



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**ASSESSMENT OF MARKETING CHALLENGES AND
OPPORTUNITIES THE CASE OF SELECTED
PHARMACIUTICAL MANUFACTURING COMPANIES IN
ETHIOPIA**

**BY:
EJEGAYEHU ASSEFA**

**JAN, 2018
ADDIS ABABA, ETHIOPIA**

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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY,
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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Assistant Professor Maru Shete. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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ENDORSEMENT

This thesis has been submitted to St.Mary's University School of Graduate Studies for examination with my approval as a university advisor.

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LIST OF ABBREVIATIONS

EPHARM - Ethiopian Pharmaceutical Manufacturing

FMHACA - Food, Medicine, Health Administration and Control Authority

IFPMA- International Federation of Pharmaceutical Manufacturers & Associations

IP- Interpersonal proprietary

NGO- Non-government Organization

R&D- Research and Development

WHO- World Health Organization

ABSTRACT

The main objective of this study was to assess marketing challenges and opportunities of selected pharmaceutical manufacturing companies in Ethiopia. Descriptive and quantitative methods of research were used and data were collected by questionnaires and key informant interview to collect the data. Data was analyzed and presented using frequency distribution, percentage and graphs. Accordingly, the findings of the study revealed that almost all of the respondents have answered that local products have a price advantage than most of imported products i.e. the products are affordable. Furthermore, availability was the next most answered advantage.

In addition to that locality by itself is an advantage as some of the pharmacy respondents responded. Faster supply and distribution could be used as opportunity if the manufacturers could be able to supply products as per their demand. Moreover, PFSA's exclusive tender are big opportunity for local pharmaceutical products as most of the companies respondents said.

And also from this study found out that local pharmaceutical company major challenges are: consumers' negative attitude towards quality of local products, intensive promotional activities of competitors, lower price of competitors' products and limited product range. It is recommended that sense of belongingness created in the customers and consumers exclusively for local products if it's possible to build that image by providing products of high quality and competitive advantages. Local pharmaceutical companies should expand their product range and amount of production by expanding their capacity so that they will be able to take the biggest share of the market from competitors.

Keywords: Marketing, local pharmaceuticals, challenges and opportunities, EPHARM, CADILA JUPHARM and Ethiopia

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The formation of the pharmaceutical industry in the second half of the 19th century marked the beginning of standardization of pharmaceutical products and regulation of the industry, and subsequently the sale and application of medicines. Now, 150 years later, the industry is one of the most vital global industries functioning on a specific market. The total global expenditure of health was more than 6.5 trillion USD a year, according to the World Health Organization, and health expenditure as a percentage of GDP has been increasing among all major economies. This comprises of the healthcare and pharmaceutical industries which are interdependent and are subject to similar trends (QFINANCE, 2013).

The pharmaceuticals industry is defined as all those who contribute to the discovery, develops, produced and Supply of pharmaceuticals products and services, including prescription medicines and vaccines. Pharmaceutical companies may deal in generic or brand medications and medical device. They are subject to a variety of laws and regulations that govern the patenting, testing safety, efficacy and marketing of Drugs. Pharmaceutical industries include discovery research, and basic R&D, through to clinical trials, and then the manufacturing of pharmaceuticals. It includes the originator medicine sector, the generic medicine sector and the medical biotechnology (Ham .R 2011).

Generic medicine companies are the medicine companies that are involved in the production of medicines that have come off patent and are focused primarily on manufacturing, marketing activities, regulatory compliance and managing the legal and IP issues necessary to secure the earliest possible market access.

Some R&D including proving bio-equivalence (the ability of a new version of a medicine to have equivalent strength and activity of the originator medicine) and the development of new drug formulations and delivery mechanisms conducted by this sector (ENL, 2008).

Generic drug is a pharmaceutical drug that is equivalent to a brand name product in dosage strength route of administration, quality performance and intended use. The term may also refer to any drug marketed under its chemical name without advertising or to the chemical makeup of a drug rather than the brand name under which the drug is sold (Reiffen and Ward, 2005)

Generic medicines companies are in the middle of an unprecedented growth opportunity arising from the large number of patent expirations of high revenue medicines. This is giving the sector access to larger and more lucrative markets. Manufacturing generic medicines requires the same skills as manufacturing originator medicines but it does not require the same types of IP protection. Therefore, competition for generic manufacturing is more intense and takes place in a greater number of locations. One consequence of the intense competition between generic companies is increasing consolidation and adoption of large scale, low-cost manufacturing operations in low-cost jurisdictions, a measure that is necessary to preserve margins (ENL, 2008).

The consumer/patient remains the central element, but their decisions to purchase and use pharmaceutical products (especially prescription drugs) are not independent; they are primarily determined by the influence of both prescribers and payers. All three actors on the demand side are influenced by a large number of (macro-) environmental factors, determining their process of information gathering, decision making and behavior on the pharmaceutical market. At the same time, when designing marketing mix instruments, pharmaceutical companies strive to influence the agents on the demand side in a complex competitive environment (Dickov, 2011).

Ethiopia is the second most populous country in sub-Saharan Africa, with a population of over 100million people and 2.6% annual growth rate. The country introduced a federal government structure in 1994 composed of nine Regional States: Tigray, Afar, Amhara, Oromia, Somali, Benishangul Gumuz, Southern Nations Nationalities and Peoples Region (SNNPR), Gambela and Harrari and two city Administrations (Addis Ababa and Dire Dawa). The Regional States are administratively divided into 78 Zones and 710 Woredas (Ethiomedica, 2013).

The Federal Government and the regional authorities seek to reorganize health services into a more cost-effective and efficient system, better able to contribute to the overall socio-economic development effort of the country (Moh,A.2008).

The Ethiopian healthcare system is characterized by a large public sector, made up of referral hospitals, zonal/regional hospitals and health centers, and private sector. The private sectors are composed of private hospitals and specialized and low-level clinics, which are all concentrated in urban centers. The bulk of the population is unable to afford treatment at private hospitals and so, there is a heavy reliance on traditional healers. A major challenge facing the Ethiopian health system is the shortage of properly trained health personnel, inadequate healthcare infrastructure and lack of capacity in the public sector to cope with obligations. Out-of-pocket payment is the dominant source of financing for healthcare. Medical insurance coverage is limited to a small proportion of the population (Walsh, 2010).

Ethiopia has a far more effective regulatory system than most sub-Saharan African countries. Better regulations have been one of the most important factors that contributed to Ethiopia's thriving pharmaceutical industry growth in the pharmaceutical market will be driven by increased government spending and higher demand for medicines due to rising disease burden. In Ethiopia there are around twenty-two pharmaceuticals and medical supplies manufacturing companies.

EPHARM which was used to be known as the Ethiopian Drug Manufacturing was established as a joint venture in 1964 by then Ethiopian government and a British company, Smith and Nephew. In 1971, a change in its form of ownership occurred and consequently, one of the partners; Smith and Nephew was superseded by Teva Jerusalem of Israel. Few years later, in December 1975, the company was fully nationalized by the state. In February 1994, based on Council of Ministers Regulation No. 1167/1994, it was established as a Public Enterprise. Since January 2002, it has been reorganized as Ethiopian Pharmaceuticals Manufacturing Share Company with paid capital of birr 122,963,000. EPHARM has been a government owned organization for the past 50 years, establishing for an unrivalled reputation in the country and industry, making the acquisition a vital feather in the cap of Med-tech Ethiopia. The company produces around one hundred eighty products in ten production lines. The line are ; Capsules,

Tablets, injection, liquid syrup, Dry powder for injection (Vials) , LVP, Oral powder , ointments, Dry powder suspensions and creams.

CADILA Pharmaceuticals Ethiopia PLC (CPEL) is a joint venture between Cadila Pharmaceuticals Limited PLC of India (60%) and Almeta Impex PLC (40%) share with the total investment of 10million USD started production in 2008. CPEL is one of the few large state of the art pharmaceuticals manufacturing plants in the country, with the Capacity to manufacture 390 million tablets, 165 million capsules and 1.44 million liters per year in 3 shifts of 8 hours each. The company has four people on the management level and sixteen sales and medical representatives.

JULPHAR claims to be one of the largest pharmaceutical manufacturers in the Middle East and North Africa, and distributes medicine to over 40 countries. Established in 1980 in the United Arab Emirates (UAE), it operates in 12 internationally certified manufacturing facilities globally, produces over a million boxes of medicines daily and holds 3,483 product registration certificates. Eleven of its facilities are based in the UAE, covering production areas including tablets, syrups and suspensions. In 2013, Julphar launched a manufacturing facility in Ethiopia, as part of its ongoing international expansion strategy. JULPHAR Ethiopia Pharmaceutical, which was established in February 2013, has the capacity to produce 25 million bottles of suspensions and syrups, 500 million tablets and 170 million capsules annually.

The company was established with a capital of 170 million Br, with a 55pc share being owned by UAE-based Julphar Gulf Pharmaceutical Industries, and a 45pc share by Ethiopian company, Med-tech Ethiopia. It produces and distributes pharmaceutical products to the Ethiopian market – such as antibacterial, cough preparations, antidiabetic, diuretics and anti-allergic. Tablets, capsules, syrups, suspensions and ointments are the dosage forms manufactured in the factory. Recently, Julphar Ethiopia has received the PIC/S GMP certification, which has confirmed the high quality of its manufactured products, and has signed a Memorandum of Understanding (MoU) with the Ethiopian Ministry of Health to supply Hepatitis C medicines Julphar(2013).

