Full Length Research Paper

An investigation into market positioning strategies practised by pharmaceutical firms in Nairobi

Mary Kinoti and Newton Njeru

School of Business, University of Nairobi, Nairobi, Kenya.

Accepted 26th June, 2013

The global pharmaceutical industry has developed tremendously, becoming increasingly globalised and sophisticated. In Kenya, there are currently 45 local pharmaceutical manufacturers engaged in the formulation and packaging of medicines for human and veterinary use. According to the Pharmacy and Poisons Board database for 2008, registered wholesalers were 212 and retailers were 1279. It is assumed that with an increase in the number of traders, there is an increase in the number of drugs being sold in the market. With the number of registered pharmaceutical products increasing rapidly there is a great need for pharmaceutical companies to differentiate themselves from their competitors in order to and identify a market niche and maintain loyal customers. One proven way of doing this is by adopting a positioning strategy that will appeal and occupy a distinctive place in the mind of the target market. Though several studies in the Kenyan pharmaceutical industry have been done Kiptum (2008), Ikundo (2007), Ogollah (2007) and Mbirwe (2007). Despite the importance of positioning, no study has been done that has addressed market-positioning strategies by pharmaceutical companies in Nairobi, Kenya. The objective of this study was therefore endeavouring to find out the market positioning strategies employed by pharmaceutical firms marketing medicines in Nairobi. The survey research design was used. According to Kenya medical directory 2009/2010, there were 112 firms in Nairobi which formed the population of the study. A sample size of fifty firms was selected using purposive sampling method. This sampling method was preferred as it allowed the researcher to hand pick firms that were informative, and/or they possessed the required characteristics. The sampling item was the marketing manager or senior medical representative of the sampled pharmaceutical companies. Primary data was collected using a structured and semi structured questionnaire. The questionnaire was dropped and picked later. The data was analysed mainly using descriptive statistics mainly mean score and standard deviation. Further analysis of the data was done through cross tabulation of the background information and ranking of the positioning strategies. The findings indicate that pharmaceutical companies do practice positioning strategies. The extent varies but in common, all companies like to be viewed as providing high quality medicines to the patients. Price positioning strategy is the least practised by the pharmaceutical firms. Most pharmaceutical firms consider quality of the drugs as very important. The pharmacy and poisons board of Kenya has registered many drugs, which pass the set quality standards. The study recommends that while the sale and marketing of medicines is regulated by the government, it is advisable for the pharmaceutical companies to become more innovative and embrace modern technology in marketing. Pharmaceutical companies should regularly monitor the position of their brands in the mind of their consumers relative to the competitors. Where necessary, they may reposition the drug to gain competitive advantage.

Key words: Positioning strategy and pharmaceutical firms, Kenya

INTRODUCTION

The global pharmaceutical industry has developed tremendously, becoming increasingly globalised and sophisticated. Over half the sales of the fifty largest drug companies are made outside their home country (Tarabusi, 1993). In Kenya, there are currently 45 local pharmaceutical manufacturers engaged in the formulation and packaging of medicines for human and veterinary use and production of some medical supplies like syringes. These local manufacturers primarily produce generic medicines that are generally more affordable. A major concern for private sector pharmaceutical services is the fear of public obtaining substandard or counterfeit medicines, or incorrect dispensing of medicines by unauthorised personnel. The public sector procurement and supply of medicines is through the Kenya Medical Supplies Agency (KEMSA).
essential drugs and supplies (MEDS) is the procurement and supply agency which primarily serves the faith based health facilities as well as non governmental organisations in health on a not for profit basis.

The pharmaceutical industry
Pharmaceuticals are a principle export to the EAC and the COMESA regions, amounting to 0.3% of the value of all the exports to these destinations in 2008. However, Kenya is a net importer of pharmaceuticals. In 2008, Kenya shillings 20.7 billion worth of pharmaceuticals were imported, a 30% increase from 2007. The imports are mainly from India, china, Europe, and other countries.

