

# **A SURVEY OF THE KEY SUCCESS FACTORS FOR PHARMACEUTICAL RETAIL BUSINESS IN THE NAIROBI CENTRAL BUSINESS DISTRICT.**

**EPHANTUS IRUNGU NJOROGE**

**A management research project submitted in partial  
fulfilment of the requirements for the award of Masters  
of Business Administration (MBA) degree of the School  
of Business, University of Nairobi.**

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**JUNE 2008**

## DECLARATION

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

Signed



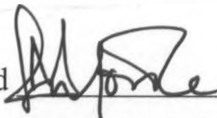
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Date

14<sup>th</sup> Nov. 2008

This management research project has been submitted for examination with my approval as the University Supervisor.

Signed



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Date

15<sup>th</sup> / 11 / 2008

## **Dedication**

To my wife Julie, and children, Michelle and Victoria.  
With profound love.

## ACKNOWLEDGEMENTS

I am deeply indebted to a number of people who gave me inspiration and determination to pursue an MBA at the University of Nairobi and those that guided me through this Research Project.

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# TABLE OF CONTENTS

<b>DECLARATION</b> .....	<b>i</b>
<b>DEDICATION</b> .....	<b>ii</b>
<b>ACKNOWLEDGEMENT</b> .....	<b>iii</b>
<b>CHAPTER ONE: INTRODUCTION</b> .....	<b>1</b>
<b>1.1. BACKGROUND</b> .....	<b>1</b>
1.1.1. Key Success Factors.....	1
1.1.2. State of the Retail Business.....	3
1.1.3. The Pharmaceutical Retail Business in Nairobi.....	5
1.2. Statement of the Research Problem.....	7
1.3. Research Objective .....	8
1.4. Significance of the Study .....	8
<b>CHAPTER TWO: LITERATURE REVIEW</b> .....	<b>9</b>
2.1. The Key Success Factors .....	9
2.2. The Value Chain Analysis and Key Success Factors .....	14
2.3. The Core Activities of Retail Pharmacies .....	16
<b>CHAPTER THREE: RESEARCH METHODOLOGY</b> .....	<b>22</b>
3.1. Research Design .....	22
3.2. Population of Study .....	22
3.3. Sample Design .....	22
3.4. Data Collection Methods .....	23
3.5. Data Analysis .....	23

**CHAPTER FOUR: DATA ANALYSIS AND RESEARCH FINDINGS .....24**

4.1. Introduction.....24

4.2. Profile of the Retail Pharmacies .....24

4.2.1. Number of years in operation .....24

4.2.2. Size of the retail pharmacies .....25

4.2.3. Origin of the organization.....25

4.2.4. Ownership structure .....26

4.2.5. Source of capital .....26

4.2.6. Target market.....27

4.2.7. Relationship between Size, Ownership structure and  
Source of capital .....27

4.3. The Key Success Factors for Pharmaceutical Retail Business .....28

4.4. Relationship between Size and Key Success Factors .....29

**CHAPTER FIVE: SUMMARY, CONCLUSION, LIMITATIONS, AND  
RECOMMENDATIONS .....31**

5.1. Introduction.....31

5.2. Summary .....31

5.3. Conclusion .....32

5.4. Limitations of the Study .....33

5.5. Recommendations from the Research Findings .....33

5.6. Recommendations for Further Research .....34

**REFERENCES: .....35**

**APPENDIXES:**

Appendix 1.....39

Appendix 2.....44

Appendix 3.....46

## CHAPTER ONE

### INTRODUCTION

#### 1.1. BACKGROUND

##### 1.1.1. The Key Success Factors in Retail Business.

As the competition within markets increases, the challenges facing organizations not only involve the design of competitive strategies but also their rapid and effective implementation. Strategic management has increasingly been recognized as a vehicle for enhancing such capabilities. Key Success Factors are an integral part of a company's strategic planning process (Chen Hsiu-Li, 2005).

Key Success Factors (KSFs) consist of three or four really major determinants of financial and competitive success in a particular industry. They are the specific kinds of skills and competences needed by a firm to compete successfully, for instance, technical expertise, operational efficiency, advertising cleverness, and product innovation skills (Hax and Majluf, 1996). Thompson and Strickland (1995) define them as the strategy-related actions, approaches, competitive capabilities, and business outcomes that every firm must be competent at doing or must concentrate on achieving in order to be competitive and financially successful. According to Johnson and Scholes (2002), key success factors are those product features that are particularly valued by a group of customers and, therefore, the organization must excel to outperform competition.

Identification of KSF is a top priority industry and competitive analysis consideration. At the very least, management needs to know the industry well enough to conclude what is more important to competitive success and what is less important. At most, KSFs can serve as the cornerstones for building a company's strategy. Companies frequently build competitive advantage by concentrating on being distinctly better than rivals in one or more of the industry's KSFs. It is imperative to note that KSFs vary from industry to industry, and even over time in the same industry, as driving forces and competitive conditions change. The environment, ultimately, will shape and reshape these key success

factors. Hence today's key success factors might not be valid and important tomorrow (Stoffels, 1994). Rarely does an industry have three or four key success factors at any one time and even among these three or four factors, one or two usually outranks the others in importance.

The purpose of identifying the key success factors is to make judgment about what things are more important to competitive success and what things are less important. By identifying the key success factors, management is able to envision the ideal strategy for building competitive advantage in the industry. Key success factors are therefore an integral part of a company's strategic planning process (Thompson and Strickland, 1995).

As mentioned earlier, key success factors vary across industries and according to Thompson and Strickland (1995), these include: Human Resource Management, equipment or facilities, cost of production and operations, prices, product quality, customer care, volumes of operations or sales, image or reputation, marketing effectiveness, finance, technology, research and development, location, processes or systems.

The extraordinary thing about the Pharmaceutical industry is the enormous amount of requirements that are simultaneously demanded for deriving a competitive advantage. The obvious key success factor is superiority in Research and Development (R&D). This is the drug discovery process, which is the driving force for performance excellence. This process does not limit itself to the development of innovative drugs, but also includes expedient approval, and securing proper strategic alliances to extend the base of technological capabilities. Marketing is an activity as central as R&D. The power of buyers is shifting and increasing, with major purchasing groups and powerful distributors concentrating enormous leverage in the purchasing process. A large and sophisticated sales force provides a solid base of strength in the industry. Manufacturing is a critical determinant of quality and operational efficiency, which, coupled with superior physical facilities, are key to obtaining faster drug approval while lowering production costs. The KSFs for the beer industry are the brewing capacity, a strong distribution network and



clever advertising. The key success factors for the banking industry on the other hand include included the ability to deliver product lines, strong focus on customer business, advanced technology and delivery systems (Thompson and Strickland (1995).

Generally, retail sector competitive strategies include the following according to Ndubai (2003),and Fields and Pfeffermann (2002);convenient location, competitive price, compliance with legal requirements, favorable image or reputation with buyers, strong customer-orientation, highly trained and productive staff, superior operational efficiency(e.g. accurate filling of buyer orders)-few back orders and mistakes, superior innovation, Provision of superior technical assistance to buyers, strong backward (upstream) vertical integration, strategic management, economies of scale, supplier loyalty, superior access to resources, depth and breadth of merchandise.

By identifying the key success factors, management is able to envision the ideal strategy for building competitive advantage in the industry. Key success factors are therefore an integral part of a company's strategic planning process. A successful strategy incorporates efforts to be competent on all key industry success factors and to excel on at least one such factor. Competence on key success factors determines a firm's competitive position in the industry.

### **1.1.2. State of the Retail Business.**

According to Kotler and Keller (2006), retailing includes all the activities involved in selling goods or services directly to final consumers for personal consumption or household use. A retailer or retail store is any business enterprise whose sales volumes come primarily from retailing. Any organization selling to final consumers; whether it is a manufacturer, wholesaler, or retailer is doing retailing. It does not matter how the goods or services are sold (by person, mail, telephone, vending machine or internet) or where they are sold (in a store, on the street, or in the consumer's home). Retail business plays a key role in bridging the manufacturer – consumer gap and provides the goods or services that we need, thus it cuts across all industries.