1.2 Statement of the Problem

Producing pharmaceuticals locally is important as it improve the country's economy through import substitution, employment opportunity and improved shelf life of the product by decreasing the long lead time it took during importation. Local production will also guarantee quality and decrease the risk of importing substandard drugs since quality can be ensured in three different stages: raw material testing, in process testing and finished product testing. Local pharmaceutical manufacturers are seriously challenged by imports both from the Western and Asian countries. There is a general perception that western products are better quality and Asian products are cheaper compared to local products. Those manufacturers producing in bulk are exporting products to African countries with low price taking advantage of economies of scale.

Ethiopian pharmaceutical market is highly dependent on imports as local manufacturing industries cover only a small portion of the requirement for domestic needs. According to Mohammed (2008), Drugs manufactured locally only cover about 15 percent of the national demand. The rest is filled through import. Despite the growing need for pharmaceuticals, local pharmaceutical products contribution to the national requirement is very low. Moreover local pharmaceutical manufacturers are facing fierce competition from imported pharmaceuticals and they are not utilizing their full capacity. This study assessed the challenges faced by local pharmaceutical industries and identifies the opportunities of producing pharmaceuticals in Ethiopia.

1.3. Research Questions

In line with the statement of the problem the following questions are expected to be answered.

- What are Ethiopian local pharmaceutical manufacturing companies marketing practice?
- What are the major marketing opportunities to be exploited by local Ethiopian Pharmaceutical manufacturing companies?
- What are the major marketing challenges encountered by the local pharmaceutical manufacturing companies operating in Ethiopia?

1.4 Objective of the Study

1.4.1 General Objective

The primary objective of this study is to examine major marketing challenges and opportunities of selected pharmaceutical manufacturing companies in Ethiopia.

1.4.2 Specific Objectives

- To assess the current marketing practices of the selected pharmaceutical manufacturing companies in Ethiopia.
- To identify the challenges of products quality in the selected pharmaceutical manufacturing companies in Ethiopia.
- To identify the challenge and opportunity of product price in the selected pharmaceutical manufacturing Companies in Ethiopia.
- To identify the challenge of distribution of product in the selected pharmaceutical manufacturing companies in Ethiopia.
- To identify the challenge of promotion on the product of selected pharmaceutical manufacturing companies in Ethiopia.

1.5 Scope and Limitation of the Study

The study is limited on the three joint venture local pharmaceuticals company in Ethiopia which are located in and around Addis Ababa City. This study will cover marketing challenges and opportunity of selected local pharmaceutical Manufacturing companies specifically EPHARM, CADILA and JULPHARM. The rationale behind selecting these three companies is depending on their year of service, market presence, range of products (Antibiotics, NCD medicines, CHC products, Anti-pains etc) they produce and production line they have (Tablets, Capsule, Syrups, Injections and fluids). The study incorporated the major sectors involved in the marketing of the locally manufactured products; this includes the manufacturer themselves, wholesalers and retail outlets (pharmacies).

1.6 Significance of the Study

The result of the study will inform potential investors and existing manufacturers to identify and then propose solutions to overcome the major challenges in the pharmaceutical industry and

exploit the available opportunities. In addition to this it will be serves as a stepping stones for other researchers to undertake a research on marketing challenges and opportunities of the local pharmaceutical manufacturing companies or related ones. As a junior researcher it will adds knowledge about the existing local pharmaceutical marketing practice.

1.7 Organization of the study

The study is organized in to five chapters. Chapter one contains introduction and background of the study in addition to the statement of the problem, objectives of the study, significance, scope and limitations of the study. Chapter two contains literature review. The methodology; study design, sampling and method of analysis discussed in the third chapter. Chapter four contains result analysis and discussion. At last, chapter five presents conclusion and recommendation.

1.8 Operational Definitions

Generic drug - A drug that is produced and distributed after patent expiry; a generic must contain the same active ingredients as those in the original formulation. (Frost & Sullivan, 2012)

Good Manufacturing Practice -That part of quality assurance which ensures that medicinal products are consistently produced and controlled to the quality standards appropriate to their intended use and as required by the marketing authorization or product specification. (FMHACA, 2014)

Pharmaceutical product - Any material or product intended for human use presented in its finished dosage form or as a starting material for use in such a dosage form, that is subject to control and this includes medicines, traditional medicine, medical device, cosmetics etc. (FMHACA, 2014)

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is dedicated to the literature reviewed from books, journals, academic and government papers, and newspaper articles and from the internet. The key concept under study in this research thesis, namely opportunities and challenges of local pharmaceutical market in Ethiopia has been assessed. In pursuit of this objective, the review presents definitions of pharmaceuticals and that of marketing, pharmaceutical marketing, global overview of pharmaceutical industry, the general overview of local pharmaceutical industry in Ethiopia, opportunities of Pharmaceutical marketing and also challenges of pharmaceutical marketing.

2.2. Definitions of Pharmaceuticals and Marketing

According to WHO, pharmaceutical product is defined as any product intended for human use, or veterinary product intended for administration to food-producing animals, presented in its finished dosage form, which is subject to control by pharmaceutical legislation in either the exporting or the importing state and includes products for which a prescription is required, products which may be sold to patients without a prescription, biologicals and vaccines (WHO, 2010) According to Kotler (2012), marketing is defined as *the science and art of exploring, creating, and delivering value to satisfy the needs of a target market at a profit.*

Marketing identifies unfulfilled needs and desires. It defines measures and quantifies the size of the identified market and the profit potential. It pinpoints which segments the company is capable of serving best and it designs and promotes the appropriate products and services and also in his eleventh edition of Marketing Management, he described the most important concepts of marketing. These are segmentation, targeting, positioning, needs, wants, demand, offerings, brands, value and satisfaction, exchange, transactions, relationships and networks, marketing channels, supply chain, competition, the marketing environment, and marketing programs. These terms make up the working vocabulary of the marketing professional. The key processes of marketing are: (1) opportunity identification, (2) new product development, (3) customer

attraction, (4) customer retention and loyalty building, and (5) order fulfillment. A company that handles all of these processes well will normally enjoy success (Kotler, 2012).

The American Marketing Association offers managerial definition of Marketing and accordingly 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 (AMA, 1985).

According to AMA (2004), marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.

American Marketing Association also revealed another definition of marketing in 2007. In view of that marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large (AMA, 2007). The American marketing association released new definition of marketing in 2008. Accordingly “Marketing is the activity, set of institutions, and processes for Creating, communicating, delivering, and exchanging offerings that have value for Customers, clients, partners, and society at large (AMA, 2008).

2.3. Definitions of Pharmaceutical Marketing

Pharmaceutical marketing sometimes called medico-marketing or pharma marketing in some countries, is the business of advertising or otherwise promoting the sale of pharmaceuticals or drugs. Many countries have measures in place to limit advertising by pharmaceutical companies. Pharmaceutical company spending on marketing far exceeds that spent on research (Brezis, 2008). We can distinguish between a social and a managerial definition for marketing.

According to a social definition, marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and exchanging products and services of value freely with others. As a managerial definition, marketing has often been described as the art of selling products. But Peter Drucker, a leading management theorist, says that the aim of marketing is to make selling superfluous. The aim of marketing is to know and

understand the customer so well that the product or service fits him and sells itself. Ideally, marketing should result in a customer who is ready to buy (Kotler, 2012).

The marketing of medication has a long history. The sale of miracle cures, many with little real potency, has always been common. Marketing of legitimate nonprescription medications, such as pain relievers or allergy medicine, has also long been practiced, although, until recently, mass marketing of prescription medications has been rare. It was long believed that since doctors made the selection of drugs, mass marketing was a waste of resources; specific ads targeting the medical profession were thought to be cheaper and just as effective. This would involve ads in professional journals and visits by sales staff to doctor's offices and hospitals. An important part of these efforts was marketing to medical students. Marketing to health care providers takes four main forms: gifting, activity by pharmaceutical sales representatives, provision of drug samples, and sponsoring continuing medical education (CME) (Sufirin & Ross, 2008).

In order to answer the question what is pharmaceutical marketing a clear definition of the Concept is highly relevant. According to the Prescription Drug Marketing Act (PDMA), a law of the United States federal government, "pharmaceutical marketing is the business of advertising or otherwise promoting the sale of pharmaceuticals or drugs" (Dipiro,2003). According to DeLaat (2002) the main goal of pharmaceutical marketing is pharmaceutical care, care that is required for patients and consumers and declares safe and rational drug usage. This involves providing solutions for diseases and sickness in order to improve overall health and public's knowledge of health (Sheehan, 2007). Moreover, marketing practices are also aimed at increasing sales and profits for manufacturers and wholesalers (Rubin, 2004). Via marketing efforts directed at consumers, the pharmaceutical industry aims at expanding the market and influencing market share (Saurabh,2006). Other key goals of marketing are the exchange of information, and matching as closely as possible the marketing mix of their companies to the needs of their customers/patients (AMA, 1985). The exchange function of pharmaceutical marketing entails the exchange of information, products, use right and payment at every stage of the supply chain as well as upwards (towards the manufacturer/wholesaler) as downwards (towards the customer) (Cart, and Chitturi, 2009) The exchange of information is part of a larger goal of pharmaceutical marketing, communication. Through marketing efforts it becomes possible for pharmaceutical drug manufacturers and drug wholesalers to communicate new developments in pharmaceuticals and drugs, and to promote their products to physicians and

consumers or patients. The content of the information notifies physicians and consumers about the efficacy and the characteristics of a drug, which eliminates any uncertainty and initiates the process of diffusion and early adoption of the new drug (Manchanda, Phil, & Honka, 2005). With promotion through advertising one can increase brand awareness (Kermer and Wieringa,2008) this way drug manufacturers can be competitive with other pharmaceutical manufacturers in the pharmaceutical industry.

