

STRATEGIC MARKETING OF PHARMACEUTICAL PRODUCTS MANUFACTURED IN KENYA

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

Signed *[Signature]* Dated *16 October 2001*

RAKESH VINAYAK

UNIVERSITY OF NAIROBI
BY
RAKESH VINAYAK

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

[Signature]
Dated *6/10/01*

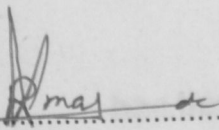
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A MANAGEMENT PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTERS IN BUSINESS
ADMINISTRATION, FACULTY OF COMMERCE, UNIVERSITY OF NAIROBI.

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DECLARATION

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

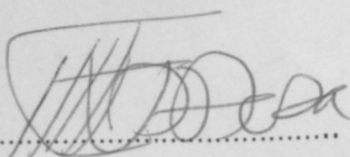
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Dated.....^u 16 October 2001.....

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Signed..........

Dated..... 6/11/01.....

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DEDICATION

**To my little son Gaurang
Who
has been a source of great inspiration.
Without his active involvement,
this work
would have finished
in
half of the time.**

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TABLE OF CONTENTS

<u>CHAPTER</u>	<u>PAGE</u>
DECLARATION.....	i
DEDICATION	ii
LIST OF TABLES.....	v
ACKNOWLEDGEMENT.....	vi
ABSTRACT.....	vii
1. INTRODUCTION	
1.1 Background.....	1
1.2 Environment and Marketing.....	4
1.3 Importance of Strategic marketing.....	6
1.4 Statement of the problem.....	8
1.5 Objectives of the study.....	9
1.6 Importance of the study.....	9
1.7 Structure of the Paper.....	11
2. LITERATURE REVIEW	
2.1 Pharmaceutical industry (a changing scenario).....	12
2.2 The local pharmaceutical manufacturing industry.....	15
2.3 Kenya National Drug Policy.....	20
2.4 Marketing.....	22
2.5 Strategic Marketing.....	24
2.6 Environment and marketing.....	26

3.	RESEARCH METHODOLOGY	
3.1	Scope of the study.....	31
3.2	The Population.....	31
3.3	Sampling Plan.....	32
3.4	Data Collection.....	32
3.5	Data Analysis.....	33
4.	RESULTS AND DISCUSSION	
4.1	Data editing and coding.....	34
4.2	Data Analysis.....	34
4.3	Pharmaceutical manufacturers in Kenya.....	34
4.4	Responses on the marketing mix components.....	38
4.5	Strategic responses of firms to environmental changes..	49
5.	SUMMARY AND CONCLUSIONS	
5.1	Introduction.....	56
5.2	Strategic marketing practices of pharmaceutical Manufacturers in Kenya.....	56
5.3	Strategic responses of firms to the changes affecting the Pharmaceutical industry.....	58
5.4	Recommendations.....	60
5.5	Limitations of the study.....	61
5.6	Recommendations for further research.....	62
APPENDICES		
	Appendix I Letter of Introduction.....	63
	Appendix II Letter to the respondents.....	64
	Appendix III List of Companies.....	65
	Appendix IV Questionnaire.....	69
	References.....	86

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LIST OF TABLES

<u>TABLE</u>	<u>PAGE</u>
1. Distribution by year of establishment.....	35
2. Distribution by ownership.....	35
3. Distribution by number of employees.....	36
4. Distribution by product classification.....	36
5. Distribution by size of the organization.....	37
6. With/Without Marketing Department.....	37
7. Product range.....	39
8. Mean score of various aspects of product advantage.....	39
9. Mean score of various aspects of Packaging.....	40
10. Distribution of adherence to GMP practices.....	41
11. Mean scores on level of importance attached to certain Aspects of setting product prices.....	42
12. Mean scores on various aspects of distribution.....	44
13. Mean scores on important aspects to make an effective Sales call.....	45
14. Mean score on important methods of product promotion.....	46
15. Mean score on important medias for product promotion.....	46
16. Mean score on various means of advertising.....	47
17. Mean score on sponsoring of certain activities/events.....	48
18. Mean score on customer ranking by sales volume.....	48
19. Collection of information on competitors.....	51

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While all these people contributed to the completion of this project, I bear full responsibilities for any mistakes.

ABSTRACT

This study was conducted with the objective of finding out the state of strategic marketing practices of Pharmaceutical manufacturers in Kenya. The focus of the study was on all the firms engaged in the manufacturing of pharmaceutical products. As at August 2000, twenty-five such firms were identified after consulting Kenya Pharmaceutical Manufacturers Association. One of the identified firms no longer produce pharmaceuticals as they had changed to the manufacturing and import of medical equipment. Therefore, there were only twenty-four firms producing pharmaceutical and related products. Economic reforms introduced in Kenya and other African countries in mid 1980s brought a lot of changes in the business environment. The most significant outcome of liberalization for pharmaceutical sector was the tremendous increase in competition from imported drugs.

The study had two objectives:

- (a) To investigate the current strategic marketing practices of Pharmaceutical Manufacturers in Kenya.
- (b) To establish the strategic responses of firms to the changes affecting the Pharmaceutical Industry.

To achieve these objectives, a survey was conducted and primary data was collected. The data was collected through personally administered questionnaires. This had both structured and unstructured questions. The respondents were the directors or the marketing/sales managers of the firms. Although all the firms were contacted personally, only eighteen firms were successfully interviewed.

The data was analyzed using simple descriptive statistics. The study found that with increased environmental turbulence, firms in this sector made some adjustments in their marketing mix components in order to remain competitive.

Changes in complexities led pharmaceutical manufacturers to adopt more market driven strategy approaches. There was a vast difference amongst the firms in this sector with respect to their size, resources and product mix. Many companies follow niche market and market segmentation approach. The firms were also doing marketing planning. Although firms made changes in their marketing mix components, yet on promotion of their products they relied mainly on sales promotion and personal selling. Firms used less of other media and means of product promotion. In order to cope with environmental challenges, the firms in this sector paid attention to the activities of their competitors. The firms were quite aware of the changes taking place within the industry and their markets.

It may not be possible to draw general conclusions due to the enormous variation in the size and product mix of these companies as well as due to some other limitation of the study. Nevertheless the study provided some insight into strategic marketing practices of the pharmaceutical manufacturers in Kenya.

CHAPTER ONE: INTRODUCTION

1.1 Background

There are certain changes that are taking place in the environment continuously. These changes have become more complex and novel in the later half of the twentieth century and more precisely in the last three decades. No industry has remained isolated from the impact of certain trends and events in the environment. In the pharmaceutical industry in Kenya, there are significant developments in the environment that are sending signals to firms to change in order to survive and stay competitive. Increasing complexities in the form of multiplicity of products, increased competition, realignment of forces on an economic front through key mergers in the industry have thrown up many challenges to pharmaceutical manufacturers in Kenya. However, the changes brought about by the environment have not affected the drug industry alone. This could be a true observation in other industries as well especially after the introduction of economic reforms in Kenya.

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The economic reforms were introduced in most developing countries (including Kenya) in the early 1980s through recommendations of the international organizations like the World Bank and the International Monetary Fund. The World Bank report (1988), defines economic reforms as those reforms which span the full range of macro economic concerns as well as deal comprehensively with all parts of the public sector, central, state and local government.

Most developing countries including Kenya and other African states are generally characterized by low standards of living, low level of productivity, high rates of population growth, high and rising level of unemployment and significant dependence on agricultural production and primary food exports

(World Development Report, 1994).

There is a general tendency in many of them to rely on foreign aid to finance their development activities.

Kenya requires foreign aid yet such aid has become increasingly conditional upon requirements set by donor countries and agencies: In 1992 for instance, leading donors suspended new aid to Kenya for six months (Financial Times, 8, January 1992). Again, in 1997 the international monetary fund (IMF) suspended the aid to Kenya citing bad governance and high level of corruption (market intelligence, page 2, August 2000). Although the aid was resumed on July 27, 2000, the resumption of such aid remained conditional upon Kenya making economic social and political reforms.

Economic reforms introduced in Kenya in early 1980s started affecting most companies in early 1990s when the implementation process was accelerated.

The economic reforms touched several areas including the following:

- Reduction in government spending
- Abolition of price and market controls.
- Selective withdrawal of subsidies.
- Privatization of state enterprises.
- Tax reforms.
- Reforms related to foreign exchange controls.
- Reforming the financial sector.

In the pharmaceutical industry the field has been dominated for long time by multinationals. The local manufacturing industry had a booming period in seventies and eighties when the government supported and protected the local industry by sourcing its requirement of drugs preferably from local manufacturers and by restricting the importation of locally produceable drugs.

In mid 80's, when the Kenyan government followed the policy of liberalization, the market started undergoing transformation. With the relaxation in Government controls and restrictions like removal of foreign exchange allocation license (FEAL) and Liberal import of foreign technology, the pharmaceutical industry entered a new phase.

The post liberalization period saw the rapid growth of trading sector in the pharmaceutical industry. Many multinationals either directly or through local trading partners started their operations in Kenya. Today, around 300 pharmaceutical companies are selling their products in Kenya. The opening up of the economy has led to intense competition.

According to the Government of Kenya, (1994) owing to the acute need for good and cheaper medicines coupled with factors like free market economies and economic liberalization during the early 1980s, the supply of Pharmaceutical products/services began to grow faster than demand. The competition therefore, started increasing. Today, we are in a situation of hyper competition especially in regard to pharmaceutical products. We are in a situation where on one hand we have excess of some drugs available under different brand names and on the other hand, a shortage of direly needed affordable drugs for diseases like T.B, Malaria, Typhoid and HIV/AIDS.

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The other challenges which local manufacturers faces include the stringent quality control measures introduced by the neighboring countries, which restricted exports to these markets, revolution in information technology, freedom of press and spread of education have made consumers more informed and knowledgeable. Growing size and strength of multinationals due to acquisitions and mergers have added new dimensions to the marketing of Pharmaceutical products.

The pharmaceutical industry is a business industry like any other and hence would only do well in a thriving economy. For the last few years this has not been the case. In a performing economy, new companies come in to cater for the increased market and hence they start and grow for sometime before attracting the challenges of competition from the bigger ones. In Kenya due to the stagnating economy, any new company has to displace another company's product from the shelf to get a space (Kopiyo, 1998).

Pharmaceutical manufacturing is an important sector in the economy and is struggling today for its survival due to the intense competition, stagnant economy, and declining markets. Under this environment, local manufacturers have less room for ad hoc decisions. The arguments for building competitive advantage and creating niches have become compelling. The changing environment in Kenya calls for innovative marketing to face the challenges posed by the opening up of the economy and increasing global competition. The concept of evolving formal marketing strategies is now the likely answer.

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1.2 Environment and marketing

Corporate executives in marketing continuously try to cope with environmental threats and opportunities. They carefully monitor and assess the changing market environment especially customer needs and desires, competitive actions, laws and regulations and other pertinent factors to evolve their own marketing strategies (Majumder, 1996).

Strategic market planning is the managerial process that entails analysis, formulation and evaluation of strategies that would enable an organization to achieve its goals by developing and maintaining a strategic fit between the organizations distinctive competence or resources vis a vis the threats and

opportunities arising from its changing environment. The strategic market planning process focuses on three aspects: -

- 1) Where are we? i.e. an assessment of the marketing environment (situational analysis)
- 2) How do we operate? i.e. identification of competitors and internal strengths and weaknesses; formulation and implementation of strategy.
- 3) What are our results? This involves a detailed marketing activity reviewed with proper standards of performance.

However, it has been seen that, caught in routine details of product development, pricing, promotion, advertising and distribution, marketing executives often lose sight of the big picture. They lose their focus on the most vital questions – Where are we going? How are we doing? To stay competitive in the market each business has to develop its own response to such questions i.e. to develop its own strategy.

