RESPONSES BY PRIVATE MOMBASA COUNTY PHARMACEUTICAL DISTRIBUTORS TO CHALLENGES FACED IN IMPLEMENTATION OF THE KENYA NATIONAL DRUG POLICY

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DECLARATION

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

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

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DEDICATION

This project is dedicated to my parents, Batool and Mohammed Rajabali Jaffer for instilling in me the love of knowledge and for inspiring me to always aim high and work hard to achieve my goals. To my husband Shabbir, without whose tireless love, support and encouragement, this dream wouldn’t have become a reality. To my young daughter, Sayyedah, for being very understanding, supportive and encouraging during the time of study, and for her continuous prayers for my success. To my parents-in-law, Halima and Anver Kassamali, for their encouragement and prayers throughout my study. May The Almighty Lord bless you all with His choicest blessings perpetually. Amen.
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ABSTRACT

The pharmaceutical industry is an industry protected by patents, it is a highly regulated and heavy investment industry that is competitive, prominent and growing. As such, it is prone to malpractices because of loopholes in its supply chain. Registered pharmaceutical distributors are constantly bombarded by such threats in trying to religiously implement the guidelines portrayed by the Kenya National Drug Policy.

The objectives of this research are to identify the challenges faced by registered pharmaceutical distributors within Mombasa county, and to establish how they have responded to these challenges.

The study population comprises of the 15 pharmaceutical distributors registered by The Pharmacy and Poisons Board as at end of Dec 2011 within the county. The findings of the study indicate that there are various challenges distributors face from all key players of the supply chain, and it was observed that challenges faced is linked to age of the firms.

It was also observed that, of the 12 distributors with branches in other parts of Kenya, 58.3% of respondents do not directly respond to the challenges facing them, and that those challenges are dealt with at their headquarters in Nairobi, implying that there is a need for subsidiary distributors to be better equipped to deal with challenges facing them on the ground.

It is clear from the findings that prompt action has to be taken by policy regulators to reduce the malpractices in the pharmaceutical industry, so that the Pharmacy and Poisons Board can support its quest of availing affordable, safe, efficacious and high quality
pharmaceutical products to all Kenyans. These findings will also be useful to all key players of the pharmaceutical supply chain by making them aware of the potential threats faced by the industry at large.
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<th>Description</th>
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<tbody>
<tr>
<td>FDA</td>
<td>Food and Drug Administration</td>
</tr>
<tr>
<td>GOK</td>
<td>Government of Kenya</td>
</tr>
<tr>
<td>KACC</td>
<td>Kenya Anti Corruption Commission</td>
</tr>
<tr>
<td>KEDL</td>
<td>Kenya Essential Drugs List</td>
</tr>
<tr>
<td>KEMSA</td>
<td>Kenya Medical and Supplies Agency</td>
</tr>
<tr>
<td>KMD</td>
<td>Kenya Medical Directory</td>
</tr>
<tr>
<td>KNDP</td>
<td>Kenya National Drug Policy</td>
</tr>
<tr>
<td>MOH</td>
<td>Ministry of Health</td>
</tr>
<tr>
<td>MOMS</td>
<td>Ministry of Medical Services</td>
</tr>
<tr>
<td>MOPHS</td>
<td>Ministry of Public Health and Sanitation</td>
</tr>
<tr>
<td>NQCL</td>
<td>National Quality Control Laboratory</td>
</tr>
<tr>
<td>OTC</td>
<td>Over-the-counter pharmaceutical products</td>
</tr>
<tr>
<td>POM</td>
<td>Prescription-only medicines</td>
</tr>
<tr>
<td>PPB</td>
<td>Pharmacy and Poisons Board</td>
</tr>
<tr>
<td>PSK</td>
<td>Pharmaceutical Society of Kenya</td>
</tr>
<tr>
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CHAPTER ONE

INTRODUCTION

1.1 Background

Strategy, whether implicit or explicit, must be formulated, implemented, evaluated and controlled in the context of a set of goals (Shama et al, 1997). In attempting to implement strategies, organizations are in constant struggle to respond to the environment with which they interact. The environment is highly turbulent, dynamic and chaotic (Omondi, 2006). This chaotic nature makes it very likely for competing forces in any industry to encounter challenges as organizations follow set policies and principles. In their continuous search for survival and success, they need to promptly capture the opportunities that they meet, and inevitably even the challenges and threats that they face.

The pharmaceutical industry is no exception. It has played a critical role in the healthcare of nations around the world. In its quest to avail affordable, high quality, safe and efficacious medicines to end users, multiple challenges are faced by all key players of the supply chain, and prompt strategic response to counter such threats is desired otherwise lives of millions will be at stake.

1.1.1 Strategy Implementation

Strategy implementation is the way a chosen strategy is put into action. It is the effective direction, use and control of an organization's resources in order to achieve the desired result (Pearce and Robinson, 2005). The environmental conditions facing many firms have changed rapidly. Today's global competitive environment is complex, dynamic and largely unpredictable. To deal with this unpredictable level of change, a lot of effort has
been put to ensure the best policies are formulated. However, though strategy formulation is crucial, implementation of strategy is usually more difficult and more important, and most firms actually realize a strategy that is very different from what was actually intended, planned or thought because of environmental turbulence. Today, the critical determinant in success, and doubtlessly the survival of the firm, is the successful implementation of its strategy (Ruthiaren, 2010). Ahuja et al (2006) agree that most firms actually struggle to translate the theory of strategy into action plans that would enable the strategy to be successfully implemented and sustained.

Alexander (1985) asserts that the most frequently occurring strategy implementation problems include underestimating the time needed for implementation and major problems that surface which had not been anticipated. In addition, uncontrollable external factors also have an adverse effect. Ruthiaren (2010) acknowledges the challenge and need for a clear set between strategy and structure, and claims that the debate about which comes first is irrelevant provided there is congruence in the context of the operating environment. Other problems include inadequate budgeting systems and an inappropriate management style (Achoki, 2010). Kodali and Chandra add that politics in organizations usually impact strategy deployment adversely.

1.1.2 Organizational Response to the Environment

Organizations are open systems and therefore depend on the external environment for their survival. Organizations can only survive when they create and maintain a match between its strategy and its environment (Grant, 2005). The organization’s environment, according to Pearce and Robinson (2005), consists of all conditions and forces that
affects its strategic options and define its competitive situation. The environment consists of factors that form the context within which the organization exists (Hunger and Wheelen, 1999). Environmental conditions affect and influence strategies developed by an organization for its survival and success.

For organizations to remain truly competitive over time, as the environment changes, it has to learn, adapt and reorient itself to the changing environment. Ansoff and McDonnell (1990) argue that strategic responses by organizations involve changes in the firms’ strategic behavior to ensure success in the transforming future environment. They add that the choice of a response will depend on the speed with which a particular threat or opportunity develops in the environment.

Ross et al (2004) add that this process must be deliberate and coordinated to lead to gradual or radical system realignment between the environment and a firm’s strategic orientation to result in improved performance and effectiveness. The change, Thompson (1997) furthers, may not only be gradual, it can be evolutionary or even more dramatic to be revolutionary. Porter (1980) argues that organizational responses reflect a firm’s competitive position in the industry and a fast-changing environment may force the firm to change its position. He asserts that a competitive position can be created around cost leadership, differentiation or focused strategies.

Forces in the environment may be internal or external. Internal forces refers to things that are within the organization’s ability to control, such as corporate culture, systems, staff, facilities, internal processes, structures, strategy and products. David (2005) notes that external forces can be divided into five broad categories: economic; social, cultural,
demographic and environmental; political, legal and regulatory; technological and competitive forces. He further adds that these forces affect suppliers and distributors directly.

Wheelen and Hunger (2009) define legal and regulatory responsibilities as those defined by governments in laws and policies that management is expected to obey. These responsibilities can vary significantly around the world. Organizations have to adjust their strategies to conform to the legal and regulatory framework in place. Failure to do so can hamper not only the success of organizations, but also their mere existence.

1.1.3 The Kenyan Pharmaceutical Industry

The pharmaceutical industry is an industry protected by patents because drug molecules are relatively easy to copy, it is also highly regulated and research-intensive (Khan and Ghilzai, 2007). Pharmaceutical companies develop and market new products, innovation is accordingly paramount to survival. It is also very competitive, and annually, hosts of “me too” drugs reach the end users.

