in the Thailand than in Guatemala-US\$ 6.2(483.60 Kshs) versus US \$ 11.9(928.20 Kshs). Another example is Rocephine (Roche's ceftriaxone vial) which is 33% less expensive in Columbia than in South Africa US \$ 7.2(568.6 Kshs) versus US \$ 10.9(850.2 Kshs). In summary, pharmaceutical companies sell the same product at very different prices in different countries. The existence of market monopolies is the single most important determinant of these differentials pricing, which can easily cut out competition in the form of cheaper generics.

A report by a US consumer health organization, Families USA (2002) has challenged drug industry claims that high drug prices are necessary for research and development. The report links high drug prices to marketing costs, executive payoffs and profits. Drug companies, according to the report, are

spending more than twice as much on marketing, advertising and administration is than they do on research and development. The report further states that drug company profits, which are higher than all other industries, exceed research and development expenditures, and drug companies provide lavish compensation packages for their top executives.

On the multi-national companies justification of high prices of drugs and their pegging it to continued research and development of newer molecules, the paper further states that, pharmaceutical companies and Northern governments justify reinforced patent protection under the WTO as necessary to stimulate investment in finding cures for infectious diseases in developing countries. The multi-national pharmaceutical companies, according to the report, also argue that the exclusive marketing rights provided by patents represent a legitimate reward for the high levels of investment and risk associated with new drugs. However, the authors have reason to believe that only ten percent of global research and development is directed towards illnesses that account for 90 % of the worldwide disease burden. The problem, the authors believe, is rooted on poverty, not in industrial incentive structures. Simply stated, developing countries are too poor, and their markets too small, to induce investment on the scale required. In the global health market, long-term ailments of the rich world, and medicines for afflictions such as high cholesterol and obesity, make for healthy profit; diseases of the poor world do not.

The paper further states that, the pharmaceutical industry rejects the argument that lower levels of patent protection are vital to the provision of affordable medicine. It claims that public-private initiatives, which may include agreements on "tiered-pricing" (with companies supplying medicines to poor countries at lower prices), are the appropriate response.

It can thus be seen that, the paper continues, that corporations in the pharmaceutical industry are offering islands of philanthropy, while promoting a global patents system which would enhance their profitability, but which could also consign millions to unnecessary suffering. Commercial self-interest and corporate philanthropy are pulling in different directions.

According to an Oxfam report (2001), inability to afford drugs, in the developing world is one of the most powerful deterrents to poor people seeking formal healthcare-and it is at the heart of the linkage between poverty and illness. The paper continues to state that the cost of treatment is prohibitive even in countries with higher levels of average income. An example given is a doctor working in the south of Kenya, where the estimate of the cost of treating a single pneumonia, episode, is more than 10%, of the monthly income of an agricultural laborer. Each year, the report continues, between 300-400 million people fall victim to malaria, resulting in over 1 million deaths. However reports indicate that the poor were unable to treat malaria, in parts of urban slums in the city of Nairobi and in poor villages in the district of Kiambu.

The Oxfam paper (2000) continues to state that, pharmaceutical companies should reduce the price of key medicines in developing countries so that they are affordable to the poor. Prices, the paper continues should be determined as part of an international and transparent system of equitable pricing, developed in conjunction with the WHO, with price differentials based on the Human Development Index and on a country's ability to pay.

As the world's largest pharmaceutical company, GlaxoSmithKline (GSK), the paper continues, should lead by example, by making the drug "*Malarone*"-an anti-malarial- available to developing countries at a price no higher than the existing malaria treatments."

### 2.2.2-THE PHARMACEUTICAL INDUSTRY'S RESPONSE TO THE PRICING, PROFITABILITY AND DRUG PATENT ISSUES RAISED BY THE LOBBY GROUPS.

In response, to the issues raised by the lobby groups, Dr Harvey Bail, (2001) director-general of the International Federation of Manufacturers Associations, states that attaining improved access to healthcare and medicines in developing countries requires a farsighted vision and a long-term commitment. Lobby groups, according to Dr. Bail, have myopically focussed on the short-term and the prices of drugs. The cost of drugs is an issue, he believes, but the need for financial resources and infrastructure development must also be addressed. He continues to state that the WTO TRIPS agreement will also help address another problem never mentioned by its critics - notably the counterfeiting of drugs, which everyday threatens the lives of millions in Africa and other developing countries. He adds further that, the number of people killed by counterfeit drugs has been impossible to measure because of the criminal nature of the activity, but is estimated at tens of thousands every year. He continues to state that, the deepening public health crisis in the developing world has nothing to do with patent protection. Less than 5% of the medicines on WHO's essential drugs list are covered by patent protection anywhere in the world, let alone in developing countries, many of which have no effective intellectual property laws. He concludes by stating that no patent does mean low prices. Even at the lowest prices, Dr Bail states, many of the worlds poor cannot afford or obtain the low -cost generic treatments for malaria, tuberculosis and other common diseases.

In interview on CNN (2001) in Philadelphia, the CEO of GSK, Jean Pierre Garnier, spoke on various topical issues related to marketing of anti-retroviral drugs in least developed nations. J. P Garnier states that in the least developed



countries we have to make sure GSK will provide supplies of drugs for a long time because of the number of people suffering from the HIV/AIDS and the length of time it takes to treat them. So GSK, according to Garnier, needs to have a sustainable factor. He atoned to the fact that the company was not looking for a profit-making intervention for the least developed countries, because they do not have the means to buy the GSK medicines. He concludes that because of their inability to buy drugs, GSK has to lower the price to cost price, for the developing nations.

In an article in the Financial Times (April 2001), David Ebsworth, Head of Pharmaceuticals at Bayer Pharmaceuticals is of the opinion that the danger, according to him, is that the loss of patents in HIV alone could destroy the global HIV market. He adds that the bigger danger is that the broader loss of patents in South Africa could be the thin wedge that smashes patent protection for the industry worldwide. And if that happens, he concludes, then frankly the entire economic base of the pharmaceutical industry is destroyed.

In a report by CNN (June 2001) the CEO of Merck, Raymond Gilmartin says, that Merck has offered prices to the developing world that the company thinks are the lowest possible prices.

The report continues to state that even at reduced prices, multi-national companies are still making profits in Brazil since the country still buys more than half of its HIV drugs from, major multi-national companies.

In an article in the Financial Times (2001), the CEO of Pfizer, Hank McKinnell, commenting on demand for lower prices, said you could kill the golden goose, meaning you'll eat well today but the cupboard will be taken bare in the future. This was in reference to the foreseen reduction in expenditure as relates to research and development in the pharmaceutical industry by multi-national companies. He continued to state in the interview that, in his view, very sick

people need drugs. He adds that the worlds largest pharmaceutical companies charge plenty for drugs, but they channel that money into research to find new medicines. He believes multi-national companies, now suffering an unprecedented onslaught over the prices they charge and lack of access to their medicines, should re-focus public attention on what they see as the main issue.

Mr. McKinnell is a staunch defender of the prices that his company, Pfizer, the world's largest drugs group, charges. He is also aware that a humanitarian an economic disaster is unfolding in Africa, where 27 million Africans are now HIV positive and only a fraction of them have access to or can afford even deeply discounted western AIDS medicines.

With the high prices of drugs, Mr. McKinnell suggests forging partnerships with agencies and governments to bring in more resources. If the sole problem is the high price of drugs, the multi-national companies will yield. However the industry has been smart enough to take that off the table. The problem now is not the cost of drugs but, political will to effect the access of these drugs, their distribution to the masses, and the treatment of those ailing from various diseases due to lack of infrastructure in terms of medical facilities.

In other words, drugs companies have knocked 90% off the price of but it is upto someone else to find the rest and to help deliver the drugs. This is more or less the same problem the pharmaceutical companies are having in Kenya. There is total lack of Government commitment and political will to set up the necessary infrastructure so as to help in distribution of the drugs to help in access of these drugs. (Financial Times- 2001)

In a related development, the Indian company Cipla Ltd. of Bombay, has offered to supply Africa with AIDS medicine at a low cost that could force larger western pharmaceutical companies to reduce their prices. Cipla LTD has

offered to provide limited supplies of the so-called "triple therapy " medications to Medicines San Frontiers for around US\$ 350 (27,300Kshs) per person per year for use in Africa. GSK has already warned Cipla that it may take action against the firm since it takes exclusive marketing rights over "lamuvidine", one of the drugs involved. -(United Nations General Assembly-2001).

Registration issues at the Pharmacy and Poisons Board, in the Ministry of Health, dog the logistics of availing this drug to Kenyans. Daily Nation- ( 2001)

UNAIDS /WHO - (2002)- states that in African countries where anti-retroviral drug patents do not exist, the international community should ensure a supply of affordable medicines. The report further states that, an equitable balance is that countries have to respect patent laws, but the patent holders reciprocally supply medicines to the poor without profit, but also without loss. Various solutions to achieve this exist. Merck, Bristol-Myers Squibb, and Abbott have discounted anti-retroviral drugs to prices not above the stated costs of production and distribution, and GSK have taken similar steps for malaria medicines as well.

Other pharmaceutical companies, the report continues should follow these examples. Alternatively, the report suggests that various legal proposals have been made to limit the patentability of certain medicines in poor countries without markedly affecting revenues. Brand-name pharmaceutical companies, have been asked to consider, adhering to a code of practice, in which they agree to voluntarily license patents for important medicines e.g. anti-retro viral drugs, to high-quality generic manufacturers willing to supply at low prices, with a suggestion that the licenses would be geographically restricted to poor countries, and generic firms would have to pay a modest royalty for the privilege. Arrangements like these, the paper continues, would signify ethical

business leadership and would affect revenues negligibly, given the diminutive market in poor countries. Without them, the paper concludes, poor countries have only the last resort of compulsory licensing (a government authorization that allows competitors to use a patent without the patent holder's consent), which both TRIPS and the Paris Convention legitimately allow them to do.