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The eighties will remain significant in the economic history of the world since markets have undergone massive transformation leading to a totally new economic order. Unprecedented shifts in the world's political and economic alignments have created a new geo-political order. The historic reunification of East and West Germany, division of the former USSR, new ideologies of socialist countries of East Europe etc., opening up of Chinese market, formation of various trade blocks like European Union (EU), Association of South East Asian Nations (ASEAN), Common Market for Eastern and Southern African Countries (COMESA), East African Union (EAU) etc. are some of the new trends noticeable in the world market. Increasing pressure of International Monetary Fund (IMF) and other Trade Organizations like General Agreement on Tariff and Trade (GATT) and United Nations Conference on Trade and Development (UNCTAD) on developing countries for more economic reforms are some of the trends

noticeable in world as well as regional markets with their impact on local market (Majumder, 1996).

Kenyan manufacturers are facing intense competition at home and exports are also under scrutiny due to stringent quality restrictions by neighbouring countries. Moreover, the changing disease profile has led to shortages of certain drugs in the country while some others are in abundance. The business environment has been changing rapidly. This call for a shift in the marketing strategies of pharmaceutical firms. The new millennium is full of challenges to which Kenyan marketers must cope. The changed environment is calling for changes in the marketing activities of companies.

1.3 Importance of Strategic Marketing

According to Aaker (1988) the strategic approach to marketing has a number of advantages. It helps organisations orient themselves towards external factors such as consumers and competition. It makes them look beyond immediate issues, forcing them to have a long-term view of the world. It does also provide methods to help in strategic analysis and decision-making. It does result in specific actions that must be taken to attain the objectives and goals through avoiding threats and taking advantage of opportunities.

Strategic marketing is also holistic in the sense that all elements of the marketing situation are interrelated including those strategic variables that one can control as well as the environs that one does not control. It also encourages flexible thinking due to demands of the environment, which is dynamic. Strategic marketing also encourages proactiveness. This design for the future involves, anticipatory analysis of the firms present market entries, likely environmental changes and actions that should result in potential or possible re-allocation of resources among its present efforts.

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Studies conducted on the use of strategic marketing in Kenya are few, but they have endorsed the relevance of strategic marketing. Ouma (1988), studied relationships between the use of strategic marketing and bank performances in Kenya. She concluded that the use of strategic marketing positively influenced bank performance in Kenya. Bett (1995) found that deliberate attempts are being made by the management of the dairy firms to improve all the aspects of the marketing mix in order to remain competitive in the market. Aosa (1992), studied the strategy formulation and implementation by large private manufacturing firms in Kenya and found that with the increasing complexities in the environment, the local manufacturers sought ways of best surviving and remaining competitive. However, no specific study has been undertaken on the marketing practices followed by pharmaceutical companies in Kenya and their strategic responses to the environment. The current study shall investigate the application of strategic marketing by local pharmaceutical manufacturing firms and their strategic responses to the environment.

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1.4 Statement of the problem

The world of trade and commerce is increasingly developing into a competitive global market place and the pharmaceutical industry is no exception. The concept of free market economy has led to the uncontrolled influx of pharmaceutical products into Kenya. By end June 2000, close to 13000 drugs from more than 300 companies both local and foreign had applied for registration and probably are to be found in the market. In addition to these products there are numerous borderline substances such as diagnostics, herbal preparations, vitamin supplements, food supplements, tonics, mineral supplements, surgical dressings, gloves, syringes etc classified as pharmaceutical products but are usually not regulated. In this vast range of products, many are different from others only by their name or packaging but are therapeutically equivalent. This has intensified the competition. Moreover there have been rapid and significant changes in the global industry including mergers and acquisitions of several pharmaceutical giants, increased competition, growing generic industry and severe recession in leading world economies. These changes have made the environment very turbulent and challenging.

In spite of the importance and major change undergone by the industry, no study has been undertaken to find out that how the local pharmaceutical industry is coping with intense competition and other external environmental changes. We therefore, do not know how pharmaceutical companies are responding to these external environmental changes. This study sets out to investigate the current strategic marketing practices of pharmaceutical manufacturers in Kenya and to establish how these firms are responding to the environmental changes.

1.5. Objectives of the study

The objectives of this study were two fold:

- (a) To investigate the current strategic marketing practices of Pharmaceutical Manufacturers in Kenya.
- (b) To establish the strategic responses of firms to the changes affecting the Pharmaceutical Industry.

1.6 Importance of the study

The changes we have seen in our environment in the last two decades have put more challenges to marketer than ever before. The changes which are more peculiar to pharmaceutical industry are the reduced government spending on health from US\$ 9.50 in 1980/81 to US\$ 4.95 per capita in 1999, increased importation of finished medicines both branded as well as generics, increased pressure on the price from middle and lower income groups and declining exports of drugs to the neighboring countries. All these factors call for a dramatic shift in the marketing strategies of local manufacturers. The research shall try to establish how local manufacturers of pharmaceuticals are coping with the changing environment. The research will address the importance of strategic planning and marketing in the pharmaceutical sector.

The pharmaceutical is an important sector for the economy as well as the society. The study is of importance to:

- i. All Kenyans who are unwillingly the customers of this industry (patients).
- ii. The Ministry of Health, to understand the operation and difficulties of the industry and also as a buyer of the industry products.
- iii. To the NGOs and other institutional buyers who are the big customers of this industry
- iv. The outcome of the study in the form of increased information and relevant suggestions may be useful for the local manufacturers.

- v. To the scholars, the study can form the basis for further research in the area of pharmaceuticals.

Chapter One: Introduction

This introductory chapter provides the background information on the pharmaceutical industry in Kenya and also some relevant marketing strategy thinking. It also defines the research problem, the objectives, the importance and scope of the study.

Chapter Two: Literature review

This chapter literature review on the general development of the pharmaceutical industry in Kenya. The chapter also reviews the literature on the subject of product marketing, strategic management, strategic marketing process and Environmental changes influence marketing mix.

Chapter Three: Research Methodology

The chapter defines, details about the population, the sampling procedure, the sample size and the data collection process.

Chapter Four: Results and Discussion

This chapter covers the analysis of research findings.

Chapter Five: Summary and Conclusions

Summary, conclusions and the recommendation of the study are presented here. It also details suggestions for further research.

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1.7. Structure of the project

Chapter One: Introduction

This introductory chapter provides the background information on the pharmaceutical industry in Kenya and also some definitions including strategic marketing. It also contains the research problem, the objectives, the importance and scope of the study.

Chapter two: Literature review

This covers literature review on the general development of the pharmaceutical industry in Kenya. This chapter also reviews the literature on the subject of strategic marketing, strategic management, Strategic marketing process and Environmental changes influence marketing mix.

Chapter three: Research Methodology

This chapter contains details about the population and the sampling frame, sampling procedure and the sample size and the data collection process

Chapter four: Results and Discussion

This chapter covers data analysis and research findings

Chapter five: Summary and Conclusions

Summary, conclusions and limitations of the study are presented here. It also contains suggestions for further research.

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2.0 LITERATURE REVIEW

2.1 Pharmaceutical Industry (a changing scenario)

In the latter half of the 20th Century and more precisely in the last three decades, no industry has remained isolated from the impact of certain trends and events in the environment. They were, increased competition, population shifts, an aging society (western world) information technology, computer revolution, success of free market economies, fall of soviet block, formation of new global as well as regional trading blocks e.g. Trade Related Aspects of Intellectual Property Rights (TRISP), Common Market for Eastern and Southern African Countries (COMESA), East African Union (EAU) etc and increasing voice of developing countries through various UN organs (Majumder, 1996).

The pharmaceutical Industry also has undergone a tremendous change over the years. Globally, the real growth and prominence of Pharmaceutical Industry started after the Second World War. The post war period in the pharmaceutical industry can be characterised in the following way.

From 1945 to 1960. A steady positive development based on research, acceptable world wide patent Protection and a mild climate of government regulations. Research of a new molecule was the major factor to generate revenue and to attain competitive advantage. Development of new molecules was the making or breaking factor for most pharmaceutical companies. Aspirin by Bayer, Tetracycline by Pfizer, Ampicillin by Beecham, Tagamet by SmithKline were few molecules which overnight changed the position of companies. Many molecules developed were the major breakthrough in providing cure or preventing the diseases (Jucker, 1980).

From 1960-1980: The rate of development of new molecules had slightly gone down. Most molecules developed were not the major breakthrough but

alternatives or better versions of some existing treatment lines. The government regulations by way of increased safety standards after Thalidomide disaster became quite stringent. Patent erosions were reported in some countries. During this period the cost of pharmaceutical research and development had gone high. For example, in the US Pharmaceutical Industry the cost of research and development had increased from US\$100M in 1956 to US\$1300M in 1977. From 1970 to 1977 these costs doubled while the rate of new introduction per year had fallen to less than half (Jucker, 1980).

After 1980, the Industry has undergone major changes, while the rate of development of new molecules has further gone down, the cost and the time taken to develop and introduce a new drug has increased. Whereas it took 3 to 5 years in developing a molecule in 60s, now it takes around 12 years. Moreover the cost of developing a molecule and to bring it in the market can be as high as US\$300 million (Johnson, 1996).

In the past, you had 6-7 years lead on your nearest competitor but now because of improved chemistry and computer generation of analogues, lead time has come down to 18 months. So the time you have to establish your product as a brand, before the arrival of a similar product as an alternative has reduced drastically. The chances of success of research have also diminished, as only 1 to 4% of the products see the market the rest are rejected at pre clinical stage or before marketing. Even those, which are marketed, 60% fail to achieve sufficient sales to justify their Research and Development expenditures (Johnson, 1996).

Governments of many developing countries although accepted other patents, have refused to accept drugs and pharmaceutical patents for the larger interest of the public health. In Africa, since 1976 many of the formerly French colonies have no patent on drugs and pharmaceuticals. A number of former British

colonies do have the strong patent protection including Kenya. In 1972, Ghana enacted that patents relevant to pharmaceuticals may not be registered (Jucker, 1980). Before the enforcement of Trade Related Aspects of Intellectual Property Rights (TRIPS) agreement, up to 50 countries did not grant patents for pharmaceuticals (Correa, 2000).

Another factor affecting industry is the development of Generics. A generic product is a product manufactured by another manufacturer after the patent expiry. They normally are at the bottom of the market, not backed by manufacturers quality control and information backup. They mainly rely on the information base erected by the original manufacturer. This has further intensified the competition in the industry not only inter molecule but even intra molecule (Johnson, 1996).

These developments have created a situation of narrow margins due to rising cost of drug development and increased competition. This has led some of the companies to pool their resources either through acquisitions and mergers or through alliances. Some of the major mergers/acquisitions of the last decade include;

Ciba Geigy merging with Sandoz to form **Novartis**

Hoechst with Marion Roussel to form **Hoechst Marion Roussel**

Hoechst Marion Roussel with Rhone Poulenc to form **Aventis**

Astra with Zeneca to form **Astra Zeneca**

Sanofi with Synthelabo to form **Sanofi~Synthelabo**

Pfizer acquired Warner Lambert.

SmithKline Beecham merged with Glaxo Wellcome to form **Glaxo SmithKline**

However, despite the various constraints and emerging threats, the pharmaceutical industry compared to other industries has remained most lucrative with highest Return on Assets (ROA) as is clear from the following data.