The fundamental goal of this industry, different from other industries, is patient care and safety. To achieve these goals for the public good, regulatory bodies regulate the industry through laws and administrative orders designed to protect the integrity of drugs throughout the pharmaceutical supply chain. The Kenyan Pharmaceutical industry is under the mandate of the Pharmacy and Poisons Board, which regulates the manufacture and supply of all drugs in Kenya (Chemwolo et al, 2010), inspection of premises and registration of qualified personnel, among other duties and roles.
Aseto (2002) states that the Kenyan Pharmaceutical industry comprises of local manufacturers, franchise importers who are involved in distribution, multinational corporations, wholesalers and retailers of drugs. The industry is broadly divided into the public and private sectors (Achterberg and Hartzenberg, 2002). The Kenyan private sector is one of the most developed and dynamic in Sub Saharan Africa. Even among the poor, the private health sector is an important source of care (Barnes et al, 2009). Ross et al (2004) note that 47% of the poorest quartile of Kenyans use a private facility when a child is sick. In terms of the number of healthcare facilities, the private sector is larger than the other sectors and growing. Referring to the 2006 data from the MOH, of the 5192 health facilities in the country, 2217 were privately owned, commercial outlets and 792 were not-for-profit facilities. One main factor for this growth is the liberalization of the pharmaceutical industry in 1971 (Kenya Pharmaceutical Review, 2005).

According to Barnes et al (2009), the private sector has grown extensively over the last twenty years and employs majority of healthcare professionals. In recognition of this important role, the GOK has developed strategies to promote the private health sector in its vision 2030 health plan as well as in the strategic plan for 2008-2012 of the MOMS and MOPHS (Kenya Pharmaceutical country profile, 2010).

Supply chains are a key factor in many business processes and are typically modeled at three levels: strategic, tactical and operational (Thomas and Griffin, 1996). Industrial practice suggests that very few raw materials remain in the constant “ownership” of one player from the time they are sourced to the time they reach the end-user (Berry and Towill, 1992). The supply chain consists of a series of activities and organizations that materials move through on their journey from the initial suppliers to the final consumers.
(Waters, 2006). Dobler and Burt (1996) add that a supply chain is responsible for ensuring that the right material, services and technology are purchased from the right source, at the right time, in the right quality. Cortrill (2001) argues that in many ways the pharmaceutical supply chain is beginning to resemble the distribution of consumer goods. Blair et al (1996a) add that there is a big role played by regulatory mechanisms as the raw materials are gradually transformed to finished products.

According to Achterberg and Hartzenberg (2002), the flow of pharmaceutical products from the manufacturers to the end users is linked via an independent wholesaler (or distributor) and a retailer. In addition to this, in the Kenyan context, since not all pharmaceutical products are locally manufactured, importers and exporters also play a significant role in the supply chain. Brozarth and Handfield (2008) imply that there are various channels of distribution used by different industries in their pursuit for effective distribution. Graham and Hardaker (2000) argue that there is an emerging trend of a multi-tiered business community with many different vertical and horizontal interactions. Kenyan distributors are known to interact with multiple players of the supply chain both horizontally and vertically. Countrywide, Mbau (2000) categorizes 59% of Kenyan pharmaceutical firms as distributors, 31% as manufacturers and 9% as both.

1.1.4 Private Mombasa County Pharmaceutical Distributors

The Department of Pharmacy at the Ministry of Health is responsible for administering drug control activities and for managing public sector drug supply nationally (KNDP, 1994). Public facilities within the county have a specific, duly registered distributor to cater for their healthcare needs ie Kenya Medical Supplies Agency (KEMSA).
Despite its high growth rate, the private sector supply chain is highly fragmented and inefficient because there are too many suppliers in the marketplace driving down price and quality. There are currently 16 registered distributors in Mombasa (Pharmacy and Poisons Board website and KMD) who supply pharmaceuticals to retail chemists, supermarket pharmacies and private hospitals within the county.

1.1.5 The Kenya National Drug Policy

The term policy has various definitions in management literature. As policies are external forces that regulate a profession, they are formulated by to ensure that professionals are guided to follow a uniformly set code of conduct. Policy development is a complex process which often takes place in an unstable and rapidly changing context subject to internal and external factors (Brugha and Varvasovszky, 2000). Some authors and practitioners equate policy with strategy (Pearce and Robinson, 2005). They argue that Policies are directives designed to guide the thinking, decisions and actions of managers and their subordinates in implementing a firm’s strategy (Pearce and Robinson, 2010).

The Kenya National Drug Policy is a document that advocates the provision of quality healthcare in the public, private, mission and NGO sectors. Its goal is to ensure that pharmaceutical services in the country meet the requirements of all Kenyans for the prevention, diagnosis and treatment of diseases using efficacious, high quality, safe and cost effective pharmaceutical products (KNDP, 1994). It covers selection of essential drugs, pricing policies, procurement, distribution, regulation, rational drug use and pharmacovigilance among other issues.
Products exported from or imported into Kenya have to follow strict guidelines as depicted by The Pharmacy and Poisons Act, Cap 244 and the KNDP. Members of the pharmaceutical supply chain are required to be appropriately registered and their premises licensed for that purpose. In addition to this, pharmaceutical products whether manufactured in the country or imported need to be duly quality assured and properly registered before they can be distributed.

1.2 Research Problem

Organizations face limitless challenges from the external environment. These challenges are sometimes difficult to counter and may pose as threats for the organization. However, in its attempt to survive, organizations need to manoeuvre their policies or strategies around these threats. When the challenge reflects on the regulatory aspect, it is even tougher to face as policies are reviewed after a sufficiently long period of time forcing the implementers to face the negative consequences independently. And, for the environment to remain conducive, organizations need to respond to the regulatory environment promptly. Organizations constantly seek legitimacy and this can only be achieved by responding to the regulatory environment. However, in their quest for legitimacy, all players face a host of challenges.

The pharmaceutical industry is a prominent and growing industry because health is a concern for all, whether rich or poor. There is thus a great interest in this industry by both the government and NGOs, and the public at large. It is a heavy investment industry, highly competitive and research intensive. Although it is highly regulated, it is prone to be influenced by malpractices because of loopholes in its supply chain leading to
availability of pharmaceutical products that have little or no active ingredients (WHO, 2003), parallel importation of substandard products, "briefcasing", unofficial channels of distribution, absence or minimal quantities of essential drugs in primary healthcare facilities, improper inventory control, improper regulatory control, etc. Duly registered pharmaceutical distributors have to pay taxes, registration and licence fees to the government, while illegal traders import and market the same products at a minimal cost.

Previous research on specific global challenges such as counterfeits (Khan and Ghilzai, 2007), parallel importation (Arfwedson (2002); Barfield and Gloombridge (1999) and Muchelule (2005) and Gitendu (2005) in reference to the Kenyan context), and strategic responses by Kenyan pharmaceutical importers to illegal trade in pharmaceuticals have been conducted. Although they have attempted to explain how various firms and industries have responded to external forces in their respective environments, there is no single comprehensive research to determine the challenges faced by pharmaceutical distributors when attempting to implement the KNDP and their responses to them. This study aims to answer the question, What are the challenges faced by private Mombasa County pharmaceutical distributors as they try to implement the KNDP, and how have they responded to those challenges?

1.3 Research Objectives

This study had two objectives:

a. To identify challenges in strategy implementation faced by registered private pharmaceutical distributors in Mombasa county.

b. To establish responses to such challenges.
1.4 Value of the Study

The findings from this research will prove useful practically to policy makers, particularly those involved in policy regulation so that more stringent measures are enforced to counter these challenges. It will also add a host of advantage for all key players in the supply chain by making them aware of the potential threats faced by the industry aiding them to be keener in their dealings. It will also contribute theoretically to researchers and scholars as it will add to the pool of available knowledge and form a basis for further research.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter defines the concept of strategy and attempts to show the interrelation between the organization and the environment, the challenges organizations face in implementing their strategies as they respond to the environment and strategies used by successful organizations as they try to respond to these challenges.

2.2 The Concept of Strategy

Porter (1980) defines strategy as creating a fit among a company’s activities. According to Thompson and Strickland (2007), Strategy is a pattern of organizational moves and managerial approaches used to achieve organizational objectives and to pursue the organizational mission. Mintzberg and Quinn (1991) quote strategy as being a pattern or plan that integrates major goals, policies and action sequences into a cohesive whole.

Schendel and Hofer (1979) add that strategy is a match between the organization’s resources and skills, and the environmental opportunities it wishes to accomplish. This view clearly identifies the need for organizational strategy to be in line with the external environment. Aosa (1992) affirms by adding that strategy is creating a fit between the external characteristics and the internal conditions of an organization to solve a strategy problem. The strategy problem is a mismatch between the internal characteristics of an organization and its external environment. The matching is achieved through development of an organization’s core capabilities that correlate to the external environment enough to enable exploitation of opportunities existing in the environment.
Glueck and Juach (1984) view strategy as a unified, comprehensive and integrated plan that relates the strategic advantages of a firm to the challenges of the environment and that is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organization.

Mintzberg (1987) clearly argues that we cannot afford to rely on a single definition of strategy despite our tendency to want to do so. He defined strategy as a plan, a ploy, a position, a pattern and a perspective. This multiplicity of definitions clearly indicates that strategy is multidimensional, situational and must vary by industry (Chaffee, 1985).

