

// An empirical investigation of the Marketing practices within the
Pharmaceutical Industry in Nairobi //

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By

JOHN MWAURA NDIHO
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SUPERVISOR - DR R.M. MUSYOKA

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ABBREVIATION

AIDS	-	Acquired Immuno-deficiency Syndrome.
FDA	-	United States Federal Food and Drug Administration.
HIV	-	Human Immuno-Deficiency Virus.
HMO	-	Health Maintenance Organizations.
IMF	-	International Monetary Fund.
I.T	-	Information Technology
KCO	-	Kenya Consumer Organisation
MOH	-	Ministry of Health (Government of Kenya)
MSK	-	Marketing Society of Kenya
NGOs	-	Non Governmental Organizations
OTC	-	Over the Counter Drugs
UNICEF	-	United Nations International Children and Educational Fund.
WHO	-	World Health Organization.
FMCG	-	Fast Moving Consumer Goods

DECLARATION

This research project is my original work and has not been presented for a degree at the University of Nairobi or any other University.

Sign: 

JOHN NDIHO

Date: 23/10/01

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

Sign: 

DR.R.M. MUSYOKA
LECTURER
UNIVERSITY OF NAIROBI

Date: 24/10/2001

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ABSTRACT

The study objective was to investigate the marketing practices within the pharmaceutical industry in Nairobi.

The research was conducted between March and August 2001. The sampling frame comprised one hundred twenty three (123) pharmaceutical firms in Nairobi dealing with manufacturing and distribution of drugs as listed in the medical Directory, 2000. Sixty-two (62) firms were selected using simple random sampling process.

The underlying premise was that lately there has been a hue and cry on the question of quality and rising cost of pharmaceutical products. Inadequate regulatory and lengthy bureaucratic procedures have led to inefficient and insufficient supplies of pharmaceutical products in the public sector.

The Advent of HIV/AIDS has further complicated the issues with the moral question being asked on whether pharmaceutical firms should be allowed to profit from Human Misery.

Alongside these, major changes have occurred in the industry which has been characterized by the exit of multinational manufacturing facilities, proliferation of firms and number of products available in the market. Owing to these challenges, the need for firms to embrace the marketing concept cannot be over emphasized.

Both primary and secondary data was collected. Secondary data was obtained from extensive review of literature, while primary data was collected using structured and unstructured questionnaire comprising two sections. The technique for analyzing the data comprised the use of descriptive statistics such as charts, tables, graphs and percentages.

The study found that although most of the firms were adhering to some of the marketing concepts, they were far from grasping its full potential.

The firms did not have adequate procedures and systems necessary for implementation of marketing concepts. The marketing plans were short term and did not focus on the strategic value of building brands. The author recommends that marketers should behave like entrepreneurs by creating market driven strategies by adopting and implementing the marketing concepts rather than applying them haphazardly, thereby failing to realise its full benefit.

Marketing managers must have factual, market based information that will help them design innovative ways and strategies on how to keep their market share and profitability in the short and long term.

The findings reported represent the population of the pharmaceutical industry in Nairobi that is involved with marketing activities. That is both manufacturing and distribution firms. It is through the actions and decisions of these respondents that we are able to measure, learn and make conclusions and recommendations on the application of marketing concepts.

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CHAPTER 1

INTRODUCTION

1.1 BACKGROUND

The pharmaceutical market is characterized by considerable complexity. Part of the complexity is intrinsic to this industry, relating to the large number of similar products which are available but which are differentiated by brand names and display price variation. Another part of the complexity is a function of the specific conditions prevailing to Kenya, which includes such considerations as difference in the type of firms involved in the industry and differences in the route by which consumers receive the final product. A convenient distinction can be made between ethical and over the counter (OTC) medicines. An ethical drug is one, which should only be obtained through prescription dispensing by medical practitioners, Such drugs are available from licensed pharmacies, Hospitals and dispensaries. OTC products are not considered dangerous in the same sense as ethical products and can be sold and bought by anyone. A further distinction can be made between generic and brand names both can be OTC or Ethical. The importance of the distinction being that the latter are known by brand names which may or may not be subject to patent protection and the former are known by a general name which sometimes refers to their content or their effect.

The past one decade has witnessed unprecedented emergence of various forces that have posed serious challenges to the traditional premises and practices of marketing. These forces include stiff competition, globalization of product markets, deregulation, increasing convergence of consumer preferences, dumping, explosion of Information Technology (IT), a desire to access a portfolio of international brands and difficulty in establishing new

brands (Capron and Hulland, 1999). Consumers have become better educated; more inquisitive and demanding while products have become increasingly complex and specialized. Kaplan and Norton (1996) observes that companies are shifting their focus externally to the customer unlike in the past when companies tended to concentrate on their internal capabilities, emphasizing the product performance and technological innovation. Professionalism, competency, prices and convenience in that order were found to be the most important factors in determining pharmacy patronage in Kenya (Thuo. H, 1999). This constitutes a new marketing environment and pose serious challenge to the survival and profitability of firms. Mbau (2000) argues that building and applying brand equity is the core to all marketing strategies and will determine the success of firms in the future. Kotler (1994) has defined marketing as a social and managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging products or services of value with others. Aakar (1998) defines Strategic marketing as focus on the market environment facing the firm in order to gain insights into the current conditions and also to be able to anticipate changes that have strategic implications.

Porter (1998) has suggested that low cost and differentiation represent the two basic strategies available to firms and that all successful strategies will involve one or both of these strategies. Fast moving consumers goods (FMCG) manufacturers have recognised it takes huge investment to build a successful brand and have tried to make their brands last as long as possible. Some like Coca-Cola have stayed at the top for decades by presenting product changes as improvements and refinements rather than as breakthroughs. In contrast, the pharmaceutical industry has always given new products a new name. By introducing a new name, they signal to the market that the product itself is new. Unfortunately this approach has tended to throw away the companys previous marketing investment, as it has to build a new brand with each new product. Corstgen and Carpenter (2000) in their paper on managing brands suggest new- product new brand strategy is becoming

less and less feasible and that the solution might be a trade-off between communicating new product's newness and retaining the loyalty of customers by building a franchise around specific therapeutic areas based on a focused approach to research and development. In other words having corporate brands replacing individual drug brands. Within the last ten years, certain changes have taken place within the pharmaceutical industry in Kenya. There are pertinent developments within the environment that are sending signals to firms in the industry to change the rules of the game and be competitive in order to survive. The economic reforms were introduced in most developing countries including Kenya in the early 1980's by the intervention by international organizations like the World Bank and IMF. Due to these economic reforms in Kenya, there has been major changes in the industry which has been characterized by the exit of multinational manufacturing facilities, proliferation of companies marketing pharmaceutical products and increase in the number of products available in the market (Drugs and chemists, 1999). This experience is similar to that of China, which was forced to change its drug policy due to changes in its economic system. The Drug policy Reforms led to changes in the drug distribution system, from a centrally controlled supply system to a market-oriented demand system. Hospitals can now purchase drugs directly from drug companies, factories and retailers, leading to increased price competition. Patients have easier access to drugs, as more drugs become available on the market. At the same time, this has also entailed negative effects like drug overuse and misuse.

Marketing practices have influenced drug distribution so strongly that there is the risk of fake or low quality drugs being distributed (Dong et al, 1999). In the past, Pharmaceutical companies have marketed prescription drugs primarily through a direct sales force that distributed education materials and free samples to physicians. Consumers were rarely aware of new therapies except as prescribed by their doctors. Today courtesy of extensive advertising and internet use, consumers have access to health care information and this is transforming people from passive to active participants in the management

of their health. In the current age of considerable competition and fragmentation, pharmaceutical firms must create differential advantages for the consumers of their products and services. Thus the dire need to embrace the concept of marketing.

Given higher costs, greater competition and shrinking demand, firms must seek to increase the efficiency of their marketing expenses. Corstjens and Carpenter (2000) suggests on their paper on managing drugs that pharmaceutical firms need to emulate fast moving consumer goods (FMCG) who have responded to product proliferation and falling margins by building strong brands identities in specific areas. They further suggest that marketing considerations rather than product technology should guide strategic decisions. Marketers need a more thorough understanding of consumer behaviour as a basis for making better strategic as well as tactical decisions about product positioning and marketing mix actions.

The environment is composed of political, legal, social, economic, customer, technological and competitive factors. The external environment forms a part of systems that enter into a relationship with any firm, the firm itself being a system on its own. Firms are social-economic entities that are goal directed, deliberately structured activity systems with identifiable boundaries (Bedeian 1980). The achievements of a firm's goals are only possible through appropriate interactions with the environment. Thuo (1999) observes that the dominant forces, which impact on the pharmaceutical industry, include history and traditions, government, economy, political forces, technological advances, consumerism, organizational restraints and social factors. The rapid proliferation of new drugs has made it more difficult to differentiate the drugs on scientific merit alone. U.S FDA 1997 science rating in terms of innovativeness reviews that no drug received better than a "B" rating for the science behind the molecule. This means that none of the drugs was considered a significant improvement over existing treatments (Corstjens and Carpenter 2000).