A report in the Financial Times (June 2001), states that East African AIDS activists were celebrating on as Kenya became the second country in sub-Saharan Africa to pass laws allowing the import of cheap anti-retroviral drugs, defying opposition from the multi-national pharmaceutical companies. Parliament unanimously approved a revised intellectual property bill allowing parallel imports and compulsory licensing-offering new hope to the 2.2 million AIDS sufferers in Kenya who are unable to afford the life-saving therapies that have transformed the disease in the developed world.

The report quotes Indra van Gisebergen from the medical charity Medicines sans Frontiers, as commenting on the occasion as a great breakthrough in Kenya. The report continues to state that this was a signal for other countries not to be intimidated by the arguments of pharmaceutical companies. The next step, the report believes is to put up the necessary infrastructure in place to distribute the drugs."

Gonzalez (2001) states that, because of the Trade Regulations and Access to HIV/AIDS Related Drugs and Treatment in most developing countries, health insurance, and more than 60 % of the costs of drugs cover less than 10% of the population are paid for directly by patients and their families. In contrast, the author continues, in high-income countries, national health schemes and private health insurance cover more than 90% of citizens and more than 50% of drug costs. The cost of medicines, the author adds, is a significant barrier preventing low- income people, particularly women, from

acquiring essential drugs. The author adds that, many buy an inappropriate, cheaper drug or take less than the correct dosage, or wait days, even weeks, to save enough money for the purchase. Others, the author adds, just go without the medicines they need. The author concludes that this situation has obvious implications for people's health but also for the spread of drug resistance, caused by incomplete courses of treatment.

Facts about the lack of Access to Essential Drugs, as stated by a *Medicins sans Frontiers* report (2002) states that,

- One-third of the world's population lacks access to essential drugs. In the most impoverished parts of Africa and Asia, this figure is over 50%
- Communicable diseases continue to kill 17 million people each year 975 of these diseases are in developing countries
- Infectious disease includes: AIDS, Tuberculosis, Typhoid, Hepatitis B etc
- The expensive drug price remains the fundamental obstacle for the access of treatment of the population living in developing countries.
- Out of 1,233 new drugs brought onto the market throughout the world between 1975 and 1997, only eleven directly target a tropical disease. These eleven drugs resulted either from veterinary research or Chinese medicine.

According to Markar (2002), the issue of pricing of essential medicines is a very touchy issue, in the developing world, more so with depressed economies and increased numbers of HIV/AIDS patients. Markar adds that, calls are now being made by international bodies for these countries to change their national

laws so as permit local companies to manufacture cheaper generic copies of patented drugs. Markar, states that,

"In a direct challenge to the worlds pharmaceutical industry, the authors of a new United Nations report calls on developing countries to strengthen their national laws in order to enable local production of cheaper, life-saving AIDS drugs.

Compulsory licensing is the answer. In this endeavor, countries are permitted to "use patents without permission of the patent holder in return for a reasonable royalty on sale.

The report will prove to be controversial since, it insinuates that industrialized countries have been enjoying this right for over a century, ever since intellectual property legislation was introduced in Britain in 1883. Among other countries that have benefited, the report continues, from the right of compulsory licensing are Australia, Britain, Canada, Germany, Italy, New Zealand and the United States. Controversy will surely arise from the fact that not one compulsory license has been issued south of the equator.

Markar (2001) goes on to further state that pressure from Europe and the United States makes many developing countries fear that they will lose foreign direct investment if they legislate for or use compulsory licenses. In addition, the author adds, developing countries are faced by the threat of long, expensive litigation, brought by pharmaceutical companies.

According to Markar (2001), the director of the Access Project at the AIDS Treatment Data network, a New York-based NGO, giving her views on the access of anti-retroviral drugs and their prices, states that pharmaceutical companies should not stop their research, but at the same time, multi-national companies cannot let people die due to a lack of access to AIDS drugs. She concludes by saying poverty is not equal to a death sentence.

Carey et al (2001), states that the pharmaceutical industry is fighting back. In an advertising campaign, it is arguing that spending more on drugs actually saves money by reducing costly hospitalizations and other health-care expenses.

Companies are also rushing to assure patients that they won't be left out. GlaxoSmithKline PLC announced in October that it would give discounts of 30% to 40 % to needy elderly Americans, for instance. The bio-terrorism act led Glaxo, Bristol Myers Squibb to donate drugs and expertise to the American government.

Carey et al (2001) state that, although drug makers spend billions on Research and Development, they also rake in high profits. Pharmaceutical industry executives say that the high returns are justified on the basis of the high risks they take to develop drugs. Accordingly the pharmaceutical drug prices are higher than needed to cover Research and Development costs and risks. But that's not surprising because the price set for a drug typically has little to do with the development cost. The authors continue to state that pharmaceuticals are like any other product: The producers charge what the market will bear. The usual price calculation includes an assessment of the medical benefits the drug brings and how much competition it faces.

## 2.3- SOCIAL AND ECONOMIC IMPACT OF HIV/AIDS ON THE KENYAN POPULATION

According to Oxfam (2001), 11 million people, mostly living in developing countries, have died from infectious diseases such as pneumonia, tuberculosis, measles and diarrhea. The paper continues to state that the widening health divide between the rich and the poor countries is a stark reminder of the inequalities that have accompanied globalization.

The Sessional Paper (1997), states that,

"AIDS is a major public health problem with a negative impact on the development ... the pandemic is here to stay and its effects will be felt in all aspects of human endeavor for a long time to come".

" So overwhelming has been the scale of the scourge that our medical, social and traditional structures are unable to cope with the human cost exacted by the pandemic". - Fredrick Chiluba (2001)

The social stigma associated with HIV infection in many cultures combined with difficulties in providing treatment or services for infected persons are major barriers to expanding voluntary counseling and testing for HIV. Persons who may benefit from knowing their sero-status often reject counseling and testing because they fear the consequences of disclosure of their HIV status. - (Journal of American Medical Association -June 2001).

Kiarie and Muraah (2001) state that, HIV/AIDS, especially in sub-Saharan Africa is not just a medical problem. It affects virtually all facets of the lives and activities of families, communities, nations, regions and ultimately the entire world. A number of factors have contributed to the enormity of the HIV problem. The authors add that these include:



- The sexual mode of transmission and the fact that infected individuals remain symptom free for so long, complicates the management and prevention of the epidemic.
- HIV/AIDS are still associated with considerable stigma both at the local, national and international levels.
- The disease affects individuals in the most productive age group
- As it frequently affects both spouses, it has a major impact on household incomes and also creates a huge orphan problem.
- Poverty not only denies the communities and governments the resources needed to prevent HIV spread and treat infected individuals, it also creates a fertile ground on which HIV thrives. This creates a vicious circle- poverty fans the spread of HIV and HIV in turn further increases the levels of poverty.
- The distribution of HIV/AIDS fits into the classical mould of the polarized World in which we live. While the epidemic has stabilized at much lower levels in the Western world, it continues to rise precipitously in resource poor third world countries especially those in sub-Saharan Africa. HIV therefore further increases the gap between the rich North and the poor South.

The authors' further state that AIDS has led to a dramatic rise in infant and adult death rates in sub-Saharan Africa. It is now the leading cause of death in Africa. In 2000, AIDS killed 2.4 million people in sub-Saharan Africa, of whom nearly half a million were children. They further state that AIDS is expected to significantly reduce the population growth rates in many African countries. However, the population is expected to continue growing at a much lower rate. . By 2005, it is expected that AIDS will reduce Kenya's population growth rate

from 2.1% to 1%. By 2010, Kenya will have 6 million fewer people than it would have had without AIDS.

The authors continue to state that; the dramatic increase in the number of AIDS orphans will create enormous social and economic problems for resource poor African countries. AIDS orphans will also further burden the meager budgets of their relatives, communities and governments. The authors state that HIV/AIDS is expected to adversely affect individual, household and national economic performance. HIV/AIDS affects the economy by causing illness and death. This results in a reduction in overall productivity and increased health costs. In Kenya, HIV/AIDS is expected to reduce the GDP by 15% by 2005.

According to Muraah and Kiarie (2001) HIV will negatively impact on business firms as a result of the following:

- Deterioration of national and regional economies
- The change in population /age structures will impact on the supply of labor - especially skilled labor
- The negative impact of HIV/AIDS on education will further reduce the supply of skilled labor.
- General productivity is expected to decline due to increased employee absenteeism and low morale.
- A high HIV prevalence level on the African continent is expected to lead to a reduction in the levels of foreign investment and local savings.

They further add that HIV is also expected to increase the following:

- Recruitment and training
- Medical
- Funerals

- HIV prevention programs
- Insurance costs

The impact of globalization on the spread of HIV/AIDS with the development of the global economy has come significant growth in trade and travel both within countries and internationally. Increased mobility and industrialization have been identified as two key factors directly impinging on the rapid spread of HIV/AIDS across developing nations. UNAIDS- (2000)

AIDS is becoming the single most serious threat to social and economic progress in Africa today. The true cost of the pandemic is almost incalculable. Its impact is aggravated by the overall economic, political and social context, as well as some cultural practices, dominated by a weak economic base, high unemployment, pervasive poverty and the negative consequences of structural adjustment, all of which further undermine Africa's ability in the global market- International Labor Organization (2000).

There is growing evidence that the prevalence of HIV/AIDS causes both GDP and economic growth to fall significantly. Countries with prevalence rates of 20% or more can expect GDP growth to decline up to 2% a year. -Aggleton et al (1999).

The Secretary-General of the United Nations, Kofi Annan, in an address to the 54<sup>th</sup> World Health Assembly, held in Geneva, on 17<sup>th</sup> May 2001, stated that, the biggest enemy of health in the developing world is poverty, and the struggle for health is part and parcel of the struggle for development. The world, Mr. Annan continues, shall not finally defeat AIDS, tuberculosis, malaria, or any other infectious diseases that plaque the developing world until we have also won the battle for safe drinking water, sanitation and basic health care. Mr. Annan concludes by stating that the best cure for all these ills is economic growth and broad-based development.