Whether the pharmaceutical promotional expenditures are effective and accomplish its goals depends on a wide range of variables and appears to be heterogeneous (Fruos,2013).

The pharmaceutical market involves many markets, products, processes and intermediaries and is severely regulated. This ensures that the pharmaceutical and healthcare industry is tremendously complex (WHO,2010). Important players in the pharmaceutical market are; pharmaceutical firms, pharmaceutical manufacturers, drug wholesalers, physicians, patients, the government, insurance companies and pharmacists. The pharmaceutical market differs from other markets in three respects (Kremer et al., 2008).

First, the pharmaceutical industry is characterized by a provider-patient structure, in which the physician plays a significant role (Stremersch & Van Dyck, 2008). Here, the physician is the decision maker, whereas the patient utilizes the drug and pays for the drug (Gonül et al., 2001). A second characteristic of the pharmaceutical industry is that a large percentage of the industries' revenues are spent on marketing (De Laat, 2002).

Third, in the pharmaceutical market new product development, life cycle management and marketing management are highly important facets, here for specialized knowledge on marketing is required (Gagnon & Lexchin, 2008).

In pharmaceutical industry, world health organization defined marketing authorization as a legal document issued by the competent medicines regulatory authority for the purpose of marketing or free distribution of a product after evaluation for safety, efficacy and quality. It must set out, inter alia, the name of the product, the pharmaceutical dosage form, the quantitative formula (including excipients) per unit dose (using INNs or national generic names where they exist), the shelf-life and storage conditions, and packaging characteristics. It specifies the information on which authorization is based (e.g. "The product(s) must conform to all the details provided in

your application and as modified in subsequent correspondence”). It also contains the product information approved for health professionals and the public, the sales category, the name and address of the holder of the authorization, and the period of validity of the authorization (WHO, 2010).

2.3.1 Pharmaceutical Products

According to definition of International Federation of Pharmaceutical Manufacturers & Associations “pharmaceutical product” means all pharmaceutical or biological products (irrespective of patent status and/or whether they are branded or not) which are intended to be used on the prescription of, or under the supervision of, a healthcare professional, and which are intended for use in the diagnosis, treatment or prevention of disease in humans, or to affect the structure or any function of the human body (IFPMA 2012). The package is the buyer’s first encounter with the product. A good package draws the consumer in and encourages product choice. In effect, they can act as “five-second commercials” for the product. Packaging also affects consumers’ later product experiences when they go to open the package and use the product at home. Some packages can even be attractively displayed at home (Kotler, 2012).

All medicinal products need to be protected and consequently need to be packaged in containers that conform to prescribed standards, particularly with respect to the exclusion of moisture and light and the prevention of leaching of extractable substances into the contents and of chemical interaction with the contents. The packaging material choice drives the pharmaceutical product's appearance and consumer attributes. It determines how a product is manufactured, filled, sterilized, labeled, bundled, distributed, and presented to the customer. It can influence where a customer looks for a package in a retail store, how the customer uses the product at home, and how a hospital, nursing home, or retailer handles a product through their inventory and distribution system. Consumers demand for better features and convenience in packaging products. Child-resistant, senior friendly, tamper evident, and anti-counterfeit packaging are in great demand worldwide (AMA, 1985)

2.3.2 Price of Pharmaceutical Products

The definition of price, according to(Kotler, 2012), is the amount of money charged for a product or service. Price is considered to be the most significant factor that affects consumer's choice. Price is the element of the marketing mix which might be stable in certain period but at one moment it might increase or decrease. Drug pricing is influenced by a variety of factors, and the complexity can be overwhelming for health care professionals as well as the public. Out-of pocket spending on pharmaceuticals accounts for a much larger share of total pharmaceutical spending in poor countries.

2.3.4 Promotional Activities

IFPMA defines “promotion” as any activity undertaken, organized or sponsored by a member company which is directed at healthcare professionals to promote the prescription, recommendation, supply, administration or consumption of its pharmaceutical product(s) through all methods of communications, including the internet. Promotional information should be clear, legible, accurate, balanced, fair, and sufficiently complete to enable the recipient to form his or her own opinion of the therapeutic value of the pharmaceutical product concerned.

Promotional information should be based on an up-to-date evaluation of all relevant evidence and reflect that evidence clearly. It should not mislead by distortion, exaggeration, undue emphasis, omission or in any other way (IFPMA 2012).

Physicians in hospitals and/or physicians attending uninsured patients are often well aware of the budgetary cost of their prescription decisions. In the same line some doctors/patients are almost oblivious to promotional effort in all forms, whereas others tend to be more influenced by face to face meetings and prescribe/consume what they are most familiar with. In the absence of promotional effort doctor/patients choices would solely be driven by price and intrinsic drug characteristics (Frutos et al., 2013).

2.3.5 Competition

In contrast to situations where a person consuming a good is also the person choosing and paying for the good, the pharmaceutical industry is characterized by a more complex structure of decision making and payment. The choice of which drug is consumed by a patient to treat a particular condition is largely made by the treating physician. Pharmacists cannot substitute a different branded drug within the same therapeutic category without the physician's permission. Pharmacists can, however, substitute generic equivalents of branded drugs—indeed, they are often mandated to do so (Guha et al., 2008). When there are multiple generic versions available for a branded drug, wholesalers and pharmacies decide which generic version is substituted for the brand. Thus, generics have an incentive to provide price discounts directly to wholesalers and pharmacies so that their version is stocked on pharmacy shelves. It has generally been observed that generic prices fall as more generic competitors enter (Reiffen & Ward, 2005).

2.3.6 Distribution of Pharmaceutical Products

The pharmaceutical supply chain depicts how medicinal products are delivered to patients.

According to the basic supply chain model for prescription drugs, pharmaceutical companies distribute the products to wholesalers, which sell it to pharmacies. Pharmacies represent in most cases the ultimate contact to the patient / consumer. Players and their relationships in the supply chain vary depending on product type (e.g. prescription / OTC; drug / medical device; hospital product / pharmacy product), regulatory environment and other factors. Numerous pharmaceutical supply chain variations result in significant price variability across different types of consumers and markets.

The community pharmacists receive sometimes the complaints, while at other times is criticized the whole industry and, as a consequence, there is no right price – only a “too high” price (or a “soaring” price); that is why what that price should be is a part of the task of the marketing department (wanting to know: expected sales of the product; price of competing products; cost of R&D; nature of the market etc.) to determine; for a given product several prices will be set in practice, the price per capsule for a given antibiotic, for example, might differ: as sold in varying quantities, as sold to retailers, as sold to the wholesalers, as sold to hospitals or when sold in foreign countries (Irina et al., 2009).

2.4. Global Over View of Pharmaceutical Industry

The pharmaceutical industry is a large and important industry worldwide, where its practices have direct impact on the welfare of patients in specific and the society in general (Manchanda & Honka, 2005). The pharmaceutical market is characterized by the phenomena of derived demand, where the end consumer of the product is not necessarily the decision maker in the purchase process. The process is controlled by the patients and physicians, where physicians act as gatekeepers or intermediaries who decide whether or not a purchase will be made and if so, which drug will be purchased through prescriptions (Zelnio, 1982). Thus, the pharmaceutical industry is characterized by multiplicity of market players including physicians, medical representatives, patients, insurance companies, government, health organizations etc. Moreover, the industry is highly regulated and monitored by various institutions including health organizations on a national and international level (Carter & Chitturi, 2009). The pharmaceutical industry is characterized by multiplicity of market players including physicians, medical representatives, patients, insurance companies, government, health organizations etc (Huh & Langteau, 2007).

2.5. The General Overview of Pharmaceutical Industry In Ethiopia

Ethiopia is one of the most populated countries of Africa with a high demand for pharmaceutical products and yet has annual health expenditure per capita of only (PPP) US\$30. The manufacturing for pharmaceutical products in Ethiopia is quite small. There are actually 9 main private local manufacturers of various pharmaceutical products including medical supplies, finished product formulation using imported raw materials and one of them produces empty gelatin capsules. Three companies have developed joint ventures. The local production represents less than 10% of the total market for pharmaceutical products. The industrial base is not well developed and the manufacturing companies have relatively low production capacities. Usually local manufacturers tend to be given preference in the case of procurement from the government.