One may observe that it is not only the pharmaceutical industry, which is at a crossroad over increasingly complex business situation brought about by the stated environmental changes. These have been mainly occasioned by the economic reforms in the economy and worldwide technological changes. Bett (1995) observes in his study on dairy industry that firms have to improve on all aspects of the marketing mix in order to remain competitive in the market place. Most countries including Kenya and other African states are characterised by low levels of living, low level of productivity, high rates of population growth, high unemployment and insufficient dependence on agricultural production and primary food exports (World Bank report, 1994). There is also a general tendency for many of them to rely on foreign aid to finance their development activities. Kenya needs foreign aid but this has become increasingly conditional upon requirements set by donor countries. In 1992, IMF and World Bank suspended funding to Kenya. Resumption of such funding was conditional on Kenya making positive economic, social and political changes. Hofer and Schendel (1978) observed that for firms to be effective and hence successful, they should respond appropriately to changes that occur in their respective environment.

The environment in which firms operate in Kenya has changed due to the ongoing economic and political reforms. Owino (1988) observed that most pharmaceutical firms in Kenya were operating at or below 30% capacity and that the way forward was through export promotion to utilize the excess capacity. Patrick (1987) reported that government control on the industry was stifling growth and suggested that the government reduce its control on the industry as a means of stimulating growth. The firm's interaction with such environmental factors is essential for survival. For this interaction to occur, the firm must be an open system. The organization has to find and obtain needed resources, interpret and act on the environmental changes, dispose of outputs, control and co-ordinate internal activities in the face of environmental turbulence and uncertainty if it is to be effective (Ansoff, 1999). It can be said

that most firms in Kenya started to experience the effects of these reforms in the early part of 1990s when the implementation process was accelerated.

As regards the pharmaceutical industry, the field is dominated by multinational firms conducting business within the East African region. The industry is estimated to be about Kshs 10 billion with an annual growth rate of about 5% (Image Dynamic report, 1999). Mehl and Santell (2000) observes the world pharmaceutical market growth rate to be about 12% with an investment of Kshs 1920 billion in research and development in 1999. The sale of generic drugs in year 2000 was also expected to increase from Kshs 960 billion to Kshs 1120 billion. Aldrich (1980) noted that to understand the whole organization, it should be viewed as a system – as a set of inter-related elements that acquires inputs (such as employees, raw materials, information and financial resources) from the environment then transforms them into something of value (output) that can be discharged back into the environment. The transformation process most importantly takes into consideration the competitive forces. These competitive forces determine the state of competition in an industry (Porter 1998). Such forces are classified into five basic components. These are bargaining power of suppliers, the bargaining power of buyers, threat of new entrants, threat of substitute products or services and rivalry among existing firms. Thus the challenges facing the industry are enormous with more firms and products competing within the market, coupled with slow down in the economy. This has meant that firms have to be more innovative in order to survive.

1.2 STATEMENT OF THE PROBLEM

The pharmaceutical industry is quite significant in the provision of healthcare as it constitutes more than 50% of the supplies to Health institutions in Kenya (Odeny 1987). The Ministry of Health (MOH) has attempted to reform the health sector through publication of the Essential Drugs List (1994). However the implementation has raised a number of issues like whether it should focus on promoting public health issues in general or on drug availability and how and where the drugs should be purchased. The government has been accused of being ineffective in the supervision of the industry by abetting illegal importation, manufacture of substandard products and licensing of unqualified persons (Atebe 1999). This has exacerbated the problem in that it is increasingly becoming difficult to differentiate the product offerings.

Since the early 1990's, a lot of changes have taken place within the industry which have raised the level of turbulence considerably. The configuration of competitive forces such as competitors, new entrants, substitute product suppliers and buyers have transformed the environment a great deal creating the need for firms to change their competitive positions. These changes have had a dramatic impact in marketing practices in that organizations have had to change their strategies in order to survive. Marketing must be recognised as is a central activity of modern organisations. To survive and succeed, organisations must know their markets, attract sufficient resources, convert these resources into appropriate products, services and ideas, and effectively distribute them to various consuming publics.

In terms of the marketing mix elements, the product has to be made to suit the customers stated needs, they have to be of high quality and value to the customers. The price has to be reasonable depending on the level of income prevalent in the environment. The distribution system should target areas where the population is located and enhance ease of availability and proximity of the product. In terms of promotions, (Munyu 1999) argues that social

changes have forced marketers to become more conscious of what the customer is looking for and they have resorted to giving more information on the product on why it should be used as opposed to competing product.

The entry of insurance medical provider (HMO's) in Kenya has also weakened manufacturer power to maintain high prices on medicine, most HMOs and hospitals have established drug formularies suitable for use against particular illnesses and where appropriate generic exist they have encouraged the substitution of the higher priced branded drugs with the generic. Indeed the Kenya National Drug Policy (1994) emphasizes the need for prescribing by generic names as opposed to brand names. As a strategy to counter this new threat, most firms have reacted by offering bigger discounts to hospitals and HMOs. This experience is similar to USA where HMOs receive 20 to 25 percent discount on the wholesale prices paid by retail pharmacies (Boston 1993). The advent of HIV/AIDS has further complicated the marketing issues in the pharmaceutical industry with questions being asked on whether firms should be allowed to make profits while man kind perish and the medical profession calling on the government to enact legislation to allow parallel importation or local manufacturing of generic to combat this new threat.

Globally and as a consequence of the pressure to develop innovative medicine versus shareholders demand for higher returns on investments, there has been a wave of acquisitions and mergers amongst major pharmaceutical firms like Ciba Geigy and Sandoz to form Novartis and the recently concluded merger between Glaxowellcome and SmithKlineBeechams to create the worlds biggest pharmaceutical firm. Further, the rapid fragmentation and segmentation of drug markets and the respective strategies of domestic as well as foreign competitors have prompted the need to constantly create new market niches via new brands. There is also continuous transformation of products to add more value in terms of features and quality service with a view to achieving and maintaining true differentiation

This study therefore seeks to unearth new insights and information by investigating the marketing practices deployed by pharmaceutical firms in Nairobi.

1.3 **Research Objectives**

The objective of this study is: -

- (a) To investigate the marketing practices embraced by the pharmaceutical firms in Nairobi.

1.4 **Importance of the Study**

It is anticipated that the findings of the study will be of value and interest to the following groups:

- a) The pharmaceutical firms shall be able to utilize the research findings and recommendations from the study to nurture and develop better marketing practices.
- b) The advertising and marketing agencies, as well as advisers and consultants to pharmaceutical firms regarding product promotions and communication of various product features, will hopefully find the results of the study invaluable in terms of their current stock of knowledge, skills and the new insights and directions unearthed by the study. The recommendations made are expected to shed light on newer and fresher avenues of adding value to the marketing of pharmaceutical products.
- c) Scholars, academicians and researchers will also find the study a useful starting point for further research in various aspects of marketing.

- d) Other interested organizations including the media, marketing Society of Kenya (MSK), Kenya Consumers Organization (KCO) and relevant departments of the government shall hopefully also find the research findings useful.

CHAPTER 2

LITERATURE REVIEW

2.1 Marketing

The starting point of all business operations is the customer and his needs. Marketing creates customers by making sure that their needs are satisfied (Kohli and Jawoski 1990). The marketing concept is a business philosophy that rose to challenge the earlier concepts such as production, product and selling concepts:-

1) Product concept

This concept operates better in an economy characterised by shortages and it assumes whatever is produced is quickly sold.

2) Product concept

In this concept the marketer assumes that the consumer will buy high quality products and shun inferior products. The emphasis is on production and very little effort is put on marketing activities.

3) Selling concept

Selling and promotional efforts are essential for the product to be sold, it is assumed that consumers are unlikely to purchase enough of the product unless some selling effort is expended.

4) Societal marketing concept

As a consequence of the change in consumer attitude towards the environment and the society, marketers have become concerned with not only satisfying the consumer needs but also the societal needs

The marketing concept has a long history although its tenets did crystallise until the 1950's. The concept begins with the organizations potential, existing customers and their needs. There are 4 main components in the marketing concept as depicted below (Fig 1). The organisation plans a co-ordinated set of services, product and marketing programs to serve these needs and it hopes to build profits by creating a meaningful value satisfaction. Kotler (1972) observes that the marketing concept is customer oriented backed by an integrated marketing activities aimed at generating customer satisfaction as the key to achieving the organizational goals.