Over the last two decades, retailing has changed dramatically as large firms have continued to expand their share of the market place. Yet, during the same period, numerous failures of major retailers have been noted which include Woolworth, Montgomery Ward, Ames and Wickers in the U.S. (Evans, 2005) and even in Kenya as exemplified by the collapse of Uchumi supermarket in June, 2006.

Retailing today plays a key role in the world economy. This is evidenced by the fact that the largest firm is not a manufacturing organization; rather, it is a retail firm, i.e., Wal-Mart. According to the Fortune 500 of July 2002, Wal-Mart stores had revenue of \$219,812 million and employed about 1.4 million people. The Fortune 500 list included 17 firms, which were retailers. Today, the retailing industry is estimated at \$6.6 trillion globally (Saxena, 2006).

Kenya's retail sector is the most developed within the region with potential to expand across Africa. Consumer spending grew by 14.6 % in 2006; with consumers spending standing at about Kshs 1.2 trillion compared to Kshs 1.0 trillion in 2005. This surge in consumer spending on goods and services has opened up opportunity for growth of a robust retail business whose expansion appears to be limitless. The impressive growth in the retail sector has fueled a network expansion spree in the sector and preference for everything-under-one-roof concept in the discount stores. The growth in the retail trade was in part due to the impressive performance of the national economy. Kenya's Gross Domestic Product (GDP) expanded by 6.1% in 2006 (Kshs.1, 642.4 billions) compared to 5.8% (Kshs.1, 444.5 billions) in 2005 (Economic Survey, 2007).

The retail trade in Kenya exists in both the informal and modern formal sectors straddling the public and private sectors. The informal sector continues to play an important role in wealth and employment creation. Store retailing is mainly through independent stores but there are a few supermarket retail chains, mainly Nakumatt, Tusksys and Uchumi. None store retailing is primarily in the open air through mobile "stalls" but recently, introduction of networks or multilevel markets has fleshed up this sub-sector, e.g. Swissgarde and Tianshi. Most retail outlets result from organic growth, although

mergers and acquisitions and strategic alliances are not uncommon especially in the service sector. Vertical integration is common especially in the oil industry.

### **1.1.3. The Pharmaceutical Retail Business in Nairobi.**

The pharmaceutical industry refers to the firms in the business of manufacture (local and multinational), distribution, marketing and retailing of medicines and diagnostic products that enable diagnosis and treatment of diseases to restore health or improve survival. The industry has been the most profitable globally, with margins above 40% (Mathews, 2001). It grew by 7 per cent in 2006 with sales exceeding \$643 billion. The sub-Saharan African-pharmaceutical industry is growing rapidly, having earned \$4 billion in revenue in 2006. The Kenyan pharmaceutical market is among the fastest growing in Africa with a market value of \$200 millions a year with a growth rate of 9.8 per cent. South Africa's pharmaceutical market is worth \$3 billion annually with a growth of 9.2 per cent annually, while Tanzania's market is about \$40 million yearly with a growth of 3.7 per cent per year (Kimani, 2007).

The main categories of the pharmaceutical retailers include; traditional retail pharmacies, Managed retail pharmacies, traditional Hospital pharmacies, Managed hospital pharmacies, Nursing homes and other health institutions. The traditional retail pharmacy still commands the biggest market share and these are mainly private pharmacies running independently or as chains. Pharmacy registration and practice is regulated by the pharmacy and poisons board (PPB) under the Pharmacy and Poisons Act, Cap 244 of the laws of Kenya.

The Kenya Pharmacy and Poisons Board has listed 1,500 registered retail pharmacies country-wide in 2007. However, the board is quick to add that pharmaceuticals are retailed in more than 3,500 outlets in Kenya as a result of unregistered premises. Retail pharmacies are resource centers for knowledge about medicines and their correct use. Their core activities include servicing prescriptions and requisitions, self care, information on rational prescribing and medicine use, health promotion and ill-health prevention (Pharmacies and Pharmaceuticals, Norway, 2006).

The pharmaceutical retail sector is fragmented with a large number of small and medium firms, many of them privately held. There is the absence of market leaders with the powers to shape industry events in such an industry (Hax and Majluf, 1996). The sector is characterized by Low level of differentiation leading to a “commodity syndrome” with low buyer switching costs. This has led to steep price competition with spiraling profitability. There are high barriers to entry especially owing to stipulations and requirements of the Pharmacy and Poisons Board but the exit barriers are low. Muraah (2003) observed that there is a growing bargaining power of buyers/patients especially resulting from increasing buyer awareness and expectations. Competition is fairly high with the ever increasing number of retail outlets including independents pharmacies, hospital and organizational pharmacies. There is a rising onslaught from cost-containment organizations e.g. Health Maintenance Organizations (HMOs) and other Preferred Provider Organizations (PPOs). There is also a rising preference for alternative medicine (natural or herbal remedies) as consumer aversion to chemical substances increases. Increasing competition is lowering drug prices as a result of heavy discounting.

## 1.2. Statement of the Research Problem

The liberalization of the Kenyan Pharmaceutical industry has witnessed remarkable escalation in competitive pressure. This has resulted in closure of several previously large retail pharmacies while others have divested from retailing to pure wholesaling. There has also been an emergence of new rapidly growing retailers. There maybe a number of things that these successful retailers do right, or which others are not doing that would explain the failure, stagnation, or successful growth.

Retail pharmacies play a central role in healthcare delivery. Their success is therefore of strategic importance to the investors and other key stakeholders including the government. Key Success Factors has been the centre of many studies both internationally and locally. Mora (2006) studied the Key factors of success in today's wine sector. DiPietro et al (2007) on the other hand researched on the multi-unit management key success factors in the casual dining restaurant industry. The international management consultancy firm of Klynveld, Peat, Marwick and Goerdeler (KPMG, 1998), and Maina (2006) in their studies on the banking industry identified the major key success factors as including the ability to deliver product lines, strong focus on customer business, delivery systems and innovative technologies such as telephone and internet banking, particularly the widespread use of automated teller machines (ATMs).

Mukuria (2002) in his study on competitive responses of small Kenyan pharmaceutical firms to changes in the environment established that most strategies centered on customer service. In his study on competitive strategies applied by the retail sector of the pharmaceutical industry in Nairobi, Ndubai (2003) identified the main competitive strategies as including location, price, compliance with legal requirements, image or reputation, depth and breadth of merchandise. Mbugua (2006) studied the critical success factors in petroleum products retailing in Nairobi and identified such factors as price, advertising and distribution systems as key to success.

None of the studies, to the best of my knowledge, adequately surveyed the key success factors in the pharmaceutical retail business in the Nairobi. This study, therefore seeks to

fill this knowledge gap by answering the research question; “what are the key success factors for pharmaceutical retail business in the Nairobi Central Business District?”

### **1.3. Research Objective**

To determine the Key Success Factors for pharmaceutical retail business in the Nairobi Central Business District (NCBD).

### **1.4. Significance of the Study**

The study no doubt will be of significance to the following;

- i.** The Pharmaceutical retail management to understand better the critical success factors and aligning their resources and capabilities accordingly to enhance their strategic success.
- ii.** Other stakeholders in the pharmaceutical industry, existing and potential, will draw useful lessons on the importance of critical success factors and successful performance,
- iii.** Pharmaceutical supply chain participants particularly manufacturers, importers, agents, distributors and wholesalers can use the findings of the study to profile retailers. This will enable them to minimize business risk by partnering with retailers with higher chances of strategic success.
- iv.** Scholars, to whom the study will form a basis for further research and a source of secondary data.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1. The Key Success Factors (KSFs).