A joint UNAIDS/WHO report (2002) states that finance and distribution remain an impediment to treatment access in Kenya. It further states that the impossibility of poor countries paying for anti-retroviral treatment themselves cannot be overemphasized. The report adds that, countries such as Kenya have annual health budgets of \$8(624 Kshs) or less per capita. In contrast, the report continues, estimates endorsed by 140 faculty members of Harvard University for a treatment plan of diagnosis, care, and anti-retroviral drugs are about \$1200 per patient -year (including infrastructure development and training would cost more). In conclusion the report states that, this vast finance gap means that even if health budgets were radically expanded and all waste or corruption banished, Africa's impoverished economies could never afford more than a few percent of the cost of treatment -and this is true even if anti-retroviral drug prices continued to decline significantly, which is unlikely. Advertently it means that for anti-retroviral treatment to take place, international aid finance is essential.

## 2.4-SOCIAL RESPONSIBILITY AND MULTI-NATIONAL PHARMACEUTICAL COMPANIES IN KENYA

The idea of corporate social responsibility dates back to the early 20<sup>th</sup> century. It was started by CEOs' who believed that business had an obligation to use their resources in ways that would be beneficial both to the owners of the respective companies and the society as a whole. Multi-national companies should be socially responsible to consumers of their products in ways such as the following:

- Being fair in the quantity and prices of products sold
- Making products affordable and available to consumers
- Giving consumers safe products
- Giving consumers good quality and not defective products
- Educating consumers about products and use of their products
- Avoiding misleading advertisements
- Being fair in the terms of sale to consumers
- Making the after-sales services that they may be required by consumers available and affordable
- Proper labeling, packaging and presentation of products in a manner that the quality, quantity, hazards and use and elicitation's of use are clearly set forth
- Responding to consumer complaints and adhering to ill-stated or implied warranties
- Conducting ample research before allowing a product into the market.

Prof. F. Kibera -(1996).

According to Pierce and Robinson the various stakeholders of a firm can be divided into inside stakeholders and outside stakeholders. The insiders are the

individuals or groups that are stockholders or employees of the firm. The outsiders are all the other individuals or group that the firms' action affect. The extremely large and often amorphous set of outsiders makes the general claim that the firm is socially responsible. The authors further state that public debate and business concerns have led to a jelling of perspectives.

Sawyer (1995) has provided an excellent summary of guidelines for a socially responsible firm that is consistent with the stakeholder approach:

- The purpose of the business is to make a profit; its managers should strive for the optimal profit that can be achieved over the long run.
- No true profits can be claimed until business costs are paid. This includes all social costs, as determined by detailed analysis of the social balance between the firm and society.
- If there are social costs in areas where no objective standards for correction yet exist, managers should generate corrective standards. These standards should be based on the managers judgement of what ought to exist and should simultaneously encourage individual involvement of firm members in developing necessary social standards.
- Where competitive pressure or economic necessity precludes social responsible action, the business should recognize that its operation is depleting social capital and, therefore, represents a loss. It should attempt to restore profitable operation through either, better management, if the problem is internal, or by advocating legislation if the society is suffering as a result of the way that the rules for business competition have been made.

Corporate philanthropy dates back to the 17th century when it was common for prominent business leaders to make significant donations. However, these contributions were made solely from wealthy individuals without ties to specific corporations. In the past, legal restrictions made it difficult for firms to

become involved in social and philanthropic affairs. However, a Supreme Court ruling in the 1950s put an end to regulations and as a result, corporations began creating their own internal organizations. It became common for larger corporations to give up to 5% of their pre-tax income to charities as a means of improving public image. Today, as philanthropic strategies become more and more of a key success factor, companies are assuming larger roles on social issues. -(Pierce and Robinson-1996).

Marketing research, according to Schiffmann and Kanuk, shows that marketers generally believe that ethics and social responsibility are important components of organizational effectiveness. Most companies recognize that socially responsible activities improve their image among consumers, stockholders, the financial community and other relevant publics. They have found that ethical and socially responsible practices are simply good business, resulting in a favorable image and ultimately increased sales.

As a rebuttal to what multi-national companies are doing in as far as social responsibility is concerned, Oxfam (2000) in a report states that in effect, corporations in the pharmaceutical sector are offering islands of philanthropy, while promoting a global patent system which would enhance their profitability, but which could also consign millions to unnecessary suffering. The authors further state that commercial self-interest and corporate philanthropy are pulling in different directions. The paper adds that, pharmaceutical companies should exercise social responsibility with respect to their patent claims. It further adds that pharmaceutical companies should not seek to enforce patent claims in the poorest countries to drugs essential to public health.

In line with the philanthropy and social responsibility, one of the world's leading pharmaceutical firms has said it plans to cut the cost of its HIV/AIDS drugs in 63 of the world's poorest nations, Kenya included. (CNN, June 2001)

The report on CNN continues to state that, GSK plans to offer the drugs at cost price to governments, aid agencies and churches in the Least Developed countries (LDC) and in all of sub-Saharan Africa. The report further adds that, the industry has been under increasing pressure from charity groups such as Oxfam and Medicins sans Frontiers to make drugs more widely available in countries where people cannot afford Western prices. GSK, according to the report, said it would also make anti-malarial drugs available at cost price and it was setting up a corporate social responsibility committee chaired by its non-executive chairman, Richard Sykes.

The committee, the report continues, is made up of non-executive directors of GSK, will advise on social issues and keep the company's policy on health care in the developing world under review. The report concludes by stating that, GSK's chief executive Jean Pierre Garnier said, the measures recognized the ethical imperative on the pharmaceutical industry to do more to tackle the problem faced by developing countries. Multi-national companies based in Kenya, due to the top-down management style implored in corporate institutions are implementing most of these measures.

In a rejoinder, Oxfam in a report, Oxfam (2001), spearheading a campaign to see the price of life-saving drugs cut in poor countries, welcomed the move by GSK, saying the move set a new benchmark on drug pricing.

The above press release on CNN, further states, that the measures announced by GSK may go some way to improving the image of the industry which has been scarred in recent months, for example by the court case against the South African government when it tried to stop it importing cheaper generic versions of patented drugs. The report continues to state that the case, which involved 39 pharmaceutical firms, including GSK turned out to be one of the worst corporate Public Relations disasters. The case was dropped, but not before the



international opinion had been left with the impression that the industry was more concerned with protecting its patents than the health crisis in developing countries.

Abbott Laboratories, Bristol-Myers Squibb and Merck, all of the United States, have made similar offers to the one made by GSK, in response to allegations they were denying access to life-saving medicines in poor countries. Financial Times newspaper- (2001).

As far as the profit factor involved in the sale of anti-retrovirals are concerned, GSK CEO, J P Garnier, (2001), says the company does not make profits in the least developed countries with the AIDS drugs. GSK sells them at cost. However somebody, according to J. P. Garnier, has to pay for the Research and Development and that is why multi-nationals' charge higher prices in Europe and the United States. The company also has a massive donation program for other drugs in malaria, the report continues. He concludes by stating the company commitment to a donation program that will cost \$1 billion over 20 years.

He adds that GSK is one of the most philanthropic companies in the United Kingdom and are at the same time investing to find a cure of HIV/AIDS. He adds that it is not good enough to treat AIDS patients, since a cure is long overdue.

In a press release, Pfizer (2001) announced they, were forming a partnership with the government of South Africa, to provide Diflucan-an anti-fungal drug, free of charge to AIDS patients for treatment of two life threatening opportunistic infections commonly associated with AIDS. Pfizer have thus announced an extension of that deal to cover 50 of the world's poorest nations including Kenya.

The press release further states that Pfizer will provide funding to build, operate and equip an AIDS treatment and training center in Makerere University in Kampala, Uganda. All these will be extended to Kenya.

Pfizer has committed more than \$ 60 million in medicine and in training programs to help eliminate trachoma, the world's leading cause of preventable blindness. The report concludes by stating that, the program has been underway for nearly three years and is active in Morocco, Tanzania, Kenya, Sudan, Mali, Ghana and Vietnam, with expansion planned for four more countries within the year.

In a report on CNN (2001), Brazil now distributes HIV drugs to every citizen who needs them. They are given away to free to 90, 000 people. This costs more than \$330 million (25,740 billion Kshs) a year. The report continues to state that political will has sustained the program; even through an economic crisis in the late 1990's. In conclusion the report states that the country's AIDS death rate has dropped 50 %. The infection rate is half what it was projected to be there are far fewer hospitalizations.

The key ingredient of the program is Brazil's generic drug strategy. State-owned laboratories such as Far-Manguinhos copy brand-name AIDS drugs, creating competition that has reduced the cost by 70%, the report continues to add.

Brazil makes eight of the 12 drugs in the AIDS "cocktail" for less than a third of the price in the United States.

The director-general of Far-Manguinhos, Eloan Pinheiro, told CNN, I believe that the pharmaceutical companies are losing the vision of the value of life. They are in a sense defining who may live and who shall die. They can't see that in the developing countries you have a smaller salary and a smaller income than

in developed countries, and in less-developed countries you have more diseases and that these people that live in these places must be saved too.

Merck President and CEO, Raymond Gilmartin, in a rejoinder states, that Pfizer drugs make a tremendous difference in the quality of life and we save lives with just about every one of the drugs that we introduce. I think it is well understood that in order to fund the research behind this, that pharmaceutical companies should be profitable. CNN -(June 2001).

Research based pharmaceutical companies represented by the International Federation of Pharmaceutical Manufacturers Associations (hereinafter referred to as IFPMA); have agreed to work with the World Health Organization (WHO) in the effort to resolve the HIV/AIDS pandemic. One of WHO's main objectives is to promote the development of safe and effective new HIV/AIDS products that will be made available at prices that take into account the limited financial means of the public sector to purchase medical supplies for use in developing countries. - Press release by the WHO (1994).