Fig 1 Conceptual Framework

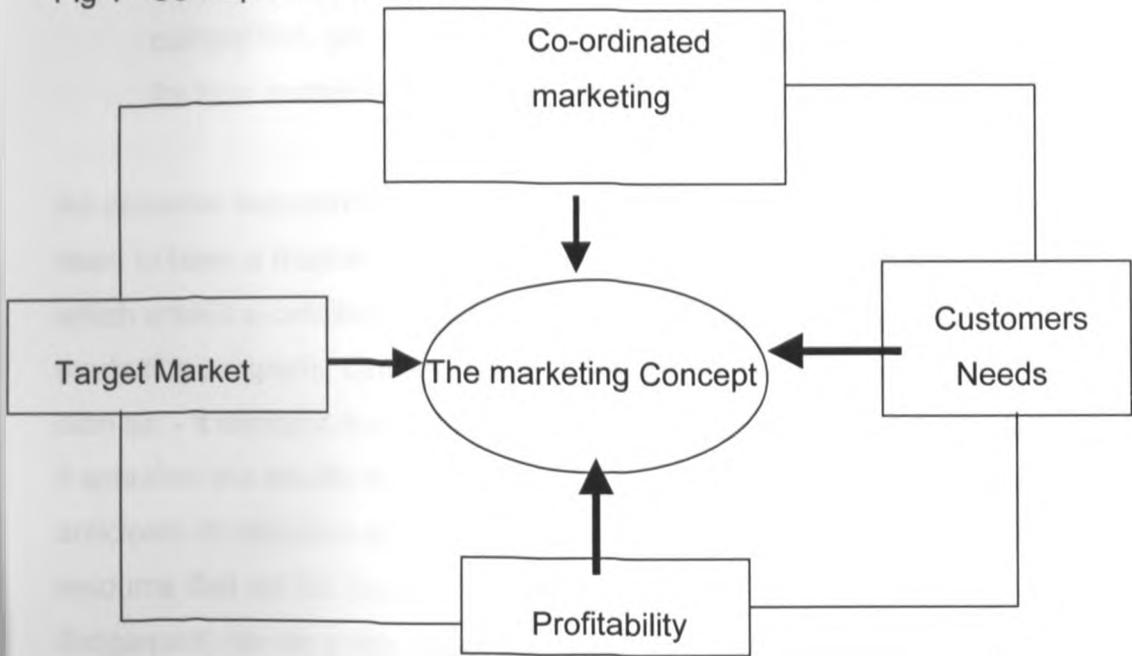


Fig 1

Kotler (1994) identified five requirements for a company wishing to adopt a customer orientation approach.

- (a) A generic definition –a company should adopt a basic definition of the basic needs that it intends to serve and satisfy.
- (b) Target group identification- definition of a basic need category. A company should recognize that it cannot manage to serve all

manifestations of these needs with every possible service or product it offers.

- (c) Differentiated products and messages. Organizations should try to meet the need variations of its chosen target group by developing differentiated products, services, messages and marketing programs
- (d) Consumer research - The concept requires a substantial investment in customer research to measure, evaluate and interpret the wants, attitudes and behaviour of various target groups.
- (e) Differential advantage strategy - Organizations that are interested in gaining customers and serving them well tends to search for real values to offer and not trivial differences. In the current age of intense competition, pharmaceutical firms must create differential advantages for their customer.

An essential requirement for firms embracing the marketing concept is the need to have a marketing plan. The plan is a formally prepared document, which entails a detailed formulation of action necessary to carry out a marketing program. Cohen (1988), gives the principal functions of a market plan as: - it explains the situation, both present and future of the planning unit, it specifies the results that are expected, so that the organization can anticipate its situation at the end of the planning period. It identifies the resource that will be needed to carry out the planned actions, so that a judgement can be made about the wisdom of such expenditures for such purpose. It describes the action that will take place, so that the responsibilities can be assigned for implementing the campaign. It finally permits monitoring of the ensuring actions and results so that controls can be exerted.

Fundamental to the marketing concept is the recognition and acceptance of the customer as the focus of all business activities. The customer becomes the focal point through which the business revolves in order to meet its objectives. Baarch (1988) observes that in order to sell products, marketing

organizations must anticipate and adapt to the customers needs. He further defines marketing concept as :-

“ The marketing concept is based on an exchange of benefits resulting in a mutually beneficial exchange relationship. Feedback is vital and the information is reciprocal”.

Different writers have defined marketing in various ways. In 1954 the role of marketing was emphasized as influencing the success of a business in words which are still valid today.

If we want to know what a business is we must start with its purpose ---- to create customers. What a business thinks it produces is not of prime importance ---- especially not to the future or success. What the customer thinks he is buying, what he considers “ value” is decisive- it determines what a business is and whether it will prosper’ (Drucker, 1954).

Marketing has also been defined as: -

“Getting the right goods and services to the right people at the right places at the right time at the right price with the right communications and promotion “ (Kotler, 1988).

For the purposes of this project the definition of the American Marketing Association has been adopted. The Association has defined marketing as: -
“The process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives” (American Journal of Marketing 1985).

Edwards (1972) observes that transforming a non market-oriented organization into a fully responsive market-oriented organization is a tedious and difficult effort and it calls for major commitments and changes in the

organization. Marketing practices require that an organization aims all its effort at satisfying the customers at a profit. Customer-orientation guides the whole process and firms that are marketing oriented endeavor to produce what customers need. Researchers have also concluded that customer research in marketing is a necessary requirement for organizations wishing to adapt customer orientation approach (Hise, T.R 1965). Further, Berry (1974) has observed that new product marketers must do everything feasible to perceive the new product idea from the point of view of the customer.

Kotler (1988) stresses that the various departments in a firm must recognize that the actions they take, and not just the actions of sales and marketing departments may have profound effects on the company 'ability to retain customers. He further observed that, within the marketing function, there is proper intelligence, adoption, and co-ordination of product, price, place and promotion to build strong exchange relationships. Hutt (1985) observed experience has taught marketing managers that not even the best products sell themselves. The benefits, problem solutions and cost efficiencies of those products must be effectively communicated to all of the individuals who influence the purchase decision.

Ries and Trout (1996) contends that there is no objective reality, facts or best products. Rather, what exist in the world of marketing are perceptions in the minds of customers or prospects and the only way for evaluating products, is from the customers perspective. An organization should try to meet the need variations of its various chosen target groups by developing differentiated products or services, messages and marketing programs (Kotler 1998). Kotler further argues that an organization bent on gaining customers and servicing them well tend to search for real values to offer and not just trivial differences. Gachanja (1998) observed that profits rose in manufacturing firms, which had adopted the marketing concept. Nyaga (1986) noted that the role of marketing to all major organisations departments couldn't be

overemphasized. He inferred that marketing is no longer a conglomeration of distinct and separate functions but that all efforts should be treated as a co-ordinated and integrated system of related activities. He concluded that:

1. To a larger extent, both large and medium manufacturing firms had adopted the marketing concept.
2. The greatest degree of acceptance is found in customer orientation of the marketing programs and in the organizational structure of the marketing department.
3. Large firms are more committed to the marketing concept than medium ones.

There are many possible ways of satisfying the target customers needs. The marketing mix which includes price, product, promotions and distribution are some of the variables that can be manipulated to get the optimum marketing effort but for the purpose of this study the variables in the marketing mix will be price, promotion, product and place with the customer being at the Centre of all the activities. The customer is not part of the marketing mix but is instead the target of all marketing efforts.

2.2 MARKETING MIX

The basic tenet of any successful marketing strategy is a result of a combination of product, price, positioning and placement

2.2.1 PRICE

Price is the only element in the marketing mix that creates revenue. Price and pricing strategy defines the price range and movement through time that would support the sales, profit objectives and marketing positioning of the products in the target market. The pricing policy for the brand directly creates associations to the relevant price tier or level for the brand in the product

category. And because people are willing to spend a little more to get something they trust and are familiar with, branded products are able to command premium prices and hence higher profits margins (Starr and Rubinson, 1978)

Although companies selling new chemical entities commonly enjoy patent protection for a number of years after their products have been introduced, more often than not they face competition from chemically differentiated molecules that might be prescribed to meet the same symptoms, thus the typical market structure for first line drugs is differentiated oligopoly and prices are set under the following circumstances: -

(1) Pricing branded drugs

Lu and Comanor (1998) infers that drugs contributing important therapeutic gains are introduced at prices 3.2 times the level of substitute products; while those offering modest gains were priced at 2.17 times the average of substitutes and prices were expected to decline by about 13% within the first four years after introduction.

(2) Branded vs. Generics

Generics tend to enter the market at prices 40 to 70% of those prevailing before original drug patent expiry. As additional generic competitors enters a product category the generic prices fell to 29% of the pre-competition price with ten generic and 17% with 20 rivals (Caves et al 1991). Grabowski and Vernon (1992) observed that the price of original branded drug remained stable or even rose with the introduction of generics. Some manufacturers have also practiced price discrimination in an attempt to serve both branded and generic market by launching a branded generic (same drug under different label) as strategy for gaining first move advantage.

(3) **Liability Risks and Price**

Prices are also influenced by the amount of tort liability risk borne by drug manufacturers. Such risk varies both with drug inherent chemical properties and with national or state legal rules. Manning (1997) observes that roughly half the difference between prices of identical drugs in Canada and U.S.A. was attributable to drug specific tort liability risk, which was generally higher under US legal system.

2.2.2 **Promotion**

This refers to the various methods that a firm employs to establish a reputation for itself or its product. These may include advertising, sales promotion, salesmanship and publicity. Keller (1962) contends that marketing communication efforts by a firm aimed at shaping consumer perception of the product or service are useful in creating user and usage imagery attributes. Murphy (1990) further argues that companies should develop a style and structure which recognizes the fact that their most valuable and important assets are the brands. They should then focus on the proper management, development and exploitation of these assets in order to grow and prosper. Product differentiation affects firms discretion in setting prices can be enhanced by vigorous marketing effort. Dorfman and Steiner (1995) contends that profit maximizing firms will seek a ratio of advertising or other promotional activity to sales. Price cost margins are relatively high in pharmaceuticals and because doctors and consumers are responsive to promotional activity, considerable resources have been devoted to promotional activity. Traditionally prescription medicines were mainly sold in Kenya through detailing that is through one to one encounters between the medical representative and individual doctors (Mbau 2000). Advertising was mainly confined to professional Journals. However this has now changed with firms trying to create an end consumer demand for their prescription products through advertising in general readership Journals and Internet ,this imparts

an advantage over other firms in the mind of actual and potential customers.. This experience is similar to U.S.A. where the direct to consumer advertising was Kshs 80 billion in 1998 (Economist1998).