The import and distribution of pharmaceutical products is done through public sector, private sector, NGO's and international organizations. Pharmaceutical fund and supply agency (PFSA), which is a quasi-governmental organization, are responsible for importation and distribution to the public sector. The public procurement is done through international and local tenders as well as by direct purchasing or negotiation. Private companies import directly but have to abide by the list of Authorized products (COMESA, 2011). The Ethiopian pharmaceutical industry currently consists of 22 pharmaceutical and medical supply manufacturers; among this industry 9 of them are engaged in manufacturing of human drugs, one company is engaged in production of animals vaccination and the other engaged in producing empty capsule while 9 industries are engaged in medical equipment production. The industry is very small in size and has limited capacity; it serves only a small part of the domestic market (less than 20%) while imported drugs cover the rest of the market and there are 415 importers and wholesalers registered by FMHACA (IMS, 2012).

2.6 Opportunities of Pharmaceutical Marketing

The forecasted pharmaceutical market growth in African countries has already generated interest both among companies with existing African operations and those that plan future presence. From MNCs to Indian and Chinese generics manufacturers, pharmaceutical companies from all over the world are attracted by increasing African economic strength and the potential of its emerging middle class. These factors are triggering a rising demand for healthcare services and medicines, offering a strong growth opportunity for the companies with the right sustainable business model (IMS, 2012).

The long-term potential of Ethiopia's pharmaceutical market offers drug makers a significant return on investment. Over the next decade, demand for medicines will be driven by Ethiopia's very large, growing and increasingly urbanized population. With currently little competition in the domestic market, drug makers who invest early stand to benefit the most. BMI forecasts total medicines consumption to increase from ETB6.50bn (US\$365mn) in 2012 to ETB15.31 (US\$631mn) in 2017, equating to a compound annual growth rate (CAGR) of 18.7% and 11.6% in local currency and US dollar terms respectively. It is important to note that pharmaceutical per capita spending in Ethiopia is very low in comparison with other Sub-Saharan Africa (SSA) countries (BMI, 2013).

Ethiopia's burden of disease is significantly higher than in neighboring Kenya (estimated at 170 D/Ys lost per 1,000 population) and in East Africa as a whole (which has a burden of disease of 280 D/Ys lost per 1,000 population). Ethiopia experiences a heavy burden of disease mainly attributed to communicable infectious diseases and nutritional deficiencies. Shortage and high turnover of human resource and inadequacy of essential drugs and supplies have also contributed to the burden. However, there has been encouraging improvements in the coverage and utilization of the health service over the periods of implementation of Health Sector Development Plan (MoH, 2005).

While continuing to struggle with infectious and parasitic illnesses, Africa is expected to experience the largest increase in death rates from cardiovascular (CV) disease, cancer, respiratory disease and diabetes over the next ten years, resulting in greater demand for healthcare services and appropriate medicines. The combination of economic strength and an expanding middle class is already driving a demand for medicines across Africa (IMS- Africa, 2012). Pharmaceutical company spending on marketing exceeds that spent on research. In 2004 in Canada \$1.7 billion a year was spent marketing drugs to physicians and in the United States \$21 billion were spent in 2002.

In 2005 money spent on pharmaceutical marketing in the US was estimated at \$29.9 billion with one estimate as high as \$57 billion. When the US number is broken down 56% was free samples, 25% was detailing of physicians, 12.5% was direct to users advertising, 4% on hospital detailing, and 2% on journal ads. In the United States approximately \$20 billion could be saved if generics were used instead of equivalent brand name products (Sufrin & Ross, 2008).

During the past 20 years, Ethiopia's public health system has undergone a remarkable transformation. Although physicians are in short supply, the number of other health professionals such as health officers, nurses, midwives, and health extension workers have significantly increased in the past five years. Since 2003, the number of pharmacists has increased almost tenfold-from 172 to 1,343 in 2012. The number of pharmacy technicians has doubled from 1,171 to 2,029 during the same time period. Preventive and curative health services have improved and access to health services has increased tremendously given the country's commitment to serving

Ethiopia's largely rural population. Overall coverage in 2000 was estimated to be 89.6 percent, a 25.6 percent increase from 1996 (WHO, 2012).

2.7 Challenges of Pharmaceutical Marketing

In India, from review of marketing strategies of pharmaceutical companies (Saurabh, 2006) stated that there are some challenges from organizational perspective. These are; increased competition and unethical practices adopted by some of the propaganda base companies, low level of customer knowledge (Doctors, Retailers, Wholesalers), poor customer (both external & internal) acquisition, development and retention strategies, varying customer perception, the number and the quality of medical representatives, very high territory development costs, high training and re-training costs of sales personnel, very high attrition rate of the sales personnel, busy doctors giving less time for sales calls, poor territory knowledge in terms of business value at medical representative level, unclear value of prescription from each doctor in the list of each sales person, unknown value of revenue from each retailer in the territory, absence of ideal mechanism of sales forecasting from field sales level which leads to huge deviations, absence of analysis on the amount of time invested on profitable and not-so profitable customers and lack of time-share planning towards developing customer base for future and un-tapped markets.

According to the World Health Organization (WHO, 2006), counterfeit drugs could make up as much as half of the global pharmaceutical market, with the largest share of fake products circulating in the developing world where regulation and enforcement capacity is comparatively weak. The other study done by (WHO, 2006) also stated that, counterfeit drugs have been around for much of the recent history of industrial-scale drug production in India and abroad. Although detailed data on counterfeit medicines are difficult to obtain by virtue of its very nature, a recent WHO report estimates the prevalence to be around 1% of sales in developed countries to over 10% in some developing countries. The more important aspect of this global problem, according to the WHO report, is that while such estimates are only meant to provide insight into the problem, the occurrence of even one single case of counterfeit medicine is simply unacceptable to society.

2.8 Experiences of different parts of the globe

Europe

Though the pharmaceutical industry is playing a critical role in restoring Europe to growth; besides the additional regulatory hurdles and escalating R&D costs, the sector has been severely hit by the impact of fiscal austerity measures introduced by governments across much of Europe in 2010 and in 2011. Besides this, there is rapid growth in the market and research environment in emerging economies such as Brazil, China and India, leading to a migration of economic and research activities outside of Europe to these fast-growing markets. In 2011 the Brazilian and Chinese markets grew by more than 20% (20.0% and 21.9% respectively) compared with an average market growth of 2.6% for the five major European markets and 3.6% for the US market (source: IMS).

In 2011, North America accounted for 41.8% of world pharmaceutical sales compared with 26.8% for Europe. According to IMS data, 56% of sales of new medicines launched during the period 2006-2010 were on the US market, compared with 24% on the European market. The fragmentation of the EU pharmaceutical market has resulted in a lucrative parallel trade. This benefits neither social security nor patients and deprives the industry of additional resources to fund R&D. Parallel trade was estimated to amount to € 5,100 million (value at ex-factory prices) in 2010. (EFPIA, 2012)

After Romania acceded to the convention on the elaboration of the European Pharmacopoeia in 2003 the quality of pharmaceuticals products has increased since the entry into force of GMP (Good Manufacturing Practice) on 1st January 2004. However, the number of producers of drugs has decreased from 71 to 31. Among the causes that have led to growing pharmaceutical market in Romania by mid-2008, it can be mentioned: high treatment needs, but also the increased level of sensitivity of population regarding health and the need to protect it, increasing access of the population, particularly those with low purchasing power, to medicines on prescription, pharmaceutical companies activity, which; beside the classical actions of promotion, play an important role in the identification and awareness of the role of certain diseases and / or treatments, both for the public and to health system professionals, physicians and pharmacists.

In Romania, competition on the pharmaceutical market is high and growing. It is increasingly difficult to grow or even to keep the market share. In this "struggle" will come out as winners those who have the tools to help them to collect and process data about customers, products, competition, to monitor the expenses and sales, to allocate resources according to the results, and to stimulate the sales and promotion force based on objective criteria. (P. IRINA et al 2009)

India

The Indian pharma industry is today, the third largest market globally in terms of volume and 4th largest by value. Even In the year 2005 “organized” sector of India's pharmaceutical industry consists of 250 to 300 companies, which account for 70 percent of products on the market, with the top 10 firms representing 30 percent. However, the total sector is estimated at nearly 20,000 businesses, some of which are extremely small. Approximately 75% of India's demand for medicines is met by local manufacturing. (KPMG 2006)

China

China’s booming economy and high GDP growth make its pharmaceutical market the fifth largest and one of the most attractive in the world. With its volume and 20percent annual growth projection, it is set to overtake Japan as the world’s second largest market by 2015. China’s status as one of the world’s largest markets rests mainly on the size of its population, rather than its maturity. Drug revenue has grown swiftly and the market was thought to double in 2013, hospital drug sales, retail pharmacy sales and rural drug sales are forecasted to grow 20 percent, 13 percent and 40 percent, as estimated in 2010.