*"Analysis is the critical starting point of strategic thinking"*, (Kenichi Ohmae, 1993). At the first level of environmental analysis are the critical characteristics, events, conditions and variables that drive the success of the organizations, i.e. its key success factors. Although the relevant environment is very broad, encompassing social as well as economic forces, the key aspects of the firm's environment is the industry or industries in which it competes. Industry and competitor analysis lays the foundation for the development of competitive strategy (Porter, 1985). Competitor analysis involves the study of the actions and behavior of close competitors. Unless a company pays close attention to what its competitors are doing, it ends up "flying blindly" into battle. It is the great Chinese philosopher, Sun Tzu, author of the 2,300 years treatise, "The Art of War," who warned: "if you know yourself but not your enemy, for every victory gained you will also suffer a defeat".

The main purpose of industry analysis is to identify opportunities and threats posed by the state of the industry so as to match strategy to industry conditions i.e., a strategic "fit". Industry analysis is useful, for instance, in making entry and exit decisions which maybe necessary depending on industry attractiveness. The key issues in industry analysis include the degree of competition in the industry, the dominant economic features, the drivers of change, and the key success factors in the industry. These issues form the framework of industry analysis (Thompson and Strickland, 1995).

According to Porter (1980), industry competition depends on the structure of the industry as defined by the forces affecting the industry. These competitive forces determine the profitability or attractiveness of the industry, whose knowledge aids firms in making entry, exit and other strategic decisions. There are five main forces that determine the nature of competition in an industry. These forces are: The threat of new entrants, rivalry among industry competitors, threat of substitute products, the bargaining power of

suppliers, and the bargaining power of buyers. Scholars have added new forces, e.g. power play and corruption (Ogutu, 2006), and complementary products (Walker, 2004).

A dominant feature in an industry is an outstanding factor that characterizes the industry, e.g. market size, market growth rate, industry profitability and attractiveness, resource requirements and the number of rivals and their relative sizes. A driver of change in an industry refers to what is causing change in the industries, e.g. government policy change, technological change, and changes in buyers or users of the product and market innovation (Thompson and Strickland, 1995). The enactment of the Intellectual Property (IP) Act (2001), which embraced parallel importation and manufacture of patented pharmaceuticals impacted heavily on competitive structure of the industry (Muraah, 2003).

As mentioned earlier, key success factors (critical success factors) consist of three or four really major determinants of financial and competitive success in a particular industry. They have to do with things all firms in the industry must concentrate on doing well, the specific kinds of skills and competence needed to compete successfully, for instance, technical expertise, operational efficiency, advertising cleverness, and product innovation skills (Hax and Majluf, 1996). Johnson and Scholes (2002) define key success factors as those product features that are particularly valued by a group of customers, and, therefore, the organization must excel to outperform competition.

Identification of KSFs is a top priority industry and competitive analysis consideration. At the very least, management needs to know the industry well enough to conclude what is more important to competitive success and what is less important. At most, KSFs can serve as the cornerstones for building a company's strategy. According to Walker (2004), Strategy is the direction and scope of an organization over the long-term, which achieves advantage for the organization through its configuration of resources and competences within a changing environment and to fulfill shareholder expectations. Pearce and Robinson (1997) define it as a company's "game plan" which reflects a company's awareness of how, when, and where it should compete, against whom it should compete,



and for what purpose it should compete. Strategy is the outcome of strategic planning which is either formal or informal. According to David (1997), Strategic Management is the art and science of planning, implementing, and evaluating cross-functional decisions that enable the organization to achieve its objectives. A central objective of strategic management is to identify why some organizations succeed while others fail.

One of the central thrusts of strategy is to achieve long-term sustainable competitive advantage over the key competitors of the firm in every business in which it participates. This results in superior performance or profitability of the firm in its chosen industry area (Porter, 1985). Hills and Jones (2001) assert that the strategies that an organization pursues have a major impact on its performance relative to its peers. It is notable that strategy is applied by all firms irrespective of their size, and even by individuals. In his study on strategies applied by retail pharmacies in Nairobi, Ndubai (2003) established that these firms engage in informal strategic planning in order to survive and/or excel in an increasingly competitive environment.

Generally, pharmaceutical retail sector competitive strategies include the following according to Ndubai (2003), and Fields and Pfeffermann (2002); convenient location, competitive price, compliance with legal requirements, favorable image or reputation with buyers, strong customer-orientation, highly trained and productive staff, superior efficiency (e.g. accurate filling of buyer orders)-few back orders and mistakes, superior innovation, Provision of superior technical assistance to buyers, strong backward (upstream) vertical integration, strategic management, economies of scale, supplier loyalty, superior access to strategic resources, depth and breadth of merchandise.

Companies frequently build competitive advantage by concentrating on being distinctly better than rivals in one or more of the industry's KSFs. A successful strategy incorporates efforts to be competent on all key industry success factors and to excel on at least one such factor. Competence on key success factors determines a firm's competitive position in the industry, namely, dominant, strong, favorable, tenable, weak or non-viable (Hax and Majluf, 1996).

Analysis of the competitive position maybe based on one of the following: Sales volume, Profits, Firm size, Technology or Key Success Factors (Ogutu, 2006). An understanding of KSFs is the best gauge of competitive positions because it is a composite index, unlike the others, which are single factor indexes (one-dimensional indices).The competitive position, establishes the basis for achieving a sustainable competitive advantage, which is the fundamental basis of above-average performance in the long run. There are two basic types of competitive advantages that a firm can possess: low cost or differentiation. These, combined with the scope of activities for which a firm seeks to achieve, then leads to three generic strategies for achieving above-average performance in an industry: Cost leadership, Differentiation, and Focus. A firm should choose and implement one generic strategy and avoid being “stuck in the middle” (Porter, 1985). In his study on strategies applied by retail pharmacies in Nairobi, Ndubai (2003) established that as retail pharmacies practice informal strategic planning, cost leadership was considered a main strategy while differentiation strategy is practiced through service delivery.

Key success factors thus play an integral part in the organization’s strategic planning process. An understanding of the KSF enables a firm to exploit its resource capabilities and competence to develop a competitive advantage. This enables a firm to enjoy superior profitability. According to Porter (1985), the generic building blocks of competitive advantage are: Quality, Innovation, Efficiency, and Customer-responsiveness. Firms should aim at superiority on these factors in order to achieve market leadership.

High operational efficiency leads to low costs and the pursuit of a low cost leadership strategy (Porter, 1985). Employee productivity is one of the most important components to efficiency. High quality products or services create more perceived value, allowing for higher prices and hence profits. This allows for adoption of a differentiation strategy. High quality also leads to lower costs, as there are fewer defects, reworks and hence wastage. Quality has become imperative for survival. Innovation can be defined as anything new or novel about the way a company operates or the products it produces. This straddles such diverse areas of business as products, production processes,

organizational structures, management systems, and strategy development. Successful innovation is about developing new products and /or managing the enterprise in a novel way that creates value for customers. It is perhaps the single most important building block of competitive advantage as it drives the competitive process. Innovation in pharmaceutical retailing primarily involves novelty in the management of enterprises and the choice of strategies, e.g. product pricing (Hill and Jones, 2001).

To achieve superior customer-responsiveness, a company must be able to do a better job than competitors of identifying and satisfying the needs of its customers. Customers then place more value on its products or services, creating a differentiation-based competitive strategy. The fundamental requirement for long-term business success in an open competitive market is customer demand. A growing level of customer demands provides the foundation needed to achieve all other business goals such as market share, profit, strategic growth, and return to investors. The customer response time and customer defection rate are useful measures of customer responsiveness. Achieving superior quality and innovation are an integral part of achieving superior customer responsiveness (Page and Jones, 1998).