Since the CEO meeting with the Secretary-General, of the United Nations, Kofi Annan, the companies, acting individually, have taken significant steps to make HIV/AIDS -related drugs more affordable and available for developing countries, particularly in sub-Saharan Africa. The multi-national companies have intensified their partnerships with NGOs, private employers, local communities and health-care practitioners. The Secretary-General, CEOs and United Nations officials agreed that the prices of medicines and diagnostics are an important component of efforts to increase access to care, but on their own, reduced prices are not sufficient to catalyze the scaling up that is needed. Additional resources are required, together with the political goodwill and skills to spend them effectively. This means paying close attention to the experience of individuals and groups who have shown that they are making a difference to the

lives of people at risk of, or affected by, HIV/AIDS. It also means reporting widely, on what they have achieved, and synthesizing their experiences in a way that helps Heads of State, governments and community groups intensify their response to the HIV/AIDS needs of populations- (United Nations, 2001).

The participants, the report continues, agreed to join forces with other partners in the fight against HIV infection and AIDS, employers and their workforce, NGOs, academics, faith-based groups and missions. The report states that the companies will use their experience to help governments respond effectively to the needs of all. They, the report continues, agreed that they would work together to make the Global AIDS and Health Fund a success. They also resolved to communicate and report the results widely.

The partnership is a coalition of actors who have chosen to work together to achieve a shared vision, common goals, and a set of key milestones, based on a set of mutually agreed principles. Its purpose is to establish and maintain processes by which governments, civil society and especially the community sector, national and international organizations working against AIDS in Africa are enabled to work together more effectively curtail the spread of HIV, sharply reduce its impact on human suffering, and halt the further reversal of human, social and economic development in Africa.

The actors of the Partnership are African governments, the United Nations, donors, the private sector-mainly pharmaceutical companies and the community sector, -(United Nations -1999).

According to Marcello and Starchar (1996), companies in Western Europe, Japan and North America are finding that it makes good business sense to fully integrate the interests and needs of customers, employees, suppliers, communities, as well as shareholders - into corporate strategies. The authors continue that I the long term this will result in profits and growth. The authors

continue that the management of pharmaceutical companies has a task of seeking an optimum balance in responding to the diverse needs of the various interest groups and constituencies affected by the firms' decisions. The authors add that by including societal actors - not just financial interests - the stakeholder model assumes that the firm has a social responsibility.

The authors add further that certain observations can be made about the concept of social responsibility. These include:

- There is no common definition with each company responding in its own unique way, depending on its core competencies and stakeholder interests. Country and culture also influence how companies respond
- Social responsibility is fundamentally a philosophy or a vision about the relationship of business and society, one requiring leadership to implement and sustain it over time. It is thus treated as an investment, not a cost.
- It is linked to profitability, as there can be no social responsibility without profits

According to Makower (2002), one of the most socially responsible things most companies do is to be profitable. He continues to state that profits are essential as a reward to investors, provision of sustainable jobs, paying of fair wages, payment of taxes, development of new products, investing in services and contributing to the prosperity of the communities where the businesses operate.

Marcello and Starchar (1996) state that the underlying model of a business enterprise as an economic engine is evolving, with its transformation to a social system, i.e. the purpose of business is to produce wealth, but it does so as a social organization, having to meet and respond to the pressures and responsibility of society and all its citizens.

The authors continue to state that compatibility of corporate social responsibility and business success is a reality, with a convergence of the interests of shareholders and other stakeholders and constituencies in business.

According to Kanter (2002), globalization has set into motion forces that shift power from producers who make goods to customers who buy and use them.

Marcello and Starchar (1996), comment on the fact that business contributes to communities and to society through its fundamental mission of providing products and services which society needs and wants in an efficient and ethical manner and in a way that respects and balances the interests of all stakeholders.

In Kenya, drug makers often provide products free or at deep discounts e.g. Merck, for example donates its drug to combat river blindness through a program started by the company in 1987. (Southwick- 2002). The author continues to state that this is still viewed as not enough to ward off the image of an industry making money hand over fist by charging high prices to people who have no choice but to buy their products. The author further states that drug companies gave away \$1.5 billion in medicines to African patient assistant programs in 2001, but this is a pale shadow of their worldwide sales of \$121billion.

## 2.5 -SOCIAL MARKETING AND MULTI-NATIONAL PHARMACEUTICAL COMPANIES

Kotler (1997), defines Social Marketing as the concept that holds that the organization's task is to determine the needs, wants and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than the competitors in a way that preserves or enhances the consumer's and the society's well being.

He further states that, the societal marketing concept calls upon marketers to build social and ethical considerations into their marketing practices. They must balance and juggle the often conflicting criteria of company profit, consumer want satisfaction and public interest."

Kanuk and Schiffmann (2000) state that, given the fact that all companies prosper when society prospers, many people believe that all of us, companies as well as individuals, would be better off if social responsibility was an integral component of every marketing decision. The authors add that, indeed, in an era of environmental degradation, abject poverty, homelessness, drug addiction, AIDS, rampant crime, casual gun use, and countless other societal ills, the marketing concept as we know it- fulfilling the needs of the target audiences- is sometimes inappropriate. The authors conclude that this is particularly true in situations in which the means for need satisfaction- the product or service provided (e.g. drugs or prostitution -can be harmful to the individual and society.

Kanuk and Schiffmann (2000), thus define societal marketing as a concept that calls on marketers to fulfill the needs of the target audience in ways that improve society as a whole, while fulfilling the objectives of the organization.

Kotler and Roberto (1989), define Social Marketing as a strategy for changing behavior. It combines the best elements of the traditional approaches to social change in an integrated planning and action framework and utilizes advances in communication technology and marketing skills.

The authors continue to state that, the term was first introduced in 1971 to describe the use of marketing principles and techniques to advance a social - change management technology involving the design, implementation, and control of programs aimed at increasing the acceptability of a social idea or practice in one or more groups of target adopters.

They continue that, they utilize concepts of market segmentation, consumer research, product concept development and testing, directed communication, facilitation, incentives and exchange theory to maximize target adopters response.

In most countries including Kenya, the HIV epidemic is driven by behaviors e.g. (multiple sex partners, intravenous drug users) that expose individuals to the risk of infection. Information on knowledge and on the level and intensity of risk behavior related to HIV/AIDS is essential in identifying populations most at risk for HIV infection and in better understanding the dynamics of the epidemic. One of the main goals of the 2<sup>nd</sup> generation HIV surveillance systems is the promotion of regular behavior surveys in order to monitor behaviors and target interventions-UNAIDS/WHO -(2000).

Intensive and aggressive prevention programs for behavior change, condom promotion, voluntary HIV counseling and testing, and blood transfusion safety have lowered prevalence rates, or slowed HIV transmission in several sub-Saharan African countries- Journal of American Medical Association - (2001)

A Non Governmental organization, Commercial Market Strategies (hereinafter referred to as CMS), based in Washington, United States of America, states



that behavior change and social marketing campaigns remain one of the most vital and efficient models for reaching and influencing the behavior of select audiences. Such campaigns can be designed to target the entire population of a country or more specific audiences such as youth, commercial sex workers or employees in select industries.

The study further states that, CMS can provide social marketing technical assistance in the following areas:

- Developing comprehensive social marketing strategies involving multiple donors and private groups (read pharmaceutical companies) that can be used to coordinate and guide these groups' collective and individual activities to optimize health impact.
- Assisting with procurement and distribution of pharmaceuticals, Over The Counter drugs and condoms
- Supporting capacity building and financial sustainability programs for NGOs or for-profit-companies (read pharmaceutical companies)
- Establishing Voluntary Counseling and Testing services
- Social Marketing of Sexually Transmitted Infections (hereinafter referred to as STI) treatment kits
- Training and quality monitoring of private providers."

In a case study, Kotler and Eduardo-(1989)- the authors state that, when a social change issue is of global proportions, social marketers are likely to emphasize global mass communications as a dominant element of the marketing mix. The urgency of communicating information worldwide on the detection and prevention of AIDS is a case in point. They further state that social marketing promotes ideas as social practices; the ultimate aim is to change behavior.

Pharmaceutical companies, the authors believe can thus adopt social marketing strategies, addressing their customers, especially as concerns AIDS, so that

their customers do not only end up knowing about and desire better medication as relates to HIV/AIDS, but also endeavor to change their sexual habits. The authors continue to state that, social marketers aim to bring about purchase and use and to close the sale.

The authors add that social marketing is built around the knowledge gained from business practices: the setting of measurable objectives, research on human needs, targeting products to specialized groups of consumers, the technology of positioning products to fit human needs and wants and effectively communicating their benefits, the constant vigilance to changes in the environment, and the ability to adapt to change. Pharmaceutical companies, the authors conclude, do not have to change their overall business objectives to adopt social marketing strategies, since they are in line with their current marketing strategies as outlined above.

Kotler and Eduardo continue to advice pharmaceutical companies on methods of adopting social change strategies.

The authors state that, when a social change issue is of global proportions, social marketers are likely to emphasize global mass communications as a dominant element of the marketing mix. The urgency of communicating information worldwide on the detection and prevention of AIDS is a case in point.

Pharmaceutical companies, they add, should therefore continue to pursue new and novel means of therapy of social -related illnesses, but pursue "public education programs aimed to inform people on the prevention of AIDS and to assuage unfounded fears and prejudices. The authors continue to state that, Pharmaceutical companies can thus adopt, the Liskin and Blackburn list of seven AIDS information elements that a mass communication-oriented public education program-as a basis for designing messages, should include:

- AIDS is fatal for which there is no cure
- Nonsexual casual contact and blood donation do not spread AIDS
- AIDS infection comes from sexual intercourse, from contaminated blood, and from contaminated hypodermic needles
- An infected woman can transmit AIDS to her child in pregnancy
- Reducing the number of sexual partners lowers the chances of AIDS infection; a stable relationship with a single uninfected partner is safest
- For the sexually active, the use of a condoms offers protection against AIDS
- An AIDS-infected person can appear and feel healthy yet still spread the infection to others.