Generic drugs are the backbone of China’s pharmaceutical industry. China has more than 5000 pharmaceutical companies, about 98 percent of which produce generic drugs. By the end of 2009, the value of the generic drug sector was USD 29.3billion, forming 63 percent of the total pharmaceutical market. The radical health care reform plan of 2009 has almost impacted every aspects of china’s pharmaceutical sector in fixing the ailing medical system for 1.3 billion citizens. These are, reducing the cost of medical services, upgrading infrastructure and facilities, enlarging insurance coverage and reform of the distribution mode. All of these have direct and indirect impact on marketing of the pharmaceutical industries. (KPMG 2011)

Africa

By 2016, pharmaceutical spending in Africa is expected to reach US\$30 billion. Spurred by a convergence of demographic changes, increased wealth and healthcare investment, and rising demand for drugs to treat chronic diseases, this market potentially represents a US\$45 billion opportunity by 2020. The pharmaceutical growth is a reflection of economic strength accompanied by increasing healthcare spending. Sub-Saharan Africa (SSA), excluding South Africa, is notable in this regard: according to the Economist Intelligence Unit, its economies are growing faster than anywhere else in the world and this trend is expected to continue. (Economic Intelligence Unit 2012)

Africa presents a complex, multifaceted set of markets, which are highly heterogeneous in terms of pharmaceutical growth, language and trading blocs. Consequently, the opportunities they offer are also quite variable. Understanding the nuances and navigating the challenges are key to establishing successful and sustainable operations. To date, three types of pharmaceutical industry players have a track record of success, defined as sustainable revenue-generating business operation: innovative multinational companies (MNCs), Indian and Chinese pharmaceutical companies, and local manufacturers. (IMS 2012)

The expanding presence of Asian manufacturers in Africa has seen the proportion of pharmaceuticals being imported from India and China more than double in value terms in recent years. According to global import and export data, India accounted for 17.7% of African pharmaceutical imports in 2011 (up from 8.5% in 2002) and China for 4.1% (up from around 2.0% in 2002). Indian and Chinese manufacturers have gained market share primarily through competitive prices and simultaneously targeting different markets in the generics space. Chinese firms succeed in markets with low ease of doing business ratings, where they sell or gift medicines such as anti-malarial to governments through procurement contracts. In contrast, Indian manufacturers primarily sell medicines through NGOs and government tenders in regulated markets. For example, leading Indian players, such as Cipla, Ranbaxy, the Serum Institute and Dr Reddy's, have strong market presence, particularly in East Africa. While they are best known for selling affordable HIV medicines in Africa, they are rapidly broadening their medicine range across therapy areas. (Ease of Business Ratings 2011)

Egypt

A report by the pharmaceutical market researcher Episcom 2010; Less than one fifth of the market was supplied by importers in 2008. Half of the total market was supplied by local private producers, almost one quarter by multinationals' Egyptian affiliates and about one tenth by Egypt's public producers. Between 2004 and 2008, the share of imports and domestic private production have increased while the relative importance of public production and local production by multinationals have somewhat declined. If the market is evaluated in terms of the number of units sold, the share of imports is even smaller (6.8%).

Kenya

In 2010 the Kenyan pharmaceutical industry comprised 42 manufacturing companies and supplies less than 30% of the market excluding donor purchases. When donor purchases are taken into consideration, the local industry's share of the market is much lower. As regards Good Manufacturing Practice (GMP) standards, few manufacturers have invested in the necessary plant and equipment in order to meet the World Organization's standards. This excludes them from donor-funded procurement.

Another problem was shortage of trained pharmacists. The level of pharmacists in Kenya is still low. Locally trained ones have problems working in the industry. Kenya also faced the inability of local manufacturer to undertake bioequivalence studies. The main reasons are financial limitations, limited know how and lack of national guidelines on this subject. Over and above problems faced at the production level, the Kenyan manufacturers had issues such as internal competition among themselves, increasing volumes of low priced imports, a zero-rated tariff for pharmaceuticals, insufficient quality tests for imported drugs and low penalties for import of substandard products.

South Africa

The South African pharmaceutical industry is undergoing rapid transformation spurred on by the current economic climate, government policy and an evolving local existing customer base. Also within this cauldron of factors is the dominating framework of globalization. South Africa, like many developing countries, needs to embrace an open-market economy to develop competitiveness which, in turn, will enhance its competitiveness to improve living standards.

South Africa as a developing country needs successful pharmaceutical ventures. This is the field where most medical research is needed and where less stringent regulations, manufacturing and trials are more easily implemented i.e. the biotechnology industry. South Africa imports 70% of its pharmaceuticals. These imports fuel the price, especially when the rand weakens in reaction to global markets. (Fatti A.& Toit A. 2013)

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter discusses the design used, sample size and sampling technique employed in addition to methods used to collect data and how that data will be analyzed.

3.1 Research Design

The study used descriptive method with a combination of quantitative and qualitative study technique. Key informant interview is also used to supplement or to get in depth understanding of the sector. The methods of data collection were semi structured questionnaire and literature review which allows understanding the existing marketing challenges and opportunities of producing pharmaceuticals in Ethiopia. Descriptive approach is selected since it is the best method of collecting information and describing the marketing challenges and opportunities of selected pharmaceutical manufacturing company in Ethiopia.

3.2 Sample size and Sampling Technique

The target population of the study was marketing managers and employees of the marketing department which includes the sales and promotion team of Ethiopian pharmaceutical manufacturing company, CADILA pharmaceuticals and JULPHARM pharmaceuticals. Apart from the manufacturing companies, marketing personnel's of selected wholesalers and pharmacists or druggists working in the pharmacies.

There are more than 113 wholesalers in Addis Ababa, taking into consideration the active ones in the market 74 wholesalers were identified and 64 wholesalers were taken as a sample for the study. The sample was selected based on their activity in the market, their potential and the product range they stock in their store. In this study all the active wholesaler are included.

In Addis Ababa there are around 500 pharmacies as per data obtained from Addis Ababa health bureau. According to Krejcie and Morgans (1970) generalized scientific guideline for sample size decision, a sample of 150 conveniently selected pharmacies were taken using simple random sampling method. In addition Roscoe 1975 proposed sample size larger than 30 and less than 500 are appropriate for most researches.

3.3 Data Source and Collection method

Two types of data collection method were utilized. The first is interview with the marketing managers of the manufacturing companies of EPHARM, CADILA and JULPHARM by using prepared set of questions. The second was by using structured self-administered questionnaire to collect data from the marketing department employees (Sales and promotion team) and marketing personnel's of selected wholesalers and pharmacists or druggists working in the pharmacies.

3.4 Data Analysis and Presentation

Once the data were collected it has been checked, edited, coded, cleaned and entered into SPSS V16 data editor for analysis. Percentage and frequency were used as analysis tools. The results were presented in tables and graphs. The information obtained from the survey questionnaire and from interview were triangulated and presented in the result and discussion section.

3.5 Ethical Consideration

A letter written from St. Mary's University was taken to the respective bodies to undertake a pre survey and to assure that the study will be used for academic purpose. Confidentiality and anonymity of the respondents will ensure throughout the execution of the study for participants were not disclose their personal information.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1. Introduction

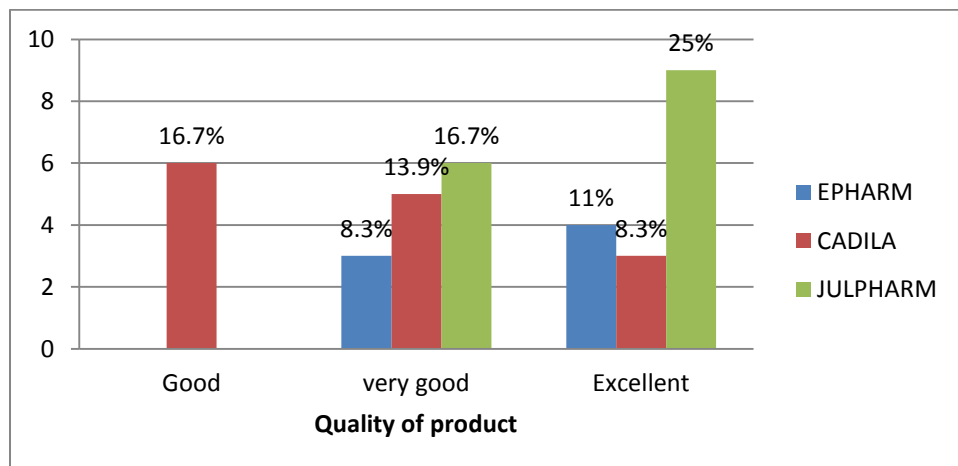
In this chapter of the research, the data collected from different sources are presented, analyzed and interpreted. This research assesses the marketing challenge and opportunity of local pharmaceuticals company in Ethiopia. The analysis of data is processed in line with the basic research questions and objectives of the study. This part the study presents detailed analysis and discussion of data collected through questionnaire and information obtained from administered questionnaires and interview with key informants in the sector. The details are presented in the upcoming sections.

4.2. Opportunities of local pharmaceutical products

4.2.1 Product related results

Totally 100% of the pharmacies have EPHARM and CADILA product in their stock; 93% of them containing JULPHARM products. It was also found out that all of the wholesalers (100%) have the three companies' product in their stock.