The purpose of identifying the key success factors is to make judgment about what things are more important to competitive success and what things are less important. Corporate performance in an industry can be measured on several parameters. According to Eccles (1998), these fall under financial and non-financial measures. Financial measures include sales revenue and profitability ratios such as earnings per share, return on equity (ROE), and return on investments (ROL). Non-financial measures include, market share, customer satisfaction, product or service quality, productivity and public responsibility. The concept of balanced score cards is recommended to evaluate the success of strategic management in a firm according to Kaplan and Norton (1998). This concept evaluates performance in key areas of finance, customer service, internal processes (operations) and growth. Key success factors for an industry maybe identified, weighted and ranked through experience or knowledge of the industry, expert opinion, judgment, or research / survey (Ogutu, 2006).

It is imperative to note that KSFs vary from industry to industry, and even over time in the same industry, as driving forces and competitive conditions change. Rarely does an industry have three or four key success factors at any one time, and even among these three or four factors, one or two usually outranks the others in importance. The main key success factors include: Human Resource Management, equipment or facilities, cost of production and operations, prices, product quality, customer care, volumes of operations or sales, image or reputation, marketing effectiveness, finance, technology, research and development, location, processes or systems (Thompson and Strickland, 1995).

The KSFs in the pharmaceutical industry include innovative research and development (R&D), marketing effectiveness and superior manufacturing processes which result in high product quality while lowering costs (Thompson and Strickland, 1995). A study of the banking industry in Hong Kong by the international management consultancy firm of Klynveld, Peat, Marwick and Goerdeler (KPMG) in 1998 found that the main key success factors for the industry included the ability to deliver product lines, strong focus on customer business, advanced technology and delivery systems. Maina (2006) in his study of the KSFs in the Banking Industry in Kenya identified the major key success factors as the use of modern technology, robust human resource management systems, product lines, quality of service, price, and corporate governance. Karemu (1993) in the study of the state of the strategic management in the retail sector found that service, location and breadth and depth of merchandise were the most mentioned as creating competitive advantage in Nairobi supermarket retailers.

## **2.2. The Value Chain Analysis and Key Success Factors**

The value chain disaggregates a firm into its strategically relevant activities in order to understand the behavior of costs and the existing and potential sources of differentiation. Porter (1985) asserts that a firm gains competitive advantage by performing these activities better than its competitors. The activities of the value chain constitute the foundation of the controllable factors to achieve competitive superiority. Not all the

activities of the value chain are equally important to achieve competitive advantage. The analysis, therefore, leads to identification of the Key Success Factors. The underlying principle of value chain analysis is that all the tasks or activities performed by a business organization can be classified into nine broad categories. According to Porter (1985), five of these activities are the so-called primary activities and the other four are called support activities.

The primary activities are involved in the physical creation of the product and its sales and transfer to the buyer as well as after sale assistance. There are five generic categories of the primary activities. Inbound logistics are the activities associated with receiving, storing and disseminating inputs to the product, such as materials handling, warehousing, inventory control, vehicle scheduling and returns to suppliers. Operational activities are associated with transforming inputs into the final form, such as machining, packaging, assembly equipment maintenance, testing, printing and facility operations. Outbound logistics are associated with the distribution of the finished product to buyers such as finished products warehousing, material handling, delivery vehicles operation, order processing, and scheduling. Marketing and sales induce buyers to purchase the product, for instance, advertising, sales force, quoting, channel selection, channel relations, and pricing. Service activities enhance or maintain the value of the product, such as installation, repair, training, parts, supply, and product adjustment.

The support activities are much more pervasive, and their essential role is to provide support, not only to the primary activities, but also to each other. There are four generic categories of support activities. Procurement includes purchasing of inputs used in the firm's value chain, e.g. raw materials, supplies, and other consumable items, as well as assets such as machinery, laboratory equipment, office equipment, and buildings. Technology Development embraces know-how, procedures and technological inputs needed in every value chain activity. Human Resources Management consists of activities involved in the recruiting, hiring, development, and compensation of all types of personnel. Firm infrastructure consists of a number of activities including general

management, planning, financial accounting, legal and government affairs, and quality management.

### **2.3. The Core Activities of Retail Pharmacies**

The World Health Organization's (WHO) guidelines for Good Pharmacy Practice (GPP) in community and Hospital settings define four areas as the pharmacies' core activities (Pharmacies and pharmaceuticals, Norway 2006). These activities include: Prescription servicing and requisitions, Self-care, Rational prescribing and medicine use, Health promotion and ill-health prevention.

The standards describe the role of the pharmacies in relation to customers/ patients in the healthcare service and society and express the trade's requirements on itself by making quality demands on the pharmacies' activities within the four core areas. These basic standards are based on the central principles of the customers'/patients' needs and rights. Pharmacists and pharmaceutical technologists, as authorized health personnel, offer health aid related to medicines according to the legal requirements, for responsible professional conduct as stipulated by the Pharmacy and Poisons Act (1949), laws of Kenya.

Prescriptions and Requisitions involve the work of preventing, identifying and solving drug-related problems for individual customers or patients is central. This requires extensive contact with prescribers and involves considerable guidance and advice directed at patients. The aim is to make patients understand treatment goals and enhance compliance with prescribed medication. Self-care enables the patients to contribute to the prevention and treatment of minor ailments and diseases. This includes maintaining good health-with or without medicines, and / or related products. The pharmacies give advice and guidance related to symptoms and other health related needs presented, and gives guidance in the selection and use of non-prescription medicines.

Rational prescribing and medicine use arises from pharmacies' direct contact with medicine users, prescribers and other health personnel. It gives pharmacies insight into

the population's use of medicine. Pharmacies contribute to rational prescribing and use by communicating their experiences to the authorities and other parts of the health care service. Health promotion and ill-health prevention stems from pharmacies' cooperation with the authorities, the health care services, relevant organizational users and patient groups to enable the population to take better care of its health and to prevent and avoid diseases. The superior performance of these core activities gives a firm competitive advantage.

Robust human resources management leads to the recruitment of highly qualified staff and their continued training and superior compensation. Thompson, Strickland and Kramer (1998) define human capital as the "point where all ladders start, the wellspring of innovation and the home page of insight". Human capital is the ultimate advantage. The scarcest resource in an organization is performing people. The ideal job candidates should be highly trained, highly self-motivated, dedicated, and enthusiastic. On Firm infrastructure, business growth success is achieved through a clear sense of direction and coordinated, timely supporting action in all parts of the organization (Page and Jones, 1998).

There should be the right leadership to give direction and purpose to the firms. This also sets the "strategic imperative" (i.e. what the business needs now to grow, e.g. trained staff), then develop and implement matching investment and activity plans. The management must design a matching organizational structure and nurture the appropriate culture to support the chosen strategy, e.g. culture of cost control, sales growth, or market orientation. Page and Jones assert that planned, professional, elegant, effective strategy and organization development will underlie successful business growth in the future (Page and Jones, 1998).

Ndubai (2003) in his study on strategies applied by retail pharmacies in Nairobi established that retail pharmacies practice informal strategic planning. Mintzberg and Quinn (1988) argue that in such simple organizational structures, it is the chief executive officer (CEO) that shapes strategy. It is his/her personal vision that holds sway. This

vision is personal, so strategies are inclined to be deliberate more than emergent. Financial management discipline, including the nature of financing, is important for profitable growth. Fields and Pfeffermann (2003) identify the key sources of retail pharmacy capital as; owner's savings, borrowings from family and friends, retained earnings, Trade creditors, and borrowings from commercial institutions. Easy access to inexpensive finances is important for success. This should include both start-up and working capital.

Technology Development consists of a range of activities that endeavor to improve the product and the process. These include online links for procurement of supplies and faster computer-aided order processing, customer profiling, and demand forecasting for timely and adequate supply of pharmaceutical requirements. As other industries rush to adopt management information systems (MIS) to enhance their business provision, the pace at which community pharmacies are taking advantage of this very important resource is wanting (Barasa, 2007). A majority of retail pharmacies still maintain manual data management systems. Encouragingly, a number of them have invested in pharmaceutical management information systems that integrate all forms of their business, from financial to dispensing, to inventory management. Use of modern technology in firm operations should improve operational efficiency to improve quality and lower costs thus giving a firm competitive advantage.