2.2.3 Distribution

Drug supply systems are a major element of public health designs in Africa where 90% of the drugs are imported. The WHO report (1990) and the UNICEF Bamako Initiative have, since the 1980s promoted the rational use of essential drugs and has attempted to ensure a sustainable drug supply through the implementation of cost recovery and quality assurance mechanisms in public health sector. It is only through distribution that public and private goods can be made available for consumption. The marketing or distribution channel comprises a set of interdependent institutions and agencies involved with the task of moving anything of value from its point of conception, extraction or production to points of consumption. The channels chosen for the firm's products intimately affect every other marketing decision. As marketers continue to face hostile, unstable and competitive environment, distribution will play an increasingly important role. Companies are under increasing pressure to move to new distribution channels which match with the market segment more precisely and effectively. Lazer et al (1990) contends that marketers will have to pay more attention to their selection of distribution channels in a bid to obtain a competitive advantage over firms that undercut them or copy their product designs.

2.2.4 Product

A product can be defined as anything that can be offered to the market for attention, acquisition, use or consumption. The product has three levels namely, the core product (functional benefit), the formal product (attributes features, packaging and quality) and the augmented product which comprises of the total benefits that the person receives or experiences in obtaining the product. Attributes directly related to the purchase or use of the product can provide functional and emotional benefits to the consumer. Quality is closely

related to value and it is measured in terms of the buyers perception of quality. Quality is the intangible overall feeling about a brand and is based on the underlying dimensions which includes characteristics of the product to which the brand is attached such as reliability and performance. This has been found to be an important attribute of the products and its effect can positively increase marketing results. According to (Garvin ,1984) dimensions of product quality includes the following: - primary product characteristics, features reliability, conformance with specification, serviceability, aesthetics and perceived quality For each product category the perceived quality determines the price of admission in terms of the minimum level of quality required.

Mwendar (1987) argues that perceived quality is the whole range of resources and activities that must be organized to maximize the satisfaction of the consumer. He notes that satisfaction or dissatisfaction depends on the performance of a good or service relative to the expectations of the consumer. He goes on to state that the expectations of product performance or service quality are like a norm that is usually set through product or service attributes, prior experience, advertisement or manipulation of the marketing mix. Diane and Kathleen (1996) contend that consumer purchases are motivated by deep psychological motives which are rooted in the Human tendency to form habits and to stick to routines. Consumers past experience with the brand is the most important factor in determining the future choices followed by price and quality. Hence the importance of developing marketing communications aimed at shaping the customer perception of the product or service in order to create usage imagery attribute.

CHAPTER 3

3. RESEARCH DESIGN AND METHODOLOGY

3.1 Population

The pharmaceutical sub- sector comprises manufacturers; distributors who are agents of manufacturers, wholesalers; who buy in large quantities, retailers and consumers. For purposes of this study, the sampling frame consisted of manufacturers and distributors who normally market various pharmaceutical products. According to the Medical Directory (2000) there are one hundred and twenty three (123) firms involved in manufacturing, marketing and distribution of pharmaceutical products in Nairobi. (Appendix I).

The respondents for the study were persons vested with the responsibility of marketing the firms' products. These were the heads of marketing or other positions mandated to play the functions of marketing. The rationale for the selection of these respondents is that they were associated with performance of various marketing management activities. They were therefore expected to be familiar with factors considered important in development of various marketing mixes.

3.2 Sample size and sample selection

Out of the total population of one hundred and twenty three (123) firms, a simple random sample of sixty-two (62) firms was taken for the study. This sample is considered sufficient and appropriate for the current research as it covered 50% of the total population. The first firm were be determined by use of random number.

3.3 Data collection

The study relied on primary data. Writers such as Howard (1983) have suggested five major ways of collecting primary data, which includes laboratory measurement, field observation, archival data, questionnaires and interview. The required data was collected using both opened ended as well as structured questions (Appendix II). The questions had been developed after a thorough review of relevant literature and comprise of two sections. Section 1 consists of questions aimed at obtaining general information about pharmaceutical firms. Section 11 focuses on factors generally considered important in marketing. After questionnaires have been dispatched, sampled firms were contacted on telephone to make appointments and to identify appropriate respondents.

3.4 Data Analysis

A research should be planned in such a way that the resulting data are amenable to treatment by the available statistical techniques. Descriptive statistics was used in the analysis of data obtained. Descriptive study presupposes prior knowledge about the phenomena being studied (Churchill, 1983). Descriptive statistics, which includes summary and diagrams statistics, was deemed adequate and more relevant than inferential statistics. The descriptive statistics used in the analysis of the data obtained includes proportions, percentages, mean as well as cross tabulations. The SPSS was used to summarize, cross tabulate and sort out the data to give appropriate rankings and strengths of the various factors.

CHAPTER FOUR

4. DATA ANALYSIS AND FINDINGS

In an effort to investigate the marketing practices within the pharmaceutical industry in Nairobi, sixty-two firms were randomly selected from a population of one hundred and twenty three registered firms in Nairobi. Eight of them were found to have either shut down or they could not be reached physically or by telephone. A further six firms turned out to be pharmaceutical agents or subsidiaries of other bigger firms and the questionnaire addressed to them ended up with one respondent who could only respond to one of them. Seven firms declined to respond citing policy reducing the number of possible respondents to forty-eight. Out of the possible respondents 20 firms (41%) responded which was considered sufficient for research purpose.

The questionnaire was designed to provide pertinent information on the core elements of marketing.

4.1 PHARMACEUTICAL FIRMS DETAIL

The detail sought from the firms engaged in marketing of pharmaceutical products covered areas such as year of establishment (table 4.1), ownership (table 4.2), number of employees (table 4.3), existence of marketing department (table 4.4).

On the questions of capital employed, assets value and sales turnover, the majority of firms (80%) declined to answer citing confidentiality that it was not possible to make an meaningful analysis.

4.1.1 YEAR OF ESTABLISHMENT

Table 4.1 Distribution by Year of Establishment

YEAR (RANGE)	FREQUENCY	PROPORTION
1930 – 1940	2	12
1941 – 1950	0	0
1951 – 1960	0	0
1961 – 1970	3	17
1971 – 1980	2	12
1981 – 1990	6	35
1991 – 2000	4	24
TOTAL	17	100

N =16; Source interview

From the above table, it can be concluded that most of the firms were relatively young having been established after 1971 (60%).

4.1.2 OWNERSHIP

TABLE 4.2 Distribution of Ownership

OWNERSHIP	FREQUENCY	PROPORTION
Wholly foreign	4	30
Joint (foreign and local)	2	10
Wholly local	12	60
Total	19	100

N =19; Source interview

From the above table majority of the firms are locally owned (60%) with another 10% being a joint venture.

4.1.3 NUMBER OF EMPLOYEES

TABLE 4.3 Distribution by Number of employees

EMPLOYEES	FREQUENCY	PROPORTION
0 – 50	9	45
51 – 100	6	30
100 - 150	0	0
150 – 200	2	10
200 and over	3	15
TOTAL	20	100

N =20; Source interview

From the above table most firms had under 100 employees (75%) with the balance (25%) being made up of firms with more than 150 employees.

4.1.4 EXISTENCE OF A MARKETING DEPARTMENT

Murphy (1990) argues that companies should develop a style and structure which recognizes the fact that their most valuable and important assets are the brands. They should then focus on the proper management, development and exploitation of these assets in order to grow and prosper. The brand management function should come out of its traditional grips of acting as a warning group for high profile marketing executive whose main task has been that of maintaining liaison between the company and its advertising and promotion agencies. This can only be achieved if all firms have a Marketing Department.

Table 4.4 With / Without Marketing Department

RESPONSE	FREQUENCY	PROPORTION
Yes	19	95
No	1	5
	20	100

N =20; Source: Interview

As indicated in the above Table, 19 firms (95 %) indicated that they had a Marketing Department charged with the responsibility of developing marketing strategies.

4.2 REACTIONS TO MARKETING MIX COMPONENTS

In order to understand the current marketing practices in the pharmaceutical industry, specific questions were posed to the respondents on marketing elements like :- Product, price, place, promotion and marketing research. These are the major variables that any marketing manager can use to affect the target market. This section covers the finding on these issues and goes further to investigate a few other aspects of marketing plans and market segmentation.

4.2.1 REACTIONS TO PRODUCT COMPONENTS

Product decisions as already indicated entails endless combinations of features, characteristics, material, packaging, range, brand, labels and servicing. Questions were asked on product range, packaging, branding, and quality and after sales follow-ups. On the type of products offered to the market these include prescription Medicine (80 %), FMCG medicines and medical devices. For brands offered to the market, most firms had more than one brand of the products, with the majority offering one to three brands (53.3

%). On what determines the number of brands offered, most indicated the issue of consumer needs and technology as being the major determinants, with 16 of the firms (84 %) indicating consumer needs as the most crucial.