Public financing of health sector through exchequer was about 29.3% of total health expenditure or 11 US$ per capita in 2009, up from US$ 6 in 2002 due to increased public spending in the social sectors. This health expenditure is about 4.8% of nominal GDP and it falls below the WHO recommended level of US$ 34 per capita(of which a minimum of $2.5 should be on essential medicines), and far short of government commitment to spend 15% of national health budget as agreed in Abuja Declaration of 2001 and 2006.

The statement of the research problem
According to the Pharmacy and Poisons Board (2006) database, there were 208 registered wholesalers and 945 retailers in the pharmaceutical sector. Licensed local manufacturers were 35 in the same period. These numbers have been increasing and according to the board’s database for 2008, registered wholesalers were 212 and retailers were 1279. In 2009 database, the number of licensed local manufactures was 45. It is assumed that with an increase in the number of traders, there is an increase in the number of drugs being sold in the market. The number of registered pharmaceutical products was 12,008. There is a great need for pharmaceutical companies to differentiate themselves from their competitors and identify a market niche that can invest their loyalty to them. One proven way of doing this is by adopting a positioning strategy that will appeal and occupy a distinctive place in the mind of the target market.

Several studies in the Kenyan pharmaceutical industry have been done. Among these; a survey of quality management practices of pharmaceutical manufacturing companies by Kiptum (2008). A study on perception of pharmaceutical producers and end users towards the role played by pharmaceutical distributors using the value chain concept in Kenya by Ikundo (2007). Ogollah (2007) did a study of strategic practices of pharmaceutical importers and distributors in Kenya. Mbirwe (2007) did a study on positioning strategies used by retail pharmacies in Nairobi. She found that location and branding are among the most important positioning strategies for retail pharmacies. Despite the importance of positioning, no similar study has been done that has addressed market-positioning strategies by pharmaceutical companies in Nairobi. This study will therefore endeavour to find out the market positioning strategies employed by pharmaceutical firms marketing medicines in Nairobi.

Research objectives
The objective of the study is, to determine the positioning strategies employed by the pharmaceutical companies marketing medicines in Nairobi.

Literature review
Concept of market positioning strategy
Positioning appears to have evolved from market segmentation targeting and market structure changes during the 1960s and the early 1970s (Sekhah, 1989). Ries and Trout (1986) concluded that positioning starts with the product, a piece of merchandise, service, a company and institution or even a person. They argue that positioning is not what is done to the product/service, but rather what is done to the mind of the prospect. There is a general agreement that positioning has become one of the fundamental components of modern marketing management (Kotler 2000). Its importance is further supported by evidence that indicates a positive relationship between company performances in terms of profitability, efficacy and well formulated and clearly defined positioning activities (Brooksbank, 1994; Delvin et al, 1995; Porter, 1996). There is a clear acknowledgment of relevance and importance of the concept within the domain of business marketing. Dovel (1990) contended that positioning should not just be part of your strategy; it should be the backbone of your business plan. This is echoed by Webster (1991) who stated that positioning is an important strategic concept, developed in consumer marketing but with equal applicability for industrial products and services.

Several commentators have claimed that despite the inherent differences between physical goods and services, (Zeithmal and Bitner, 1996), there are overlaps between services and physical goods (Baker, 1981; Levitt, 1981). This means there is no compelling reason to adopt different positioning strategies in services. Rajeev et al. (1996) have suggested seven approaches that are used in positioning. These are:

Use of product characteristics or customer benefits, the price quality approach, the use or application approach, the product user approach, the product class approach the cultural symbol approach and the competitor approach.

Peng (2009) states that the word strategy was derived from the Greek word Strategos. It referred to the art of the general. Strategy has a very strong military roots dating back to around 500 BC with the work of Sun Tzu, a Chinese military strategist. His most famous teaching is “know yourself, know your opponents, encounter a hundred battles, win a hundred victories”. In business, strategy started being applied in 1960s.
Porter (1985) defines strategy as the commercial logic of a business that defines why a firm can have a competitive advantage. He further explains that strategy is what a company does and how it actually positions itself commercially and conducts the competitive battle. Strategy is the direction and scope of an organization over the long term which achieves advantage for the organization through its configuration of resources within a changing environment to meet the needs of markets and to fulfill stakeholders expectations (Scholes 2003).