INDUSTRY MEDIAN RANK	ROA %	INDUSTRY MEDIAN RANK	ROA%
1. Pharmaceuticals	12.3	12. Tobacco	3.0
2. Beverages	5.1	13. Computers, Office Equipment	2.5
3. Telecommunications	4.9	14. Chemicals	2.4
4. Soaps, Cosmetics	4.8	15. Mail, Pkg., and Freight Delivery	2.1
5. Food	4.7	16. Electronics, Electrical Equipment	2.1
6. Specialist Retailers	4.4	17. Forest and Paper Products	2.0
7. Aerospace	4.0	18. Wholesalers	2.0
8. Scientific, Photo, Control Equipment	3.7	19. General Merchandisers	1.7
9. Food and Drug Stores	3.6	20. Motor Vehicles and Parts	1.6
10. Publishing, Printing	3.4		
11. Petroleum Refining	3.1		
		The Global 500 Median	1.2

Source: Adapted from Fortune, "It was a banner year for profits". (August 7th, 1995).

2.2 Local Pharmaceutical Manufacturing Industry

The colonial government in Kenya had no major commitment on the healthcare of its citizens. However, after independence on 12th December 1963, the Kenya Government promised free healthcare to all Kenyans. This led to a rapid expansion of healthcare and related activities. For example, Health infrastructure in the form of hospitals increased from 56 at the time of independence to 218 by end 1999 (out of which 50% run by government). Rural health facilities provided by the government increased from 60 to current 460, which is 80% of the country's 575 health centers. Government invested heavily in the training of health personnel, like doctors, dentists, pharmacists, nurses and paramedical staff (Government of Kenya, 1999).

Government's purchases of drugs and other pharmaceutical products increased tremendously. In the 70's, the government alone was purchasing 70% of the country's total consumption of pharmaceuticals.

The local pharmaceutical industry before independence was small and was largely confined to traders of imported branded drugs. There were only one or two manufacturing units run by individual entrepreneurs and were working at a very small scale. In early 60's, companies like Boots Pharmaceutical, Sterling health, Wellcome laboratories and Elys pharmaceutical started on a large scale. Glaxo established its manufacturing unit after independence in 1964.

Owing to increased and secured demand by the government, the local pharmaceutical industry had a booming period from late 1960's till late 1980s. In mid seventies, the government brought in a new policy of protecting local manufacturers by stopping importation of various basic drugs like Paracetamol, Aspirin, Ampicillin, Amoxicillin and many others. Moreover, local manufacturers were influential enough to restrict the government from the importation of drugs produced locally by them. This brought a rapid growth in the Pharmaceutical manufacturing sector. The Number of local manufacturing units increased rapidly by the late 80's; there were around 30 pharmaceutical manufacturing companies in Kenya, a few of which were multinationals (Odiambo, 1999).

Consequent to the government's supportive and protective policies, there was hardly any competition and it was merely a seller's market. The task of managers was basically confined to the management of inputs of the business like, registering the product with Ministry, identifying the source of raw material, acquiring and installing some workable technology and at best making arrangements for applying and securing government tenders or delivering the product to other distribution points. The companies were rarely concerned about marketing their output. Little efforts were spent on areas like proper customer identification, choice of latest technology, quality management, increasing efficiency or achieving and sustaining competitive advantage. In short the

situation before 80's did not warrant formulating proper and aggressive marketing strategies.

Historically, the Kenyans both in private and government sector were using branded products, mostly protected through patent. The local manufacturers were producing only those generics where the patents had expired. The price base of these generics was derived from the brands (60% to 80% of the brand price). Although these prices were lower as compared to the original brands, but due to the little competition, were still very high compared to the prices of generics from some low cost countries e.g., India, Brazil, Thailand etc. (Ouma, 2000). This has resulted in making Kenya a high price market for Pharmaceuticals. According to Myhr (2000), East Africans sometimes pay more than twice what Europeans pay for many essential medicines.

In mid 80's, when the Kenyan government followed the policy of liberalization, as a measure of economic reform, the market started undergoing transformation. With the relaxation in Government controls and restrictions like, removal of foreign exchange allocation license (FEAL)* and Liberal import of foreign technology, the pharmaceutical industry entered a new phase.

The post liberalization period saw the rapid growth of trading sector in the pharmaceutical industry. Many multinationals either directly or through local trading partners started their operations in Kenya. Today, around 300 pharmaceutical companies are selling their products in Kenya. The opening up of the economy has led to intense competition. As mentioned earlier, the Kenyan market being high price market is most lucrative to low cost manufacturers from countries like India, China, Egypt and even from Europe. This resulted into increased influx of low priced generics from various parts of the world.

The pharmaceutical business in Kenya can be categorized as follow: -

1. Manufacturing companies

The companies importing raw material and manufacturing finished products, which they market and sell in Kenya and neighboring countries.

2. Multinational

The companies importing the finished research products in the country. While some of the multinationals are undertaking all marketing functions to themselves including product, pricing, promotion and distribution, others have left the distribution for local agents.

3. Kenyan agents

The local firms importing and marketing the products on franchise arrangement with foreign manufacturers.

4. Local traders

The local firms engaged only in distribution.

Alternative medicines: when we talk about healthcare it is pertinent to talk about traditional herbal medicines. Herbal medicine is a worldwide practice that has preoccupied mankind in his evolution. It is estimated by World Health Organization (WHO) that 70-90% of Africa's rural population still relies on herbal medicine to meet totally or partially its health needs. Indeed herbal medicine is recognized by WHO as an essential building block for primary healthcare. Before the introduction of conventional medicine at the turn of the Nineteenth century, traditional practitioners were the only medical practitioners in Kenya. Even today, there is one traditional doctor to approximately 500 people as opposed to one conventional doctor to about 40,000. However, many a great families whose progenitors were versed in herbalism have lost the invaluable heritage owing partly to lack of adequate records, security Christianity, western education and colonialism. At the moment a large number of Kenyans irrespective of their social status ethnic group or religion, regularly use traditional herbal medicines (Mwangi & Oketch,1998)

For the purpose of our study we shall only confine to the pharmaceutical industry and to the category one of the above classification i.e. pharmaceutical manufacturers in Kenya.

The local pharmaceutical Industry as far as manufacturing is concerned, started in early 60s. The pioneer manufacturers were the companies like Boots Pharmaceutical, Sterling Winthrop, Wellcome Laboratories, Elys Chemicals. Glaxo Pharmaceutical put up its manufacturing unit in 1964. Notwithstanding the stiff competition few of the manufacturers closed down. Today there are around 24 small and big manufacturers of pharmaceuticals in Kenya.

Although the growth of manufacturing was rapid and mainly occurred in the period of 60's to 80's, the trading companies have grown mostly after the liberalization. By end 1999, there are around 65 pharmaceutical Importing and Marketing companies, importing a wide range of Pharmaceutical products from all corners of the world. The heavy influx of imported pharmaceuticals after liberalization has intensified the competition in the local market. Majority of the imported finished pharmaceuticals in Kenya are the substitutes of local industry output. Preferential treatment and protection from foreign competition provided to the domestic industry prior to liberalization led to some incompetence's in the industry. Manufacturers are now having difficulty in facing hardships to compete with imported stuff.

Odhiambo (1999) has brought up a serious concern about the quality of Pharmaceuticals imported and produced in Kenya. The local pharmaceutical manufacturing industry is passing through a tough time due to severe competition from imported cheap drugs in the home market and declining exports due to the stringent quality controls imposed by the neighboring countries even though some of those do not have their own local pharmaceutical manufacturing Industry. To explore export markets, it is important that the local

manufacturer comply with the World Health Organization (WHO) recommendations popularly referred as Good Manufacturing Practices (GMP).

The WHO guidelines have been implemented by countries with objectives of providing a comprehensive system of quality assurance. The guidelines recommend a reliable licensing system, independent analysis of finished product as well as an assurance obtained through independent inspection that all manufacturing operations are carried out in conformity of accepted norms referred to popularly as GMP. It is not easy to ascertain the number of countries that seriously follow these guidelines. By 1990 only 23 countries had come up with their own national GMPs: 48 other countries profess to comply with regional GMPs;(e.g. ASEAN, EU), while 34 countries claim to follow WHO-GMP guidelines. Kenya up to today has not come up with its GMP regulations and neither adopted the WHO-GMP guidelines. This seriously offset the quality rating of Kenyan manufactured products in the international market including neighboring countries.

2.3 Kenya National Drug Policy

Kenya National Drug policy (KNDP), formulated in 1993 and formally adopted towards the end of 1994 recognizes the role of private sector and especially the local manufacturing sector in Kenya.

The laid down goals and objectives of the KNDP are: -

To ensure the constant availability of safe, efficacious, high quality and cost-effective pharmaceutical products for the purposes of prevention, diagnosis and treatment of diseases in the Kenyan Population.

Specific objectives of KNDP

- a) To ensure the constant availability of safe and effective drugs to all segments of the population.

- b) To provide drugs through the government, private, and non-government sectors at affordable prices.
- c) To facilitate rational use of drugs through sound prescribing, good dispensing practices, and appropriate usage.
- d) To ensure that the quality of drugs manufactured in Kenya and those imported into Kenya meet internationally accepted quality standards.
- e) To encourage self-sufficiency through local manufacture of drugs for consumption and export.
- f) To ensure that the provision of drugs for veterinary services is consistent with this Policy.

Kopiyo (1998) points out some common problems faced by the Industry, they are: -

Raw material sources- all pharmaceutical raw materials used locally are imported. This introduces two problems. One is the timing and the other would be the minimum quantity. The problem of timing means that there is always a schedule of importation or large quantities are imported at once to last a long time e.g. 3 months, six months or even one year depending on the company. If the quantities are increased then the problem becomes the level of financial commitment. Both factors would make the process expensive.

Packaging material – The packaging material is not only expensive, it also attracts duty which has to be paid in advance hence the level of financial commitment becomes very high.

Effects of imports – According to the government the liberalization of the economy was basically to help fight price increments due to a variety of available products. This also assumed that medicines like any other commodities would have the prices well regulated. As mentioned above almost all the raw material

used locally is imported and to make it worse all the packaging material attract duty. All these factors put together means that an overseas supplier selling his medicines in Kenya will always have an advantage as all the mentioned factors favor him. Take for example; importation of a container load of labeled water (ordinary tap water) into the country would cost at least 30% less than if you were to import same number of bottles empty. This means that even if you leave out the other factors like operational costs, the cost of money and cost of raw material/transportation, the value of imports (finished goods) will always be lower. This means that the local manufacturer will always face an uphill task when competing with these imports.

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2.4 Marketing

Marketing is defined as "A social and managerial process by which, individuals and groups obtain what they need and want through creating and exchanging products and services of value with each other" (Kotler (1995, p.6). Many think marketing is just selling and promotion, it is not, it is a much more complex process. Marketing touches all aspects of our lives with enormous influence. What we drive, the appliances we use in our homes, the way we dress, eat or think is greatly influenced by marketing activities. The marketing system has brought an improvement in our quality of life. With the revolutionary innovations in the information technology, the role and impact of marketing and more so of strategic marketing cannot be underestimated, as it shall bring with it awe-inspiring problems and opportunities. The subject of marketing is attracting increasing attention from companies, institutions and nations.

According to Drucker (1973, P.64) "Marketing is so basic that it cannot be considered a separate function. It is the whole business seen from the point of view of its final results, that is, from the customer's point of view..... business success is not determined by the product but by the customers." This definition

looks at marketing from the customer's point of view, which means, business needs to be customer oriented and driven.

The study adopts the definition of marketing approved in 1985 by the American Marketing association, "Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives (Kotler, 1995, P.13). This recognizes that marketing management is a process involving analysis, planning, implementation and control. It covers goods, services and ideas. It rests on notion of exchange and the fact is to produce satisfaction for the parties involved. Levitt (1960) advanced the thesis that market definition of a business is superior to product definition. He argued that business must be viewed as a customer satisfying process not a goods producing process. The business should be defined in terms of three dimensions: The customer group that will be served, the customer's need that will be met and the technology that will satisfy these needs (Abell, 1990).