The goals of packaging include product awareness, image formation and incentive to purchase. The package communicates whether the product is expensive or cheap, functional or aesthetic, high quality, normal quality or low quality. The respondents were also required to indicate the level of importance they attached to certain elements in determining product packaging. Those aspects were ranked on a 5 point Likert scale. A mean score was computed for each aspect. (Table 4.5)

TABLE 4.5 MEAN SCORE ON VARIOUS ASPECTS OF PACKAGING

ASPECT	MEAN SCORE	STANDARD DEVIATION	COEFFICIENT OF VARIABLES
a) portability to consumer	4.20	0.77	0.17
b) attractiveness to consumer	4.05	0.89	0.20
c) Cost of Packaging	4.15	0.93	0.21

N =20; Source: Interview

Mean point ranked on a 5 point Likert scale; with 1 taken to mean totally unimportant and 5 as important.

From the above table, portability to the consumer was considered the most important. It can also be concluded from the mean scores that all other factors were considered important.

4.2.2 REPLACEMENT OF DAMAGED STOCKS

Kolter (1988) views products as having three elements of attributes, benefits and support services. The marketing support services include elements that the firm provides in addition to the core product for example installation, delivery, credit after sales service, warranties and reputation. The issue of replacement of damaged stock is therefore important in determining the success of the pharmaceutical firms. The respondents were asked questions on whether they replace damaged goods and engage in any sales follow-up to ensure customer satisfaction. The findings are listed on Table 4.6 and 4.7 respectively.

Table 4.6 Distribution of Responses on Replacement of Damaged Stocks

RESPONSE	FREQUENCY	PROPORTION
Yes	14	70
No	6	30
Total	20	100

Source: Interview

On the question of replacement of any damaged goods 70 % indicated that they do replace.

4.2.3 AFTER SALES FOLLOW UPS

Similar to trust, commitment is recognized as an essential ingredient for successful long-term relationship

Table 4.7 Distribution of Responses on engagement or non-engagements in after sales follow ups to ensure customer satisfaction.

RESPONSE	FREQUENCY	PROPORTION
Yes	19	95
No	1	5
Total	20	100

Source: Interview

After sales follow-up to ensure customer satisfaction is very important in monitoring the product progress and the majority of the respondents (95 %) indicated that they engage in after sales followups.

Quality is the intangible overall feeling about a brand and is based on the underlying dimensions which includes characteristics of the product to which the brand is attached such as reliability and performance. This has been found to be an important attribute of the products and its effect can positively increase marketing results. According to (Garvin ,1984) dimensions of product quality includes the following: - primary product characteristics, features reliability, conformance with specification, serviceability, aesthetics and perceived quality. The respondents were required to indicate the level of importance certain aspects in determining the product advantages. Their responses are indicated in table 4.8.

TABLE 4.8 SCORES ON ROLE OF CERTAIN ASPECTS IN DETERMINING PRODUCT ADVANTAGE

ASPECT	MEAN SCORE	STANDARD DEVIATION	COEFFICIENT OF VARIABLES
Quality	4.9	0.31	6.88E-02
Cost to consumer	3.9	0.85	0.19
Hygiene	4.65	0.99	0.22
Packaging	4.05	0.81	0.18
Others	3	2.83	2.0

N = 20; Source: Interviews

Mean score ranked on a 5 point Likert scale with 1 taken to mean totally unimportant and 5 taken to mean very important.

The finding from the table 4.8, indicates that Quality followed by Hygiene were considered the most important in determining product advantage of the firms interviewed. Pharmaceutical being products that are supposed to treat or offer relief from various ailments it is no wonder that the aspect of quality was considered important. As indicated by the low co-efficient of variation (<1%), there was a general consistency in the response of all firms interviewed on the aspect of quality. Other factors like packaging and cost to consumer were also considered fairly important in determining the products advantages. In addition majority of the respondents (40%) listed conformance to FDA standards are as equally most important.

4.2.4 SYMBOLS/LOGOS

There is evidence in history, that names and logos were put on goods in order to identify their maker with the objective of assuring the customers and providing legal protection to the producer (Farquher, 1989). Among the key elements in a brand are the name, logo, packaging, promotion and overall design and presentation. Creating strong brand equity entails blending all these attributes together in a unique way to meet the tests of appropriateness

appeal and differentiation. These aspects help to differentiate a company's product and can be a key for gaining a competitive advantage.

Respondents were asked on whether their organization had a trade mark, slogan, theme, symbol/sign and logo. Over 89 % of the firms interviewed indicated that they had a trademark. On the slogan/theme 65 % of the firms interviewed answered positively, while 35% said that they had no slogan. Majority of the firms (83%) had a symbol or sign and while 95 % had a logo.

4.3 REACTION TO THE PLACE /DISTRIBUTION ELEMENT

Marketing channels do have enormous impact on consumer acceptance and overall economic performance, thus the need for firms to have a formal planning process for designing and selecting channels becomes imperative. Firms should analyze consumer needs for product out puts, establish channel objectives, set channel strategies in terms of coverage, exposure and support required for the product before selecting appropriate channel from available alternative channels and the selection should take place in the context of the specific needs of the consumer within the markets.

Respondents were asked questions on the distribution channel used (Table 4.9).

TABLE 4.9 DISTRIBUTION CHANNELS

Channel	FREQUECNCY	PROPORTION
Pharmaceutical distributors	15	75
Hospitals and institutions	3	15
NGO	2	10
Total	20	100

N = 20; SOURCE INTERVIEW

75% the firms indicated they use pharmaceutical distributors with 15% indicating hospitals and institutions as their distribution channel, in addition (65%) indicated they use different distribution channels for different product categories like prescription medicines which are restricted by law from certain channels and FMCG medicines which can be offered through general sales shops like kiosks and shops. Knowledge about what the consumer needs where they buy, why they buy from certain outlets, when they buy and how they buy is critical. Sellers of pharmaceutical products should determine the most profitable and effective ways to reach their target market. On the question of whether they use their sales or distribution vans or not majority (65%) indicated they use their own vans. Efficiency in delivery (39%) cited as the main reason most firms use their sales van for delivery.

The respondents were required to indicate the level of importance of certain aspects of distribution in determining their distribution channels (Table 4.10). These aspects were ranked on a 5-point like's scale. A mean score was compiled for each aspect plus some further indications of deviation from the mean score.

Table 4.10 Mean score on various aspects of distribution

Aspect	Mean Score	Standard deviation	Co-efficiently variance
Accessibility	4.05	1.00	0.22
Proper market coverage	4.55	0.83	0.18
Geographical market dispersion	4.55	1.10	0.25
Following a formal procedure in setting channel members	3.35	1.09	0.24

Mean score: Ranked on a 5 point likert scale with 1 taken to mean totally unimportant and 5 as very important.

Source: Interview

From the above table proper market coverage, geographical market dispersion followed by accessibility were considered important by the respondents. It can also be concluded from the Table that all firms considered the following of a formal procedure in selecting channel members unimportant as given by the mean score of 3.35.

4.4 REACTION TO PRICE COMPONENT

The price of an item can be a powerful force in attracting attention and ensuring sales. The pricing strategy defines the price range and movement through time that would support the sales, profit objectives and market positioning of the product in the target market. The first question required respondents to indicate the level of importance they attach on certain aspects of pricing. Their responses are given in table 4.11 after computation of mean score on each aspect.

TABLE 4.11 MEAN SCORE ON LEVEL OF IMPORTANCE ATTACHED TO CERTAIN ASPECTS IN SETTING PRODUCT PRICES

<u>ASPECT</u>	MEAN SCORE	STANDARD DEVIATION	COEFFICIENT OF VARIABLES
a) Determining pricing objective	4.10	1.12	0.25
b) Measure demand for product	4.05	1.19	0.27
c) Competitor price analysis	4.45	0.60	0.14
d) Profit margin consideration	4.35	0.59	0.13
e) Production cost determination.	4.20	1.01	0.22
f) Use of geographical pricing	2.75	1.12	0.25
g) Use of price discrimination	2.75	1.07	0.24

Mean score - Ranked on a 5 point Likert scale taken to mean totally unimportant and 5 to mean very important.

Source: interviews

From the above table, competition price analysis was considered very important in setting of prices. Profit margin consideration and production cost determination were also ranked as fairly important in setting product prices by most firms. The use of geographical pricing and price discrimination were not considered important by most firms. The co-efficient of variation were generally low indicating that there was some consistency in the reactions to the aspects by all the twenty firms.

Respondents were also required to indicate whether they sell on cash basis or credit. 65 % indicated that they sell on conditional credit while 30 % indicated they sell on cash basis only. On the issue of discounts 95 % indicated that they offer this to their customers especially when they purchase in bulk or when they purchase without credit.

4.5 REACTIONS TO PROMOTION COMPONENT

Marketing communication efforts by a firm aimed at shaping consumer perception of the product or service are useful in creating user and usage imagery attributes (Keller, 1962).

The firms were expected to respond to two questions on the issue of promotion. In the first question the respondents were asked to indicate how often their firms use certain media for advertising. They were ranked on a 5 point Likert scale starting from never to very often. A mean score was computed. (Refer to table 4.12)

TABLE 4.12 MEAN SCORES ON VARIOUS MEANS OF ADVERTISEMENT

MEDIUM OF ADVERTISING	MEAN SCORE	STANDARD DEVIATION	COEFFICIENT OF VARIABLES
Radio	2.42	1.61	0.37
Television	2.00	1.37	0.32
Cinema halls	1.33	0.84	0.20
Newspapers	2.78	1.52	0.36
Magazines	2.68	1.11	0.25
Telephone directories	2.00	1.15	0.26
Bill boards	2.06	1.35	0.32
Transit buses matatus etc	1.44	1.04	0.25
Posters	3.60	1.19	0.27
Others	3.14	1.77	0.67

Source: interviews

From the above table most firms indicated that they use posters and other advertising means like detailing Aid to advertise their products. The use of Cinema Halls and Transmits buses was quite minimal.