**The process of developing a positioning strategy**

This paper describes three approaches to positioning process. The first approach is by Kotler and Garry (2010). They point out that for a firm to position its offerings in the market, differentiation is essential. They explain that differentiation and positioning follow the four steps below. First, the firm needs to identify a set of differentiating competitive advantage up on which to build a position. Second, the firm needs to choose the right competitive advantage. Thirdly, the firm needs to select an overall positioning strategy, and finally the firm needs to effectively communicate and deliver the chosen position to the market.

In identifying the possible value differences and competitive advantages, a firm may use the following points of differentiation. Product differentiation, brands can be differentiated on the basis of a number of different product or service dimensions; product form, features, performance, durability, reliability, reparability, style and design as well as ordering ease, delivery, installation, customer training, customer consulting and maintenance and repair. In Service differentiation, Kotler et al. (2010) gives an example of speedy convenient or careful delivery as way of service differentiation. For distribution channel differentiation, Kotler mentions that companies can achieve competitive advantage through the way they design their channels coverage, expertise, performance and finally Personnel differentiation. Kotler et al. (2010) notes that better trained personnel exhibit six characteristics. One, a better-trained person displays competence, meaning they posses the required skill and knowledge. They display courtesy, meaning they are friendly, respectful and considerate. They are also credible, meaning they are trust worthy. Better-trained personnel are reliable because they perform the service consistently and accurately. They exhibit responsiveness. The sixth characteristic is that they make an effort to understand the customer and communicate clearly. Image differentiation is the way the public perceives the company or its products.

The second approach to positioning process is by Rajeev, Myers and Aaker (1996) who describes positioning process as iterative. It necessitates deliberate and proactive actions; it involves decisions at conceptual, strategic and operational levels and should reflect the triumvirate deliberations of the company, its competitors, and its target market/customers. However, it becomes more manageable if it is supported by marketing research and decomposed into a six-step process.

The first step is identifying competitors. One approach is to determine from buyers of a product which other products they may have considered instead. Another approach is the development of associations of products with use situations. Second step that follows is determining how the competitors are perceived and evaluated. It is necessary to choose an appropriate set of product attribute for comparison. Attributes includes product characteristics, customer benefits and product associations such as product uses or product users. Third, determine the competitor’s position. The primary focus of interest is how they are positioned with respect to relevant attributes. What is the customer’s image of the various competitors? Which competitors are perceived as similar and which are different? Analyzing the customers is the next step. It is important to specify where in the perceptual map the brand should be positioned. It requires knowing which areas in the map will be attractive to the customers.

Fifth step is making the positioning decision. The exercise can be done subjectively by the involved managers if necessary although marketing research is more definitive. The following guidelines can be followed when choosing the position for the brand. First, an economic analysis should guide the decision. The success depends on the potential market size times the penetration probability. The market size, right now or very soon should be worthwhile. Secondly, Positioning usually implies segmentation commitment. Positioning usually means that an overt decision is being made to ignore parts of the market and concentrate only on certain segments. Consider symbols. A symbol or set of symbols can have strong associations that should be considered when making positioning decisions. The sixth step is Monitoring the position in order to evaluate the positioning and to generate diagnostic information about future positioning strategies.

The third approach to positioning process is by Hutt (2007) who suggested six steps. The first step is to identify the relevant set of competitive products. Second, identify the set of determinant attributes that customers use to differentiate among options and determine the preferred choice. Third, collect information from a sample of existing and potential customers concerning their rating of each product on the determinant attribute. The fourth step is to determine the product’s current position versus competing offerings for each market segment. This is followed by examination of the fit between preferences of market segments and current position of the brand. Select positioning or repositioning.