Kotler and Eduardo suggest that, for pharmaceutical companies to adopt social marketing strategies, with the core message being prevention and control, while looking into invention of new medicines so as tackle the HIV/AIDS pandemic.

Promotion of social marketing strategies, by pharmaceutical companies can be done through Selective Communication. Kotler and Eduardo (1989) state that, selective communication informs and persuades a pre-determined set of target adopters in an interactive and flexible way. Selective communication, they add, may be used to supplement mass communication, both as follow-up technique that offers more intensive information and as a market-segmenting technique, which more precisely targets segments of a mass audience that a social marketer is seeking to reach. The two principal techniques are direct mail and telemarketing.

The authors continue by listing four advantages of direct marketing:

- Segments the target-adopter population into more uniform and definable clusters than the mass media and thus cuts on media waste

- Communications can be personalized
- Direct mail is more flexible than mass communication
- Direct mail can present an opportunity for adoption

Telemarketing, the authors continue, involves the use of a telephone to perform the needed communications and promotional tasks. Thus a pharmaceutical company that manufactures an anti-retroviral, can deal with AIDS as a problem, and put an ad in the newspaper suggesting that people who are concerned about AIDS can call a toll free number. The advantage, the authors continue, of tele marketing over mail is that it permits two-way interactions and allows for anonymity of the caller. Research has shown that tele marketing is most suitable for carrying out the following communication functions:

- To follow up mass communication and direct mail
- To encourage and reinforce adopter loyalty
- To obtain names of target adopters who may be more effectively persuaded by personal communications.

The way forward, the authors suggest, is for pharmaceutical companies to consider adopting social marketing strategies so as to counter the challenges facing the industry. This can be done in tandem with the social responsibility measures that they actively engage in presently. This will greatly improve the global image of the besieged industry.

## 2.5 CONFLICT AND CONFLICT RESOLUTION STRATEGIES

Reader et al (1989), state that, whenever two or more individuals have to reach an agreement over issues such as product specifications, information credibility, multiple sourcing, and the potential for conflict exists. They continue to state that it is in the marketers' interest that conflicts are resolved. The authors continue by stating out different types of conflict-resolving strategies.

Oxfam (2001) states that Brazil's capacity to ensure a secure and affordable supply of medicines is under assault from two directions. The paper continues to state that the international drug companies are directly challenging the Brazilian government over its medicines policies, accusing it of excessive price control and of not respecting patent rights on drugs for treating HIV/AIDS and other illnesses. The paper continues to state that companies are threatening to take legal action or to withdraw from the country if their demands are not met. Secondly, the paper continues, the US government is taking Brazil to the WTO 'court' on the grounds that its patent law violates intellectual-property rules. The law in question would help Brazil to develop its national pharmaceutical industry and reduce the price of medicines.

According to an Oxfam (2001), one area of tension between the Brazilian government and the transnational drug companies is the pricing of patented anti-retroviral drugs (hereinafter referred to as ARVs), prescribed by the health service, which has led to potential conflict over the patents themselves. The paper continues to state that, the Minister of Health, Jose Serra, has threatened to override patents on two important ARVs unless the companies reduce their prices. The issue of price, the paper continues, is of vital importance, as payments for the two drugs have been consuming one third of the government budget for ARVs.

Reader et al (1989) outlined the various conflict resolution strategies in resolving conflicts as:

- Coalition

- Collaboration
- Compromise
- Avoidance
- Competition
- Accommodation

The authors point out that the type of conflict-resolution strategy that individuals' use however depends on several mediating factors. The authors continue by elaborating on these mediating factors as:

- Characteristics of the purchase situation
- Size of the buying center
- The network of communication links
- The base of power in the organizational buying decision.

All these factors will be seen to play a role in the choice of strategy the pharmaceutical companies will take in resolving the conflict between the lobby groups and the multi-national companies. This conflict is what has directly resulted in pharmaceutical companies having to create a balance between profit maximization and social responsibility.

The authors advocate the use of **coalition** formation as the most prevalent and yet ignored form of conflict resolution. What mainly occurs in this strategy, the authors continue, is that, individuals within a formation attempt to co-operate with specific other group members to enhance their competitive position with respect to the entire group. They further describe this method as the most rational since it represents a positive channel for airing and resolving conflicts. The authors go on further to describe **collaboration** as a strategy used when conflict arises over a disagreement on some specific criteria relative to

suppliers, where conflict may be resolved through persuasion. They continue to assert that both problem solving and persuasion are collaborative attempts at conflict resolution that result in greater interaction and communication among those involved in the decision process.

The authors continue to explain that, when conflict arises over fundamental differences in buying objectives, particularly in a unique or new task-purchasing situation involving capital expenditures, individuals resort to bargaining (negotiating) over the differences. They conclude that this results in **compromise** by one or more of the individuals involved.

Reader et al (year) continue to explain that, the **avoidance** strategy is applied when a conflict involves individuals whom dislike one another or have different decision-making styles. They continue to add that the resolution may involve politicking, which, according to the authors, might result in self-interest overriding organizational interests.

**Competition** strategy, according to the authors, is used when individuals seek to achieve their goals or further their interests by utilizing their formal authority or the formal authority of a mutual superior in the organization. This, the authors continue will normally result in a decision to resolve the conflict being done in a biased manner, usually in favor of one party.

The authors continue to elaborate that the use of **accommodation** strategy results in individuals seeking to satisfy the concerns of others, placing those concerns of above their own. They further describe it as passive and submissive type of conflict-resolution strategy.

## CHAPTER 3

### RESEARCH DESIGN

#### 3.1 - POPULATION

The pharmaceutical industry comprises of multi-national companies, generic importers, local manufacturers, distributors (who are franchise importers), wholesalers, retailers and consumers (Mbao-2000). For purposes of this study, the sampling frame consisted of seven (7) multi-national pharmaceutical companies who manufacture and /or market anti-retroviral drugs in Kenya. The study focussed on these firms of which six out of the seven were involved in the research process.

The respondents were persons vested with the responsibility of marketing the firm's anti-retroviral drugs. These were heads of marketing or holders of positions mandated to play the role and functions of marketing. They were thus familiar with the elements currently in play and the problems encountered in marketing of anti-retroviral drugs.

#### 3.2 DATA COLLECTION

The study used the survey method to conduct the research, and used questionnaires to collect primary data. All the targeted respondents were in Nairobi.



The questionnaire contained both open and close-ended questions. It also used structured as well as unstructured questions. The questionnaire was divided into three sections, each with a specific purpose as follows:

Section A: To determine marketing strategies multi-national companies use to resolve the conflict between profit maximization and social responsibility in the marketing of antiretroviral drugs in Kenya

Section B: To examine the awareness of the concept of social responsibility among senior managers of pharmaceutical companies in Kenya

Section C: To examine the application of social responsibility by multi-national companies.

The researcher administered the questionnaire through personal interviews with the marketers wherever this was possible. Where personal interviews were not possible, a questionnaire was delivered to the marketers' offices or sent via electronic mail. And a collection date convenient to both the marketer (respondent) and the researcher were agreed upon.

### **3.3 DATA ANALYSIS**

Data analysis involved two stages:

- Data preparation
- Preliminary data analysis

The data preparation involved editing, coding and data entry to ensure the accuracy of the data and its conversion from raw data to reduced and classified forms appropriate for analysis. The Statistical package for Social Sciences (SPSS) version 9.0 was used for the data analysis due to its speed, accuracy and sophisticated capabilities. The preliminary data analysis involved breaking down,

inspecting and rearranging data to ensure meaningful descriptions, patterns and relationships.

Exploratory data analyses, which include frequency tables, bar charts, pie charts and histograms, were used.

Frequency tables were used to inspect the range of responses and their repeated occurrence. Bar charts and pie charts are appropriate for relative comparisons of nominal data. Histograms are optimally used with continuous variables where intervals group the responses.

Preliminary evaluation of relationships involving nominally scaled variables employing crosstabulation. The tables used for this purpose will consist of cells and marginals. The cells will contain combinations of count, row, column and total percentages.

The tabular structure formed the framework for later statistical testing after interpretation and presentation in frequency tables and bar charts.

## CHAPTER 4

### 4.0 THE RESEARCH FINDINGS

#### 4.1 CHARECTERISTICS OF THE POPULATION

The study was limited to multi-national companies operating in Kenya, but have their head offices outside Kenya. These companies would also be involved in the marketing and/or selling/distribution of anti-retroviral drugs in Kenya. There were 6 respondents out of an original population of 7. The respondents were professionals assigned the responsibility of marketing and selling anti-retroviral drugs in Kenya. Their responses were collected through a structured questionnaire, and were considered valid for analysis. The frequency table below (table 4.1.1) shows the distribution of the respondents in the research.

Table 4.1.1: The Multi national companies involved

	MNC	Frequen cy	Percent	Valid Percent	Cumulative Percent
	Abbott	1	16.7	16.7	16.7
	Boehringer	1	16.7	16.7	33.3
	GSK	1	16.7	16.7	50.0
	MSD	1	16.7	16.7	66.7
	Pfizer	1	16.7	16.7	83.3
	Roche	1	16.7	16.7	100.0
	Total	6	100.0	100.0	

Source: Field survey/Data Analysis

As shown in table 4.1.1 above, all the companies involved in the research represented an equally distributed 16.7%. This composition of companies was a matter of sampling design and enabled the analysis of data from the multi-national companies.

### Table 4.1.1.1 The respondents' designations

Table 4.1.1.1

		Frequency	Percent	Valid Percent	Cumulative Percent
	Commercial director	1	16.7	16.7	16.7
	Country manager	2	33.3	33.3	50.0
	Marketing manager	1	16.7	16.7	66.7
	Product manger	1	16.7	16.7	83.3
	Regional manager	1	16.7	16.7	100.0
	Total	6	100.0	100.0	

Source: Field survey

As shown in table 4.1.1.1 above, country managers represented 33.3 % in the study with a total number of 2 out of the 6 respondents. The rest represented by a commercial director, a marketing manager, a product manager and a regional manger represented an equal 16.7% in the study. What is important to note that the respondents had good knowledge of the marketing of anti-retrovirals in Kenya, increasing the validity of the responses.