Operations is perhaps the most important component of the value chain for gaining competitive advantage in retail business (Porter, 1985). We can think of retailer whole offering i.e., assortment of goods and services, advice from sales clerks, convenient parking, and the like, as its product (McCarthy and Perrefault, 1991). In the case of service retailers, the retailer is also the producer. The aim of superior operations for competitive advantage is superior efficiency, superior innovation, superior quality and superior customer-responsiveness as already discussed. Operational efficiency can be optimized through economies of scale, high employee motivation yielding high productivity, and the use of appropriate technology (Hill and Jones, 2001). High efficiency leads to high quality and lowering of costs, which leads to a cost leadership



strategy. Retail pharmacies are striving to reduce customer response time to minimize customer defection rate. A customer demand for lower price has created stifling price wars necessitating additional frills to the core activities e.g., monitoring of blood pressure and blood sugar.

Marketing and sales covers such diverse areas as advertising, sales promotions, prices, location or place, communication, and merchandise mix or assortment. Location is perhaps the most important factor because once a location decision is made, it is costly to change (Cox and Brittan, 2000). Location is influenced by the target market and resource availability. While a prime location is not a guarantee for success, a poor location strategy almost certainly leads to failure. There is thus intense jostling for prime pharmacy locations, especially in the central business district (CBD) of Nairobi. The target market's expectation and demands also determine the merchandise assortment, store decor, advertising message, price and service offering. Pricing decisions are made on the basis of the target market, the product and service mix, and competition. Most retailers fall into the high-markup, lower volume category or the low-markup, high volume group (Kotler and Keller, 2006).

Price mattered even 16 years ago, but it never mattered like it did in today's fierce economy. Buyers force sellers to adopt aggressive pricing strategies and deliver quality second-to none. Retail pharmacies are forced to give customers competitive prices, high quality and excellent service with reciprocation in repeat business from customers.

The need for customer satisfaction has taken centre stage in pharmaceutical retailing in an effort to retain customer loyalty and ensure repeat purchases. The retailer task is to focus on understanding the needs of the individual buyer and make the experience of buying and consumption a satisfying one (Saxena, 2006). Public relations skills can affect revenue by being positive or negative. One happy patient will tell two or more people. A happy patient tends to come back for repeat purchase and refer their relatives and friends (Kitetu, 2006).

Procurement is particularly critical in the purchase of inventories due to the steep price competition noted earlier. Fields and Pfeffermann (2003) assert that good trade networks, including favorable relationships with suppliers are important for success. The leading retailers prefer buying their supplies directly from the manufacturers to earn better profit margins or offer more attractive prices to their customers. Whitson (1997) asserts that establishing favorable relationship with materials (non-production e.g. stationary and technology equipment) and pharmaceutical suppliers means that deliveries can be made on a Just-In-Time (JIT) basis. The JIT concept is the essence of fluid, fast, and efficient customer service. In its most basic form, JIT is producing the required supplies at the right quality, and in the exact quantities, precisely as they are needed. It aims at zero inventories with instant delivery.

Leading retailers have integrated backwards (upstream) to reduce the uncertainty of resource availability or cost by purchasing or developing control over those resources (Stoffels, 1994). Other retailers have integrated horizontally to reduce the competitive risks. This is implemented by buying the competition as in buy-outs or through internal expansion as in branch networks. Superior customer service is at the center of all competitive strategies in pharmaceutical retail business. A firm must recognize that if customers are not properly serviced, eventually another firm will dominate the market with the consequent loss of competitiveness and profitability. Ndubai (2003) in his study on strategies applied by retail pharmacies in Nairobi established that Customer service is considered the most important factor in attracting and maintaining customers.

Mukuria (2002) established that the key strategic response to competition in pharmaceutical retailing in Kenya centered on customer care.

Promotion of healthy lifestyles is an essential service of the community pharmacies. This is especially useful for chronic ailments, such as diabetes, high blood pressure, asthma, and HIV/AIDS. This would include information such as cessation of smoking, alcohol consumption, diet and physical exercise, as part of the prescription-linked intervention. Some pharmacies enhance the value of their “product” by having a “wellbeing” corner or station, where lifestyle-enhancing activities are carried out, for instance, blood pressure

monitoring, blood sugar testing, weight, and basal metabolic rate (BMR) measurement. Well-trained and committed professional pharmacy staff is critical to this end. This superior service enhances the corporate image and customer loyalty, which ensures repeat and new purchases through a differentiation strategy (Moberly, 2007).

Once the industry key success factors are established, each firm should complete a comprehensive profile of its business against each of the most relevant competitors, ranking them and examining their inherent strengths and weaknesses. This develops a strong base from which to catalogue a firm's set of strengths and weaknesses in each of the KSF categories using a 3-point scale i.e., low strength, medium strength, or high strength. Firms should build competitive advantages by exploring their highest strengths. An industry attractiveness/ Business strength matrix assesses the firm's business position and suggests guidance for resources allocation and strategic actions. It is an obvious assertion that an effective business strategy should reinforce the strengths and correct the weaknesses from the analysis (Hax and Majluf, 1996).

## **CHAPTER THREE**

### **THE RESEARCH METHODOLOGY**

#### **3.1. Research Design**

This was a descriptive sample survey of the key success factors for pharmaceutical retail business in the Nairobi Central Business District (N.C.B.D).It was carried out on a cross-sectional basis so as to investigate the KSFs for the sector over a specified timeframe. A descriptive study is concerned with finding out the “who, what, where, and how” of a phenomenon (Cooper and Schindler, 2003).This method used a population sample to enhance accuracy of information thus lending higher credibility to generalization on the population characteristics. It was thus the most appropriate for the study to address the research question: “What are the key success factors for pharmaceutical retail business in the Nairobi Central Business District?”

#### **3.2. Population of Study**

The population of study consisted of all the pharmacies located within the Nairobi Central Business District as of October and November, 2007. An examination of the Kenya Pharmacy and Poisons Board (2007) and The Kenya Medical Directory (2006/2007) records revealed 104 retail pharmacies in October 2007(Appendix 2) which formed the sampling frame for the study.

#### **3.3. Sample Design**

The sampling unit was the retail pharmacy and items were selected using a systematic random sampling method. This gave all the pharmacies in the sampling frame probability for inclusion in the study sample. This reduces subjectivity and bias thus forming a basis for more credible generalization for the study population. There are several misconceptions about the ideal sample size. Sekaran (1993) asserts that a sample of 30 items and above is appropriate for a big population. In order to address the time constraint to completion of the study, a sample of 30 retail pharmacies was used.

### **3.4. Data Collection Methods**

Primary data was collected using structured and semi-structured questionnaire (Appendix 1) which was primarily administered to the respondents personally to shorten the response time and enable on-the-spot clarification of any doubts that the respondents might have regarding any questions. This gave the researcher opportunity to introduce the topic and motivate the respondents to give their honest answer. However, for the respondents who might have time constraints, questionnaires were dropped and picked later after self-administration. The closed-and open-ended questions type of questionnaire allows for collection of both standard and qualitative questions to enhance data comparability and flexibility of the respondents. The respondents targeted were the owner-managers, pharmacy managers, and the superintendent pharmacists.

### **3.5. Data Analysis**

The data collected was analyzed using descriptive statistics. This employed such instruments as frequency tables, percentages, ordinal rank-ordering, and cross tabulation. This enabled the study to determine the key success factors for the pharmaceutical retail business in the Nairobi Central Business District.

## CHAPTER FOUR

### DATA ANALYSIS AND RESEARCH FINDINGS

#### 4.1. Introduction

This chapter deals with the analysis of the collected data and the findings of the study. It seeks to profile the pharmaceutical retail sector and analyze the success factors studied so as to identify those that are key to success in the industry. All the thirty retail pharmacies targeted responded yielding a 100 % response rate. Most of the respondents were the owner managers which enhanced the credibility of the information given.