**Positioning strategies**

There are various positioning strategies proposed in marketing literature among them include product
characteristics, price, quality, innovation, benefit, use or application, customized, user, cultural symbols and competitors positioning each is briefly explained below: Rajeev et al. (1996) explains that probably the most used positioning strategy is to associate an object with a product characteristic or customer benefit. In automobiles, Honda and Toyota have emphasized economy and reliability. Volvo stressed on safety and durability. A new product can be positioned on characteristics that competitors have ignored. Brand of paper towel had emphasised absorbency until viva was successfully introduced stressing durability. For a price positioning strategy to be successful in the market place, the existence of a viable, price – sensitive customer segment is also required. The firm needs to have a cost advantage in serving that market segment. Rajeev (1996) states that many manufacturers deliberately attempt to offer more in terms of service, features or performance. They charge more partly to communicate the fact that they are of high quality and partly to cover high costs of production. Positioning as a high technical quality suppliers requires effective internal control systems especially quality assessment and assurance. Technical competence is also required. Also critical to a quality positioning are the marketing assets of brand image and reputation, image reputation can take years to create and, once established, need to be nurtured and where necessary aggressively defended. To customers, quality is manifest through better reliability, durability and aesthetic appearance. Quality and value are what customers perceive them to be. Where markets are changing rapidly, especially because of technological development; there may be opportunities to position based on innovativeness or speed to market. The key competences required include excellent new product development skills together with technical and creative abilities. Innovation may also come in the form of new processes or approaches to market. Positioning based on offering superior service or a service tailored to the needs of the target market is increasingly being used. Most critical of all in providing superior service are the people or staffs that actually provide the service. Selection, training, motivation and reward of service staff are areas that need high priority in firms seeking to establish a competitive edge through service provision. Differentiated benefits positioning rests on clearly identifying alternative benefit segments within market and then focusing on providing what they want (Yanklovich and Meer 1996). It requires effective new product/service development skills to ensure that the benefits sought are actually delivered to customers through building in the relevant features. Pine (1993) points out that the recent advances in ‘mass customization’ make it increasingly possible for firms to enjoy the cost and efficiency advantages of mass production while at the same time tailoring their offering, to individual customer requirements. Customized positioning rests on understanding individual, rather than market segment needs and having the flexibility to provide for them at a price the customer is willing to pay. Often, positioning by use strategy represents a second or third position for the brand, a position that deliberately attempts to expand the brand’s market. The expectation is that the model or personality will influence the product’s image by reflecting the characteristics and image of the model or personality communicated as a product user. The task is to identify something that is very meaningful to people that other competitors are not using and associate the brand with that symbol. It is useful to consider positioning with respect to a competitor for two reasons. The competitor may have a firm, well crystallized image developed over many years. The competitors image can be used as a bridge to help communicate another image referenced to it. Second, sometimes it is not important how good customers think you are; it is just important that they believe you are better than (or perhaps as good as) a given competitor. Positioning with respect to a competitor can be accomplished by comparative advertising, in which a competitor is explicitly named and compared on one or more product characteristics.

**RESEARCH METHODOLOGY**

The survey research design was used. A survey research seeks to obtain information that describes existing phenomena by asking individuals about their perceptions, attitudes, behaviour or values. Survey research is therefore a descriptive research and it is an excellent vehicle for the measurement of characteristics of large populations. The population of interest in this study consisted of all pharmaceutical firms in Nairobi marketing medicines to doctors. Firms doing importation and then marketing in Kenya, as well as local manufacturers were surveyed. According to Kenya medical directory 2009/2010, there are 112 firms in Nairobi. A sample size of fifty firms was selected. Purposive sampling method was used. This method allows use of cases that have the required information with respect to objectives of the study. Cases of subjects are therefore hand picked because they are informative, or they possess the required characteristics. The sampling item was the marketing manager or senior medical representative of the sampled pharmaceutical companies. Primary data was collected using a structured and semi structured questionnaire. The questionnaire was dropped and picked later. The data was coded and entered into a computer. Statistical programme for social sciences for analysis was used. Company background information was presented using frequency tables, and percentages, while the data on positioning strategies was analysed using mean score and standard deviation. Further analysis of the data was done through cross tabulation of the background information and ranking of the positioning strategies.