Although customer orientation is a must, but the objective of any business cannot only be to achieve satisfaction, but to maintain it i.e. to retain the customer which shall require the firms to adopt general management responsibility of embracing environment to identify changing needs and tastes of customers, emerging challenges of competition and product technologies. This draws attention towards strategic marketing.

2.5 Strategic marketing

Strategic marketing brings in the concept of strategy and its use in marketing activities. In a study on strategic practice of manufacturing companies in Kenya, Aosa (1992), found that companies had made a shift towards being market driven in their strategies. This shift was in response to increasing complexity i.e. increasing competition, environmental turbulences, products produced and markets served. Looking into the drastic changes in pharmaceutical industry, it is appropriate that the local manufacturers in this industry adapt to strategic marketing to ensure their long-term survival.

The study shall dwell on the concept of strategic marketing to mean, "Managing a business unit to anticipate and respond to changes that affect the market place so that decisions are made today that allow the business unit to be ready for tomorrow as to avoid threats and take advantage of opportunities" (Cohen, 1986, P.21)

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According to Aaker (1988) strategic market-management is a system designed to help management make strategic decisions as well as create strategic visions: where a strategic decision involves the creation, change or retention of strategy, a strategic vision is a vision of a future strategy or set of strategies. Aaker (1988) has given a general overview of strategic marketing in terms of the activities that are needed. These activities include a logical sequential process involving external analysis and self-analysis by a firm. The external analysis involves the analysis of customer competition, market and the environment. After external analysis and self-analysis are completed, the mission and strategic options are then detailed and the optimal ones selected. Finally the operating plan and strategy review programme are implemented. Later the process is repeated and the plan updated.

Johnson and Scholes (1999), have noted that, "environment uncertainty increases the more that environmental conditions are dynamic or the more they are complex." Pharmaceutical Industry in a complex situation faces an environment, difficult to comprehend. More and more sophisticated production technologies and more innovative means of marketing further increases the uncertainty. This requires a comprehensive analysis, whereby different parts of the organization responsible for different aspects of diversity are separate, and are given the resources and authority to handle their own part of the environment.

With changes in the environment, firms are expected to define their markets so that they can come up with strategies relevant to it. Defining the company's market is the starting point of any strategy making process. In designing their marketing strategies, the firms in the pharmaceutical sector, ought to define their markets as well. All the firms should understand the structure of the pharmaceutical industry and the trends in it, in order to best position themselves within the industry.

Due to the intense competition in the industry, organizations must take into account the competitive activities. Competition may come from firms present in the industry, others who may enter both in manufacturing as well as trading sector, from substitute products, the bargaining power of suppliers can be a major force as most of the raw material comes from overseas suppliers and changing the suppliers in the short run maybe difficult. The bargaining power of buyers in pharmaceutical sector can be a major challenge, due to intense competition. The knowledge of these underlying sources of competitive pressure highlights the critical strengths and weaknesses of the company (Porter, 1980). Firms need to understand their sources of competitive advantage based on their understanding of the market and competitors and their relative strengths. The firms in pharmaceutical industry must initiate some activities internally to best

position themselves in the market. Relevant changes in the product, price, place and promotion strategies should be undertaken to make the firm cope with increasing competition.

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2.6 Environment and marketing

With changes in the environment the following strategic moves in the conventional 4P's of Marketing have been seen.

The product

Product has always remained the key component of Marketing Mix. The demand can be influenced by making the product appropriate, attractive and easily available to target consumers.

Increased competition and faster diffusion has resulted in the shortening of product life cycles. Because of enormous costs and risks involved, new product launches are infrequent and are more thoroughly planned. In the generic market, which is more relevant for Kenyan manufacturer's context, the product (chemical compound) in most cases is already well known. It is the generic version that is new. Among generics of the same compound, the price and the packaging are the major tools of product differentiation. Packaging has also become quite important means to influence customer's perception of the quality. Usage of new packaging materials and technology may result in an increase in the shelf life of many products and shall prevent leakages (Majumder,1996).

The price :

Although non-price factors have become relatively more important in buyer choice behavior in recent decades, yet in developing nations for majority of the

people and especially with commodity type of products, price has remained the major determinant of buyer choice.

In Pharmaceutical Industry and more so in generic product market, there is little differentiation in the product with same chemical composition. Traditionally, Kenyan Pharmaceutical products have remained high priced; therefore, with the increasing competition from low cost sources like India and China, the prices have become the most vibrant tool of competitive strategy. To gain long-term competitiveness the local manufacturers must control costs. Other price related issues such as trade discounts, allowances, payment terms, should be carefully considered.

Kenyan consumers are gradually becoming more quality conscious and today many are willing to pay higher price for better quality, consequently we will find that most companies will choose niche strategies to serve some specific areas of the market, i.e. they will make price quality trade off to choose their consumers.

The Place or distribution

Distribution decision or the decisions about marketing channels is a major decision as it is difficult to change these routes in the short run. Physical distribution of goods is concerned with transportation, storage, material handling, inventory control, distribution related communications and data processing.

In pharmaceutical industry, the goods can only be dispensed through licensed pharmacies or clinics. With increasing competition and product multiplicity (several generic copies of the same product), to make the product available in the pharmacies it is an important but difficult task for any marketer. Companies will have to cope with greater retail power. The upcoming rural markets however, offer a good opportunity for local manufacturers to open their

redistribution centers in these areas e.g. Machakos, Karatina, Nyeri, Embu, Kitale, Kisii, Kericho etc.

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The promotion

Modern marketing calls for more than developing a good product, pricing it attractively and making it accessible to target customers. Companies must also communicate with their present and potential customers. The most important communication mix includes, advertising, direct marketing, sales promotion, personal selling, public relations and publicity (Kotler, 1995).

In Kenya, Media reach is expected to increase tremendously; advertising will play an increasingly important role in Marketing. However, it is restricted by the government to advertise pharmaceutical products on mass media (other than for "over the counter" drugs), therefore, the companies usually rely more on other measures, like direct marketing, personal selling and sales promotion. More reliance on any particular measure and the message given shall depend upon the kind of positioning and the market segment the firm wants to address.

All 4 P's are needed in a Marketing Mix. In fact, they should all be tied together, but is any one important than the other? Generally speaking, the answer is no, all contribute to one whole (McCartly and Perrcault, 1991). With the rapid changes both expected and unexpected in the environment, a conventional production oriented approach in Pharmaceutical Industry will not work. A comprehensive strategy involving a thorough analysis of new environmental challenges is required. The companies are expected to convert these challenges into opportunities. Based on one's strengths one should design the marketing mix to convert these opportunities into viable attractive options while being aware of the constraints (Majumder, 1996).

Organisations depend on their external environment for their input and for the discharge of the output. Organisations cannot be separated from their environment for they are open systems, that is, they are environment-dependent. The environment can influence both negatively and positively. Organisations continually consume resources from the environment (as inputs), transform (throughput process) and release them (as output) to the same environment see figure1 (Pearce & Robinson, 1997).

According to Ansoff (1990) environmental changes have become more complex and novel in the twentieth century. In the later half of the century, there is exponential growth in the number of new products/services and of new technology. There is also a change in the speed at which new products and services invade the market.

For organisations to achieve their goals and objectives, they have to constantly adjust to their environment (Pearce & Robinson, 1997). This environment is turbulent, and constantly changing, so it makes it imperative for the organisation to continuously adapt their activities in order to assure survival.

Modern executive, while managing internal activities of the organisation must also respond to the challenges posed by the organisations immediate and remote external environment (Pearce & Robinson,1997). The immediate external environment includes competition, suppliers, scarce resources, government agencies and the customers (Webb, 1989). The remote external environment comprises economic and social conditions, political and technological developments, all of which must be anticipated, monitored, assessed and incorporated into the executive's decision making (Pearce & Robinson, 1997).

For a pharmaceutical firm in Kenya the external environment both remote and immediate has changed tremendously in last two decades. The demographics show an increasing population pressure, geographical population shift and changing age. Economic environment shows severe recession, slowdown in real-income growth, unstable exchange rate and increasing demand on insufficient infrastructure. Culturally, Kenyans have preference for imported goods especially western products. They demand comparable quality from the local manufacturer. The changes which are more direct for a pharmaceutical manufacturer are, intense competition from local and imported products, stringent quality control measures introduced by neighboring countries, increasing strength of multinationals and increasing cost of marketing.

In such a turbulent and discontinuous environment, marketing strategies of past may not deliver well. New strategies may be required to address the new challenges. This requires pharmaceutical firms in Kenya to continuously assess and analyze their environment. The firms should design their marketing mix that makes them compatible and competitive in the changing environment. The aim of this study is to find out the marketing practices applied by the local pharmaceutical firms and how adapt they are to their changing environment.

3.0 RESEARCH METHODOLOGY

3.1 Scope of the study

A cross sectional study of all pharmaceutical manufacturing firms shall be conducted to investigate their strategic marketing practices and how they respond to the changes in the environment.

The following will be studied: -

A. MARKETING PLANNING

- Market analysis
- Customer analysis
- Product strategy
- Pricing strategy
- Promotional Strategy
- Distribution Strategy

B. STRATEGIC ANALYSIS

- Environmental scanning
- Industry analysis
- Competitors analysis
- Internal analysis

3.2 The Population

The population of the current study consisted of all the firms that have been licensed by the Ministry of Health to manufacture Pharmaceutical products in Kenya. By the time of this study, i.e. August 2000, only 25 such firms were identified which were listed in Kenya medical directory. Most of these firms have their manufacturing units and offices in Nairobi and its outskirts.

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The bulk of the pharmaceutical products sold in Kenya, are imported as finished products. Only those products, which are manufactured in Kenya or are imported by the manufacturing companies to complete or expand their own manufactured range of products, were included in this study.

3.3 Sampling Plan

Sampling is the process by which a relatively small number of individuals or measures of individual objects or events is selected and analysed in order to find out something about the entire population (Koul, 1997). For the purpose of this study, all the 25 firms mentioned in the Kenya Medical Directory as manufacturers of pharmaceutical products were selected for the study. However, it was found that one of the firms listed had already changed its line of manufacturing and was no longer producing pharmaceutical products. Six of the firms refused to participate in the study either due to busy schedules of the relevant respondents or due to their reservations on revealing the desired information. Only 18 firms agreed to participate in the study. Our effective sample therefore is 18 firms manufacturing pharmaceutical products in Kenya.

3.4 Data Collection

We used the survey method to conduct the study by using questionnaires to collect data. Most of the respondents were in Nairobi. The data required was collected using a questionnaire. All the firms were visited personally with the aim of talking to the marketing managers or their equivalents. In most cases, it turned out that even if separate marketing department existed it was headed by the directors. In most cases it was the owners or their senior managers who responded to the questionnaire.

The questionnaire contained both open and close-ended questions. The questionnaire was constructed using questions from similar research work done in the past in other industries (Ouma, 1988; Bett, 1995). Relevant modifications

that are pertinent to the industry under study and to the objectives of the study were made.

3.5 Data Analysis

Before processing the responses, the completed questionnaires were edited for completeness and consistency. Descriptive statistics were used in analyzing the data collected. The descriptive statistics included proportions, percentages, and mean as well as cross tabulation.

CHAPTER 4

RESULTS AND DISCUSSION

4.1 Data Editing and coding

The completed questionnaires were edited after completion of every interview. At the end of interviewing process they were checked again. As already indicated in the earlier chapter only eighteen out of the original twenty-five firms were successfully reached.

4.2 Data analysis

Data collected was analyzed using descriptive statistics. This entailed proportions, percentages, means and frequency distributions. As the study was investigative in nature, these measures were deemed adequate

The results of this study will be presented in three parts. The first part will present the findings on a few company details of the manufacturers in pharmaceutical industry. The second and the third part will be addressing the findings on the two objectives of the study.