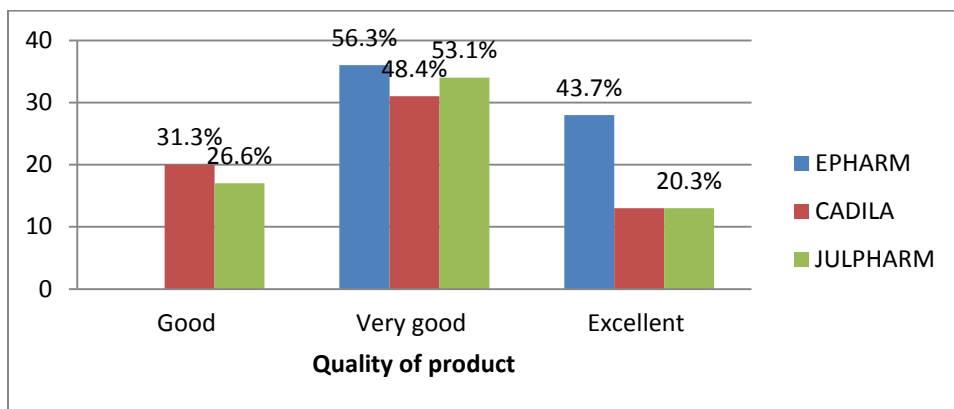
Figure 4.1: Response of respective manufacturer's respondents regarding quality of their products



Source: Survey data (2017)

Figure, 4.1 shows that manufacturers were asked to indicate their level of product quality. 11% of the EPHARM's respondents said EPHARM's products are excellent quality and 8.3% of them rated very good. While 8.3% of CADILA's respondents rated their product excellent quality and 13.9% of them rated as very good quality and 25% of JUPHARM'S respondent rated their product excellent quality and 16.7% of them rated very good. The result generally shows that local manufacturer believes that their product quality is in the range of good up to excellent.

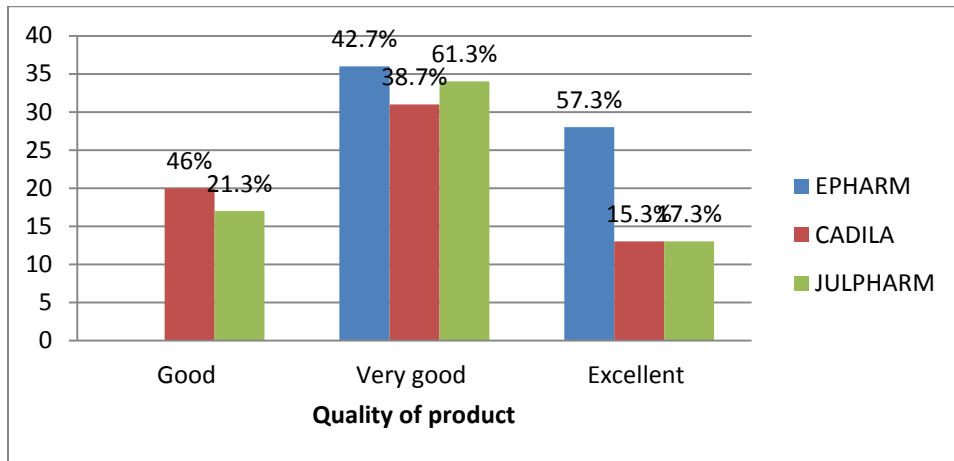
Figure 4.2: Response of wholesalers regarding quality of locally manufactured products



Source: Survey data (2017)

As shown in figure, 4.2 majorities of the wholesaler's; 56.3% responded that EPHARM'S products are of very good quality while the rest 43.7% of them rate EPHARM'S products as of excellent quality. And also the above figure, shows that 48.4 % of wholesaler respondents says CADILA'S product is very good quality for while 31.3 % rated as good and 20.3 % respondents rated CADILA'S product quality are excellent. Finally the figure indicated that 53.1 % wholesaler rating JUPHARM'S product is very good quality While 26.6 % of the respondents rated JUPHARM'S being a good quality products and 20.3 % respondents rated excellent. There was no response obtained for poor and fair quality. From the above result majority of wholesaler believe that local pharmaceuticals product quality is very good.

Figure 4.3: Response of pharmacy regarding quality of locally manufactured products



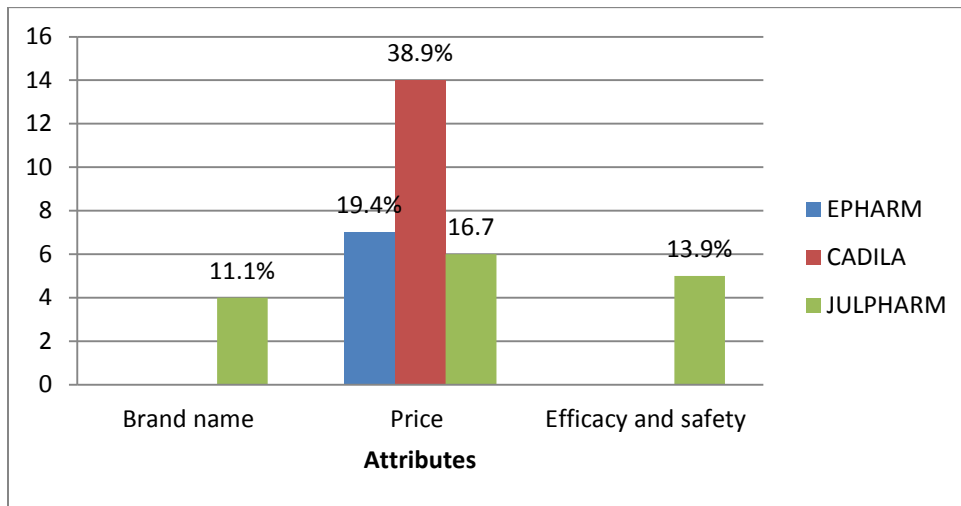
Source: Survey data (2017)

Figure 4.3, shows that 57.3% of the pharmacy respondents rate EPHARM's product quality as excellent and 42.7% of them rate the products having very good quality. And also 46% of pharmacy respondents consider CADILA's products are of a good quality, While 38.7% and 15.3% of the respondents rate CADILA's products being very good and excellent in quality respectively. There was no response for poor or fair quality. In case of JULPHARM'S products quality majority of the response is for very good which is 61.3% and 21.3% of the respondents consider JULPHARM'S products of being good quality and 17.3% of responses were excellent quality. There was no response obtained for poor and fair about quality of product from pharmacist.

Product is one of the major elements of marketing mix framework. This study found out that wholesalers and pharmacy owners stocked local products. This indicated that local manufacturers have an opportunity to reach the end user through wholesaler and pharmacies. From this study it was observed that manufacturers, wholesalers and pharmacists rated the quality of local products from good to excellent. The majority of manufacturers, wholesalers and pharmacies believed that EPHARM and JULPHARM deliver very good quality products among the local companies included in this study. On the other hand, respondents rated CADILA products as good in its quality. The findings about the quality standard of local pharmaceutical products imply there is ample opportunity for local manufacturers to reach end user and satisfy available demands for

pharmaceutical products given the fact that product quality is one of the factors that affect market demand for products. The result obtained from the qualitative data analysis also indicated that manufacturers believe that providing high quality product is an opportunity to build positive image towards local firms engaged in producing pharmaceutical products. Managers of pharmacies and wholesale companies also strengthened this finding in that local manufacturers do have big opportunity in the market since professionals recommend local product as quality products.

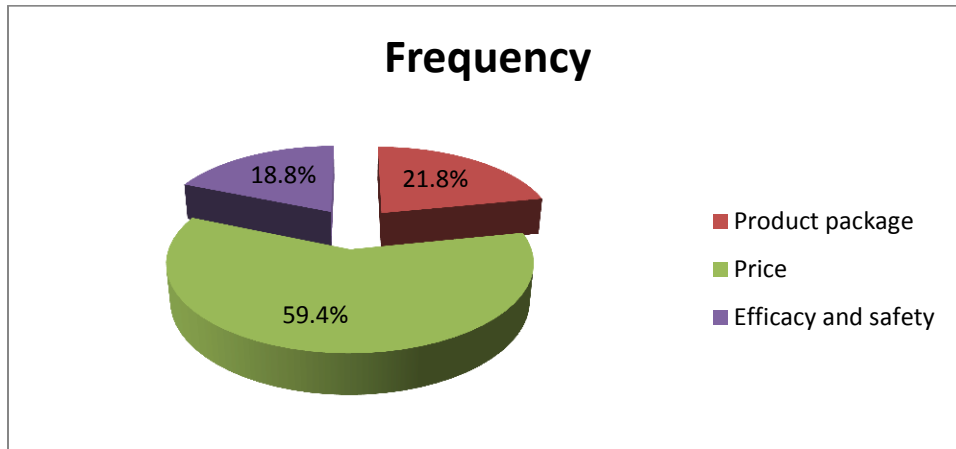
Figure 4.4: Response of manufacturing companies which attributes of Products attract in the market



Source: Survey data (2017)

Figure 4.4 indicates that totally 75 % of the pharmaceutical manufacturer's respondents believe price is the influential attribute in the market; followed by efficacy and safety 13.9 %. Brand name holds only 11.1 %.