### 4.2 MULTI-NATIONAL COMPANIES INVOLVEMENT IN SOCIAL RESPONSIBILITY AND PROFIT MAXIMIZATION IN RELATION TO STRATEGY

Table 4.2.1 below shows the responses in terms of how much multi-national companies are involved in social responsibility activities, considering their ability to maximize profits and the marketing strategy they would adopt to resolve the conflicts arising, in the marketing of anti-retroviral drugs.

Table 4.2.1 Cross tabulation of profit maximization\* strategy\* social responsibility

Social Responsibility	Profit maximization	Strategy	
Yes	Declining	Cooperate	Persuade
		100%	
No	Increasing	100%	

Source: Field study/Data Analysis

The responses were coded 1-5, and the data input using SPSS.

From the table above it is evident that for companies who adopt social responsibility and have their profit maximization on the decline will have 100% of the respondents adopting to cooperate.

For the respondents who do not adopt social responsibility but attain profit maximization would adopt to use the persuasion strategy in the marketing of anti-retroviral drugs.

In conclusion it is important to note that with the cross tabulation of all the three variables, the marketing strategies that have resulted finally are the cooperate and persuasion strategies, eliminating, power, negotiate and acquiring decisions from the head office strategies as methods of resolving conflict in the marketing of anti-retroviral drugs.

Table 4.2.1.1 below, represents the response of the influence on Multinational companies on the reduction of prices of antiretroviral drugs.

		<u>Influence on decision to lower prices</u>				
	Influence from	Consumer	Govt	lobby	Corporate SR	Total
	Govt	Pressure	pressure	groups	objectives	
Reduction					100%	20%
Decision	100%	100%	100%	100%	100%	80%

According to Table 4.2.1.1.1 shows that the corporate social responsibility accounted for 100% of 20% of the respondents who admitted this to be a reason to reduce the prices of anti-retroviral drugs.

80% of the respondents attributed consumer pressure, influence, government pressure or pressure from lobby groups as the reason to reduce prices of antiretroviral drugs.

It is therefore apparent according to Table 4.2.1.1.1 that, corporate social responsibility accounts for only 20 % of the respondents basing it as a reason to reduce prices of anti-retroviral drugs. The majority 80% of the respondents attributes government influence, consumer pressure, government pressure, pressure from the lobby groups and corporate social responsibility as a contributor to the decision of lowering prices of anti-retroviral drugs.

### 4.3 EXAMINATION OF THE CONCEPT OF SOCIAL RESPONSIBILITY

Table 4.3.1. Gives the results observed in analyzing the order of importance of various marketing activities in relation to marketing of ARVs, with a coded response of between 1-5, with 1 most important and 5 least important.

Table 4.3.1. Importance to Multi-national companies of activities emanating from the marketing of Antiretroviral drugs.

Marketing strategies		A	B	C	D	E
Social responsibility	Mean	4	4	3	3	1
	N	1	1	1	1	1
Profit	Mean	5	1	1	5	
	N	1	1	1	1	
Public Relations	Mean	3	3	4	4	
	N	1	1	1	1	
Social marketing	Mean	1	4	5	2	
	N	1	1	1	1	
Direct Marketing	Mean	2	5	2	1	1
	N	1	1	1	1	1
Total	Mean	3	3.4	3	3	1
	N	5	5	5	5	2
	Std Dev	1.58	1.52	1.58	1.58	0.0

**Key**

A, B, C, D, E represent the pharmaceutical companies that form part of the population of the study.

This was measured against an overall summary as shown in table4.3.1.1 below.

Table4.3.1.1 Statistics used as a standard to measure the overall performance of the multi-national companies in relation to adoption of marketing strategies in the marketing of anti-retroviral drugs.

N	5
Mean	3
Median	3
Mode	1
Std dev	1.5811
Variance	2.5
Range	4.0
Minimum	1.0
Maximum	5.0
Sum	15

Source: Field Study/Data Analysis

Looking at the data in table 4.3.1.1 above, social responsibility scores a mean of between 1 and 4, with an overall statistical value of 3, in reference to Social responsibility. 80% of the respondents adopt social responsibility as a marketing strategy in marketing Antiretroviral drugs.

Profit maximization scored a high mean of 5.0 with 50% of the respondents, as an important factor in the marketing of Antiretroviral drugs.

Public relations with a mean of between 3 and 4, with 40% of the respondents scoring 3, with 40% of the respondent scoring 4.

Social Marketing with means of between 1 and 5 of the mean with 40% of the respondents adopting the strategy.



Direct marketing scored between 1 and 5, but was clearly not a popular method of marketing of Antiretroviral drugs, with 40% of respondents scoring a mean of 1, 40% of the respondents scoring 2, and 20% of the respondents scoring a mean of 5. Social responsibility therefore is an important focus for companies that are involved in marketing of antiretroviral drugs.

Table 4.3.1.1.1 gives the responses of the importance of activities related to social responsibility in terms of awareness shown by respondents.

TABLE 4.3.1.1.1 Case Processing Summary

	Cases		Excluded	N	Percent	Total	N	Percent
	Included	N						
Importance	5	23.8%	16	76.2%	21	100.0%		
Activities	13	61.9%	8	38.1%	21	100.0%		
Time	6	28.6%	15	71.4%	21	100.0%		
Factors	20	95.2%	1	4.8%	21	100.0%		
Position	6	28.6%	15	71.4%	21	100.0%		
Method of budget	7	33.3%	14	66.7%	21	100.0%		
Actions	9	42.9%	12	57.1%	21	100.0%		

Source: Field Study/Data Analysis

The summary above in the table 4.3.1.1.1 seeks to establish the distribution of the attributes we have chosen rating them from 1-7, so as to establish the awareness of the respondents to social responsibility. Activities related to social responsibility e.g. walks scored a 61.9%. This generally goes to show that, the awareness among the managers of multi-national companies is high. The factors, which would affect companies engaging in social responsibility scored a high 95.2%, indicating that these factors could affect the role they, play in engaging in social responsibility activities. In terms of importance, social responsibility scored a low 23.8% among other key marketing activities.

The above tabulations show that the awareness of the concept of social responsibility is high, but is pegged on the performance of the company. A drop or gain in profits, will definitely affect the companies decision to engage in social responsibility activities. Companies however, know the particular activities to undertake and there is direct correlation to the types of actions a company would like to pursue e.g. walks

The most important factor affecting a company's motivation to engage in Social responsibility activities is seen to be availability of funds.

#### 4.4 RELATIONSHIP BETWEEN ENDEAVOURS, ACTIONS AND ACTIVITIES INVOLVED IN SOCIAL RESPONSIBILTY

Table 4.4.1: Table showing the relationship between social responsibility activities and the factors that affect a companies decision to involve themselves in social responsibility activities

Social resp. actions	Activities	Factors		
		Funds	Competition	Company Policy
Not Applicable	Donations	20%		
Drug donations	Donations	20%		
Community HIV Programs	Donations		20%	
Use of leaflets	Donations	40%		
Price reduction	Building Hospitals	20%	100%	
	Sponsorships		100%	
	Walks		100%	
Campaigns	Walks			100%
Awareness thru media	Sponsorship			100%

Source: Field Study/Data analysis

The Table 4.4.1 illustrates that for companies who do not engage in social responsibility activities they resort to giving out donations to the less privileged, tying this activity to availability of funds. This factor was upheld by 20% of the respondents.

The relationship shown in the table above shows that the drug donations given by the drug companies are directly linked to availability of funds so long as there is minimal loss in profits. Up to 20% of the respondents rely on these funds.

For the community HIV programs, these are mainly undertaken to ward off the competition with little in mind for the social responsibility. Upto 20% of the respondents respond this way. These multi-nationals peg this activity to donations. Price reduction of the anti-retroviral drugs is affected mainly by competition in the market and availability of funds. Activities, which would otherwise benefit from such price reductions, include building of hospitals, sponsorships and walks.

The table above continues to show activities like the aforementioned "our heart beats for Kenya", which can be clustered under company campaigns, should be attributed to Company policies, leading to their implementation. Most companies who engage in these activities would also engage in walks as part of their social responsibility activities.

Awareness through the media, would be conjoined by sponsorships to events and personalities, but is mostly affected by customers needs at the time and also company policies.

Using the Pearson Correlation test it was noted that there was definite correlation between aspects like:

Consideration of social and ethical considerations, when marketing antiretroviral drugs, which scored 1 thus signifies a positive correlation between the two variables.

Consideration of the needs, interests and wants of the target market, scored -.674, showing a negative correlation between this aspect and the marketing of antiretroviral drugs

Consideration of societal needs when marketing Antiretrovirals scored -.674, showing negative correlation

Engaging in activities that result in changes of social behavior in the marketing of antiretroviral drugs scored .316, showing positive correlation between the two variables.

Company coordinating and guiding community on health matters scored .289, showing positive correlation between this activity and the marketing of antiretroviral drugs.

This is shown in the table below:

Table 4.4.1.1 Correlations

	Activities	a	b	c	d	e
Pearson Correlation		1	-.674	-.674	.316	.289
Sig (2 tailed)			.326	.326	.684	.638
N		5	4	4	4	5

The activities were coded a-e.

Companies should therefore adopt to consider social and ethical considerations when marketing anti-retroviral drugs since Pearson correlation of 1 would signify a perfect positive correlation, -1, a perfect negative correlation and 0, no correlation at all.

Important to note that a correlation coefficient close to zero does not necessarily mean that there is no relationship between two variables - merely that no (or very little) linear relationship exists between two variables.

## CHAPTER 5

### 5.1.0 DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1.1 Description of the relationship between social responsibility and profit maximization

50 % of the respondents engage in social responsibility activities, while 50% do not.