2.3 Organizations and the Environment

Looking back over what has happened in the study of business organizations over the last twenty years, two major trends emerge quite clearly. Firstly, there has been a growing interest in managing business strategy, and secondly, a shift can be noted away from the internal processes of the organization and towards the organization-environment interface. The later tends to conclude that the organization is not a free and independent unit (Hakkansson and Snehota, 2006).

Porter (1996) rightfully agrees that changes in the external environment shape opportunities and threats facing an organization. He adds that the environment is important in providing critical insight that underpins competitive advantage and the forces needed to keep progressing. According to Pearce and Robinson (2005), the external environment consists of various factors, politico-legal, economic, socio-cultural and technological, briefly known as PESTEL. These forces are dynamic (Kotler, 2003), thus organizations need to use a systematic approach with clearly defined steps and
applications for scanning the current and future environment in order to keep pace with the changes in the external environment (Blair et al, 1996a).

These changes bring about challenges to the organization (Aosa, 1992). Responses by organizations to these challenges and the speed at which the organizations respond determine survival and/or success of the organization. Bower and Christensen (1995) imply that the increasing amount of change and the drastic nature of these changes results into environmental turbulence making it increasingly difficult to identify causes and predict results of competitive initiatives with reasonable certainty. Ansoff and McDonnell (1990) add that a firm’s performance potential is optimum when the following three conditions are met: aggressiveness by which the firm’s strategic behavior meets the turbulence of its environment, responsiveness of the firm’s capability in matching its strategy and the extent to which the components of the firm’s capability support one another.

2.4 Challenges in Strategy Implementation as Organizations respond to the Environment

Organizations face challenges as they try to implement strategies and policies. This is inevitable as Azhar (2002) correctly states that maintaining security in organizations is a never-ending struggle. Just when one airtight system is in place, a new hacker technology or an especially diabolic adversary enters the picture. Challenges from the external environment are beyond the organization’s control and may appear as threats. According to Pearce and Robinson (2005), a threat is a key impediment of the firm’s current or desired position.
Managers are constantly bombarded by a stream of ill-defined events and trends. Some of these events and trends represent possible strategic issues for an organization because they are perceived as having the potential to having an effect on achieving organizational objectives (Ansoff, 1990 and King, 1982). For example, decision makers in the Banking industry contend with a wide array of challenges emerging from fundamental changes taking place in the competitive and regulatory structure of the industry, issues as diverse as providing lifelines for low and middle income level customers, removing restrictions on interstate banking and entering into the securities businesses have been recognized and responded to differently by different industry members (Dutton and Jackson, 1987).

Irresponsible marketing of products essential for human use significantly compound the impact of challenges faced, states Vinayak (2001). In the food industry, for example, distributors face challenges when dealing with importers regarding transportation, storage and special handling of cold chain items (McArthur, 2007), product recalls and disposal of expired goods. Handfield (2005) identifies other challenges associated with the supply chain as credit risks, distribution costs, returns, damaged goods and losses due to counterfeits existing in the channels (Steinberg et al, 2001; British Medical Journal 2006; PSK Journal 2006; Burns, 2006; Khan and Ghilzai, 2007).

Industries globally face challenges of imitation products that are insufficiently researched upon. The World Economy (2002) reports that parallel imports of construction equipments, computers, automobiles and certain consumer goods into the USA, Japan and Europe rose with the collapse of several Asian currencies in the late 1970s. In 1985, the US Department of Commerce reported rising parallel import volumes in 37 product categories, especially trademarked goods such as “Mercedes-Benz sedans, Opium
perfume and Nikon cameras" (WHO Fact Book, 2005). Holland and Batiz (2004) add that parallel imports in the pharmaceutical industry increased when wholesalers consolidated internationally through cross-border mergers and acquisitions, making it easier to buy in one country and distribute in another.

"Briefcasing" is a form of entry whereby an importer carries restricted and unauthorized items, such as perfumes and medicines and claims them to be for his personal use at customs controls. Barfield and Groombridge (1999) assert that briefcased imports move from a low-priced country via an unauthorized distributor to a high-priced country where it competes directly with an authorized distributor or a patent holder.

Organizations attempt to cope with potential sources of adversity by adjusting their internal structure or by taking actions to enhance their competitive positions. Adversity affects the adaptability and capability of multiple layers of an organization system (Stav et al, 1981). Some organizations face challenges as a result of weak strategy implementation or inadequate capability in dealing with changes in the environment.

Organizational challenges can also result because of a strategic drift. Business strategies tend to be characterized by small strategic adjustments. However, these marginal adjustments of strategy within an organization’s existing culture and structure may lead to strategic drift reflecting strategies that are inconsistent with external changes.

The complexity and uncertainty of the business environment has greatly transformed organizational thinking and practices. Challenges organizations face regarding sustainable competitive advantage is envisaged in achieving a continuous fit between the organization and its competitive environment, or the organization's resources and
capabilities and market opportunities (Voelpel et al, 2006). It is a widely accepted principle that for organizations to compete successfully, it must achieve ‘fit’ with its external and internal environments, that is, organizations need to ‘fit’ with their business environment (to customers’ needs and wants, to competitors moves and decisions) as well as within their organizations (such as to their structure, culture, strategy and technology) as elaborated by Chandler (1962), Lawrence and Lorsch (1967), Miles and Snow (1984) and Porter (1980).

2.5 Responses by Organizations

Recent economic trends have engendered interest in how organizations cope with adversity in their environment. Some researchers have taken a policy-oriented perspective examining how specific organizations have successfully or unsuccessfully responded to threatening environmental conditions (Rubin, 1977 and Starbuck, 1983). In order to survive and thrive in a competitive environment, every business needs to possess a certain level of strategic capability. Opportunities and threats evolve in the external environment and influence organizations in a positive and negative way. The frequent changes create environmental uncertainties that managers may have difficulty responding to because they lack the capability to successfully identify new opportunities, detect and interpret threats and implement strategic responses. In a given environment, an appropriate and competent strategic capability is the key basis for an effective strategic response (Ansoff and McDonnell, 1990). They recognized that strategy formulation and response needs to take environmental turbulence into account, and that one strategy cannot fit every industry.
According to Thwaites and Glaister (1992), for an organization to succeed in an industry, it must select a mode of strategic behaviour that matches the level of environmental turbulence and develops a resource capability that complements the chosen mode. New and innovative ideas could be pursued and implemented in response to customer needs and values, organizational capabilities and stakeholders’ interests (Johanesson and Palona, 2012). Kanter (1989) agrees that today’s corporate elephants need to learn to dance as nimbly and speedily as mice if they are to survive in our increasingly competitive and rapidly changing world.

Different methods of coping with adversity are appropriate to increase the survival prospects of an organization or protect local interest, and all organizations respond differently to similar environmental effects (Meyer, 1982). Lee and Grewal (2004) add that strategic responses by firms can be categorized according to the dimensions of magnitude, domain and speed. Mathenge (2008) furthers that three types of responses are plausible: passive strategies concentrating compliances with standards, reactive strategies aimed at developing recycling models, and active strategies seeking integrated protective concepts. Some firms have taken steps to merge or form strategic alliances to curb these challenges (Ng’an’ga, 2004; Muchelule, 2005 and Opiyo, 2006). Some organizations opt to respond by price reduction mechanisms, that is, by being the lowest priced firm, and others try to differentiate their products from other firms in the same industry (Porter, 1996).

Other firms try to respond to the environmental challenges by being a leader in innovation, and coming up with novel ideas of products and services to meet the demands of the customers.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter attempts to identify the research design selected for the study, the population of the study, methods selected for data collection and analysis.

3.2 Research Design

The research design chosen for the study was a descriptive survey. According to Cooper and Schindler (2003), a descriptive study is concerned with the “who, what, where and how” of a phenomenon. Kerlinger (1973) argues that survey method is widely used to obtain data useful in evaluating present practices and in providing basis for decisions. Kothari (1985) adds that survey is concerned with describing, recording, analyzing and reporting conditions that exist or existed. This study described the challenges faced by pharmaceutical distributors and evaluated their responses in dealing with the challenges.

3.3 Study Population

The population of the study consisted of all pharmaceutical distributors located within Mombasa county as of December 2011. A thorough examination of the PPB website and The Kenya Medical Directory records revealed that 15 pharmaceutical distributors were present and this formed the population of the study. The researcher used both sources of information to get maximum overlap.

Aosa (1992) argues that by using several directories to construct the sampling frame, one reduces the margin of discrepancy between the sampling frame and population. All the
distributors were included in the study to reduce subjectivity and bias thus forming a more credible generalization for the study.

3.4 Data Collection

The researcher used primary data in form of questionnaires to carry out the study. The questionnaire included semi-structured questions (Appendix 1). The targeted respondents were the Chief pharmacist at each distributor outlet in Mombasa county’s private sector, or in his absence, the person acting on his behalf. The respondents were selected because of the role they play in those distribution outlets as regards direct responsibility and answerability for unmet targets and unsatisfactory policy implementation. The questionnaires were administered by a drop and pick method.