4.3 Pharmaceutical manufacturers in Kenya

The details sought from the firms engaged in manufacturing and sale of pharmaceutical products covered areas such as year of establishment (table 4.1), ownership (Table 4.2), number of employees (table 4.3), size (Table 4.5) and existence of marketing department (table 4.6)

4.3.1 Years of Establishment

Table 4.1 Distribution by year of establishment

Year	Frequency	Proportion
1920-1930	1	5
1960-1970	5	28
1971-1980	5	28
1981-1990	4	22
1991-2000	3	17
Total	18	100

N=18

Source: Interviews

From the above table it can be concluded that most of the firms in the pharmaceutical industry were established between the period of sixties and eighties. The oldest firm in this sector Didy pharmaceutical was established in 1924; only three (17%) firms were established after 1990. The establishment of most (80%) firms in the period from 1960 to 1990 may be attributed to the protectionist and supportive policies of the government towards this sector before liberalization.

4.3.2 Ownership

Table 4.2 Distribution by Ownership

Ownership	Frequency	Proportion
Foreign	3	17
Local	12	66
Joint (Foreign Local)	3	17
Total	18	100

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Majority of the Pharmaceutical manufacturing firms (66%) were wholly local, three (17%) firms i.e. Glaxo, SmithKline Beecham and Cussons were foreign owned multinationals.

4.3.3 Employees

Table 4.3 Distribution by number of Employees

Employees	Frequency	Proportion
0-50	7	40
51-100	0	0
101-150	5	28
151-200	2	11
201-250	1	5
251-300	1	5
300 and over	2	11
Total	18	100

N=18

Source: Interviews

Majority of the firms (60%) had more than 100 employees i.e. they were classified as large scale companies. Seven (40%) companies studies were of small size i.e with less than 50 employees. Four (22%) firms were having less than 25 employees. Cosmos and Lab and Allied each have more than 300 employees.

4.3.4 Product Classification

Table 4.4 Distribution by Product classification

Product class	Frequency	Proportion
Branded	3	17
Generics	2	11
Branded generics	7	39
Both generics and Branded generics	6	33
Total	18	100

Source: Interviews

Majority of the local manufacturers sell either branded generics or both generics and branded generics. Only foreign owned multinationals sell original brands. Two (11%) firms mentioned as selling only generics.

4.3.5 Size

Table 4.5 Distribution by size of the Organization

Yearly sales in MKshs	Frequency	Proportion
0-20	2	11
20-50	0	0
51-100	3	17
101-150	5	28
151-200	0	0
More than 200	8	44
Total	18	100

N=18

Source: Interviews

Local manufacturers of pharmaceuticals vary greatly in respect to their sales turnover. While eight (44%) of the firms studied, had annual turnover of more than 200MKshs, three (17%) firms had sales of less than 100 but more than 50 million kshs and two (11%) firms were doing less than 20MKshs as their yearly sales.

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4.3.6 Existence of Marketing Department

Table 4.6 With/Without Marketing Department

Response	Frequency	Proportion
Yes	17	95
No	1	5
Total	18	100

Source: Interviews

Most of the firms studied, had their marketing department. In some of the firms (33%), the director himself looked after the marketing department but in majority (67%) of the firms, the department was headed by the marketing manager. It shows that most of the firms realize the importance of marketing and hence have the separate department for the activities like, Marketing planning, organizing, coordinating and controlling or keeping on the planned track to reach the set objectives.

4.4 Responses on the Marketing Mix components

In order to understand the current marketing practices in the pharmaceutical industry, specific questions were posed to the respondents on the strategic variables of the product, price, place and promotion. These are the major variables that any marketing manager can use to affect the target market. This section covers the findings on these issues.

4.4.1 Product

Questions were asked on product range, packaging, branding, quality, GMP adherence and new product developments.

The product range manufactured by the local firms include Antibiotics, Antifungals, Antimalarials, metallics, Disinfectants and products for skin, Respiratory System, Cardiovascular System, Central Nervous System, Endocrine System and Gastro Intestinal System,

Other than KAM industries which are engaged in the manufacturing of disinfectants and Cussons who are making skin care products, the other companies are producing large product mix covering more than three therapeutic

areas. Many (72%) firm's product range covers more than seven therapeutic areas. (table4.7)

Table 4.7 Product range

Presence in therapeutic segments	Frequency	Proportions
1-3	5	28
4-7	7	39
8-11	6	33
Total	18	100

Source: interviews

One third of the firms studied, manufacture the products covering more than seven therapeutic areas. Majority of the companies offer the products in Tablets/capsules and syrup form rather than in injectable forms.

Only three companies are having more than one brand name for one preparation to achieve market segmentation.

Only two(11%) companies are selling their products as generics. Thirteen (72%) firms sell their products both as branded generics and generics in different markets. Three firms, Glaxo, SmithKline Beecham and Cussons were selling their products as original brands. (Table4.4)

Mean score on the role of certain factors in determining product advantage

Table 4.8 Mean score on various aspects of product advantage

Aspects	Mean score	Standard deviation	Coefficient of variables
Quality of product	4.67	0.5941	0.382
Cost to the patient	4.50	0.6183	0.487
Packaging	4.39	0.7775	0.605
Promotion	4.39	0.6941	0.363

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

Source: Interviews

From the above table, quality of the product has been identified as the major determinant of the product advantage followed by cost of the product to the customer. Both product packaging and promotion have also been considered as important factors to have product advantage. On the issue of quality most respondent who were interviewed believed that reliable source of raw material, hygienic manufacturing conditions, safety to consumer and good packaging reflects good quality of the product.

Table 4.9 Mean scores on various aspects of packaging

Aspects	Mean score	Standard deviation	Coefficient of variables
Attractiveness	4.166	0.9852	0.971
Protecting potency	4.66	0.6860	0.471
Cost of packaging	3.88	1.0786	1.163
Technology	3.78	1.2628	1.595

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

Source: Interviews

From the above table protection of the drug potency is considered very important followed by attractiveness to the consumer. Infact, most respondents have indicated that good packaging of product helps in general acceptability of the product. As local manufacturers are competing more closely with imported generics, packaging is important factor to reflect the good quality of the product. Firms very greatly on the issues of cost of packaging and the technology. Large

firms don't think cost of packaging as an important factor but the smaller firms take it as a major constraint. They complained on the high cost of duty on imported packaging material

Table 4.10 Distribution by Adherence to GMP practices.

Response	Frequency	Proportion
Yes	16	90
No	1	5
Partly	1	5
Total	18	100

Source: Interviews

Most firms have stated as adhering to the Good Manufacturing Practices (GMP) which is important not only to assure high quality standards to local buyers but is essential and prerequisite for exports to neighboring countries.

Most companies have responded that they keep on introducing new products to increase their market shares and to respond to the changing market needs.

4.4.2 Price

The price of any item can be a powerful instrument in attracting attention and ensuring sale. The first question required respondents to indicate the level of importance they attach on certain aspects of pricing. Their responses are given in table 4. 10 after computation of mean score on each aspect.

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Table 4.11 Mean scores on level of importance attached to certain aspects of setting product prices

Aspects	Mean	Std. Deviation	Variance
Determining price objectives	3.5556	1.5424	2.379
Demand for your products	4.1111	1.0226	1.046
Competitor's prices	3.8889	1.3235	1.752
Profit margins	3.9444	1.0556	1.114
Production cost	4.3889	.6978	.487
Use of regional prices	2.3889	1.1448	1.310
Price discrimination	2.5556	1.1991	1.438
Quality perception	4.6111	.6077	.369

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

Source: Interviews

From the table 4.11, quality perception was the most important factor in taking pricing decisions i.e. if the product is rated as of high quality, the manufacturer can charge a premium price on it. Also important are the cost of production and demand for the product. profit margins and competitors prices were also considered as fairly important. The use of regional prices and price discrimination were ranked as least important by all the firms. High coefficient of variations from the mean on the first aspect indicates that firms very greatly on determining price objectives. The firms were almost unanimous on the issue of quality and cost of production aspect.

90% of the firms studied clearly mentions that prices have a perception of quality in the customers mind, which shows that firms, while designing their pricing policy keep this thing in mind i.e. wherever possible they charge premium price to reflect better quality of the product.

Most firms sell their products on conditional credit. Few of the firms sell their products on cash.

All the firms studied offer discounts to their customers on quantity purchases.

On ranking their prices as compared to competition the firms were divided. Ten (55%) firms mentioned that their prices are similar to competition; three (17%) mentioned them as lower while three others rated their prices higher than competition. Two firms specified more clearly that their prices are higher than the local manufacturers but are lower than the multinationals.

4.4.3 PLACE/DISTRIBUTION

Efficient marketing channels are of enormous importance for the success of any business. There is a need for the firms to have a formal planning process for designing and selecting channel members. Channel design and selection should be made in the context of the target markets to be served and the specific needs of the consumers within those markets.

Respondents were asked about the distribution channel they use for their products. All the respondents' use two channels i.e. distributors and retailers. On asking that do these firms distribute through channels or they do direct selling to consumers, most responded that they use both the routes i.e. to hospitals and some big institutions & NGO's the firms make direct deliveries whereas for individual patients and clinics they use wholesalers and retailers.

Majority of the firms studied use one set of distribution channel for all of the products. The firms like Glaxo Wellcome and SmithKline Beecham that are producing over the counter (OTC) as well as ethical range of pharmaceuticals use two different sets of distribution channels. Cussons and KAM industries also use different distribution channels.

Firms vary greatly on the infrastructure for delivering their products. Eight (45%) firms had two or less than two delivery vans, whereas three firms have more than eight delivery vans. At least 60% of the firms were using public transport along with their own vehicles for delivering their products mainly in the upcountry markets.

Table 4.12 mean scores on various aspects of distribution

Aspects	Mean	Std. Deviation	Variance
Accessibility of Location	3.6667	1.0847	1.176
Proper market coverage	4.2778	.6691	.448
Geographical market dispersion	4.2778	.7519	.565
Following a formal procedure in Selecting a channel member	3.2778	1.3636	1.859

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

Source: Interviews

From the above table all respondents considered proper market coverage followed by the geographical market dispersion very important. Low coefficient of variance for these responses shows that all the firms were consistent on this. The firms prefer those channels, which have better market coverage and cover even the remote areas. Firms had different opinions on the importance of having formal procedure for selecting a channel member. Only three firms were undertaking this practice. Accessibility of location was considered as an important factor by few firms dealing more in OTC range of products.

4.4.4 PROMOTION

In the phase of increasing competition promotion of the products is very important. Most of the firms studied are actively involved in the promotion of their products. Most firms 17(95%) had separate marketing department and in proportion to the size of the firm, the size of the marketing department varies. Majority of the firms had less than 10 employees working in the marketing department. Some big firms like Glaxo, SB, Cussons and PMC had more than 20 employees working in the marketing department. Irrespective of the number of employees in the marketing department, all the firms responded that they cover the entire country through their field force.

Table 4.13 Mean score on important aspects to make an effective sales call

Aspects	Mean	Std. Deviation	Variance
Product knowledge of the medical representative	4.6667	.6860	.471
Personal selling skills	4.7222	.4609	.212
Regularity of visits to the customers	4.4444	.6157	.379
Knowledge about the customers	4.6667	.4851	.235

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

Source: Interviews

Table 4.13 shows that firms were almost unanimous on the importance of All the above factors in making a successful sales call.