50% of the respondents, who engage in social responsibility, do so because they have shown a decline in profits in the marketing of anti-retroviral drugs. 50% of the respondents who do not engage in social responsibility activities do so because they have shown a decline in profits.

5.1.1.1. The marketing strategy link between profit maximization and social responsibility.

50 % of the respondents adopted a strategy of coalition formation. The respondents according to the study saw it as the most prevalent and yet ignored form of conflict resolution. Cooperation is encouraged in coalition strategy

50% of the respondents adopted a collaboration strategy in the resolution of the conflict between social responsibility and conflict management in the marketing of anti-retroviral drugs. Persuasion is the principle behind collaboration.

5.1.1.1.1 influence on the decision to lower prices of antiretroviral drugs.

20% of the respondents admitted that corporate social responsibility objectives accounted for the decision the multi-national companies reduced their prices 100% of the time. A further 80% of the respondents declared that consumer pressure, , government pressure and pressure from lobby groups resulted in a reduction of prices of Anti-retroviral drugs.

## 5.2 Examination of the concept of social responsibility

### 5.2.1 Importance of social responsibility in marketing of ant-retroviral drugs.

Social responsibility scored mean of 3 out of a possible 3, with 20% of the multi-national companies upholding it a strategy in the marketing of anti-retroviral drugs.

Profit maximization scored a mean of 3, out a possible 3.

Social marketing score a low mean of 3, showing it as the least. Direct marketing scored a 2, followed by Public relations at 3, which were at par with the mean.

#### 5.2.1.1. Analysis of the awareness of the social responsibility concept by multinational companies.

23.8 % of the respondents considered social responsibility as an important activity. In terms of the activities with which multi-national companies engaged in, 61.9% of the respondents considered them important.

The time taken to engage in social responsibility activities was also considered, with 28.6% of the respondents considering it important.

The method of budget considered to account for social responsibility activities took up 33.3% of the respondents.

95.2% of the respondents felt that factors put across to affect social responsibility activities e.g. funds availability played a big part in there decision making process.

## 5.3 Examination of the application of social responsibility strategies

The Pearson Correlation test used where the linear relationship between application of social responsibility and the marketing of anti-retroviral drugs was tested.

The Pearson coefficient of correlation allows expressing the strength of this linear relationship on a scaleless measure from a range from -1 to 1.

Consideration of social and ethical considerations, when marketing antiretroviral drugs, which scored 1 thus, signifies a positive correlation between the two variables.

Consideration of the needs, interests and wants of the target market, scored -.674, showing a negative correlation between this aspect and the marketing of antiretroviral drugs

Consideration of societal needs when marketing Antiretrovirals scored -. 674, showing negative correlation

Engaging in activities that result in changes of social behavior in the marketing of antiretroviral drugs scored .316, showing positive correlation between the two variables.

Company coordinating and guiding community on health matters scored .289, showing positive correlation between this activity and the marketing of antiretroviral drugs.

#### **5.4 Resolution of the conflict by pharmaceutical companies between social responsibility and profit maximization in the marketing of antiretroviral drugs.**

Social responsibility as shown by Table 4.3.1 is clearly rated highly by multi-national companies in the marketing of anti-retroviral drugs. The mean score was between 1 -4 Consideration of social and ethical considerations, when marketing antiretroviral drugs, which scored 1 thus signifies a positive correlation between the two variables.

Consideration of the needs, interests and wants of the target market, scored -.674, showing a negative correlation between this aspect and the marketing of antiretroviral drugs

Consideration of societal needs when marketing Antiretrovirals scored -.674, showing negative correlation

Engaging in activities that result in changes of social behavior in the marketing of antiretroviral drugs scored .316, showing positive correlation between the two variables.

Company coordinating and guiding community on health matters scored .289, showing positive correlation between this activity and the marketing of antiretroviral drugs. , with an average mean score of 3, with 40% scoring 4, 40% scoring 3 and 20% scoring 1.

Profit maximization also rated highly by the pharmaceutical companies had a mean of between 1-5 with 40% scoring 5, 40% scoring 1 and 20% remaining indifferent.

The five factors that can be used to measure awareness and importance of the concept of social responsibility among multi-national companies in descending order are:

- Availability of funds
- Participation in walks
- Building of hospitals -actions
- Method of budget-affecting allocation of funds
- Time within which social responsibility activities are measured

The companies should however be careful not to overemphasize issues related to the following factors due to their limited influence spans, especially where they involve major costs:

Donation of drugs

Building of hospitals

Reduction of prices of drugs, thus reducing margins

This however represents a group of elements, some of which are quite influential.



## 5.5 RECOMMENDATION OF A SOCIAL RESPONSIBILITY/PROFIT MAXIMIZATION CONFLICT RESOLUTION MODEL FOR THE PHARMACEUTICAL INDUSTRY

This model is inspired by the challenges of the ethical pharmaceutical industry, attempts to highlight all the possible resolution strategies of the conflict between profit maximization and social responsibility activities in this industry.

It also recommends the appropriate nature of an effective conflict resolution strategy

### Definitions

-The multi national pharmaceutical companies here refer to all that directly relate to the ethical pharmaceutical manufacturer, distributor or sellers of antiretroviral drugs.

-The strategy here refers to the social marketing strategy effected in situations of conflict to effect change in behavior.

### Assumptions of the Framework

This framework makes a few assumptions about the multi-national pharmaceutical companies, and the anti-retoviral drugs they manufacture and market:

- Social responsibility and profit maximization are mutually exclusive events
- The strategy selected for conflict resolution is dependent on the profit and social responsibility position of the company

Thus for a company to choose a strategy to effect management of conflict both profit maximization status and social responsibility position of the company must be established first.

In the outlined framework, the strategy chosen is dependent on the profit maximization and social responsibility status of the pharmaceutical multi-national company.

### Using the framework

The job of the marketer in a situation where there is a conflict between social responsibility and profit maximization calls for the initiation of conflict management strategies so as to effect behavior change. The behavior change might call for the use of mass media campaigns.

However the use of conflict resolution strategies have been employed to tone down the effect of plummeting sales from the marketing of anti-retroviral drugs in the past 2 years.

Thus, pharmaceutical companies, depending on their status of profit maximization and social responsibility position, can use the results of the study to identify the strategies to be used to resolve the conflict between social responsibility and profit maximization.

The following strategies can be adopted:

- **Coalition strategy:**

Marketers should attempt to organize individuals to cooperate with other specific stakeholders to enhance their competitive position with respect to the entire group. This is the most rational strategy since it represents a positive channel for airing and resolving conflicts. This coalition strategy is chosen when the company is undertaking Social responsibility activities but there is no profit maximization being realized.

- The Collaboration strategy is used when conflict arises over a disagreement on some specific criteria relative to the suppliers. Conflict is resolved by persuasion. This strategy results in greater interaction and communication among those involved. The strategy is ideal when social responsibility is

practiced but there is no profit maximization from the sale of anti-retroviral drugs.

- *Compromise strategy* is used in situations where conflict arises over fundamental differences in buying objectives, particularly in task-purchasing attempts involving capital expenditures, where individuals resort to negotiations over the differences. This situation is applicable where there are both social responsibility and profit maximization yields and situations where there is no profit maximization and social responsibility either together or separately.
- *Competition strategy* is used in situations where there is neither profit maximization and/or social responsibility activities undertaken by the company. This is a strategy where companies seek to achieve their goals or further their interests by utilizing their formal authority or the formal authority of a mutual superior in the particular organization to influence change. This is a strategy that will result in biased decisions.

## 5.6 SUGGESTIONS FOR FUTURE RESEARCH

Although this study has shown the various strategies to be used faced by various scenarios where there is either profit maximization or social responsibility in the marketing of antiretroviral drugs, in the pharmaceutical industry, it was based on a small population of 6 multi-national pharmaceutical companies. Therefore the following suggestions show opportunities for future research in this area:

- A similar study may be designed to cover a broader sample of multi-national companies drawn from the region to make the results more representative
- One may also be interested in designing a large comparative study to investigate the difference that may occur among the multi-national companies

- A study may be designed to investigate the levels of importance attached to the correlation between social responsibility and profit maximization in the pharmaceutical industry or the over the counter pharmaceutical industry.

## APPENDIX 1

Letter to respondents

University of Nairobi,  
Faculty of Commerce,  
Department of Business Administration,  
P.O. BOX 30197,  
**NAIROBI.**

1<sup>st</sup> July 2002.

Dear Respondent,

I am a postgraduate student at the University of Nairobi, at the Faculty of Commerce. in order to fulfill the degree requirements , I am undertaking a marketing research project on marketing practices followed by pharmaceutical companies in Kenya. The study is titled: "**Marketing Strategies of pharmaceutical companies used to harmonize the conflict between maximizing profits and maintaining social responsibility in the marketing of social -related disease therapies -The case of HIV/AIDS drugs in Kenya**". Your organization /company , which falls within the population of interest , has been selected to form part of this study. This therefore is to kindly request you to assist me collect data by filling out the accompanying questionnaire or according me an opportunity to come and assist you fill it.

The information /data provided will be used exclusively for academic purposes. My supervisor and I assure you that the information you give will be treated in strict confidence. At no point will the name of your organization appear in the

final report. A copy of the research project with suggestions, will be made available to your organization on request.

Your co-operation will be highly appreciated.

Yours faithfully,

ASETO BARNARD B OKINYI.

MBA student

MR. T.M MUTUGU

Supervisor & Lecturer, UoN.