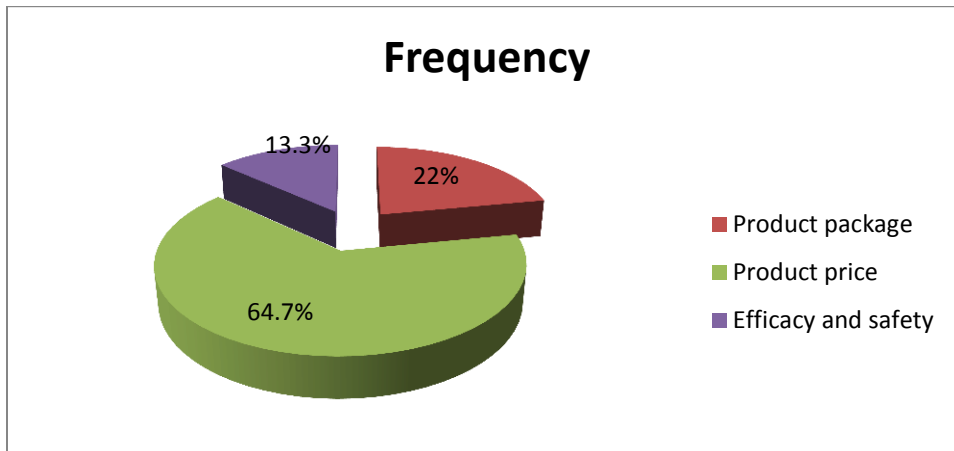
Figure 4.5: Response of wholesalers regarding attributes of local products attract in the market



Source: Survey data (2017)

As shown in figure 4.5 price is the most attractive attribute of local products for 38(59.4%) of wholesaler respondents; followed by product package for 14 (21.8 %) and efficacy and safety for 12 (18.8 %) of the wholesalers, brand name is not influential attributes regarding wholesaler.

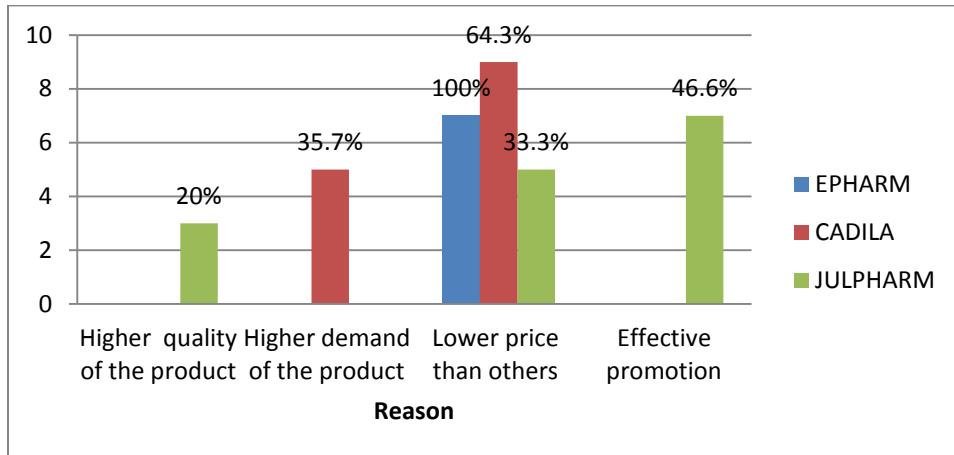
Figure 4.6 Response of pharmacies regarding attributes of local products attract in the market



Source: Survey data (2017)

As shown in figure 4.6, majority of the respondents 97(64.7 %) of pharmacies think that local Products price is influential attributes in the market, followed by product package 33 (22 %) and efficacy and safety 20 (13.3 %). No one is selected brand name as influential attribute.

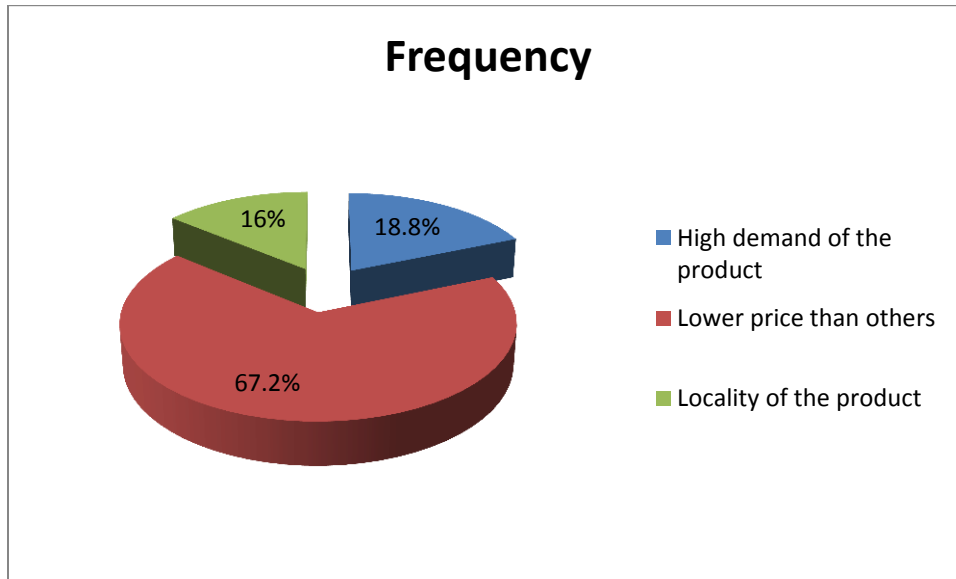
Figure 4.7: Response of manufacturing companies respondents regarding thought about Customers primary reason for purchasing their respective products.



Source: Survey data (2017)

From figure 4.7 it's possible to see that majority respondents think lower prices of their products is the primary reason for wanting to buy their products. 46.6 % of JULPHARM respondents think effective promotion where primary reason for buying their product and high demand of the products are also reason for customers 13.9 % and only 8.3 % of respondent think higher quality of product is primary reason to buy their product. In this result indicated that local pharmaceutical products price is primary reason the consumer buy their product.

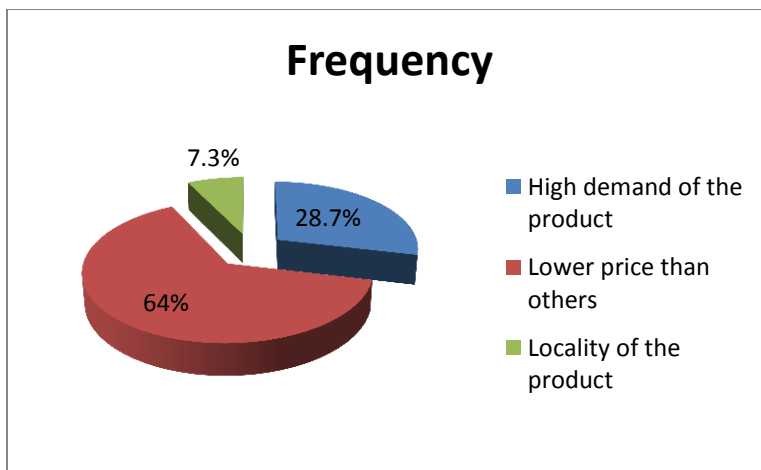
Figure 4.8: Response of wholesalers concerning primary reasons for purchasing local products



Source: Survey data (2017)

Figure 4.8 shows that the wholesaler's primary reason for purchasing local products is due to lower price which is 67.2 % (43) respondents and then demand has also impacted on 12 (18.8%) of respondent of the wholesalers to purchase the local products and also 9(16%) of wholesaler respondents consider locality of the product is the other reason to purchase.

Figure 4.9: Response of pharmacies concerning primary reasons for purchasing local products



Source: Survey data (2017)

As shown in figure 4.9, pharmacies were asked to respond about their primary reasons for purchasing local products; accordingly lower price of local products is the primary reason for pharmacies which is 96 (64 %) of pharmacies, followed by high demand of local products which accounts for 43 (28.7%) of pharmacies. Only 11 (7.3 %) of the pharmacies said locality of the product is one of their reasons for purchasing local products, so this result indicated that pharmacist primary reason to purchase local pharmaceutical products are lower price and high demand of the product this is an opportunities for local manufacturer there is high demand for their product compare imported.

From this study found out that the primary influential attribute of local products in the market is price. The same token lower price of local pharmaceutical products when compared with imported ones is the primary driving reason for pharmacies and wholesalers to purchase local products. There is a huge opportunity for local manufacturer to focus on price. Price is considered to be the most significant factor that affects consumer's choice.

This implies that Ethiopia being one of the developing countries and also majority of the society is not affordable the imported product and still Out-of-pocket payment is the dominant source of financing for healthcare and its driving major sales of pharmaceuticals. Medical insurance coverage is limited to a small proportion of the population (Walsh J. 2010).

One consequence of the intense competition between generic companies is increasing consolidation and adoption of large scale, low-cost manufacturing operations in low-cost jurisdictions, a measure that is necessary to preserve margins (ENL 2008).

Ethiopia is the second most populous country in sub-Saharan Africa, with a population of over 100million people this is a tremendous opportunity for local manufacturers, At the same time, when designing marketing mix instruments, pharmaceutical companies strive to influence the agents on the demand side in a complex competitive environment (Dickov 2011).