The questions were divided into two sections, the first comprised of respondent profile and company demographic data. The second section identified challenges faced by the distributors and established responses to those challenges.

3.5 Data Analysis

Due to the quantitative nature of the data, it was described and analyzed using percentages, measures of central tendency (the mean) and measures of dispersion (the standard deviation).

The descriptive statistical tools helped the researcher describe the data, percentages were computed to determine the responses, and mean scores and standard deviation were used to determine their extent of the challenges affecting them.
CHAPTER FOUR
DATA ANALYSIS, INTERPRETATION AND PRESENTATION OF FINDINGS

4.1 Introduction

This chapter presents the findings of the study, analysis of data and interpretation of data and the presentation of findings. For the purpose of showing the relationship among various variables, descriptive statistical tools such as frequency and percentages have been used.

The study applied primary data that was collected from fourteen pharmaceutical distributors within Mombasa county. This represented a response rate of 93.3%. The study population comprised of 15 pharmaceutical distributors. This data formed the basis for the analysis presented in this chapter.

4.2 Profile of Respondents and Company Demographic Data

4.2.1 Period of Operation in Kenya

Period of a firm’s operation in Kenya indicates the age of the firm in Kenya. The purpose of identifying the firm’s age in Kenya was to help the researcher identify the number and percentages of firms that have been operational in Kenya for various periods of time and to determine if the challenges they face are related to the firm’s age. The respondents were required to pick out the age bracket of the firm as indicated: less than 5 years, between 5 and 10 years, between 10 and 15 years, and longer than 15 years.
Table 1: Period of Operation in Kenya

<table>
<thead>
<tr>
<th>Period of operation in Kenya</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;5 years</td>
<td>2</td>
<td>14.30%</td>
</tr>
<tr>
<td>5 - 10 years</td>
<td>2</td>
<td>14.30%</td>
</tr>
<tr>
<td>10 - 15 years</td>
<td>4</td>
<td>28.50%</td>
</tr>
<tr>
<td>&gt;15 years</td>
<td>6</td>
<td>42.90%</td>
</tr>
<tr>
<td>Total</td>
<td>14</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Field Data (2012)

The table above shows that majority of firms (about 42.9%) have operated for longer than 15 years, and about 28.6% have operated for a period of 10 years or less, indicating that most distributors within Mombasa county have been around for a longer duration of time.

4.2.2 Ownership

Determination of ownership of the firm is essential because ownership influences strategic planning and business decision making. Firms solely owned by one proprietor operate on the exclusive direction and decision of that proprietor. Firms owned in partnership are influenced by the unanimous decisions arrived at by all partners, and firms that are foreign owned are greatly influenced by decisions from abroad.

The researcher required the respondents to indicate the ownership of the specific firm. The aim was to determine the frequency and percentage of firms that were foreign owned, owned solely or in partnership. The respondents had to choose one from among the three alternatives.
Table 2: Ownership of Pharmaceutical Distributor Outlets within Mombasa county

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sole ownership</td>
<td>1</td>
<td>7.10%</td>
</tr>
<tr>
<td>Partnership</td>
<td>12</td>
<td>85.80%</td>
</tr>
<tr>
<td>Foreign Owned</td>
<td>1</td>
<td>7.10%</td>
</tr>
<tr>
<td>Total</td>
<td>14</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Field Data (2012)

The findings of Table 2 indicate that most distributor firms (85.80%) are owned in partnership indicating that all strategic decisions are made by all partners of the firm. This includes responding to challenges faced by the firms.

4.2.3 Branches in Other Parts of Kenya

Extensiveness of a firm indicates the growth and success of firms and therefore the ability to respond to challenges successfully. This fact prompted the researcher to find out how many firms actually had branches in other parts of Kenya. The respondents were required to give a closed answer for this question implying whether they had or did not have branches in other parts of Kenya.

Table 3: Pharmaceutical Distributors with Branches in other parts of Kenya

<table>
<thead>
<tr>
<th>Branches in other parts of Kenya</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>12</td>
<td>85.70%</td>
</tr>
<tr>
<td>No</td>
<td>2</td>
<td>14.30%</td>
</tr>
<tr>
<td>Total</td>
<td>14</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Field Data (2012)

This table clearly shows that most pharmaceutical distributors are well established, with 85.7% having branches in other parts of Kenya as well indicating growth and success of the industry at large.
4.2.4 Sources of the Pharmaceutical Products

Pharmaceuticals available within Kenya originate from different countries bringing about hosts of generics and 'me too' drugs, which has often posed a challenge since some of these products are unregistered and may reach the end user. The respondents were required to mention at least three countries the products originated from.

Table 4: Sources of Pharmaceutical Products

<table>
<thead>
<tr>
<th>Countries the pharmaceutical products originate from</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>14</td>
<td>33.33%</td>
</tr>
<tr>
<td>India</td>
<td>8</td>
<td>19.05%</td>
</tr>
<tr>
<td>Pakistan</td>
<td>6</td>
<td>14.29%</td>
</tr>
<tr>
<td>China</td>
<td>2</td>
<td>4.76%</td>
</tr>
<tr>
<td>UK</td>
<td>2</td>
<td>4.76%</td>
</tr>
<tr>
<td>Germany</td>
<td>1</td>
<td>2.38%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>2</td>
<td>4.76%</td>
</tr>
<tr>
<td>USA</td>
<td>2</td>
<td>4.76%</td>
</tr>
<tr>
<td>France</td>
<td>1</td>
<td>2.38%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>1</td>
<td>2.38%</td>
</tr>
<tr>
<td>Egypt</td>
<td>2</td>
<td>4.76%</td>
</tr>
<tr>
<td>Sweden</td>
<td>1</td>
<td>2.38%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

Source: Field Data (2012)

The findings of the study indicate that the pharmaceuticals distributed within Mombasa have varied origins. Some are from within Kenya, others from India, Pakistan, China, UK, Germany, Malaysia, USA, France, Switzerland, Egypt and Sweden.

4.2.5 Markets for the Pharmaceutical Products

Pharmaceutical distributors may distribute their products within the country, or to neighbouring countries outside Kenya. This determines the presence, extensiveness and
growth of the firm in the international market. The respondents were required to mention three countries where they distribute their products.

Table 5: Markets for the Pharmaceutical Products

<table>
<thead>
<tr>
<th>Countries the pharmaceutical products are distributed to</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>9</td>
<td>63.10%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>6</td>
<td>22.22%</td>
</tr>
<tr>
<td>Sudan</td>
<td>2</td>
<td>7.41%</td>
</tr>
<tr>
<td>Rwanda</td>
<td>3</td>
<td>11.11%</td>
</tr>
<tr>
<td>Uganda</td>
<td>6</td>
<td>22.22%</td>
</tr>
<tr>
<td>Senegal</td>
<td>1</td>
<td>3.70%</td>
</tr>
<tr>
<td>Total</td>
<td>27</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Field Data (2012)

Distributors within Mombasa are largely distributing their pharmaceutical products within Kenya (63.1%) to various provinces, while others are going beyond the borders to neighbouring countries like Tanzania, Sudan, Rwanda, Uganda and Senegal, indicating that the pharmaceutical industry is a prominent and growing industry so challenges are evident, and proper responses to the challenges likely to encourage growth and success of the firms.

4.2.6 Number of Employees in Mombasa

The number of employees a firm has is generally an indicator of size of the firm and its expanse. Size of the firm indicates growth and development of the firm because all firms grow from a small size to a medium or large sized firm. The researcher wanted to determine the manpower employed by the distributor firms within the county. The respondents had to choose the relevant figures from age brackets of <50, 50-100, 100-150 and >150 employees.
### Table 6: Number of employees in distributor outlets within Mombasa county

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 50</td>
<td>6</td>
<td>42.90%</td>
</tr>
<tr>
<td>50 - 100</td>
<td>4</td>
<td>28.60%</td>
</tr>
<tr>
<td>100 - 150</td>
<td>1</td>
<td>7.10%</td>
</tr>
<tr>
<td>&gt; 150</td>
<td>3</td>
<td>21.40%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

Source: Field Data (2012)

The table above shows that about half of the firms (42.9%) have less than 50 employees in Mombasa, which is a very small figure considering that most firms have actually operated for more than 15 years. Three firms have more than 150 employees and further data analysis revealed that the 3 were, in fact, operational for more than 15 years.

### 4.2.7 Type of Pharmaceutical Products distributed

Pharmaceuticals can either be over-the-counter (OTC) or prescription-only medicines (POMs). OTCs are products that can be sold over the counter and do not require a prescription from a duly authorized medical practitioner. POMs are under stricter surveillance and cannot be issued without a prescription. However, both types of products need to be registered before they can be sold to the end user.