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Table 4.14 Mean score on important methods of product promotion

Methods of promotion	Mean	Std. Deviation	Variance
Detailing of product to doctors	3.8889	1.3235	1.752
Repeat visits to doctor to remind the products	3.6667	1.4142	2.000
Sponsorships to doctors	2.5000	1.0432	1.088
Exhibition of your product	3.3333	.9701	.941
Round table conferences	2.6111	1.0922	1.193
Sales incentives to the team	3.8333	.9235	.853
Sales promotion	4.3889	.8498	.722

Mean point ranked on a 5 point Likert scale; with 1 taken to mean totally

unimportant and 5 taken as very important.

Source: Interviews

Sales promotion is considered as the most important method of product promotion. Although sales promotion helps in increasing the sales in the short run, it does not help much in building a brand. Other important methods of product promotion are detailing of products to doctors and incentives to the sales team. High coefficient of variance tells that all the firms do not regard detailing as an important method of product promotion either due to the different nature of their products or due to lack of resources to do that.

Table 4.15 mean score on important medias for product promotion

	Mean	Std. Deviation	Variance
Personal selling	4.1667	1.2948	1.676
Advertising	3.7778	1.2154	1.477
Sales promotion	4.2222	.8782	.771
Direct Marketing	4.0000	.9701	.941
Direct Marketing	4.0000	.9701	.941
Public relations & Publicity	3.8333	1.0432	1.088

Mean point ranked on a 5 point Likert scale; with 1 taken to mean totally

unimportant and 5 taken as very important.

Source: Interviews

Most firms confirm to the personal selling as most important means of product promotion followed by sales promotion and direct marketing. Advertising and public relations are considered less important.

Table 4.16 Mean score on various means of advertising

	Mean	Std. Deviation	Variance
Radio	2.3889	1.5770	2.487
Television	2.1111	1.5676	2.458
Newspapers	2.6111	1.3346	1.781
Magazines	2.3333	1.1882	1.412
Telephone Directories	1.9444	1.6586	1.703
Billboards	1.9444	1.5136	2.291
Posters	2.6111	1.5005	2.252
Telemarketing	1.8333	1.3394	1.794
Websites	1.3333	.8402	.706

Mean score ranked on a 5 point Likert scale; with 1 taken to mean never and 5 as very often.

Source: Interviews

Table 4.15 shows that in general, pharmaceutical manufacturers do not use advertising as a mean to promote their products. This is due to the fact that Ministry Of Health does not permit the public advertisement of ethical prescription drugs. Only over the counter drugs can be advertised. Manufacturers engaged in the production and sales of such drugs use newspapers, posters, and

magazines more frequently than other medias. Television being an expensive media is used only by three (17%) respondents, i.e. by SmithKline Beecham, GlaxoWellcome and Cosmos.

Table 4.17 mean score on sponsoring of certain activities/events

Events	Mean	Std. Deviation	Variance
Games/Sports	1.8333	1.2485	1.559
Seminars/Conferences	2.3333	1.3720	1.882
Radio programmes	1.7778	1.2154	1.477
T.V programmes	1.7222	1.4061	1.977
Take part in Exhibitions	2.6111	1.4608	2.134

Mean point ranked on a 5 point Likert scale; with 1 taken to mean never and 5 as very often.

Source: Interviews

Most firms do not take part or sponsor the above events. Only few firms do occasionally take part in scientific conferences and exhibitions related to their field of operation. Only two (11%) firms sponsor games and do radio programs.

Most (83%) of the firms conduct market research and customer survey at least once or more times in a year.

Table 4.18 Mean score on customer ranking by sales volume

Customers	Mean	Std. Deviation	Variance
Doctors	4.2941	1.9610	3.846
Pharmacies	1.4706	.8745	.765
Hospitals	3.5294	1.4628	2.140
Industrial clinics	5.1765	1.3339	1.779
Ministry Of Health	5.3529	1.8689	3.493
NGO's	4.5294	1.8748	3.515
Exports	3.5882	1.9704	3.882

1 as the most important and 7 as the least important customer

Source: Interview

From above table it is clear that pharmacies are the most important customer for all the firms. Apart from this the firms vary on the importance of their customers. Hospitals and exports are the other important sale zones. Government, which was the single most important customer of pharmaceutical manufacturers, is currently rated as least important by most firms.

4.5 STRATEGIC RESPONSES OF FIRMS TO ENVIRONMENTAL CHANGES

This section covers the findings on the second objective of this study. The objective was to investigate the strategic responses of firms to changes in the pharmaceutical industry environment. Most of the questions asked were open ended and aimed at getting certain aspects of strategic marketing. The first question was on whether firms in the industry undertook any environmental scanning. This is mainly concerned with identifying trends, opportunities and threats that will influence the strategy and choice.

4.5.1 ENVIRONMENT SCANNING

Except five (28%) firms who do environment scanning in management meeting or with the help of outside agency, other firms studied do not do any environmental scanning. The reasons for not doing the environmental scanning were both cost and time involved or lack of resources. In some cases the firms do not see the necessity of doing the environment scanning.

Respondents were expected to respond on how they undertake their planning activity. Most firms mentioned that they prepare formal planning documents. Annual sales budgets are prepared which are sub divided into quarterly and

monthly sales objectives. Some of the respondents prepare separate plans for each region while very few (3) prepare product wise marketing plan. All the respondents mentioned that planning is very important to achieve sales targets and to enhance control.

It can be concluded that while most firms in the pharmaceutical industry have marketing plans, they are not very elaborate and cover short-term periods. The marketing plan document would contain not only qualitative statements about the solutions, proposed programs and its rationale, but also quantitative data relevant to the proposal. Only one firm responded as doing external analysis followed by internal analysis and then formalizes the plan. Although most of the plans in the pharmaceutical industry are different in context but there were some common subjects e.g. preparing sales budgets based on competitor's analysis, situational analysis and the firms competence. Then identifying marketing strategies to be followed, action plans and controls.

4.5.2 COMPETITION WITHIN THE INDUSTRY

Respondents were expected to indicate their major competitors and whether they collect information on them. Most of the firms quoted importers of finished generics as their major competitors followed by other local manufacturers. Multinationals were referred as least competitive due to different market segmentation. Most of the local manufacturers address lower end of the market whereas multinationals address to the upper market.

Most of the respondents collect regular information on competitors through field surveys or information collected from retailers and doctors with the help of the sales team. Only five companies have mentioned that they are collecting competitor's information since their inception. The rest (61%) have started doing so in last 5 to 10 years.

On asking what activities have been taken to stay competition, few companies refused to divulge as being the company secret but others have mentioned innovation in product designs and packaging, better training of the field force, maintaining product quality, collecting more market information and adapting to change in terms of pricing, promotion and delivery services. Effective customer service has also been cited as the strategy to stay competitive.

Table 4.19 collection of information on competitors

Response	Frequency	Proportions
Yes	15	83
No	3	17
Total	18	100

Source: Interviews

4.5.3 WIDER MACRO ENVIRONMENTAL FACTORS

Respondents were also required to indicate the other aspects of the wider environment that have influenced the marketing of their products.

On asking how the recent mergers and acquisitions will affect the local industry, majority (61%) of the respondents believe that this will not affect the local industry due to market segmentation, rest believe that it affects the local industry adversely as this will enhance the monopolistic control of multinationals. However, one respondent feels that this may have favorable impact on the industry, as this will make multinationals to concentrate on new products and leave the old products for local manufacturers.

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On asking the respondents to rank the macro environment factors that have influenced the marketing of their products. Most of the firms came up with the following order of some aspects of the wider environment.

1. Competition from the imported generics has been cited as the major factor affecting the local industry. Generics from low cost countries like India, China and Pakistan have affected the industry. Entering of some multinationals into

generic business has also been identified as a factor influencing the marketing of the locally manufactured products,

2. Economic factors have also been cited as having great influence in the marketing of pharmaceutical products. Prevailing recession in the economy has been identified by many respondents as the factor affecting purchasing power of the customers and hence the sale of their products.
3. Poor infrastructure like shortages of power, water and bad roads have been pointed out as affecting the cost of production and distribution.
4. Technology in the form of packaging has been taken as a major factor influencing the local industry.
5. Cost regulations about custom duties on packaging material are affecting the local industry.

Conclusion:

One of the objectives of the study was to investigate the current marketing practices of pharmaceutical manufacturers in Kenya. The study examined the decisions of the local manufacturers on various issues of marketing especially on product, place, price and promotion in relation to the sales of pharmaceutical products in Kenya.

The study found that the local firms manufacture a diverse range of pharmaceutical and allied products covering different therapeutic areas. The firms try to achieve product advantage by improving product quality in terms of drug potency and packaging. They also introduce new products and line extensions.

Many respondents mentioned that their pricing policy reflects the quality of their products as perceived by their customers. High perception of product quality was believed to fetch better price of the product. Most firms kept their prices either comparable or slightly higher than the imported generics but lower than that of the multinationals.

Most firms recognize the importance of distribution. In most cases firms use both wholesalers (middlemen) and retailers as the channels to distribute their products. The Local manufacturers had a better distribution network in up country markets and suburbs as compared to multinationals and other importers of finished goods

Most firms believe that due to the increasing competition, promotion of products is very important. All firms studied had a separate marketing department. Personal selling was used as the most important means of product promotion. Only two of the respondents (10%) use electronic media to advertise their products. Sales promotion was another way of product promotion used by all the firms. Therefore, the study concludes that firms according to their size and resources were consciously making changes in the marketing mix variables to stay competitive in the market.

The other objective of the study was to establish the strategic responses of firms to the changes affecting the pharmaceutical industry. In regard to this, the study found that with increased environmental turbulence the local manufacturers in the pharmaceutical industry became market driven in most activities. Most firms were concerned with the information on their customers and markets. Firms were regularly carrying out market analysis.

On asking how the firms have responded to the challenges in the environment, most firms stated that they started new markets, introduced new products,

expanded their field force and resorted to aggressive promotion. Few firms had to reduce the prices and to increase the credit on their products to compete. We can conclude that most firms in common responded by more aggressive promotion of their products. With the increasing competition after liberalization, most firms resorted to more of marketing rather than just selling their products. The firms have shifted into more specialization in terms of product range and markets addressed. Customer care is being given more importance. Some firms introduced second brand to compete with low price generics. Increased efficiency and cost saving has been referred to as major success factor in the face of current competition.

More than 50% respondents confirmed that there has been a change in the technology with respect to manufacturing and packaging. The firms have introduced more automation in their functioning. More than 70% respondents confirmed a change in their manpower composition with more skilled people in the marketing department. To meet the new challenges in the environment the firms have made changes in their marketing mix variables. The most common replies were as follows:-

Product: - Firms have increased their product range especially line extension to meet wider customer needs. Modifications have been done in the packaging to meet increased expectations.

Price: - As most firms believe that price reflects the quality of their product, they have tried to stick to the premium prices. However there has been a general downward trend on the prices of more standardized products.; most firms maintain competitive prices.

Distribution: Most firms have improved their distribution network. Product availability has been referred to as of a great significance. Almost all

the firms have increased their channel members especially retailers and wholesalers.

Promotion: Most firms have stepped up the promotional activities in the prevailing environment of high competition. Firms have adopted most efficient means of communication depending on their product range and target markets

Most firms indicated that liberalization brought a lot of unexplained Changes in the market environment leading to stiff competition. Firms are Coping by introducing product varieties, line extensions; new production techniques, improved packaging, competitive pricing and improved marketing strategies.

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CHAPTER FIVE

5 SUMMARY AND CONCLUSIONS

5.1. Introduction

As stated in chapter one the objectives of this study were not only to investigate the current marketing practices by the pharmaceutical manufacturing firms in Kenya but also to look at their strategic responses to the changing environment of the pharmaceutical industry. Economic reforms introduced in mid 1980s led to comprehensive restructuring of country's public, parastatal and private sector organizations. Lot of changes took place; the most significant of them was the introduction of competition in the market. This chapter will summarize and discuss the findings of the study as they relate to the objectives. It also contains some implications of the study including the limitations as well as suggestions for further research.