The firms were also asked to respond to certain aspects of sponsorship such as games and TV programs. Their responses were taken and the mean score computed (Table 4.13) from a 5 point Likert scale.

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TABLE 4.13 MEAN SCORES ON SPONSORING OF CERTAIN ACTIVITIES/EVENTS

EVENT	MEAN SCORE	STANDARD DEVIATION	COEFFICIENT OF VARIABLES
Games/sports	2.05	1.31	0.30
Seminars/conference	3.42	0.84	0.19
Radio programs	1.84	1.00	0.30
TV programs	1.74	1.19	0.27
Take part in show exhibition	3.60	1.10	0.24

Source: interviews

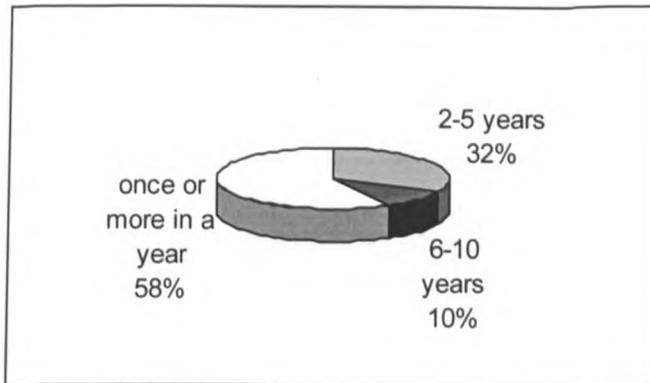
It can be concluded from Table 4.13, that firms engage in very little sponsorship of the said events except for participation in show exhibition and seminars/conferences. These results concur with (Mbaw 2000) who concluded that personal selling was the most important form of marketing pharmaceutical brands. This can be explained by the fact that pharmaceuticals are essential and sensitive goods, which must be selectively and cautiously marketed.

4.6 REACTION TO RESEARCH COMPONENT

Product innovations contribute greatly to company's growth and survival in the market (Harris and Mowery 1990). The contribution of marketing research can not be under estimated. It influences the development of new products. Marketers should employ tracking studies to measure consumer knowledge structure over time to - (i) detect any changes in the different dimensions of brand knowledge, (ii). To suggest how these changes might be related to the effectiveness of the different marketing mix actions. Respondents were expected to respond to several questions on the question of marketing research. All respondents (75 %) indicated that they conduct marketing research. Most of these firms did not have a research department (77%). However most of the firms indicated that they conduct customer surveys 80%.

When the respondents were asked how often they conducted customer surveys to find out the market needs, 58 % indicated that they do it once or more times in year (chart 1).

Chart 1 : Frequency of customer survey

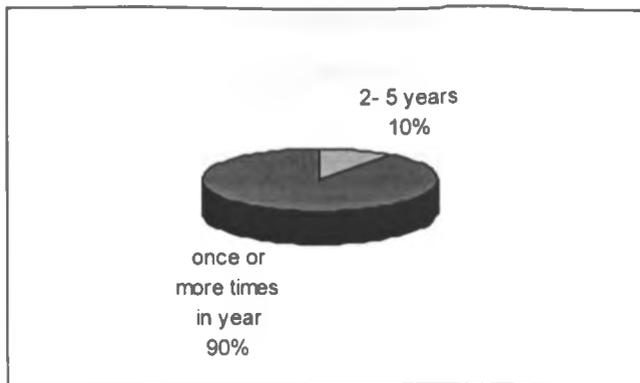


Respondents were also expected to respond to questions on whether their organization develops new products or undertake major improvement on existing ones. Six Firms (30%) indicated that this was done and on being asked what prompts them to do this, the issues of technological changes and consumer needs were cited.

4.7 EXISTENCE OF MARKETING PLAN

It is normal that after the strategic program has been determined the marketing plan is prepared. Marketing planning is an on going process designed to facilitate an orderly and effective coordination of all organization's resources and aspirations in carrying out the marketing strategies that have been formulated to conform to changing market opportunities. The plan should be qualitative, detailing the personality and position of the brand as well as containing standards for all packaging, design and ingredients. On the questions whether the firms had marketing plans or not most firms (85 %) indicated that they do. On the frequency of preparation of marketing plans (chart 2) , 90 % answered that this was done one or more times in a year, while the rest 10 % gave the duration of every 2 to 5 years.

Chart 2: Frequency of marketing plans preparation



4.8 MARKET SEGMENTATION

The respondents were expected to respond to two questions on the issue of market segmentation. The first question required respondents to indicate the extent to which their organizations develop different marketing plans for different market segments. The second question was on how well their senior managers knew the sales potential of different market segment. Their responses are summarized in table 4.14 and 4.15.

TABLE 4.14 MEAN SCORES ON DEVELOPMENT OF DIFFERENT MARKET PLANS FOR DIFFERENT MARKET SEGMENTS

SEGMENT	MEAN SCORE	STANDARD DEVIATION	COEFFICIENT OF VARIABLE
Different geographical areas	3.17	1.42	0.34
Different income	2.35	1.50	0.36
Different age group	1.67	0.90	0.23
Others	2.91	1.76	0.53

Mean score computed on a 5 point Likert scale with 1 taken to mean never and 5 taken to mean very frequently.

Source: Interviews

From the above Table, it can be concluded that most firms develop different marketing plans for certain market segment and the issue of different income group was considered important.

TABLE 4.15 MEAN SCORE ON EXTENT OF KNOWLEDGE OF SALES POTENTIAL OF DIFFERENT MARKET SEGMENTS

MARKETING SEGMENT	MEAN SCORE	STANDARD DEVIATION	COEFFICIENT OF VARIABLE
Different customers	3.85	0.88	0.20
Different geographical areas	3.90	0.72	0.16
Different channels	4.00	0.94	0.22

Mean score computed on a 5 point Likert scale with 1 meaning not at all and 5 meaning very well.

Source: interviews

From the above table 4.15, the computed mean scores were all above average indicating that senior management of the pharmaceutical industry knew the sales potential of their different customers, geographical areas and channels.

CHAPTER 5

5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary and Discussions.

The key to the success of any firm will be the commitment of the firms to the development of brand equity and investment in marketing programs that promote the rationale use of the organization resources. Marketer must evaluate the increasing large number of tactical options available especially in terms of marketing. Most of the respondents complained about the erratic changes in the environment with the explosion of technology, social cultural evolution and consumer behavior changes. Most of the respondents indicated that they regularly conduct market research to monitor consumer behavior and competitor activity in the market.

Respondents were also expected to state whether they develop marketing plans. The plan is a formally prepared document, which entails a detailed formulation of action necessary to carry out a marketing program. Most of the firms indicated that they develop short term marketing plans for different geographical areas. It could then be concluded that the marketing plans were not qualitative in terms of situation analysis, proposed program and its rationale and were generally short term.

Decisions on products, place, price and promotion were examined in relation to the marketing of pharmaceutical products. The study found that deliberate attempts are being made by the management of pharmaceutical firm, in all aspects of the marketing mix in order to remain competitive in the market. On the question of product decisions, it was found that firms make decisions on product range, quality, brand, name, and warranty and after sales follow-ups. Products offered included prescription medicine, FMCG medicines and

medical devices. Most firms also indicated that they offer several brands as a result of changes in technology and consumer needs.

On the question of place, decisions on location, accessibility, distribution channels and coverage are being made. Out of the twenty firms interviewed an interesting observation emerged with the majority (59%) of the firms claiming their mainstay was actually pharmaceutical distribution. The distribution chain was short with most products passing directly from producers to retailer and onward to consumers. As a result of the low inventory holding by retailers, most firms tended to use their own van to enhance efficiency. Pharmaceutical being products that must stored, as per specification; firms will have to determine the channels that best meet their objective.

On the question of price, it can be concluded that most firms make decisions on price levels discounts, payment terms and other consideration like customer perceived value and quality price differentiation. A number of respondents complained about the excessive use of price discounts which has resulted into the drifting of industry into a commodity like business. It is imperative for firms to invest in brand building activities as a means of developing point of differentiation with a view of attaining sustainable competitive advantage based on non price factors.

On the question of promotion, decisions on advertising, personal selling sales, promotion, publicity and public relations are made. It was found that most firms in the pharmaceutical industry engage in very little advertising and instead relied more on personal selling. The existing customer base represent a strategic asset which if properly managed and exploited, has the potential to provide the best value for money yet apart from a few firms dealing in FMCG majority did not have any program creating long term relationship with its customer. However most firms participated in exhibition and seminars especially in the area of continuing scientific education with healthcare

providers. From the foregoing analysis one can conclude that to a large extent most firms apply some elements of marketing in ensuring the success of their brands.

5.2 RECOMMENDATIONS

Marketers must think and behave like entrepreneurs by creating markets driven strategies. They will be challenged to initiate and attempt new ideas by applying new technology, developing industry infrastructure and setting new standards. From the finding of the study, firms in the pharmaceutical industry do make marketing decision by manipulating the marketing mix to cope with increasingly challenging demands. The pharmaceutical industry is a key sector and product quality is of paramount importance considering the products are meant for treatment of various ailments and any overdosing or under dosing would have a catastrophic effect on the consumer. Firms should therefore strive to maintain the highest standards in order to maintain consumer confidence.