#### 4.2. Profile of the Pharmaceutical Retail Sector in the NCBD

The parameters used to profile the pharmaceutical retail sector in this study were; the number of years in operation, the size of the retail pharmacies, the origin of the organization, the ownership structure, source of capital, and the target markets.

##### 4.2.1. Number of Years in Operation

The number of years in operation was used to assess the age of the pharmacies in this study. The study revealed that the majority of the retail pharmacies (36.7%) had operated for 11-15 years. This was followed by 26.6% of the pharmacies which had 6-10 years in operation while 20.0% of the outlets had 0-5 years of operation. Over 80.0% of the retail pharmacies have therefore operated for up to 15 years (refer to Table 4.2A below).

**Table 4.2A: Age of the Retail Pharmacies.**

Number of Years in Operation	Frequency	Percentage of respondents	Cumulative percentage
0-5	6	20.0	20.0
6-10	8	26.6	46.7
11-15	11	36.7	83.3
Over 15	5	16.7	100.0
<b>Total</b>	<b>30</b>	<b>100.0</b>	

Source: Research Data.

#### 4.2.2. Size of the Retail Pharmacies

There are many dimensions that can be used to measure the size of an organization. These may include the amount of floor space, the revenue turnover, the level of stock holding, and the number of employees. In this study, the number of employees was used as a measure of the size of the pharmacy. Most of the retail pharmacies (36.7%) employed 6-10 people followed by 23.3% of the pharmacies with up to five employees and therefore, about 60.0% of the pharmacies are micro enterprises with up to ten employees. Only 20.0% of the respondent retail pharmacies employed more than 20 workers (Table 4.2B).

**Table 4.2B: Size distribution of the retail pharmacies**

Number of Employees	Frequency	Percentage of respondents	Cumulative percentage
0- 5	7	23.3	23.3
6-10	11	36.7	60.0
11-20	6	20.0	80.0
Over 20	6	20.0	100.0
<b>Total</b>	<b>30</b>	<b>100.0</b>	

**Source: Research Data.**

#### 4.2.3. Origin of the Organization

The majority of the retail pharmacies (76.7%) were greenfield investments, i.e. started by their present owners. A few of them (23.3%) were grayfield investments having been acquired through purchases from their previous owners or inheritance along family lines as seen in Table 4.2C below.

**Table 4.2C: Origin of the retail pharmacies**

Type of origin	Frequency	Percentage of respondents
Greenfield investment	23	76.7
Grayfield investment	7	23.3
<b>Total</b>	<b>30</b>	<b>100.0</b>

**Source: Research Data.**

#### 4.2.4. Ownership Structure

Limited liability is the dominant form of ownership of the retail pharmacies (53.3%) followed by sole proprietorship (26.7%). This enhances the ability of the firms to deal with suppliers and the capital markets. Suppliers are likely to have more confidence in such firms that take a legal status of their own such that transactions with them are more easily enforceable legally (see Table 4.2D below).

**Table 4.2D: Ownership Structure of the Retail Pharmacies**

Type of Ownership	Frequency	Percentage of respondents
Limited Liability Companies	16	53.3
Sole Proprietorship	8	26.7
Partnership	6	20.0
<b>Total</b>	<b>30</b>	<b>100.0</b>

**Source: Research Data.**

#### 4.2.5. Source of Capital

All the retail pharmacies relied on trade credit as a source of start-up and/or working capital and 56.7 % augmented it with owner's savings. Borrowing from family and friends was the least preferred source of financing with only 10.0% of the respondents employing this method to raise capital as indicated in Table 4.2E below.

**Table 4.2E: Source of capital for the Retail Pharmacies**

Type of financing	Frequency	Percentage of respondents
Trade creditors	30	100.0
Owner's Savings	17	56.7
Borrowings from capital markets	12	40.0
Retained earnings	11	36.7
Borrowing from Family and friends	3	10.0

**Source: Research Data.**



#### 4.2.6. Target Markets

From the study, 50.0% of the pharmacies interviewed served the entire market and therefore did not focus on specific segments of the market. However, 40.0% of the pharmacies targeted the middle-income group while the least preferred market segment was the low income group with none of the respondents indicating any focus on this target market as shown in Table 4.2F below. Firms that focus on specific market segments follow a differentiation generic strategy to achieve competitive advantage and attract customers. This may entail variances such as quality of customer service, price, store layout and breadth and depth of merchandise. A cost leadership generic strategy would suit the low income groups as these tend to be customers who are highly price sensitive.

**Table 4.2F: Target markets for the Retail Pharmacies**

Market Segment	Frequency	Percentage of respondents
Entire Market	15	50
Middle income groups	12	40
High income groups	3	10
Low income groups	0	0

**Source: Research Data.**

#### 4.2.7. Relationship between size, ownership structure and source of capital

Limited Liability Company is the most dominant form of ownership of the retail pharmacies across all sizes (53.3%). There is an almost equal proportion of the small pharmacies employing up to 10 people (26.7%) and the medium pharmacies with more than 10 employees (26.6%) based on this ownership structure. There is a higher number of small pharmacies under sole proprietorship (20.0%) compared to the medium pharmacies (6.7%). Partnerships are the least preferred by the sector with a prevalence rate of 20.0 % (refer to table 4.2G below).

**Table 4.2G: Relationship between size and ownership structure.**

Size (Number of employees)	Ownership Structure		
	Limited liability Company	Partnership	Sole Proprietorship
0-5	10.0%	6.7%	6.7%
6-10	16.7%	3.3%	13.3%
11-20	13.3%	3.3%	6.7%
Over 20 employees	13.3%	6.7%	0.0%
<b>Total</b>	53.3%	20.0%	26.7%

**Source: Research Data.**

Trade credit is the most prevalent source of capital for all the sizes of retail pharmacies. Small pharmacies constitute a higher proportion of businesses using owners' savings (36.7%) and borrowing from the capital markets (26.6%) as compared to the medium pharmacies with 20.0% and 13.4% respectively. There are more medium size pharmacies using retained earnings for capitalization (20.0%) than the small pharmacies at 16.7%. Borrowing from family and friends is the most unpopular source of capital for all pharmacy sizes as highlighted in Table 4.2H below.

**Table 4.2H: Relationship between size and source of capital.**

Size (Number of employees)	Source of Capital				
	Trade Creditors	Owners' Savings	Borrowing from Capital Markets	Retained earnings	Borrowing from family & friends
0-5	26.7%	16.7%	10.0%	10.0%	0.0%
6-10	26.6%	20.0%	16.6%	6.7%	3.3%
11-20	26.7%	13.3%	6.7%	10.0%	6.7%
Over 20 employees	20.0%	6.7%	6.7%	10.0%	0.0%
<b>Total</b>	100.0%	56.7%	40.0%	36.7%	10.0%

**Source: Research Data.**

### 4.3. The Key Success Factors for Pharmaceutical Retail Businesses

There are varied factors that contribute to the success of businesses in a given industry. Exhibit 4.3 below highlights some of the factors that play a role in the success of pharmaceutical retail businesses. Although all these factors have a role to play towards the success of the organization, they tend to carry varying weights in importance.

Out of the twenty six success factors used in the study, five of them emerged as being the most important to the success of the pharmaceutical retail business. These factors included; high quality of service which ranked top most in importance at 96.7%, followed by compliance with legal and professional requirements at 90.0%. The choice of physical location ranked third in importance at 83.3%. Accuracy in order filling tied with novel corporate management at 80.0 % as the fourth most important factors for success in this sector. These five factors as a group then constitutes the key success factors for the pharmaceutical retail business (refer to Exhibit 4.3 on page 31).