The researcher wanted to know the number of firms that dealt exclusively in OTCs, POMs and both types of products. The respondents had to select one group from the three.
Table 7: Type of Products Distributed

<table>
<thead>
<tr>
<th>Type of products</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>OTC only</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>POM only</td>
<td>1</td>
<td>7.10%</td>
</tr>
<tr>
<td>Both</td>
<td>13</td>
<td>92.90%</td>
</tr>
<tr>
<td>Total</td>
<td>14</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Field Data (2012)

It was observed that almost all firms, with the exception of one, i.e. 92.9% dealt in both POM and OTCs, and no distributor within Mombasa dealt in OTC products only.

4.3 Challenges faced in the Distribution of Pharmaceuticals

This subsection deals with challenges faced by pharmaceutical distributors as regards distribution of pharmaceuticals.

Table 8: Challenges Faced in the Distribution of Pharmaceuticals

<table>
<thead>
<tr>
<th>Challenges faced</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>mean</th>
<th>std dv.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n</td>
<td>%</td>
<td>n</td>
<td>%</td>
<td>n</td>
<td>%</td>
<td>n</td>
</tr>
<tr>
<td>Illegal importation</td>
<td>2</td>
<td>14.3</td>
<td>1</td>
<td>7.1</td>
<td>6</td>
<td>42.9</td>
<td>3</td>
</tr>
<tr>
<td>Counterfeits</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>21.4</td>
<td>2</td>
<td>14.3</td>
</tr>
<tr>
<td>Briefcased products</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>14.3</td>
<td>7</td>
<td>50</td>
<td>1</td>
</tr>
<tr>
<td>Corrupt officials</td>
<td>2</td>
<td>14.3</td>
<td>2</td>
<td>14.3</td>
<td>2</td>
<td>14.3</td>
<td>2</td>
</tr>
<tr>
<td>Lack of evidence-based research</td>
<td>3</td>
<td>21.4</td>
<td>2</td>
<td>14.3</td>
<td>7</td>
<td>50</td>
<td>1</td>
</tr>
<tr>
<td>Communication gap</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>7.1</td>
<td>8</td>
<td>57.1</td>
<td>5</td>
</tr>
<tr>
<td>Challenges with importers:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product Recalls</td>
<td>1</td>
<td>7.1</td>
<td>3</td>
<td>21.4</td>
<td>7</td>
<td>50</td>
<td>2</td>
</tr>
<tr>
<td>Returns</td>
<td>2</td>
<td>14.3</td>
<td>2</td>
<td>14.3</td>
<td>5</td>
<td>35.7</td>
<td>5</td>
</tr>
<tr>
<td>Cold chain</td>
<td>4</td>
<td>29</td>
<td>0</td>
<td>0</td>
<td>6</td>
<td>42.9</td>
<td>0</td>
</tr>
<tr>
<td>Narcotics</td>
<td>3</td>
<td>21.4</td>
<td>1</td>
<td>7.1</td>
<td>8</td>
<td>57.1</td>
<td>1</td>
</tr>
<tr>
<td>Expired Goods</td>
<td>3</td>
<td>21.4</td>
<td>2</td>
<td>14.3</td>
<td>5</td>
<td>35.7</td>
<td>3</td>
</tr>
<tr>
<td>Returns from end users</td>
<td>3</td>
<td>21.4</td>
<td>4</td>
<td>28.6</td>
<td>3</td>
<td>21.4</td>
<td>4</td>
</tr>
<tr>
<td>Long Procedures</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>28.6</td>
<td>7</td>
<td>50</td>
<td>3</td>
</tr>
<tr>
<td>Frequent Price changes</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>28.6</td>
<td>4</td>
<td>28.6</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Field data (2012)
Various challenges were enlisted in the questionnaire, and the respondents were required to indicate the intensity of challenge using a Likert’s scale, with 1 being the least challenging and 5 the most challenging. The mean and standard deviation were then computed.

The table above indicates that pharmaceutical distributors within Mombasa county find counterfeit products the most overwhelming challenge, followed by corrupt officials. Long documentation procedures and pharmaceutical products that have been insufficiently researched upon are considerably less challenging in their day-to-day practices.

With respect to counterfeits which come into the country through illegal channels of distribution, most distributors agree that it is the toughest challenge they are facing because the market for their products becomes smaller, as usually counterfeits are sourced and imported into Kenya and reaches the end user before undergoing the stringent procedures required for drug registration.

**Table 9: Counterfeit products**

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Frequency</th>
<th>Percentage (%)</th>
<th>Cum. Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Least Challenging</td>
<td>0</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>A bit Challenging</td>
<td>3</td>
<td>21.40%</td>
<td>21.40%</td>
</tr>
<tr>
<td>Challenging</td>
<td>2</td>
<td>14.30%</td>
<td>35.70%</td>
</tr>
<tr>
<td>Quite Challenging</td>
<td>3</td>
<td>21.40%</td>
<td>57.10%</td>
</tr>
<tr>
<td>Very Challenging</td>
<td>6</td>
<td>42.90%</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Field Data (2012)

The table above confirms that of the 14 distributors, 6 find it very challenging, and in fact all distributors agree that it is a challenge to some extent. There is no disagreement at all.
With regards to corrupt officials, again most distributors agree that they are a hindrance to normal operations, however, further analysis revealed that this is more so a challenge for the newer distributors.

**Table 10: Corrupt Officials**

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Frequency</th>
<th>Percentage (%)</th>
<th>Cum. Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Least Challenging</td>
<td>2</td>
<td>14.30%</td>
<td>14.30%</td>
</tr>
<tr>
<td>A bit Challenging</td>
<td>2</td>
<td>14.30%</td>
<td>28.60%</td>
</tr>
<tr>
<td>Challenging</td>
<td>2</td>
<td>14.30%</td>
<td>42.90%</td>
</tr>
<tr>
<td>Quite Challenging</td>
<td>2</td>
<td>14.30%</td>
<td>57.20%</td>
</tr>
<tr>
<td>Very Challenging</td>
<td>6</td>
<td>42.80%</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Field Data (2012)

The table above indicates that corrupt officials is considered a big challenge by distributors, 6 of the respondents agree that it is so, and of the remaining respondents, 2 agree that it is quite a challenge and 2 agree that it remains challenging to counter this threat.

As regards the other challenges, respondents agree that ‘briefcased’ products also remains a challenge that is tough to overcome since these products also come in through illegal channels into the country.

**Table 11: “Briefcased” Products**

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Frequency</th>
<th>Percentage (%)</th>
<th>Cum. Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Least Challenging</td>
<td>0</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>A bit Challenging</td>
<td>2</td>
<td>14.30%</td>
<td>14.30%</td>
</tr>
<tr>
<td>Challenging</td>
<td>7</td>
<td>50.00%</td>
<td>64.30%</td>
</tr>
<tr>
<td>Quite Challenging</td>
<td>1</td>
<td>7.10%</td>
<td>71.40%</td>
</tr>
<tr>
<td>Very Challenging</td>
<td>4</td>
<td>28.60%</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Field Data (2012)
Half of the respondents agree that it is challenging to have “briefcased” products around which usually come in through individuals who are known only to particular retailers, and who bring them these products in quantities that are not bulky so that they can claim they are for their personal use at customs controls. They remain a challenge for genuine product suppliers and distributors.

Long documentation is another challenge that is hard to ignore. As observed from the table below, most respondents agree that a lot of time is spent on duplication of documents.

Table 12: Long Documentation Procedures

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Frequency</th>
<th>Percentage (%)</th>
<th>Cum. Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Least Challenging</td>
<td>0</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>A bit Challenging</td>
<td>4</td>
<td>28.60%</td>
<td>28.60%</td>
</tr>
<tr>
<td>Challenging</td>
<td>7</td>
<td>50.00%</td>
<td>78.60%</td>
</tr>
<tr>
<td>Quite Challenging</td>
<td>3</td>
<td>21.40%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Very Challenging</td>
<td>0</td>
<td>0.00%</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Field Data (2012)

All respondents agree that it is a challenge to have procedures that are too long to document. 50% agree that it is challenging, and 21.4% agree that it is quite a challenge.

Table 13: Frequent Price Changes

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Frequency</th>
<th>Percentage (%)</th>
<th>Cum. Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Least Challenging</td>
<td>0</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>A bit Challenging</td>
<td>4</td>
<td>28.60%</td>
<td>28.60%</td>
</tr>
<tr>
<td>Challenging</td>
<td>4</td>
<td>28.60%</td>
<td>57.20%</td>
</tr>
<tr>
<td>Quite Challenging</td>
<td>1</td>
<td>7.10%</td>
<td>64.30%</td>
</tr>
<tr>
<td>Very Challenging</td>
<td>5</td>
<td>35.70%</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Field Data (2012)
The table above shows that 10 of the 14 respondents agree that it is a challenge to have frequent changes in price and discount structures as customers and retailers lose their confidence in your services.