**FINDINGS AND INTERPRETATION**

The respondents were asked to indicate to what extent they used a given positioning strategy using a five point
likert scale ranging from 'very large extent' "5", 'large extent' "4", 'moderate extent' "3", 'small extent' "2", to 'no extent' "1". The results are presented as the mean of the respondent's that indicate that they used the strategy. Mean scores and standard deviations were used to analyze the data. A mean less than 1.49 indicates to no extent. A mean between 1.5 and 2.49 indicates small extent while mean falling between 2.5 and 3.49 is moderate. A mean between 3.5 and 4.49 indicates large extent and a mean greater than 4.5 indicates use of a given positioning strategy to a very large extent. On the other hand, a standard deviation of more than one means that the responses were varied to some extent while a lower (less than one) means that responses were similar. Where means are shared, the positioning with a lower standard deviation was considered the most commonly practised positioning strategy. The results are ranked based on their average mean score. The positioning strategy with the highest average mean score indicates the positioning strategy is the most commonly practised by the pharmaceutical companies.

Quality positioning strategy is practiced to a large extent with an average mean score of 4.44. Among the five factors used by the researcher, to determine quality positioning, registration of drugs by the pharmacy and poisons board is practiced to a very large extent (4.48). All drugs are tested for quality before registration for marketing. Drug manufacturing plants do follow the recommended good manufacturing practices by the world heath organization to a large extent with a mean of 4.45. Packaging materials for the drugs are of high quality. Only 2.7% of the companies use low quality packaging. Providing product insert with clear directions on how to use the medicines is to a large extent with a mean of 4.31. To a large extent, transportation and storage of drugs meet the set standards.

The second most practised positioning strategy was positioning by use or application strategy which was practised to a large extent with an average mean score of 4.19. Positioning by use of product characteristics was practised also to a large extent with an average mean score of 4.04. It was ranked third. Six factors were used to investigate this strategy. Highlighting the benefits of the medicine to the customers is practised to a very large extent with a mean of 4.49. Convenient dosing schedules follows with a mean of 4.30. Drug safety with a mean of 4.22 is the third most practised characteristic communicated to the customers. Many drugs have convenient packaging and are easy to dispense with a mean of 4.11. There is a lot of variability in colour branding with some firms not using it at all and to a very large extent, only 29.7% of the firms use colours unique to the their range of brands. Similarly customized positioning was practised to a large extent with an average mean score of 4.03. It was ranked fourth in practise by the pharmaceutical firms marketing medicines in Nairobi. Service positioning strategy was also practised to a large extent and was ranked fifth. Processing customer orders quickly with a mean of 4.11 is largely practised. Responding to customer requests adequately with a mean of 3.97, seeking to know customer complains and compliments, use of feedback to improve customer service are all practised to a large extent. Innovation positioning strategy ranked sixth with a mean of 3.59. The pharmaceutical companies do encourage and reward innovative employees to a large extent. Being quick to introduce new products in the market, adoption of new ways to marketing like use of information technology are both practised to a large extent.

Positioning by competitor, benefits and by product user were practised to a moderate extent with a mean score of 3.33, 3.27 and 3.46. The study reviewed that positioning by cultural symbols, price and by user were least used positioning strategies as shown by positioning ranking table 1.