#### 4.4. Relationship between Size and Key Success Factors

The small retail pharmacies all ranked quality of service, accuracy in order filling and corporate management as the leading key success factors (100.0% vote) while the medium pharmacies voted for quality of service, accuracy in order filling and compliance with professional and legal requirements as the three key critical determinants of success (86.7%) .However, all the pharmacies irrespective of size were in agreement that the quality of service, compliance with professional and legal requirements, physical location, accuracy in order filling and corporate management were the most critical determinants for business success as shown in Table 4.4 below.

**Table 4.4: Relationship between size and Key Success Factors.**

Size (Number of employees)	Key Success Factor				
	Quality of service	Compliance with professional and legal requirements	Physical Location	Accuracy in order filling	Corporate Management
0-10	100.0%	93.3%	86.7%	100.0%	100.0%
Over 10 employees	86.7%	86.7%	80.0%	86.7%	80.0%

**Source: Research Data.**

**Exhibit 4.3: Success Factors for Pharmaceutical Retail Business in the NCBD.**

No.	Industry Success Factor	Frequency	Percentage of respondents
1	Physical location	25	83.3
2	Compliance with legal and professional requirements	27	90.0
3	Corporate image / reputation	19	23.3
4	Easy access to in-expensive finances	7	23.3
5	Favorable relationship with suppliers	18	60.0
6	Selling price	17	56.7
7	High quality of service	29	96.7
8	Fast service or order filling	23	76.7
9	Accuracy in order filling	24	80.0
10	Superior technical advice	21	70.0
11	Number of branches	4	13.3
12	Customer rating of the company	20	66.7
13	Business ownership structure	3	10.0
14	Superior competitive strategies	19	63.3
15	Technology ( Level of automation )	8	26.7
16	Corporate social responsibilities (CSR)	2	6.7
17	Long opening hours	8	26.7
18	Store layout	8	26.7
19	Breadth and depth of merchandise	21	70.0
20	Robust human resource management	12	49.0
21	Ancillary services	7	23.3
22	Location security	16	53.3
23	Novel corporate management	24	80.0
24	Promotional activities	2	6.7
25	Networking with other healthcare providers	9	30.0
26	Strategic alliances with healthcare managers	7	23.3

**Source: Research Data.**

## CHAPTER FIVE

### SUMMARY, CONCLUSION, LIMITATIONS, AND RECOMMENDATIONS.

#### 5.1. Introduction

This chapter gives a summary and conclusion of the study while highlighting the limitations that are likely to have affected the accuracy of the findings and subsequent conclusions. These findings and limitations form the basis for recommendations for further research to either widen the scope of the study for better generalizations and/or to increase the accuracy of the findings and conclusions.

#### 5.2. Summary

Retail pharmacies are generally micro enterprises with majority of them employing up to 10 workers. Most of the retail pharmacies from the study had operated for 15 years or less. The study established that the industry primarily relies on trade credit and owner's savings for both start up and working capital. Trade credit was the commonest source of finance with all the pharmacies studied indicating that they used this type of finance. This source of capital is mainly augmented with owner's savings.

The highest concentration of retail pharmacies is in the densely populated areas. This is a focus strategy predominantly targeting the price sensitive lower-to-middle classes. However, most retail pharmacies position themselves to be accessible by the entire market. Proximity to traffic pullers, especially supermarkets and busy bus terminuses, makes the physical location one of the key factors for success.

The high concentration of retail pharmacies in the strategic locations gives rise to intense competitive pressure. This forces the pharmacy management to formulate competitive strategies to survive and succeed under the stifling competitive forces. Rivalry is high in the industry with diminishing bargaining power of the retailers relative to customers. The latter have emerged very strong with a high level of awareness and expectations

particularly on service quality and low prices. Price wars have set in which has progressively eroded the industry profitability.

In order for the retail pharmacies to survive the hostile environment and succeed in the industry, appropriate competitive strategies must be formulated and implemented. The industry players must therefore identify and address the key success factors in the industry and build superior competitive strategies around one or more of these factors. This study, therefore, endeavored to identify the key success factors for the pharmaceutical retail trade in the Nairobi Central Business District.

### **5.3. Conclusion.**

Successful growth companies represent the future. Their opportunistic, customer-responsive styles and operating practices are just what today's turbulent, competitive environment demands. As they grow, they will become powerful forces in the economy and their successful planning and operating practices will be adopted by other aspiring organizations.

As mentioned earlier, Key Success Factors consist of three or four really major determinants of financial and competitive success in a particular industry. At the very least, management needs to know the industry well enough to pinpoint what the key success factors for competitive success are; at most, Key Success Factors can serve as the cornerstones upon which business strategy is built. Key success factors vary from industry to industry and even from time to time within the same industry as economic characteristics, driving forces, and competitive conditions change.

This study identified the following factors as key to success in pharmaceutical retail business during the last quarter of the year 2007: Superior quality of service, Compliance with professional and legal requirements, the choice of the physical location for the retail pharmacy, accuracy in order filling and novelty in corporate management. These five factors, as a group, are more important than other competitive considerations for all sizes of retail pharmacies within the Nairobi Central Business District. They therefore

constitute the key Success Factors of the pharmaceutical retail business. A company can achieve competitive advantage by concentrating on being distinctively better than rivals on one or more of these industry key success factors.

The study of the Key Success Factors is an important component of the strategic management process. It emerges from the study that strategic management is embraced by players in the industry and as Ndubai (2003) found out from his study of the competitive strategies applied by retail pharmacies in Nairobi, they predominantly engage in informal methods of this management process.

#### **5.4. Limitations of the Study**

Some of the limitations of the study are due to the method of data collection. The drop-and-pick later questionnaires may have affected the interpretation of questions by respondents and hence the quality of answers given. Respondents, especially non owners of the pharmacies, may not have accurate information to some of the questions. The study was carried out within limited time and resources which necessitated a sample survey. A census study may perhaps bring out different findings.

#### **5.5. Recommendations from the Research Findings.**

Generally speaking, the aspirations and ambition of organizations is to be the industry leaders in their chosen competitive arena. To achieve this, it is imperative that they formulate and implement superior competitive strategies for competitive advantage. The industry's key success factors form the cornerstones upon which organizations build competitive advantage. By identifying these factors, management is able to envision the ideal strategy for building competitive advantage in the industry. Key success factors are therefore an integral part of a company's strategic planning process.

In order for a pharmaceutical retail pharmacy to be successful and possibly achieve industry leadership in the industry, the management must clearly understand the industry key success factors. They should craft superior business strategy and gain competitive

advantage by concentrating on being distinctively better than their rivals on at least one or more of these key success factors which include quality of service, adherence with the professional and legal requirements, the choice of the physical location, accuracy in order filling, and corporate management.

#### **5.6. Recommendations for Further Research**

This study involved only 30 retail pharmacies out of a total of 104 pharmacy outlets recorded in the Nairobi Central Business District. A study involving more pharmacies, preferably a census survey, is likely to reveal more accurate findings. The study also forms an important basis for more elaborate studies covering the entire Nairobi province and even those that would have a national scope.



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## Appendix 1.

### Questionnaire

#### *Section A: General information.*

1. Position in the organization(Tick appropriately)
  - Owner manager
  - Pharmacy manager
  - Pharmacist- in – charge (superintendent pharmacist)
  - Others (please specify) -----
  
2. Years of service with the organization (Tick one)
  - 0-5       6-10       11-15       over 15
  
3. Name of the organization(Optional)-----
  
4. Age of the company in years, (please tick one).
  - 0- 5       6-10       11-15       Over 16
  
5. Size of the company (Number of employees- please include paid and non- paid family members) – Tick as appropriate.
  - 0-5       6-10       11-20       More than 20
  
6. Management / Ownership structure (Tick appropriately).
  - Sole proprietorship
  - Partnership:
    - Family members
    - Non-family partners
    - Both family and non-family partners.
  - Limited Liability company.