It was also discovered that firms face similar challenges based on their age in Kenya, that is, distributors who have been around for longer than 15 years face similar challenges, which are quite different from the newer distributors who have a period of operation of less than 5 years.

Table 14: Challenges faced by Distributors who have operated for longer than 15 years, with 1 being the least challenging and 5 the most challenging.

<table>
<thead>
<tr>
<th>Challenges faced</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>mean</th>
<th>std dv.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illegal importation</td>
<td>1</td>
<td>16.7</td>
<td>3</td>
<td>50</td>
<td>1</td>
<td>0</td>
<td>2.7</td>
</tr>
<tr>
<td>Counterfeits</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>33.3</td>
<td>4</td>
</tr>
<tr>
<td>Briefcased products</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>33.3</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Corrupt officials</td>
<td>2</td>
<td>33.3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>33.3</td>
</tr>
<tr>
<td>Lack of evidence-based research</td>
<td>1</td>
<td>16.7</td>
<td>2</td>
<td>33.3</td>
<td>3</td>
<td>50</td>
<td>0</td>
</tr>
<tr>
<td>Communication gap</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>33.3</td>
<td>4</td>
<td>66.7</td>
</tr>
<tr>
<td>Challenges with importers:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product Recalls</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>16.7</td>
<td>4</td>
<td>66.6</td>
<td>0</td>
</tr>
<tr>
<td>Returns</td>
<td>1</td>
<td>16.7</td>
<td>1</td>
<td>16.7</td>
<td>2</td>
<td>33.3</td>
<td>2</td>
</tr>
<tr>
<td>Cold chain</td>
<td>1</td>
<td>16.7</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>16.7</td>
<td>0</td>
</tr>
<tr>
<td>Narcotics</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>66.7</td>
<td>1</td>
</tr>
<tr>
<td>Expired Goods</td>
<td>2</td>
<td>33.3</td>
<td>2</td>
<td>33.3</td>
<td>1</td>
<td>16.7</td>
<td>1</td>
</tr>
<tr>
<td>Returns from end users</td>
<td>3</td>
<td>50</td>
<td>2</td>
<td>33.3</td>
<td>1</td>
<td>16.7</td>
<td>0</td>
</tr>
<tr>
<td>Long Procedures</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>33.3</td>
<td>3</td>
<td>50</td>
<td>1</td>
</tr>
<tr>
<td>Frequent Price changes</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>33.3</td>
<td>1</td>
<td>16.7</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Field Data (2012)

The older distributors consider counterfeits and ‘briefcased’ products the greatest challenges, followed by their dealings with importers especially in matters regarding
storage and handling of cold chain items often resulting into losses and theft at cross-border checkpoints and stop-overs. It is also observed that communication gap between the different bodies concerned with pharmaceutical regulation poses yet another challenge that is tough to respond to.

On the other hand, the newer distributors, that is, those that have operated in Kenya for less than 5 years face challenges that are diverse from their older counterparts, and these relate mostly to corrupt officials and the varied impediments faced with importers as observed from the table below.

Table 15: Challenges faced by Distributors who have operated for less than 5 years

<table>
<thead>
<tr>
<th>Challenges faced</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>mean</th>
<th>std dv</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illegal importation</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>50</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Counterfeits</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>100</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Briefcased products</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>50</td>
<td>1</td>
<td>50</td>
<td>2.5</td>
</tr>
<tr>
<td>Corrupt officials</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Lack of evidence-based research</td>
<td>1</td>
<td>50</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>50</td>
<td>2</td>
</tr>
<tr>
<td>Communication gap</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>100</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Challenges with importers:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product Recalls</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>50</td>
<td>0</td>
<td>0</td>
<td>2.5</td>
</tr>
<tr>
<td>Returns</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>50</td>
<td>1</td>
<td>3.5</td>
</tr>
<tr>
<td>Cold chain</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>100</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Narcotics</td>
<td>2</td>
<td>100</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Expired Goods</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>50</td>
<td>4.5</td>
</tr>
<tr>
<td>Returns from end users</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>50</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Long Procedures</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>50</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Frequent Price changes</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>50</td>
<td>4.5</td>
</tr>
</tbody>
</table>

Source: Field Data (2012)

The table above confirms that firms that have been operational for less than 5 years consider frequent changes in price and discount structures the greatest challenge for
retaining their customers. Another challenge they find overwhelming is that of goods expiring on their shelves. This is immediately followed by the challenge of corrupt officials. Illegal imports and returns from end users remain an overwhelming challenge since they are just establishing themselves in the market.

In lieu of challenges faced by pharmaceutical distributors other than those enlisted above, Delay and losses including theft during transportation and transit is considered the most challenging (20%) especially when highly priced items and commonly misused drugs are on transit, followed by untrustworthy clients at 16%.

**Table 16: Other Challenges Faced by Pharmaceutical Distributors**

<table>
<thead>
<tr>
<th>Other Challenges</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delay and losses during transportation/transit</td>
<td>14</td>
<td>20%</td>
</tr>
<tr>
<td>Untrustworthy clients</td>
<td>12</td>
<td>16%</td>
</tr>
<tr>
<td>Unlicenced customers</td>
<td>9</td>
<td>13%</td>
</tr>
<tr>
<td>Irregular orders by clients</td>
<td>9</td>
<td>13%</td>
</tr>
<tr>
<td>Fake prescriptions</td>
<td>7</td>
<td>11%</td>
</tr>
<tr>
<td>Untimeliness from procurement to delivery</td>
<td>7</td>
<td>11%</td>
</tr>
<tr>
<td>Competitors</td>
<td>6</td>
<td>8%</td>
</tr>
<tr>
<td>Receipt of short expiry items</td>
<td>6</td>
<td>8%</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field Data (2012)

13% opted for irregular and often delayed orders by clients causing frequent orders and often stock outs by distributors adding to other distribution costs, and unlicenced customers and unregistered pharmacies who order drugs they are not registered to stock or sell. Other common challenges include fake prescriptions for controlled drugs and narcotics (11%), untimeliness of orders from procurement to delivery (11%), receipt of short expiry items (8%) and other distributors stocking the products from the same
company (8%) causing irregular movement of the products since they may offer better deals and thus likelihood of products expiring on the shelves of distributors.

4.4 Responses to Challenges faced by Pharmaceutical Distributors

The researcher wanted to know how the various distributors within the county actually respond to the challenges that face them to complete the objectives of this study. The respondents were required to openly fill in their responses to the various challenges mentioned in the questionnaire. The purpose was to get first hand information on how these challenges are actually dealt with at the ground level.

Of the fourteen respondents within Mombasa county, it was sadly observed that only seven actually respond directly to the challenges facing them, the remaining seven (50%) commented that their threats and challenges were dealt with at their headquarters in Nairobi.

As regards illegal importation and counterfeits, all the seven respondents argue that they liaise directly with The Pharmacy and Poisons Board in case of any suspicious importation, and stock only duly registered pharmaceutical products. All respondents collaborate with regulators of pharmaceuticals, such as the pharmacovigilance department at the Pharmacy and Poisons Board who, in turn, follow the matter up and take necessary action as they deem fit.
Table 17: Responses to the Challenges of Illegal Imports, Counterfeits and ‘Briefcased’ products

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Response</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illegal importation and Counterfeits</td>
<td>Collaborate with Regulators</td>
<td>7</td>
<td>100.00%</td>
</tr>
<tr>
<td>&quot;Briefcased&quot; Products</td>
<td>Collaborate with Regulators</td>
<td>7</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Field Data (2012)

All of them also claim they have not inadvertently been able to respond appropriately to ‘briefcased’ products that reach the end users through illegal channels of distribution because they do not know the distributors who generally operate single-handedly or on a one-to-one basis with the retail outlet. Illegal distributors bring unregistered, high-valued products from low-priced countries like India and Pakistan, into Kenya to sell at higher prices thus competing directly with authorized suppliers. This has evidently become possible because of corrupt officials at customs control, all respondents admit. However, in case of any information on the same, all seven respondents claim to collaborate with regulators so that necessary action can be taken to solve or curb the problem.

In response to the challenge of corrupt officials, 57.1% of the respondents claim theirs is a corruption-free zone and that they collaborate with the authorities and report corrupt officials to the PPB and the Kenya Anti Corruption Commission.

Table 18: Response by Pharmaceutical Distributors to the Challenge of Corrupt Officials

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report to PPB and KACC</td>
<td>4</td>
<td>57.10%</td>
</tr>
<tr>
<td>Support corrupt officials</td>
<td>3</td>
<td>42.90%</td>
</tr>
<tr>
<td>Total</td>
<td>7</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Field Data (2012)
The remaining three respondents admit that they need to continue supporting these officials otherwise they disrupt business unnecessarily even when there is no mistake on their part. Further analysis discovered that all three have operated in Kenya for less than ten years.