### Table 1: Ranking of various positioning strategies

<table>
<thead>
<tr>
<th>S/N</th>
<th>Positioning strategy</th>
<th>Mean</th>
<th>Std deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Quality positioning strategy</td>
<td>4.44</td>
<td>1.05</td>
</tr>
<tr>
<td>2.</td>
<td>Positioning by use or application</td>
<td>4.19</td>
<td>0.80</td>
</tr>
<tr>
<td>3.</td>
<td>Use of product characteristics</td>
<td>4.04</td>
<td>1.05</td>
</tr>
<tr>
<td>4.</td>
<td>Customized positioning</td>
<td>4.03</td>
<td>1.18</td>
</tr>
<tr>
<td>5.</td>
<td>Service positioning strategy</td>
<td>3.86</td>
<td>1.03</td>
</tr>
<tr>
<td>6.</td>
<td>Innovation positioning strategy</td>
<td>3.59</td>
<td>1.22</td>
</tr>
<tr>
<td>7.</td>
<td>Positioning by competitors</td>
<td>3.33</td>
<td>1.22</td>
</tr>
<tr>
<td>8.</td>
<td>Differentiated benefit positioning strategy</td>
<td>3.27</td>
<td>1.33</td>
</tr>
<tr>
<td>9.</td>
<td>Positioning by product user</td>
<td>2.92</td>
<td>1.26</td>
</tr>
<tr>
<td>10.</td>
<td>Use of cultural symbols positioning strategy</td>
<td>2.90</td>
<td>1.37</td>
</tr>
<tr>
<td>11.</td>
<td>Price positioning strategy</td>
<td>2.18</td>
<td>1.09</td>
</tr>
</tbody>
</table>

**DISCUSSION**

The research study found out that majority of companies had been operating in Kenya for over 10 years, findings also showed that, about half of all companies were foreign owned, Majority of the pharmaceutical companies deal with branded generics while less than half market original brands. The study also revealed that imported brands constitute over three quarters of the drugs in the market. Half of these imports are from Asia while about a third of the imports are from Europe. Those with their
products originating from Africa are few.

The findings from the study showed that there are a number of positioning strategies practised by the pharmaceutical companies in Nairobi. They are discussed in order of their ranking from the most common in practise to the least common. Quality positioning strategy was the most practised strategy. This may be due to the fact that every company wants its company to be viewed as selling high quality medicines. That is why most drugs marketed in Kenya are registered by the pharmacy and poisons board. The board regulates the sale of medicines in Kenya. Drug manufacturing plants follow the recommended good manufacturing practices by the world health organization. Majority of the firms provide product insert with clear directions on how to use the medicines. Transportation and storage standards are also high and therefore the quality of the medicines may be considered as high. Second in practise is positioning by use or application strategy by all companies the medical sales representatives of these firms carry brochures containing messages on positioning by use. These leaflets are placed in the doctors' room for constant reminders on the use or application of the medicine. Use of product characteristics positioning strategy was also found to be common. A company which regularly highlight the features and the benefits of their medicines to the customers may perform better than completion since customers will seek a drug containing the benefits they seek.

Many companies position their drugs to be better than those of competitors'. They also position their drugs as different from those of competitors. Differentiated benefit positioning strategy like making oral and injection form of the same drug, offering same drug with different sizes and quantities, are equally important positioning strategies and are adopted by many pharmaceutical companies. Combining several molecules into one drug to lessen the burden of swallowing so many pills by a patient is not widely practiced. Use of cultural symbols and positioning by price are the least practised.

CONCLUSION AND RECOMMENDATIONS

The findings indicate that pharmaceutical companies do practice positioning strategies. The extent varies but in common, all companies like to be viewed as providing high quality medicines to the patients. Majority of the drugs imported from Asia are generic medicines. Price positioning strategy is the least practised by the pharmaceutical industries. Most pharmaceutical firms consider quality of the drugs as very important. The pharmacy and poisons board of Kenya has registered many drugs, which pass the set quality standards. While the sale and marketing of medicines is regulated by the government, it is advisable for the pharmaceutical companies to become more innovative and embrace modern technology in marketing. Pharmaceutical companies should regularly monitor the position of their brands in the mind of their consumers relative to the competitors. Where necessary, they may reposition the drug to gain competitive advantage. Future studies should attempt to explore the limited practise of price positioning strategy by the pharmaceutical companies. Further studies should be done to establish whether positioning of medicines in the mind of the customers influences drug choice. Researchers might also attempt to plot positioning maps for various drugs marketed by the pharmaceutical companies in Nairobi.

REFERENCES


Hallow: Pearson education
Hartmann P (2005). Green branding effects on attitude; functional versus emotional positioning strategies, marketing intelligence and planning. 23(1): 9-29