7. Why was the company started? (You may tick more than one)

- Unemployment in the formal sector
- Supplemental income
- Higher income
- Personal interest, e.g. higher satisfaction, need to be own boss
- Others (Specify) -----

8. Origin of the company (please tick one)

- Started by the current owner(s)
- Inherited through the family
- Acquired from previous owner(s)
- Others (Please specify)-----

**SECTION B: Business Practices and Key Success Factors**

9. Please specify the number of branches, if any

10. Please indicate other pharmaceutical businesses that you are engaged in (You may tick more than one);

- Manufacturing
- Wholesaling
- Distribution
- Marketing agency
- Others (specify)-----

11. Please indicate any other business(es) you are engaged in away from pharmaceuticals (You may tick more than one),

- Transport
- Real estate
- Entertainment
- Telecommunication
- Farming
- Others (specify) -----

12. Strategic Management: Have you identified a strategy (ies) to facilitate your success in the industry? (Tick one).

Yes.

No.

13. Which is your main customer group? (Tick appropriately)

Corporate/ accounts customers

Independent customers

Corporate and independent customers are equally important

14. Who is your target market? Tick one or more.

Low income groups

Middle income groups

High income groups

No target market

15. Main source of finance capital (Startup and working capital) –Tick one or more)

Owners' savings

Retained earnings (profits from the business

Borrowings from family and friends

Borrowings from commercial and banking institutions

Trade creditors

Others (specify) -----

16. Using:

(3) for, Very important

(2) for, Important, and

(1) for, Not important,

please rank the following factors according to their importance to the  
Pharmaceutical retail business in the Nairobi Central Business District;

- Physical location
- Compliance with legal and professional requirements ( e.g. pharmacy and poisons Board)
- Corporate image / reputation
- Easy access to inexpensive finance
- Favorable relationships with suppliers
- Selling price
- Superior customer-responsiveness, e.g. (i). high quality of service  
(ii).Fast service or order filling  
(iii).accuracy in order filling  
(iv). superior technical advice
  
- Number of branches
- Customer rating of the company
- Form of business ownership (sole proprietorship, partnership, limited liability company)
- Formulation and implementation of superior competitive strategies
- Automation through computerization
- Corporate social responsibilities, e.g., community health activities, tree Planting and street beautification
- Long opening hours
- Store layout, e.g. comfortable waiting and consultation area
- Breadth and depth of merchandise, e.g. branded and generic drugs
- Robust human resource management, e.g., high salaries, staff benefit Schemes, staff training, staff motivation, e.g. bonuses



- [ ] Ancillary services such as laboratory testing, vaccination, blood Pressure and blood sugar monitoring
- [ ] Location security
- [ ] Good (novel) corporate management, e.g. high accountability and Prevention of fraud such as pilferage, and minimizing loss-making
- [ ] Promotion, e.g. Sign boards, advertising on radio, TV, and Journals
- [ ] Networking with other healthcare providers for patient referrals
- [ ] Strategic alliances with healthcare managers, e.g. medical insurers.

17. Give any other factors that you believe are **very important** for the success of Pharmaceutical retail business in the Nairobi Central Business District

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**Thanks for your time and cooperation.**

## **Appendix 2.**

### **LIST OF REGISTERED REATIL PHARMACIES IN THE NAIROBI CENTRAL BUSINESS DISTRICT ACCORDING TO THE KENYA MEDICAL DIRECTORY, 2006/2007 AND THE PHARMACY AND POISONS BOARD, APRIL 2007.**

1. Afya Centre Pharmacy
2. Aga khan walk Chemists
3. Annunciation Pharmacy
4. Anpi Pharmacy Ltd
5. Athi Pharmacy Ltd
6. Be-lea Pharmacy Ltd
7. Bells Pharmacy
8. Benmed Pharmaceuticals Ltd
9. Bilova Pharmacy Ltd
10. Bureau Pharmacy
11. Cedar Pharmacy
12. Centinel Healthcare Chemists
13. Centur Pharmaceuticals Ltd
14. Chemitex Ltd
15. Citizen Pharmaceuticals Ltd
16. City Square Pharmacy
17. Continental Pharmacy
18. Crescent Medical Aid Kenya
19. Cross-Roads Pharmacy
20. Damco Pharmacy
21. Danchem Pharmacy
22. Darol Pharmacy
23. Dove pharmacy Ltd
24. Edwan Pharmacy
25. Elton Pharmacy
26. Flame Pharmacy
27. Global Med Pharmaceuticals Ltd
28. Haripharm Pharmaceuticals Ltd.
29. Healthlife Pharmaceutcals Ltd
30. Highfields Pharmacy Ltd
31. Hollywood Pharmacy
32. Inkamed pharmacy
33. I.P.A Laboratories Ltd
34. Jacaranda Pharmacy
35. Jaga Pharmacy
36. Jey's Pharmacy Ltd
37. KAM Pharmacy ( Cargen Hse )
38. KAM Pharmacy (IPS building)
39. Karuri Stores (K)Ltd
40. Kavakava Pharmacy.
41. Kilimanjaro Pharmacy
42. La Belle Pharmacy
43. Lake Chemists
44. Laser Pharmacy Ltd
45. Latema Road Healthcare
46. Leki Pharmacy
47. Lemuma Pharmacy  
(Mfangano Street)
48. Lemuma Pharmacy  
(Tom Mboya Street)
49. Lemuma Pharmacy (Moi Avenue)
50. Lens Pharmacy
51. Lyntons Pharmacy Ltd

52. Maendeleo Pharmacy
53. Malibu Pharmacy  
(Agriculture House)
54. Malibu Pharmacy  
(Mama Ngina Street)
55. Maripharm Pharmacy Ltd
56. Mansion Pharmacy
57. Med RX Pharmaceuticals
58. Medipharm Pharmacy
59. Medox Pharmaceutcals Ltd
60. Metropolitan Pharmacy
61. Modana Pharmaceuticals
62. Monks Medicare Africa Ltd
63. Montel Pharmacy Ltd
64. Nairobi Drug Stores.
65. National Pharmacy
66. Nature Pharmacy
67. Nelly Pharmacy
68. Neonise Pharmacy
69. Newmark Pharmacy Ltd
70. NickPharm Pharmacy
71. Nila Pharmaceuticals Ltd  
(Ronald Ngala Street)
72. Nila Pharmaceuticals Ltd  
(Accra Road)
73. Northern Pharmacy
74. Parth Pharmaceuticals Ltd
75. PentaPharm Pharmacy  
(KTDA House)
76. People Pharmacy Ltd
77. Pharmatrade Pharmaceuticals Ltd
78. Portal Pharmacy
79. Prime Pharmacy Ltd
80. Race course Pharmacy
81. RangeChem Pharmaceuticals
82. Rence Pharmacy
83. Riverlyne Pharmaceuticals Ltd
84. Rosegate Pharmacy
85. RupPharm Chemists
86. Salama Pharmaceuticals
87. Sears Pharmacy
88. ShamChem pharmacy
89. Sirs Pharmacy
90. Sonachem Pharmaceuticals
91. Southlands Pharmaceuticals Ltd
92. Super Drug Pharmacy
93. Teachers Pharmacy
94. Temple Stores Pharmaceuticals Ltd
95. Theluji Pharmacy
96. Thorn Tree Chemists
97. Transchem Pharmaceuticals Ltd  
(Church House)
98. Transchem Pharmaceuticals Ltd  
(Mumbi House)
99. Transwide Pharmaceuticals Ltd
100. Troy Medical Supplies Ltd
101. Vidonge Pharmacy
102. Well-med Pharmacy
103. Weston Pharmacy
104. Zenamed Pharmacy

Cover Letter



**UNIVERSITY OF NAIROBI**  
**SCHOOL OF BUSINESS**  
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DATE..... 06/12/2007.....

TO WHOM IT MAY CONCERN

The bearer of this letter EMMANUEL I. NJOROGE

Registration No. DG/1P/8445/05

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you  
UNIVERSITY OF NAIROBI  
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MBA OFFICE  
P.O. Box 30197  
**J.T. KARIUKI**  
CO-ORDINATOR, MBA PROGRAM