Proper distribution strategies should be adopted so that the products reach the customers, in that right quantities and time. On the question of price, appropriate prices must be maintained for the firms to remain competitive. It is recommended that firms reexamine the profit motive especially in the provision of essential medicine. Firms need to develop long term partnership by creating loyalty programs that retains and rewards loyal consumer to the firms brands

On promotion, little public relation and publicity is being done by firms. It is recommended that brands be promoted to create awareness amongst the consumer about the brands and the firms behind the brands. Adequate marketing research should be conducted to understand markets trends and in implementation of market segmentation. It is further recommended that firms take a strategic approach to marketing management, by orienting themselves

toward key external factors such as consumers and competition as well as in development of other market driven strategies.

The high cost of manufacturing owing to the poor state of the infrastructure and high import duty in the country has impacted negatively on local manufacturing making it more cost effective to import finished product and the onus is on the government to address this woes otherwise the future of local manufacturing is doomed. It is also recommended that the government through the Pharmacy and Poison Board relax the regulations governing the advertisement of pharmaceutical products in Kenya. The government should also help in setting up distribution channels, especially in the rural and semi urban areas where accessibility to pharmaceutical product is low.

It is important for firms in the pharmaceutical industry to realize that their reaction to market conditions depends on timely information flow on collection, processing and distribution. It is therefore imperative for them to acquire the necessary infrastructure to facilitate this information flow.

5.3 LIMITATION OF THE STUDY

The major limitation of the study was time. Some of the respondents had to be contacted and reminded several times for them to fill the questionnaires. A few of the sampled firms were reluctant to fill the questionnaire citing policy issues while a number of others could not be traced for reasons of either having shut down or relocated.

Some of the firms were not willing to disclose all information solicited in the questionnaires especially those to do with financial matters. This with holding of vital information may have undermined the authority of conclusion arrived at. Cases of distributors firms arguing that a good proportion of the questions should be better handled by their foreign head offices was also a limitation on the data collection process.

There were also some problems with the level of awareness among some respondents on certain aspects of marketing. Some concepts had to be elaborated leading to loss of value. Other problems could be attributed to the limitation of such studies and the use of a structured questionnaire, which fore determines the questions, respondents are supposed to answer. Other practical constraints included limited resources. It can however be said that the execution of this study was done with a lot of care so as to minimize these limitations.

5.4 SUGGESTIONS FOR FURTHER RESEARCH

This study documented the marketing practice within the pharmaceutical industry in Nairobi. The scope of the study was rather wide. From the study questions have emerged on the effect of poor infrastructure and high import duty on the future of local manufacturing. Research is necessary to understand how some of the specific factors of the external environment are affecting the marketing of locally produced pharmaceutical products. The Government heavily regulates the industry and additional research may be necessary to clarify the effect of Government in the various marketing elements.

Further research may be necessary to clarify the role of the various marketing elements and how they can contribute to the brand equity building effort, in the understanding how the supporting marketing programs build brand equity, research should focus on factors influencing the favourability, strength and uniqueness of brand association. Such research should focus on exploring whether certain association are inherently more favourable or unique in memory creation or finding out which type of associations are more easily created by a particular marketing mix element. The impact of HIV/AIDS and the resultant negative publicity cannot be over emphasized. Further research

may be necessary to understand its impact the marketing of Pharmaceutical products in Kenya.

APPENDIX I

Alphabetical Listing for Pharmaceutical Manufacturers & Distributors

A.S. Lundbeck Overseas	Nairobi
Aesthetics Ltd.....	Nairobi
Africon Sales Ltd	Nairobi
Amoun Pharmaceutical Industries Co. Ltd	Nairobi
Angelica Medical Supplies	Nairobi
Apple Pharmaceuticals.....	Nairobi
Armicon Pharmaceuticals Ltd	Nairobi
Arnimont-Pharma GMGH.....	Nairobi
Assia Pharmaceuticals Ltd.....	Nairobi
Bakpharm Ltd	Nairobi
Bayer East Africa Ltd	Nairobi
Beta Healthcare International.....	Nairobi
Biocheme GMBH Austria	Nairobi
Biodeal Laboratories Ltd	Nairobi
Boehringer Ingelhem	Nairobi
Boma Drughouse Ltd.....	Nairobi
Bristol Myers Squibb Company	Nairobi
Bulk Medicals Ltd.....	Nairobi
Business Frontiers ,	Nairobi
Mehta & Co. Ltd	Nairobi
Cadila Pharmaceuticals (E.A) Ltd	Nairobi
Caroga Pharma Kenya Ltd	Nairobi
Cedar Pharmacare Ltd	Nairobi
Choice Meds Ltd	Nairobi
Chemid Kenya Ltd	Nairobi
Cooper Pharmaceuticals	Nairobi
Core Healthcare Ltd	Nairobi
Cosmos Ltd	Nairobi
Country Pharmaceuticals.....	Nairobi
Curamed Pharmaceuticals.....	Nairobi
Cussons & Company Ltd	Nairobi
Dawa Pharmaceuticals Ltd	Nairobi
Denken Pharmaceuticals Ltd	Nairobi
Didy Pharmaceuticals	Nairobi

Donvet Pharmaceuticals Ltd	Nairobi
DrugPharm Services Ltd	Nairobi
E.T. Monks & co.	Nairobi
Eli-Lilly (Suisse) SA.....	Nairobi
Elys Chemical Industries Ltd	Nairobi
Eros Chemsits Ltd	Nairobi
Europa Healthcare Ltd	Nairobi
Fortepharma Ltd.....	Nairobi
Framin Kenya Ltd	Nairobi
Galaxy Pharmaceuticals Ltd	Nairobi
Gesto Pharmaceuticals Ltd	Nairobi
Glaxo Wellcome.....	Nairobi
Globe Pharmacy.....	Nairobi
Goodman Agencies Ltd	Nairobi
Harleys Limited	Nairobi
Hoechst Marion Rousel EA Ltd.....	Nairobi
Howse & McGeorge Ltd.....	Nairobi
Infusion Kenya Ltd.....	Nairobi
Janssen Pharmaceutical.....	Nairobi
Jaskam & Company Ltd	Nairobi
Jos. Hansen & Soehne (E.A) Ltd.....	Nairobi
Kam Industries Ltd	Nairobi
Kam Pharmacy Ltd	Nairobi
Karuri Stores Pharmaceuticals	Nairobi
Kemipharm Ltd	Nairobi
Laboratory & Allied Ltd,	Nairobi
Ladopharma Company Ltd	Nairobi
Leo Pharmaceuticals,.....	Nairobi
Letap (Kenya) Ltd	Nairobi
Lords healthcare Ltd	Nairobi
Mac's Pharmaceuticals Ltd	Nairobi
Macmed Healthcare (K) Ltd ,.....	Nairobi
Manhar Brothers (K) Ltd.....	Nairobi
Medical & Health Care Industries	Nairobi
Merck sharp and Dohme	Nairobi
Merrel Dow Pharmaceuticals Ltd	Nairobi
Metro Pharmaceuticals.....	Nairobi
Mission For Essential Drugs & Supplies (MEDS).....	Nairobi
Mombasa Medical Stores (K)	Nairobi

Monks Medicare Africa	Nairobi
Nairobi Enterprises Ltd	Nairobi
Nairobi Medical Stores	Nairobi
Nairobi Pharmaceuticals (K) Ltd.....	Nairobi
Neema Pharmaceuticals Ltd	Nairobi
Nicholas Laboratories E.A. Ltd	Nairobi
Nimit Medical Systems Limited	Nairobi
Norvatis Pharma Services Inc.	Nairobi
Novelty Manufacturing Ltd.....	Nairobi
Novo Nordisk	Nairobi
Orient Pharmaceuticals Ltd	Nairobi
Pan Pharmaceuticals Ltd	Nairobi
Paramedic & Pharmaceuticals	Nairobi
Petterson Pharmaceuticals Ltd.....	Nairobi
Pfizer Laboratories Ltd.....	Nairobi
Pharma Share (K) Ltd	Nairobi
Pharmaceutical Manufacturing Co. (K). Ltd.....	Nairobi
Pharmaceutical Products Ltd	Nairobi
Pharmacia Africa Ltd	Nairobi
Philips Pharmaceuticals Ltd	Nairobi
Polymeric Pharmaceuticals Ltd	Nairobi
Polystar (K) Ltd	Nairobi
Procter & Gamble (EA) Ltd.....	Nairobi
Ray Pharmaceuticals Ltd	Nairobi
Reckitt & Colman Industries Ltd	Nairobi
Regal Pharmaceuticals Ltd	Nairobi
Regency Pharmaceuticals Ltd	Nairobi
Rhone Poulenc Kenya Limited.....	Nairobi
Riverlyne Pharmaceuticals	Nairobi
Roche Products Ltd.....	Nairobi
Sai pharmaceuticals Ltd	Nairobi
Sal Healthcare	Nairobi
Schering Africa GMBH.....	Nairobi
Schering -Plough Corporation USA.....	Nairobi
SmithKline Beecham International	Nairobi
Sphinx Pharmaceuticals	Nairobi
Statim Pharmaceuticals	Nairobi
Surglinks	Nairobi
Surgipharm Ltd.....	Nairobi

Syner-Med Pharmaceuticals (K)	Nairobi
Tealands Pharmaceuticals	Nairobi
Temple Stores Pharmaceuticals	Nairobi
Tranchem Pharmaceuticals	Nairobi
Transwide Pharmaceuticals	Nairobi
Trinity Pharma Limited	Nairobi
Twiga Pharmaceuticals.....	Nairobi
Universal Pharmacy	Nairobi
U.B Pharma Ltd.....	Nairobi
Upjohn E,A.	Nairobi
Vantage Pharmaceuticals	Nairobi
Vinci Pharmaceuticals	Nairobi
Warner -Lambert (E.A) Ltd	Nairobi
Westco- Kenya Ltd	Nairobi
Westway Pharmaceuticals Ltd.....	Nakuru
Wockaine (K) Ltd.....	Nairobi
Wockhardt (Europe) Ltd	Nairobi
Wyeth -Ayerst promotions Ltd.....	Nairobi
Zeneth Pharmaceuticals	Nairobi

APPENDIX II

JOHN NDIHO
D61/P/7949/98
P.O Box 18288
Tel: 534241
NAIROBI

3rd April, 2001

Dear Respondent,

I am a postgraduate student at the University of Nairobi. In partial fulfillment of the requirements for the award of the master in Business and Administration degree, I am conducting a study titled “ **An empirical investigation of the marketing practices within the pharmaceutical industry in Nairobi**”.