5.2. Strategic marketing practices of pharmaceutical manufacturers in Kenya.

Strategic marketing is very crucial to any organization as it takes into consideration fundamental changes in the environment and makes them proactive rather than reactive to the issues of the day. With the introduction of economic reforms the government changed the policy from that of interventionist system to that of free market system. As a result, the key to success is the customer and with more products in the market the customers have a choice. On the first objective of the study, decisions on products, place, price and promotion were examined in relation to sales of pharmaceutical products manufactured in

Kenya. In addition issues of marketing research and marketing planning were also discussed.

The study found that with the dynamic changes in the environment, the management of the pharmaceutical manufacturers in Kenya is making deliberate attempts, to improve all aspects of the marketing mix in order to remain competitive in the market. On the question of product decision, in response to the changing environment have taken decisions on product range, line extension, quality, packaging and even introducing multiple brands. Depending upon their competence, the local manufacturers offered products for cardiovascular system, Central Nervous System, Endocrine System, Gastrointestinal System, Respiratory System, Musculoskeletal Disorder, Dermatology, Ophthalmology, Infections, and Metabolic Disorders. Few firms confined to the production of very narrow range i.e. producing only disinfectants or only intravenous infusions. Most firms however, are engaged in manufacturing a big product mix ranging from 20 to more than 100 products.

On the question of price, there are no government controls. Firms therefore make decisions on price level, discounts, allowances, and payment terms by considering various important factors including customer's perceived value, quality/product differentiation and competitor's prices.

On the question of place or distribution, decisions on location, accessibility, distribution channels and market coverage are being made. Most manufacturers use short distribution channels involving wholesalers and retailers. In some cases manufacturers directly distribute their products to the big buyers like hospitals, industrial clinics and NGOs. Depending upon the feasibility and cost saving, the firms resort to most efficient system of distribution. In their responses most firms have realized the increased importance of product availability in the phase of increased competition.

On the question of promotion, decisions on location accessibility, sales promotion, publicity and public relations are made. It was found that most manufacturers of pharmaceuticals resorts mainly on personal selling rather than advertising. Only those firms, which market over the counter drugs, undertake advertising. Relatively fewer firms engage in the participation of show exhibition especially in their areas of operation as one way of promoting their products. Most firms however adopt sales promotion in the forms of bonus offers, quantity discounts, gift hampers and sales force incentives to increase sales.

Firms in the pharmaceutical industry do engage in marketing research on regular basis. Although in most cases it is done in informal manner yet most firms make use of marketing research in designing their marketing strategies. Most firms also do marketing planning but it covers only short period. Manufacturers of pharmaceuticals have also segmented their markets mainly on customer basis. As most firms produce generics, they address to the lower income consumers and NGOs.

5.3. Strategic responses of firms to the changes affecting the pharmaceutical industry.

With changes in the environment firms should have the capacity to be adaptive by staying close to their markets and reading the signs. With increased environmental turbulence the local manufacturers in the pharmaceutical industry have become market driven in most activities. Most firms are concerned with the information on their customers and markets. They are regularly carrying out market analyses which has led to the introduction of more products, line extensions to meet increased customer needs, improved packaging and more importance to product availability.

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Before liberalisation, most manufacturers of pharmaceuticals in Kenya were selling their products as generics to the original branded products. Very few marketing activities were done. Until recently, many firms did not even have a separate marketing department. They had only sales department. Price was considered as the single most important variable to influence the sales.

With increased competition and multiplicity of alternate products, the firms are resorting to promote their products as brands (branded generics). Firms have increased their promotional activities to build brand equity. Some of the steps taken in this direction by most manufacturers are, increased number of employees in marketing, increased training of the field force, regular market and customer surveys, regular visits to customers and improved technology in manufacturing and packaging.

Although most firms in this sector do not do formal environmental scanning due to lack of resources, yet they continuously study the market and bring necessary shifts in their marketing activities to stay competitive.

As a result of environmental changes, firms in the pharmaceutical industry have become more concerned with the action of competitors. Most firms have started collecting information on competitors and their products and in most cases the field force does it informally but regularly. This however simplifies the system of collection and analyses of vital information.

Therefore, we can conclude that firms in the pharmaceutical industry are aware of the changes affecting them. Based on their resources, they make deliberate attempts to learn their environment especially the competition and are making the necessary changes in their marketing activities to stay competitive.

5.4 Recommendations

From the findings of this study, manufacturers of pharmaceuticals in Kenya are making some internal adjustments in their marketing mix components in order to cope with the environmental changes. Pharmaceutical being very important sector in the economy, some recommendations can be made to the firms engaged in manufacturing and marketing of pharmaceutical products for the benefits of the firms and the users of drugs.

Availability of the drugs being very important, firms must ensure that their products are available to the customers in right quantities and at right time. Special emphasis should be given in making products adequately available in upcountry markets.

In the wake of increased competition from low priced imported generics, firms must try to manage/reduce their costs to compete effectively. Firms should regularly update their product mix to meet the changing customer needs. They should not only keep on adding new products but also should trim or remove those products, which are out dated. Packaging being the most important criteria to judge the product quality firms should improve their packaging and should use new technology, which is cost effective in the long run.

Firms should resort to more aggressive promotion of their products. They should give more importance to other means of marketing as against over reliance on sales promotion. They should more often undertake to introduction of the products to doctors/prescribers, creating information base for their products and participation in the scientific conferences and exhibitions.

It is also recommended that firms, further take a strategic approach to marketing management, as it helps them orient themselves to key external factors such as consumers and competition, as well as build up their market driven strategies. It

is suggested that firms should have a formal way of doing environmental scanning, as it is the source of opportunities and threats to their activities. With increased complexities and competition, competitor's analysis assumes greater importance in order to sustain a competitive edge.

As there is no duty of any kind on imported finished pharmaceuticals, whereas the local manufacturers have to pay duty on the imported packaging materials. This increases their cost of production. The government should look into this factor of uneven competition. The government should also look into the improvements in the factors like communication, transportation, and warehousing. Infrastructure like electricity, water and road networks should be made adequately available.

5.5 Limitations of the study

The major limitations of the study were paucity of time and apprehension of some respondents to divulge the desired information. This led to wastage of a lot of time in explaining them the objective and the need of such a study. The study due to time became less thorough and conclusive than it should have been.

There were also some problems with the level of awareness among some respondents on certain issues of strategic marketing. Some concepts had to be elaborated leading to some value being lost in the process. Other problems could be attributed to the limitation of such studies and the use of a structured questionnaire, which predetermines the questions respondents are supposed to answer. However, it can be said that the execution of this study was done with a lot of care so as to minimize these limitations.

5.6 Recommendations for Further Research

This study documented strategic marketing of pharmaceutical products manufactured in Kenya and considered all the firms engaged in the manufacturing and sale of pharmaceutical products in Kenya. The focus of the study was rather wide. The changes in the pharmaceutical industry are quite widespread and have lasting impact on the local industry. Recent increase in mergers and acquisitions in the industry can enormously increase the marketing potential of multinationals. There is a need to make a study on how some specific factors of marketing mix are influenced by the changing environment of pharmaceutical industry.

TO WHOM IT MAY CONCERN

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Appendix I: INTRODUCTORY LETTER TO THE FIRMS



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Telephone: 732160 Ext. 208
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

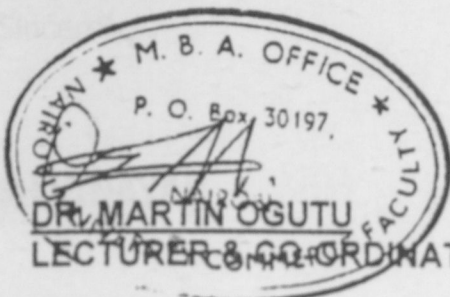
DATE: 13th October, 2000.....

TO WHOM IT MAY CONCERN

The bearer of this letter: Rakesh Vinayak
Registration No: D/61/P/7846/98
is a Master of Business & Administration student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on some 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.

Thank you.



LECTURER & CO-ORDINATOR, MBA PROGRAMME

MO/ek

Appendix II: SPECIMEN OF LETTER TO THE RESPONDENTS

2nd October 2000

The Respondent,
P.O. Box.....,
NAIROBI

Dear Sir/Madam,

RE: REQUEST FOR YOUR PARTICIPATION IN MY RESEARCH WORK

I am a postgraduate student in the Faculty of Commerce, University of Nairobi, Pursuing a Master of Business Administration (MBA) degree programme.

In order to fulfill the degree requirements, I am undertaking a management research project on Marketing Practices followed by Pharmaceutical Manufacturing companies in Kenya and the responsiveness of the company to the changes in the environment.

The study is purely for academic purposes. All information given shall be kept strictly confidential. The study may bring out some suggestions, which could be useful for the industry. A copy of the final study with suggestions shall be made available to you once the study is complete.

Your organization being one of the leading and well managed pharmaceutical manufacturing companies in Kenya, and I would highly appreciate it if you would spare some time to kindly complete the attached questionnaire for me.

Thank you for your valuable co-operation in advance.

Yours Sincerely,

RAKESH VINAYAK

Appendix III

LIST OF COMPANIES

PHARMACEUTICAL MANUFACTURERS

1. Beta Healthcare International,
Bondo Road, Industrial Area,
P.O. Box 42569, Nairobi
Tel: 530106
Fax: 544098
2. Biodeal Laboratories Ltd,
Lunga Lunga Road, Industrial Area,
P.O. Box 32040, Nairobi
Tel: 540345, 541479
Fax: 540361
3. Cosmos Ltd,
Rangwe Close,
Off Lunga Lunga road,
P.O. Box 41433, Nairobi
Tel: 541254, 540855, 541267
Fax: 544121, 532948
E-mail: cosmosltd@form-net.com
4. Cussons & company Ltd,
Pharmaceutical division
Baba Dogo Road, Ruaraka
P.O. Box 48597, Nairobi
Tel: 803486, 803538, 803482/3
Fax: 802927
5. Dawa Pharmaceuticals Ltd,
Baba Dogo Road, Ruaraka
P.O. Box 47105, Nairobi
Tel: 802401-6, 861551, 802464
Fax: 802463
6. Didy Pharmaceuticals Ltd,
Sheikh Karume Road,
P.O. bo 41426, Nairobi
Tel: 332962, 745326

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7. Elys Chemical Industries Ltd,
Off Enterprise Road
Opposite Hillock Inn,
P.O. Box 40411, Nairobi
Tel: 540414/5
Fax: 542030
8. Gesto Pharmaceuticals Ltd,
Rasul's Building,
Butere Road, Industrial area,
P.O. Box 43375, Nairobi
Tel: 545337, 554615
Fax: 504643, 544919
E-mail: gesto@swiftkenya.com
9. Glaxo Wellcome Kenya Ltd,
Dakar Road, Industrial area,
P.O. Box 18288, Nairobi
Tel: 532461-6
Fax: 542689
E-mail: sales&marketing@glaxowelcome.co.ke
10. Infusion Kenya Ltd
Mogadishu Road,
P.O. Box 30467, Nairobi
Tel: 557744, 530774, 530783, 530945
Fax: 545837, 534727
11. KAM Industries Ltd,
Irungu Rika Road, Ngara
P.O. Box 31148, Nairobi
Tel: 749718, 749853
Fax: 740647
E-mail: kamrx@africaonline.co.ke
12. Kenya Sterile Supplies Ltd,
P.O. Box 50794, Nairobi
Tel: (0151) 54157 Ruiru
Fax: (0151) 54301
13. Laboratory & Allied Ltd
Mombasa road
Opp. General motors
P.O. box 42875, Nairobi

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Tel: 530422, 530101, 530141, 531615
Fax: 543312, 533967
E-mail: laballied@iconnect.co.ke