## QUESTIONNAIRE

### PART A

1. Name of the company .....
2. Country of origin of your company .....
3. How long have you been operating in Kenya?.....
4. How long have you been marketing anti-retroviral drugs in Kenya?.....
5. What other products do you market in Kenya?  
{ } Prescription only medicines { } pharmacy only { } both
6. What was your total number of employees as at the end of last year?.....
7. Do you have a sales and marketing department?  
{ } Yes { } No
8. Who prepares your marketing and promotion programs? Please give  
title.....
9. Designation of respondent.....
10. Do you get any marketing support from your head office?.....  
If yes, please specify what type of support.....
11. What was your total pharmaceutical budget in Kshs during last financial  
year?.....
12. What percentage did the anti-retroviral product profile contribute to your  
total sales in the last financial year?.....
13. Does your firm engage in social responsibility activities (in relation to ensuring  
the prices of goods and services are affordable) in the sale and marketing of  
Anti-retroviral drugs?.....

14.If yes, please specify.....

15.Does your firm have a procedure of tracking and analyzing the effectiveness of social responsibility activities outlined in 12 above?.....

If yes, please specify. -----

16.What is the relative size of your organization on the basis of the following (using the year 2001 records).

- Sales turnover.....

17.In your organizational structure, what is the position of the head of marketing department in relation to the other functional heads?

(Please tick)

Department	Higher	Same	Lower
Finance	{ }	{ }	{ }
Human Resource	{ }	{ }	{ }
Information Technology	{ }	{ }	{ }
Operations	{ }	{ }	{ }

18.Who do you consider to be your major competitors in the industry, in the sale of anti-retroviral drugs in Kenya?

(Please list in order of importance, 1 being most important and 4 least important)

1. .... 2. ....  
 3. .... 4. ....

19.I) Where are the most of your marketing activities of anti-retroviral drugs targeted?

Rank in order of importance.

	v. impt	impt	less impt	least impt
a. Medical practitioners	{ }	{ }	{ }	{ }



- b. Lobby groups(e.g. Oxfam)    { }        { }        { }        { }
- c. Government                    { }        { }        { }        { }
- d. Non-governmental  
    Organizations                { }        { }        { }        { }
- e. Pharmacists                    { }        { }        { }        { }

ii) What is the opinion of your consumers of Anti-retroviral drugs in relation to price? Tick the appropriate box.

V imp { }    Impt { }    Less imp { }    Least imp { }

20.i) Has your company reduced the prices of anti-retroviral drugs, as from the enactment of the Industrial Properties Bill - which commenced on May 1<sup>st</sup> 2002?

Yes { }        No { }

ii) If yes, what among the following influenced your decision to lower the prices of anti-retrovirals? Tick in the appropriate box:

- a. Consumer pressure { }
- b. Government pressure { }
- c. Lobby groups { }
- d. Corporate Social responsibility objectives
- e. Others, specify -----

21.If your firm reduced the prices of anti-retroviral drugs, has your firm managed to maintain their projected profitability margins?

Yes { }    No { }

ii) If no, state the strategies you have adopted to maintain profits from the sale of the anti-retroviral drugs.-----

22. Can you state the percentage reduction in price of the anti-retroviral drugs your company effected, and when?

Percentage reduction { }        year price reduced { }

23. When faced with a situation where you have to balance between reduction of prices of the drugs you market and maintaining current prices, do you: (Please tick the appropriate option)

- a. Co-operate with the specific groups and reduce your prices-----
- b. Use persuasive methods to change the opinions of the aggrieved-----
- c. Negotiate over the differences-----
- d. Avoid or ignore the issue all together-----
- e. Use your influence and power to influence the decision making process.
- f. Others, Please specify----

### PART B

1. i. Please rank the following activities in order of importance to your organization, in relation to the marketing of anti-retroviral drugs, with 1<sup>st</sup> rank being most important, 2<sup>nd</sup> rank next important and so on.

- a. Social Responsibility { }
- b. Profit maximization { }
- c. Publicity and Public relations { }
- d. Social marketing i.e. (initiating programs that manage changes in consumer attitudes) { }
- e. Direct marketing (i.e. the use of medical representatives, detailing the products to professionals) { }

ii). Which of the following types of social responsibility activities does your company engage in actively? Please tick the appropriate answer

- a. Donation of anti-retroviral and other forms of drugs. -----
- b. Building of hospitals, clinics-----

- c. Walks for the needy and those requiring various forms of ailments e.g. heart run, diabetic walk-----.
- d. Sponsorships to medical personnel for seminars, education-----
- e. Others specify-----

2. After how long does your company evaluate the impact of the activities mentioned in 1 above.

- a. .... Months
- b. .... Years
- c. .... Not applicable

3. Does your company make deliberate efforts to engage in social marketing and social responsibility activities with an aim of creating a positive image towards your firm and your products?

{ } Yes                      { } No

4. If yes please specify two activities:

- a. ....
- b. ....

5. To what extent do the following factors determine the choice of social responsibility activities to be used?

	Most commonly used	Moderately used	Rarely used	Never used
	4	3	2	1
a. Availability of funds	{ }	{ }	{ }	{ }
b. Market competition	{ }	{ }	{ }	{ }
c. Political pressure	{ }	{ }	{ }	{ }
d. Type of customers	{ }	{ }	{ }	{ }
e. Skills of staff	{ }	{ }	{ }	{ }
f. Company policy	{ }	{ }	{ }	{ }

- g. Profitability                    { }            { }            { }            { }
- h. Suitability                    { }            { }            { }            { }
- i. Company image                { }            { }            { }            { }
- j. Others (specify)                { }            { }            { }            { }

6. Does your company engage in social marketing strategies? If yes, please identify with the following with regard to your social marketing activities.

(Tick as appropriate)

	Always	Sometimes	Never
a. Who to communicate with	{ }	{ }	{ }
b. Where to communicate	{ }	{ }	{ }
c. When to communicate	{ }	{ }	{ }
d. How often to communicate	{ }	{ }	{ }
e. What means to communicate with	{ }	{ }	{ }
f. Content of communication	{ }	{ }	{ }
g. Estimate cost of communication	{ }	{ }	{ }
h. What expected result should be	{ }	{ }	{ }

7. Please tick as appropriate:

Does your company: -

	Always	Sometimes	Never
a. Develop means of evaluating social responsibility activities			
b. Evaluate competitors' social responsibility activities against your own.			
c. Undertake social marketing planning to identify the most effective tools of reaching target customers.			
8. What method does your company use to set the social responsibility budget?			

- Percentage of sales
- All available funds
- Follow competition
- Budgeting by task/ objectives

9. Has your firm in the last 2 years, been under any obligation to reconsider your social responsibility position, in relation to the pricing, of your firm's anti-retroviral drugs? Please specify.....

**PART C**

1. Which of the following does your company actively engage in? Rate the following according to importance with **5** being the most commonly done and **1** the least commonly done.

i. Does your company consider the social and ethical considerations of your target markets? -----

V.Strongly agree{ } Strongly Agree { } Agree { } Disagree { } Strongly Disagree{ }

ii. Does your company determine the needs, wants and interest of your target market before introducing new and existing products? -----

V strongly agree { } Strongly agree { } Agree { } Disagree { } Strongly Disagree{ }

iii. Does your company consider the needs of society when setting corporate objectives? -----

v. Strongly agree { } Strongly agree { } Agree { } Disagree { } Strongly Disagree { }

iv. Does your company engage in activities that will result in changes in social behavior? -----

V strongly agree { } Strongly agree { } Agree { } Disagree { } Strongly Disagree { }

- g. Profitability                    { }            { }            { }            { }
- h. Suitability                    { }            { }            { }            { }
- i. Company image                { }            { }            { }            { }
- j. Others (specify)                { }            { }            { }            { }

6. Does your company engage in social marketing strategies? If yes, please identify with the following with regard to your social marketing activities.

(Tick as appropriate)

	Always	Sometimes	Never
a. Who to communicate with	{ }	{ }	{ }
b. Where to communicate	{ }	{ }	{ }
c. When to communicate	{ }	{ }	{ }
d. How often to communicate	{ }	{ }	{ }
e. What means to communicate with	{ }	{ }	{ }
f. Content of communication	{ }	{ }	{ }
g. Estimate cost of communication	{ }	{ }	{ }
h. What expected result should be	{ }	{ }	{ }

7. Please tick as appropriate:

Does your company: -

	Always	Sometimes	Never
a. Develop means of evaluating social responsibility activities			
b. Evaluate competitors' social responsibility activities against your own.			
c. Undertake social marketing planning to identify the most effective tools of reaching target customers.			

8. What method does your company use to set the social responsibility budget?

- Percentage of sales                       All available funds
- Follow competition                       Budgeting by task/ objectives

9. Has your firm in the last 2 years, been under any obligation to reconsider your social responsibility position, in relation to the pricing, of your firm's anti-retroviral drugs? Please specify.....

### PART C

1. Which of the following does your company actively engage in? Rate the following according to importance with **5** being the most commonly done and **1** the least commonly done.

i. Does your company consider the social and ethical considerations of your target markets? -----

V.Strongly agree  Strongly Agree  Agree  Disagree  Strongly Disagree

ii. Does your company determine the needs, wants and interest of your target market before introducing new and existing products? -----

V strongly agree  Strongly agree  Agree  Disagree  Strongly Disagree

iii. Does your company consider the needs of society when setting corporate objectives? -----

v. Strongly agree  Strongly agree  Agree  Disagree  Strongly Disagree

iv. Does your company engage in activities that will result in changes in social behavior? -----

V strongly agree  Strongly agree  Agree  Disagree  Strongly Disagree

v. Does your company co-ordinate and guide various groups in communities to optimize health education matters? -----

V strongly agree { } Strongly agree { } Agree { } Disagree { } Strongly Disagree { }

2. Of the following marketing activities used to maximize end- user response to your products please rank the following according to importance to your company on a scale of 1-5 , where 1 is very important, 5 least important:

v. imp{ } impt { } slightly imp{ } not imp{ } indifferent{ }

a. Market segmentation..... { } { } { } { } { }.....

b. Consumer research..... { } { } { } { } { }.....

c. Product concept development and testing... { } { } { } { } { }.....

d. Use of incentives..... { } { } { } { } { }.....

e. None of the above..... { } { } { } { } { }.....

**THANK YOU FOR YOUR CO-OPERATION**



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