Your organisation which falls within the population of interest has randomly 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 affording me an opportunity to come and help you fill.

The information/data provided will be used exclusively for academic purposes and will be treated with strict confidence. A copy of the research project will be available to your organisation upon request.

Your co-operation will be highly appreciated.

Yours faithfully,
JOHN NDIHO
MBA Student

DR. R. MUSYOKA
Supervisor & Lecturer of Marketing

SECTION 1

Company Data

1. Name of organisation
.....
.....

2. Year of establishment
.....
.....

3. Who owns the company
Foreign { } Locally { }
Jointly (Foreign and local) { }

4. Number of employees
.....

5. What is the relative size of your organisation in terms of any of the following
 - i) Capital employed
.....
 - ii) Asset values
.....
 - iii) Sales turn over
.....

6. Do you have a marketing department?
Yes { } No { }

7. Designation of the respondent
.....

SECTION II

1. What products do you offer for the market? (briefly list)

Prescription medicine - { }

FMCG - { }

Medical devices - { }

Others (Specify) -

.....

.....

2. How many different brands do you offer for each product?

.....

.....

3. Please indicate what determines the number of brands offered.

Consumer needs - { }

Technology - { }

Geographical - { }

Others (specify) -

.....

4. Please tick the relative importance of the following in determining packaging of your products.

	1	2	3	4	5
	Totally unimportant	Unimportant	Fairly important	Important	Very important
a) Portability To consumer	{ }	{ }	{ }	{ }	{ }
b) Attractiveness To consumer	{ }	{ }	{ }	{ }	{ }
c) Cost of packaging	{ }	{ }	{ }	{ }	{ }
d) Technology	{ }	{ }	{ }	{ }	{ }

e) Others (specify)

.....

5. What are your major considerations in terms of product quality?
(Please list)

.....
.....
.....

6. Does your organization replace (accept liability) any damaged stock items from distributors?

Yes { } No { }

If Yes, briefly explain why?-----
.....

7. Does your organization engage in any after sales follow up to ensure customer satisfaction with products?

Yes { } No { }

If Yes, briefly explain how?
.....
.....
.....

8. Please indicate by ticking the relative importance of the following in determining your product advantage?

	1	2	3	4	5
	Totally unimportant	Unimportant	Fairly important	Important	Very important
a) Quality	{ }	{ }	{ }	{ }	{ }
b) Cost to consumers	{ }	{ }	{ }	{ }	{ }
c) Hygiene	{ }	{ }	{ }	{ }	{ }
d) Packaging	{ }	{ }	{ }	{ }	{ }
e) Others (specify)					

.....

9. Does your organisation have the following attributes which serve to distinguish it from others?

	Yes	No
1. Trade mark	{ }	{ }
2. Slogan / theme	{ }	{ }
3. Symbol/sign	{ }	{ }
4. Logo	{ }	{ }

10. Please indicate which distribution channels your organization uses?

Pharmaceutical distributors - { }

Hospitals and Institutions - { }

NGO - { }

Supermarkets - { }

Others (specify) -.....
.....

11. Of the existing channels, where do they fall?

1. Retailers { }

2. Wholesalers { }

3. Agents { }

4. Others (Specify)

.....
.....

12. In distribution of your products, do you use your own sales/distribution vans?

Yes { }

No. { }

If yes, why?.....

13. Are different distribution channels used for different products?

Yes { }

No { }

If Yes, why?

14. In determining your distribution channels, how important are the following factors?

	1 Totally unimportant	2 Unimportant	3 Fairly important	4 Important	5 Very important
a) Accessibility of location	{ }	{ }	{ }	{ }	{ }
b) Proper market coverage	{ }	{ }	{ }	{ }	{ }
c) Geographical market dispersions	{ }	{ }	{ }	{ }	{ }
c) Following a Formal Procedure in Selecting Channel Members	{ }	{ }	{ }	{ }	{ }
e) Others (Please specify)					

.....

.....

15. In setting your product prices how important are the following ?

	1	2	3	4	5
	Totally unimportant	Unimportant	Fairly important	Important	Very important
a) Determining pricing objectives	{ }	{ }	{ }	{ }	{ }
b) Measure demand for your products	{ }	{ }	{ }	{ }	{ }
c) Competitor prices analysis	{ }	{ }	{ }	{ }	{ }
D) Profit margin consideration	{ }	{ }	{ }	{ }	{ }
e) Production cost determination	{ }	{ }	{ }	{ }	{ }
f) Use of geographical pricings	{ }	{ }	{ }	{ }	{ }
f) Use of price discriminations	{ }	{ }	{ }	{ }	{ }

16. Please tick the sales terms in your organisation.

- (i) Strictly cash { }
- (ii) Credit (conditional) { }
- (iii) Credit (unconditional) { }
- (iv) Other (please specify) -----

17. Do you offer any discounts?

Yes { } No. { }

If yes , on what basis? Please indicate

18. Indicate how often your organisation uses the following media for advertising.

	1 Never	2 Rarely	3 Occasionally	4 Frequent	5 Very frequently
a) Radio	{ }	{ }	{ }	{ }	{ }
b) Television	{ }	{ }	{ }	{ }	{ }
c) Cinema halls	{ }	{ }	{ }	{ }	{ }
d) Newspapers	{ }	{ }	{ }	{ }	{ }
e) Magazines	{ }	{ }	{ }	{ }	{ }
f) Telephone Directories	{ }	{ }	{ }	{ }	{ }
g) Bill boards	{ }	{ }	{ }	{ }	{ }
h) Transit Buses, Matatus Etc	{ }	{ }	{ }	{ }	{ }
i) Posters	{ }	{ }	{ }	{ }	{ }
j) other	{ }	{ }	{ }	{ }	{ }

19. How often does your organisation sponsor the following?

	1 Never	2 Rarely	3 Occasionally	4 Frequent	5 Very frequently
a) Games / sports	{ }	{ }	{ }	{ }	{ }
b) Seminars/conference	{ }	{ }	{ }	{ }	{ }
c) Radio programmes	{ }	{ }	{ }	{ }	{ }
d) T.V. Programmes	{ }	{ }	{ }	{ }	{ }
e) Take part in show exhibitions	{ }	{ }	{ }	{ }	{ }

20. Does your organisation conduct marketing research?

Yes { } No { }

If yes, do you have a research department?

Yes { } No { }

b) What is the title of the person who heads this department?

c) Who does this person report to ?

.....

21. Do you conduct customer survey? Yes { } No { }

22. How often do you conduct customers surveys to find out what the market expects from your organisation?

- i) Once or more times in a year { }
- ii) Every 2- 5 years { }
- iii) Every 6-10 years { }
- iv) More than 11 years { }
- v) Never { }

23. Does your organisation develop new products or undertake major improvements on existing ones? Yes { } No { }

If yes , what prompts you to do this ?

.....

.....

24. Do you prepare marketing plans?

Yes { } No { }

25. How often are marketing plans prepared in your organisation?

- (i) One or more times in year { }
- (ii) Every 2 to 5 years { }
- (iii) Every 6-10 years { }

26. To what extent does the organization develop different marketing plans for the following?

1	2	3	4	5
Never	Rarely	Occasionally	Frequent	Very frequently

- | | | | | | | |
|-------|-----------------------------|-----|-----|-----|-----|-----|
| (i) | Different geographical area | { } | { } | { } | { } | { } |
| (ii) | Different income groups | { } | { } | { } | { } | { } |
| (iii) | Different age groups | { } | { } | { } | { } | { } |
| (iv) | Others | { } | { } | { } | { } | { } |

27. In your opinion, how well does the senior management know the sales potential of the following

1	2	3	4	5
Not at All	Little	Fairly Well	Well	Very Well

- | | | | | | | |
|-------|-------------------------------|-----|-----|-----|-----|-----|
| (i) | Different customer | { } | { } | { } | { } | { } |
| (ii) | Different geographical areas. | { } | { } | { } | { } | { } |
| (iii) | Different channels | { } | { } | { } | { } | { } |

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