As regards the challenge of insufficient evidence-based research, 100% of respondents admit that they stock products that have sometimes been insufficiently researched upon as long as the pharmaceuticals have been registered by the PPB, because failure to do so can hamper their businesses. All respondents argue that they stock both originals and generic products from authorized and reputable companies as long as they have been registered in Kenya.

They advise that the Board ensures that products that are marketed within Kenya to be adequately researched upon prior to registration to prevent discontinuation due to adverse effects in post-marketing surveillance studies.

The communication gap between the PPB and other bodies, such as the Quality Control Laboratory or the Ministry of Health is an overwhelming challenge because there are frequent articles in the media regarding authenticity and genuinity of some importers or manufacturers, and claims are made against their products only to be confirmed after some days that the information was untrue leaving the accused the burden of bearing the tremendous cost of a bad image and of reestablishing the reputation of his products.
Table 19: Responses to Communication Gap between different Regulatory Bodies concerned with pharmaceuticals

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Withhold products</td>
<td>4</td>
<td>57.10%</td>
</tr>
<tr>
<td>Continue selling</td>
<td>3</td>
<td>42.90%</td>
</tr>
<tr>
<td>Total</td>
<td>7</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Field Data (2012)

Four of the seven respondents unanimously responded that they withhold such products from the shelves until such time that reliable information is finally available regarding the quality of products and/or authenticity of suppliers or manufacturers. The remaining three argue that they wait for confirmation from the Board first prior to unshelving the products, and do not trust media articles.

All respondents unanimously face varied challenges in their dealings with importers, and their responses were analyzed and appropriate findings made. Products may be recalled by companies due to various reasons, such as, the presence and frequency of side effects observed in a population, slow movement in the market, an improvised version is underway or because of universal name changes only to be brought back with a different name. When products are recalled, 71.4% of the companies try to educate the customers via an official letter explaining clearly the necessity of recalling the product, and even replace them with an equivalent in cash value with other products from their companies or refund them as necessary. The remaining two companies regularly do mock recalls from their sister companies.
Table 20: Responses to the Challenge of Product Recalls

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percentage(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inform customers</td>
<td>5</td>
<td>71.40%</td>
</tr>
<tr>
<td>Regularly do mock recalls</td>
<td>2</td>
<td>28.60%</td>
</tr>
<tr>
<td>Total</td>
<td>7</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Field Data (2012)

As regards returns of damaged or wrong products ordered, all respondents (100%) unanimously agree that the procedure is very long, often entailing days. All importers have different conditions in their Goods Returns Policy document. An official letter from the distributors to the importers regarding the wrong order is accompanied by relevant documents and the products, and the cost of sending the product back is usually borne by the distributor company that received the wrong products, with the importers claiming that was what was actually ordered. Since most orders are placed via telecom, it becomes very tough to verify the truth in such matters. With damaged products, the situation is more complex especially if each item was insufficiently checked before the courier company leaves, often leaving the distributor the brunt of bearing the loss and also of disposing the damaged stocks.

With reference to the storage and handling of narcotics and cold chain items during transportation, two of the respondents (28.6%) do not stock such items as they are highly regulated, the remaining five respondents claim they follow the Standard Operating Procedures (SOPs) for the storage and handling of narcotics and cold chain products, and ensure they reduce the lead time for such sensitive items and prefer to use properly equipped and reliable transporters. However, despite these measures, often, theft is inevitable at stop-overs and during checks at transit.
Table 21: Responses to the Challenge of Handling and Storage of Narcotics and Cold Chain Items

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do not stock narcotics and controlled drugs</td>
<td>2</td>
<td>28.60%</td>
</tr>
<tr>
<td>SOPs in place</td>
<td>5</td>
<td>71.40%</td>
</tr>
<tr>
<td>Total</td>
<td>7</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Field Data (2012)

As regards expired goods, three respondents (42.9%) return the goods back to importers at least three to six months prior to expiry, to be furnished with an equivalent quantity when longer shelf-life stocks become available. Any expired products within the premise have to be disposed off by the distributors themselves, and 57.1% have SOPs in place for safe disposal and destruction of the expired pharmaceutical products. All the respondents officially document the expired goods with batch numbers and quantities, and keep them securely locked until an appointed date that they can be incinerated in the presence of a drug inspector.

Table 22: Responses to the Challenge of Expired Goods

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return to importer 3-6 months prior to expiry</td>
<td>3</td>
<td>42.90%</td>
</tr>
<tr>
<td>SOPs for disposal</td>
<td>4</td>
<td>57.10%</td>
</tr>
<tr>
<td>Total</td>
<td>7</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Field Data (2012)

In response to the challenge of returned goods, two respondents (28.6%) have a No Goods Returns Policy, and of the remaining five, two (28.6%) accept goods with complaints from end users after liaising with suppliers, and furnish them with a replacement after adequate quality tests prove that the complaints were genuine. Three
distributors actually track their products for such complaints to enable recalls when necessary.

**Table 23: Response to Goods Returned from End Users**

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Goods Returns Policy</td>
<td>2</td>
<td>28.60%</td>
</tr>
<tr>
<td>Accept goods from clients after confirming</td>
<td>2</td>
<td>28.60%</td>
</tr>
<tr>
<td>Track products regularly</td>
<td>3</td>
<td>42.80%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

Source: Field Data (2012)

Regarding responses to unnecessarily long documentation procedures, six respondents (85.7%) agree that documents are necessary but some importers require original signatures on each of the three copies of the delivery notes and invoices, and also on duplicate copies, which is quite cumbersome and time consuming, not forgetting that product returns have more forms and documents to fill, some distributor firms have tried to reduce the number of stages by employing a logistic manager to handle such matters. One company proudly emphasizes that they are employing a paperless office, and everything is computerized.

**Table 24: Responses to the Challenge of Unnecessarily Long Documentation Procedures**

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employ Logistics Manager</td>
<td>6</td>
<td>85.70%</td>
</tr>
<tr>
<td>Paperless Office</td>
<td>1</td>
<td>14.30%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

Source: Field Data (2012)

As regards responses to frequent price and discount changes, all respondents (100%) agree that changes in price and discount structures have to be passed on to the end users,
and they all try to stock enough quantities to dodge the frequent price changes due to inter-currency fluctuations, and inform their clients of the same when it happens. However, at times it cannot be avoided, especially when the product is a specialized product or an exceptionally expensive product which they generally do not stock in Mombasa, and may need to order it for their clients.

4.5 Discussion of Findings

With regards to the findings of this study detailed above, it was observed that counterfeits and parallel imports remain a big challenge to distributors, especially for those distributors that have been operating for longer than 15 years. Previous research studies conducted by other scholars worldwide, such as Arfwedson (2002) and Khan and Ghilzai (2007) also conclude that these same challenges are encountered by the pharmaceutical industry in the developing world. McArthur (2007) furthers that these challenges, among others, are faced worldwide, the European countries being no exception.

Muchelule (2005) tries to explain how multinational pharmaceutical firms in Kenya have responded to these challenges. They have opted to form strategic alliances among themselves and have merged so as to be able to improve on their strengths and minimize their individual weaknesses. Opiyo (2006), in his study, tries to identify various responses by importers of pharmaceuticals in Kenya to the challenge of illegal imports.

However, it was sadly noted that no previous research comprehensively describes the other challenges faced by pharmaceutical distributors in the Kenyan context, such as the challenge of storage and handling of narcotics and cold chain items. Distributors within Mombasa county who stock narcotics and cold chain items claim they have a difficult
time dealing with importers who transport such products over the weekend, only to find
the cold chain items arriving at temperatures much higher than 6 degrees celcius, and
thus having to bear the cost of telephone calls and returning them back to importers who
are mostly located in Nairobi. Also, the challenge of corrupt officials remains the greatest
threat to distributors who are newer in the industry, and they claim it is very hard for
them to survive in a highly competitive industry that has loopholes in its supply chain.

Another threat that has not been discussed in previous research is that of unlicensed
customers who falsely claim that their registration and licenses are being renewed by the
PPB just so that they can access the pharmaceuticals. This challenge continues to remain
as the Board takes a long time to process these documents, which need to be renewed
annually.

Another key finding was that of fake prescriptions, especially so for controlled drugs that
must be accompanied by an LPO and a prescription by a duly qualified and registered
medical practitioner before it can be issued. The PPB needs to tighten the strings and
improve on its vigilance to help overcome such challenges. Responding to such
challenges is very tough, more so when the controlled drugs have come into the country
via a parallel import or a briefcase.

To conclude, therefore, there are various challenges that distributors in Mombasa county
are facing that have not been previously discussed in the Kenyan context, and further
research needs to be conducted to expound on them comprehensively.
CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter covers the summary of the research, the conclusion and recommendations for further research, and also enlists the limitations of the study.