14. Mac's Pharmaceuticals Ltd
Off Shimo La Tewa Road,
Industrial area,
P.O. box 43912, Nairobi
Tel: 530095-7
Fax: 543767
15. Manhar Brothers (K) Ltd,
Solai Road,
P.O. Box 40447, Nairobi
Tel: 558842, 555883, 532294
Fax: 532295
16. Medical & Health Care Industries,
KASNEB towers
Hospital road,
Capitol Hill,
P.O. Box 60647, Nairobi
Tel: 726229
Fax: 726202
17. Medivet Products Ltd,
P.O. Box 47951, Nairobi
Tel: 225927
Fax: 217291
Factory: Ruiru Town
Tel: 0151-54119/54138
Fax: 0151-54127
Thika Office:
Tel/Fax: 0151-22405
18. Novelty Manufacturing Ltd
Lusaka road
P.O. Box 42708, Nairobi
Tel: 542444, 554260
Fax: 552404
19. Pharmaceutical Manufacaturing Company (K) Ltd,
Lusaka Road, Industrial Area,
P.O. box 47211, Nairobi

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Tel: 559272, 558519, 558290
Fax: 552046, 541863

20. Pharmaceutical Products Ltd,
North Airport Road,
Off Mombasa road,
P.O. Box 18835, Nairobi
Tel: 822512, 822052,
Fax: 822775
21. Reckitt & Colman (Industries) Ltd,
Likoni Road, Industrial area,
P.O. Box 78051, Nairobi
Tel: 531453,
Fax: 544060,
Telex: 25568
22. Regal Pharmaceuticals Ltd,
Baba Dogo road,
Ruaraka
P.O. box 44421, Nairobi
Tel: 803211/2/3/4
23. SmithKline Beecham International,
Lunga Lunga Road
Industrial area,
P.O. box 78392, Nairobi
Tel: 534241,
Fax: 543204
Telex: 25554
24. Sphinx Pharmaceuticals,
Old North Airport road,
P.O. Box 69512, Nairobi
Tel: 824267
25. Universal Pharmacy Ltd
Clesoi Road,
Off Lunga Lunga road,
Industrial area,
P.O. box 42367, Nairobi
Tel: 532904-7, 556097
Fax: 532906

Appendix IV

SECTION I

Company data

1. Name of Organization

.....

2. Year of establishment

.....

3. Company ownership

Foreign Locally

Jointly (Foreign and Local)

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4. Number of employees in year 2000 ?

5. Your products are classified as

A. Brands B. Generics or C. Branded Generics

6. What is the relative size of your organization in year 2000 in terms of sales volume

Annual sales turn over in millions of kshs:

Less than 20 [], more than 20 [], more than 50 [], more than 100 []
more than 200 []

7. Do you have a Marketing department?

Yes []

No []

8. Designation of the respondent.....

Therapeutic	Trade name of product in Kenya	Dosage form / strength		
		Syrups	Tablets / capsules	Injections
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				

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SECTION II A

1. Your product-mix includes products from which of the following therapeutic areas.

PRODUCT

Therapeutic classification	Number of products IN THE CLASS	Dosage pack/forms		
		Syrups	Tablets/capsules	Injections
1. Cardiovascular system				
2. Central nervous system and musculoskeletal disorder				
3. Dermatological				
4. ENT and ophthalmic preparations				
5. Endocrine system				
6. Gastro intestinal system				
7. Infections				
8. Metabolic agent and blood disorder				
9. Respiratory system				
10. Vaccines, Neoplastics, Anesthetics				
11. Others (please specify)				

2. Do you offer more than one brand for any product? If yes, please mention the brand.

.....

3. Please explain why more than one brand of product is offered?

.....
.....

4. Do you sell your products by generic name or by brand name?

.....

5. How important do you think the line extension is for building a brand?

Totally unimportant [] unimportant [] fairly important []
important [] very important []

6. Please tick the relative role of the following in determining your product advantage

	1 Totally unimportant	2 unimportant	3 Fairly Important	4 important	5 very important
a. Quality of product	[]	[]	[]	[]	[]
b. Cost to the patient	[]	[]	[]	[]	[]
c. Packaging	[]	[]	[]	[]	[]
d. Promotion	[]	[]	[]	[]	[]
e. Others specify	[]	[]	[]	[]	[]

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7. What aspects of packaging are important

	1 Totally unimportant	2 unimportant	3 Fairly Important	4 important	5 very important
a. Attractiveness	[]	[]	[]	[]	[]
b. Protecting potency	[]	[]	[]	[]	[]
c. Cost of packaging	[]	[]	[]	[]	[]
d. Technology	[]	[]	[]	[]	[]
e. Others (Please specify).....					

8. What are the major considerations in terms of product quality (Please list)?

.....
.....

9. Do you adhere to WHO GMP regulations?

.....

10. Does your organisation develop new products or undertake major improvements on existing ones? Yes[] No[]

If yes, what prompts you to do this?.....

.....
.....

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SECTION II B

PRICE

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

	1 Totally unimportant	2 unimportant	3 Fairly Important	4 important	5 very important
a. Determining pricing objectives	[]	[]	[]	[]	[]
b. Demand for your products	[]	[]	[]	[]	[]
c. Competitor's prices	[]	[]	[]	[]	[]
d. Profit margins	[]	[]	[]	[]	[]
e. Production cost	[]	[]	[]	[]	[]
f. Use of regional prices	[]	[]	[]	[]	[]
f. Price discrimination	[]	[]	[]	[]	[]
h. Quality perception	[]	[]	[]	[]	[]
i. Others (Please specify)					
.....					

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12. Do you agree that the prices have some perception of the quality in customers mind?

.....

16. Do you make deliveries of your products to your customers?

.....

13. Please tick the terms of sales in use in your organization

a. Strictly cash []

b. Credit (conditional) []

c. Credit (unconditional) []

d. Others (please specify).....

.....

14. On an average, how would you rank your prices in comparison to competition

a. Similar []

b. Higher []

c. Lower []

15. Do you offer discounts

Yes [] No []

If yes, on what basis?.....

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SECTION II C

PLACE (Distribution)

16. Do you make deliveries of your products or use distribution channels?

.....

17. Do you use different distribution channels for different products?

.....

18. How many delivery vans do you have for the distribution of your Products?

.....

19. In determining your distribution channel, how important are the following factors?

	1 Totally unimportant	2 unimportant	3 Fairly Important	4 important	5 very important
a. Accessibility of Location	[]	[]	[]	[]	[]
b. Proper market coverage	[]	[]	[]	[]	[]
c. Geographical market dispersion	[]	[]	[]	[]	[]
d. Following a formal procedure in selecting a channel member	[]	[]	[]	[]	[]
e. Others please specify	[]	[]	[]	[]	[]

20. How many employees are working in marketing department?

.....

21. Your field force covers entire country or specific regions? Please specify regions

.....

.....

.....

.....

SECTION II D

PROMOTION

22. How important are the following factors to make the sales call effective?

	1 Totally unimportant	2 unimportant	3 Fairly Important	4 important	5 very important
a. Product knowledge of the medical representatives	[]	[]	[]	[]	[]
b. Personal selling skills	[]	[]	[]	[]	[]
c. Regularity of visits to the customers	[]	[]	[]	[]	[]
d. Knowledge about the customers	[]	[]	[]	[]	[]

23. What methods of promoting your products are the most important?

	1 Totally unimportant	2 unimportant	3 Fairly Important	4 important	5 very important
a. Detailing of product to Doctors	[]	[]	[]	[]	[]
b. Repeat visits to doctor to remind the products	[]	[]	[]	[]	[]
c. Sponsorships to doctors	[]	[]	[]	[]	[]
d. Exhibition of your product	[]	[]	[]	[]	[]
e. Round table conferences	[]	[]	[]	[]	[]
f. Sales incentives to team	[]	[]	[]	[]	[]
g. Sales Promotion	[]	[]	[]	[]	[]

Others (please specify).....

24. How important are the following medias for promoting your products?

	1 Totally unimportant	2 unimportant	3 Fairly Important	4 important	5 very important
a. Personal Selling	[]	[]	[]	[]	[]
b. Advertising	[]	[]	[]	[]	[]
c. Sales promotion	[]	[]	[]	[]	[]
d. Direct Marketing	[]	[]	[]	[]	[]
e. Public relations & publicity	[]	[]	[]	[]	[]

Others (Please specify)

.....

25. How often does your organisation use the following media for advertising or promoting your products?

	1 Never	2	3	4	5 Very often
a. Radio	[]	[]	[]	[]	[]
b. Television	[]	[]	[]	[]	[]
c. Newspapers	[]	[]	[]	[]	[]
d. Magazines	[]	[]	[]	[]	[]
e. Telephone Directories	[]	[]	[]	[]	[]
f. Billboards	[]	[]	[]	[]	[]

- g. Posters
- h. Telemarketing
- i. Websites

Others (please specify)

.....

26. How often does your organisation sponsor the following?

	1 Never	2	3	4	5 Very often
a. Games/sports	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Seminars/conferences	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Radio programmes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. T.V programmes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Take part in Exhibitions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

27. Does your Organisation conduct marketing research?

.....

.....

28. Do you conduct customer survey?

- Yes No

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29. How often do you conduct customer surveys to find out what the market expects from your organization?

- (i) Once or more times a year []
- (ii) Every 2-5 years []
- (iii) Every 6-10 years []
- (iv) More than 11 years []
- (v) Never []

30. Who are your most important customers by way of sales volume? Please rank so that 1 is the most important and 7 is least important.

- () Doctors () Pharmacies () Hospitals () Industrial clinics
- () Ministry Of Health () NGOs () Exports

31. Do you have marketing plans?

Yes [] No []

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32. How often are marketing plans prepared in your organization ?

- (i) One or more times in a year []
- (ii) Every 2 to 5 years []
- (iii) Every 6-10 years []

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

	Not at all			Quite well
	1	2	3	4
a. Different geographical area	[]	[]	[]	[]
b. Different product	[]	[]	[]	[]

c. Different customers

[]

[]

[]

[]

Others (Please specify)

.....

(If no, why?)

(Rank them in order of importance)

Who are your major competitors? Rank them as 1 being the highest and 3 the lowest

a) Manufacturers

b) Importers of third-country products

c) Distributors

(4) Do you collect evidence on your competitors?

Yes [] No []

SECTION III

1. (I) Do you do any environmental scanning ? Yes [] No []

(ii) If yes, how do you do it ?

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

(iii) If no, Why?

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

2. Briefly state how you undertake your planning activities?

(Rank them in order of importance)

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

3. Who are your major competitors? Rank them as 1 being the highest and 3 the least

a) Manufacturers []

b) Importers of finished generic products []

c) Multinationals []

4. (I) Do you collect information on your competitors?

Yes [] No []

(ii) If Yes, how do you do it?

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

(iii) When did you start doing this?

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

5. What activities have you been undertaking to remain competitive?

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

6. How do you see the recent mergers and acquisitions shall effect the local Industry? Please explain why

Why

- a) Adversely
- b) Favourably
- c) No effect

7. In the perspective of the wider macro environment, what other factors that have influenced the marketing of your products?

(Rank them in order of significance)

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

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8. (I) Within the last few years, what have been the major challenges to your business?

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

(ii) How have you responded to each challenge?

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

9. What would you say has been your general way of conducting your business in the recent past? (Point out any major changes that have taken place in the phase of current liberalization of the industry).....

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

10. Has there been any recent changes in the following

(i) Your Technology.....

(ii) Manpower composition.....

11. How the changes in the environment have influenced your practice of marketing with reference to,

a) Your products.....
.....

b) Your prices.....
.....

c) Distribution of your products.....
.....

d) Promotion of your products.....
.....

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