5.2 Summary

In summary, therefore, organizations are open systems and thus continually interact with the environment within which they exist. The environment is highly turbulent, dynamic and chaotic making it likely for the organization to face challenges and threats as it tries to implement strategies and policies that are in place. However, to be able to survive, and more so, to achieve sustainable competitive advantage, organizations need to be able to respond to these challenges promptly and effectively.

The researcher identified various challenges that pharmaceutical distributors face in their day-to-day dealings, and required the respondents to grade them by level of intensity from 1 to 5, with 1 being the least challenging and 5 the most challenging. The respondents comprised of all pharmaceutical distributors located within Mombasa county. The respondents were also requested to list other challenges that had not been identified in the questionnaire. They were also required to explain how they dealt with the challenges.

The data was collected, analysed and appropriate findings made. It was observed that most firms (42.9%) have been operational in Kenya for longer than 15 years, indicating
that they have managed to survive and sustain competitive advantage over the years. Also, about 85.8% of the firms are owned in partnership indicating that all strategic decisions are made by all partners. It was also discovered that 12 of the 14 distributors have branches in other parts of the country signifying the establishment, growth and success of these firms, and the industry at large.

Pharmaceutical products available in Mombasa county are widely sourced and distributed within the country (63.1%), and also to neighbouring countries across borders, such as Tanzania, Uganda, Sudan, Rwanda and even Senegal. The findings also show that most distributors (42.9%) have fewer than 50 employees, and all except one distribute both OTC and POMs.

With reference to the challenges faced, it was observed that counterfeits, “briefcased” products, corrupt officials, unnecessarily long documentation procedures and frequent changes in price and discount structures remain most challenging. The distributors also enlisted challenges such as unlicenced customers, fake prescriptions, delays and losses during transportation and transit, and stock outs and distribution costs as overwhelming.

It was also surprisingly observed that firms faced similar challenges in relation to their age and period of operation. The older distributors considered counterfeits and ‘briefcased’ products their biggest challenge, followed by their dealings with importers especially in matters regarding storage and handling of narcotics and cold chain items resulting into losses and theft at cross-border checkpoints and stop-overs or transit.
The younger distributors, that is, those that have been operational for less than 5 years face challenges that are diverse from their older counterparts, and relate mostly to corrupt officials and varied impediments with importers.

As regards their responses to the challenges, it was sadly discovered that, of the 12 distributors with branches in other parts of Kenya, 58.3% do not directly respond to the challenges facing them.

These findings will be useful to policy makers, particularly those involved in policy regulation so that more stringent measures are enforced to counter these challenges, and also to all key players in the supply chain making them aware of the potential threats faced by the industry.

5.3 Conclusions

With reference to the data collected and analysed, it can be concluded that Pharmaceutical Distributors within Mombasa county indeed face tremendous challenges of varying diversity in their day-to-day dealings. However, despite this, most (58.3%) of them do not respond directly to these challenges. These challenges are actually faced at ground level but dealt with at their headquarters in Nairobi.

It was also observed that firms that have operated for longer duration (more than 15 years) face similar challenges, and those that are younger in the industry are facing similar challenges.

The researcher hereby concludes that Pharmaceutical Distributors within Mombasa county are facing a host of challenges, yet these subsidiary distributors are not fully
empowered to respond to challenges that actually face them on the ground. There is a need to empower them to be able to respond to these challenges.

It was also observed that corrupt officials are a major threat to the performance of distributors, adding to the list of challenges that distributors face from other members of the supply chain.

Prompt action has to be taken by the PPB to reduce the malpractices in the Pharmaceutical industry, so that it can support its mission of availing safe, affordable, efficacious and high quality pharmaceutical products to all Kenyans.

5.4 Recommendations for Further Study

The researcher recommends further research to encompass challenges faced by key players in the pharmaceutical supply chain in other counties within the country, which was beyond the objectives of this study.

Also, further research can be done to determine how these players, for example, manufacturers, importers, exporters, wholesalers and retailers, are responding to the challenges facing them, to be able to survive and gain sustainable competitive advantage in the market. Further study is also recommended to capture the challenges and responses by distributors in other industries.
References:


Aseto, B. O (2002), Marketing strategies used by multinational pharmaceutical companies to harmonize the conflict between maximizing profits and maintaining social responsibility in the marketing of social related disease therapies. Unpublished MBA thesis, University of Nairobi.

Barfield, C. E and Gloombridge, M. A (1999), Parallel trade in the pharmaceutical industry: Implications for innovation, consumer welfare and health policy article. 


*Kenya Pharmaceutical Country profile* (Nov, 2010), Publication of the MOMS, Kenya in collaboration with WHO.


Pharmacy and Poisons Board of Kenya website (pharmacyboardkenya.org)


Appendix 1: Questionnaire

Section One:

Respondent Profile:

1. Your designation:
2. Years of service in this organization
3. Have you previously worked in a drug distribution outlet in Kenya? Y / N

Demographic data of the organization:

1. Name of Company:
2. Period of operation in Kenya:
   a. Less than 5 years
   b. 5 to 10 years
   c. 10 to 15 years
   d. More than 15 years
3. Ownership:
   a. Sole ownership
   b. Partnership
   c. Foreign owned
4. Do you have branches in other parts of Kenya? Y / N
5. What country do your products come from?
   a.
   b.
   c.
6. What countries do you distribute your products to?
   a.
   b.
   c.
7. Number of employees currently:
   a. less than 50
   b. 50 to 100
c. 100 to 150
d. more than 150

8. What kinds of products do you distribute?
   a. OTC
   b. POM
   c. both

Section Two: Challenges faced in the distribution of pharmaceuticals and Responses

1. On a scale of 1 to 5, with 1 being the least challenging and 5 the most challenging, how would you rate the following as a challenge to distribution of your products?

   Illegal importation 1 2 3 4 5
   Counterfeit products 1 2 3 4 5
   ‘Briefcased’ products 1 2 3 4 5
   Corrupt officials 1 2 3 4 5
   Lack of evidence-based research 1 2 3 4 5
   Communication gap between the different bodies concerned with pharmaceutical regulation 1 2 3 4 5

   Challenges with importers regarding:
   Product recalls 1 2 3 4 5
   Returns of damaged products 1 2 3 4 5
   Storage and handling of cold chain items esp. during transportation 1 2 3 4 5
   Handling and storage of narcotics and other dangerous drugs during transportation 1 2 3 4 5
   Expired goods 1 2 3 4 5
   Returns of goods with complaints from end users or from companies you supply to 1 2 3 4 5
   Unnecessarily long documentation procedures during drug receipt or supply 1 2 3 4 5
Frequent changes in prices and discount structures due to inter-currency fluctuations

2. In the same order, enumerate other challenges your firm faces during distribution
   a. 
   b. 
   c. 
   d. 
   e. 

3. How did/does your firm deal with each of these challenges
   a. Illegal importation
   b. Counterfeit products
   c. ‘Briefcased products’
   d. Corrupt officials
   e. Lack of evidence-based research
   f. Communication differences between the different bodies concerned with pharmaceutical regulation
   g. Challenges with importers regarding:
      • Product recalls
      • Returns of damaged or wrong products
      • Storage and handling of cold chain items during transportation
      • Handling and storage of narcotics and other dangerous drugs
      • Expired goods
      • Returns of goods with complaints from end users
      • Unnecessarily long documentation procedures
      • Frequent changes in price and discount structures

Thank you for your cooperation.
### Appendix 2:

**Comprehensive list of Pharmaceutical distributors in Mombasa County as at December 2011 with their licence numbers (extracted from the PPB website and KMD 2010/11)**

<table>
<thead>
<tr>
<th>Name of Company</th>
<th>Licence numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citadel Pharmaceuticals</td>
<td>4395</td>
</tr>
<tr>
<td>Galaxy Pharmaceuticals</td>
<td>4814</td>
</tr>
<tr>
<td>Giants Pharmaceuticals</td>
<td>5258</td>
</tr>
<tr>
<td>Harleys Ltd</td>
<td>5437</td>
</tr>
<tr>
<td>Laborex Kenya</td>
<td>4831</td>
</tr>
<tr>
<td>MacNaughton</td>
<td>4968</td>
</tr>
<tr>
<td>Makadara Chemists</td>
<td>5379, 5380 and 5381</td>
</tr>
<tr>
<td>Medisel</td>
<td>5445</td>
</tr>
<tr>
<td>Njimia Pharmaceuticals</td>
<td>4845 and 4907</td>
</tr>
<tr>
<td>Oceanview</td>
<td>4986</td>
</tr>
<tr>
<td>Pharmaken</td>
<td>4824</td>
</tr>
<tr>
<td>Rangechem</td>
<td></td>
</tr>
<tr>
<td>Revital Pharm</td>
<td>4813</td>
</tr>
<tr>
<td>Shifa Chem</td>
<td>4699</td>
</tr>
<tr>
<td>Surgipharm Ltd</td>
<td>5194 and 5195</td>
</tr>
</tbody>
</table>