The definition of price; according to Kotler (2012) is the amount of money charged for a product or service. Price is considered to be the most significant factor that affects consumer's choice. Price is the element of the marketing mix which might be stable in certain period but at one

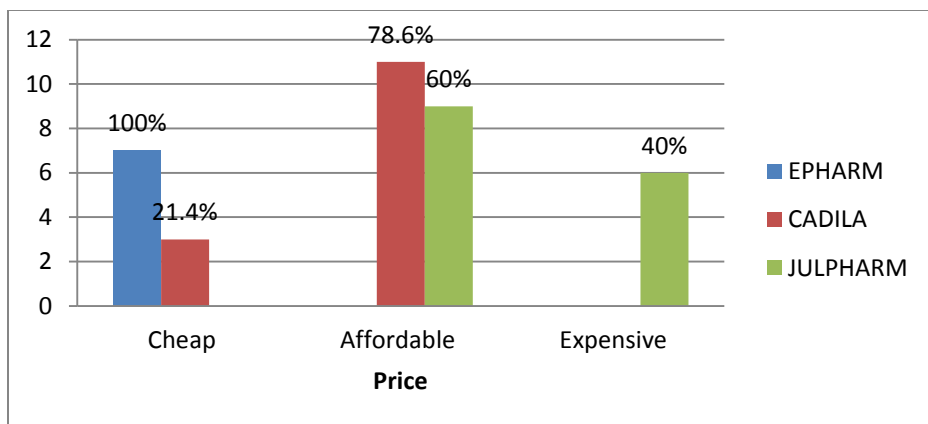
moment it might increase or decrease. This result shows that price is the major influential attribute for local pharmaceutical product this indicated that the market is price sensitive. price is one opportunities for local manufacturer compare to imported.

The other finding in this study next to price influential attribute of local products in the market is high demand of local products. Demand is the other reason of wholesalers and pharmacies to purchase local product as a result of their affordable price.

Even the manufacturers’ believe that price is the primary reason for customers to purchase their products. There is an opportunity for local manufacturer to increase the demand of the product by decrease the price of their product by adoption of large scale, low-cost manufacturing operations in low-cost jurisdictions, a measure that is necessary to preserve margins. Ethiopia is one of the most populated countries of Africa with a high demand for pharmaceutical products. This is one big opportunity local pharmaceutical manufacturers have in the market.

4.2.2 Price related results

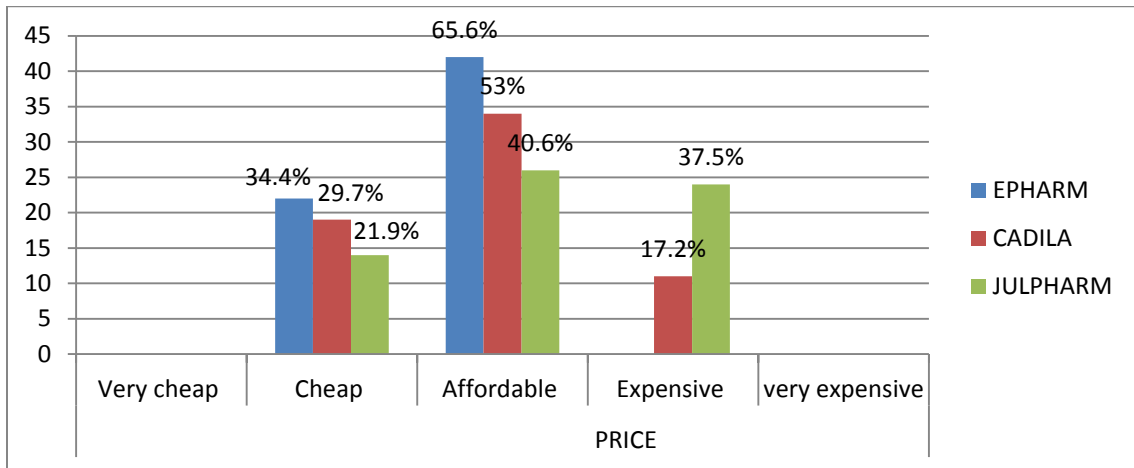
Figure 4.10: Response of manufacturing companies regarding price of their respective companies



Source: Survey data (2017)

As shown in figure 4.10; 100% of EPHARM respondents have an opinion that EPHARM’s products have cheap price.78.6% of wholesalers have an opinion that CADILA’s products have an average/affordable price while 21% of respondent consider it’s cheap. Only 40 % of the respondents consider JULPHARM products as expensive, however 60 % of respondents believe affordable.

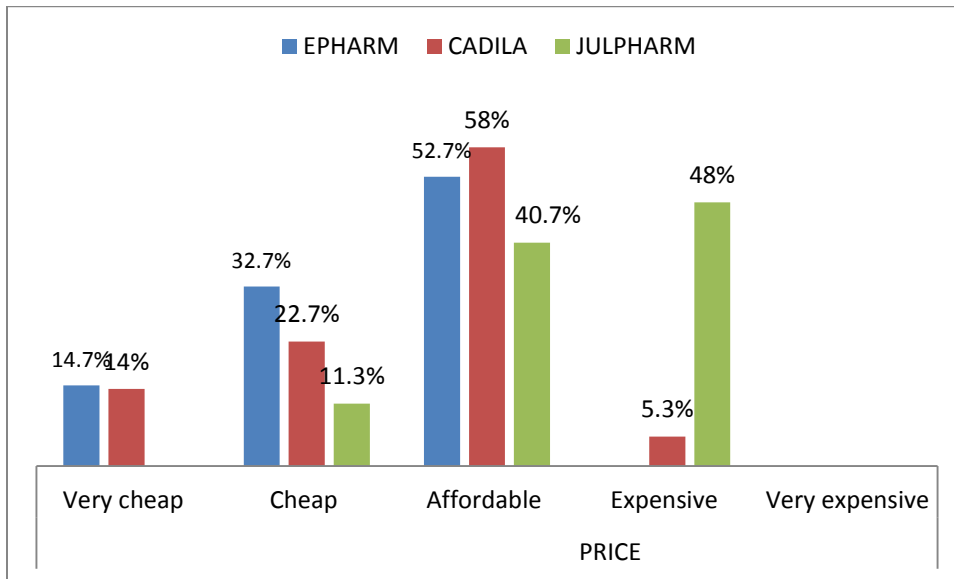
Figure 4.11 Response of wholesalers concerning price of local product



Source: Survey data (2017)

As shown in figure 4.11; on a five measurement scale, from very cheap to very expensive major response for the wholesalers regarding EPHARM'S price is Average which accounts for 65.6 % while 34.4 % of respondents said cheap. And also the figure show that 53.1 % of respondent have an opinion that CADILA's products have an average price, while 29.7 % and 17.2 % of the respondents consider CADILA's products as cheap and expensive respectively. No one responded for very cheap and very expensive. respondent which accounts for 40.6 % have an opinion that JULPHARM products have an average price, while 37.5 % of the respondents said that JULPHARM'S product is expensive, and also 21.9 % of respondent have an opinion that JULPHARM'S has cheap products. In this result shows that majority of wholesaler believe that the price of local pharmaceutical products are affordable. Ethiopia being one of the developing countries and also majority of the society is not affordable the imported product. There is a great opportunity to local manufacturer to access a large number of consumers.

Figure 4.12: Response of pharmacies regarding price of local products



Source: Survey data (2017)

As shown in figure 4.12; 52.7 % of the respondents have an opinion that EPHARM’s products have an average price. While 32.7 % of them responded for cheap price and the rest 14.7 % considers EPHARM’s product being very cheap in price. No response obtained for expensive and very expensive scale of price for EPHARM products and it also showed that majority of the pharmacies 58 % of the respondent’s side that CADILA’s Products are average in price, While 22.7 % and 14 % of the pharmacies responded that CADILA products are cheap and very cheap respectively. Only 5.3 % of respondent responded that CADILA’s products are expensive. No one considered very expensive as a response for price of CADILA’s products, finally the figure show that 48 % of pharmacies responded that JULPHARM’S products are expensive in price, while 40.7 % of pharmacies have an opinion that JULPHARM’S products are average in price. Only 11.3% of the pharmacy respondents consider JULPHARM’S products as cheap.

Majority of pharmacist view that EPHARM’s and CADILA’s products price is below average, cheap and very cheap in price. Only very few pharmacies consider CADILA pharmaceutical products are expensive. From this study found out that local pharmaceutical products are affordable, even cheap in price. This is one of the biggest opportunities for local pharmaceutical products to penetrate the market and take higher market share from imported one.

Table 4.1: Response of manufacturing companies regarding their price versus other local Manufacturers

Manufacturing company	PRICE			
	Less expensive	Comparative	Expensive	Very expensive
EPHARM		100%		
CADILA		35.7%	64.3%	
JULPHARM			60%	40%

Source: Survey data (2017)

As shown in table 4.1, majority of the respondents of EPHARM believe that their products price is closer to other local products. While 64.3% and 60% of respondent from CADILA and JULPHARM respectively consider they have products which are expensive than other local products. However 40% of JULPHARM respondent said that their products are very expensive.

The above result show that the response of manufacturer, wholesalers and pharmacies on price of local product. There is a five measurement scale, from very cheap to very expensive it was found out that almost all of the manufacturing companies' respondents think their products are affordable. We can see this from sales point of view; no matter how expensive the product is no body says my product is expensive rather the term affordable will be used.

Majority of the wholesaler's and pharmacist view that EPHARM's and CADILA's products price is below average, cheap and very cheap in price. Only 17.2 % of the wholesalers and 5.3% of pharmacies consider CADILA pharmaceutical products are expensive. From this study found out that local pharmaceutical products are affordable, even cheap in price. This is one of the biggest opportunities for local pharmaceutical products to penetrate the market and take higher market share from imported one. The definition of price; according to Kotler 2012 is the amount of money charged for a product or service. Price is considered to be the most significant factor that affects consumer's choice.

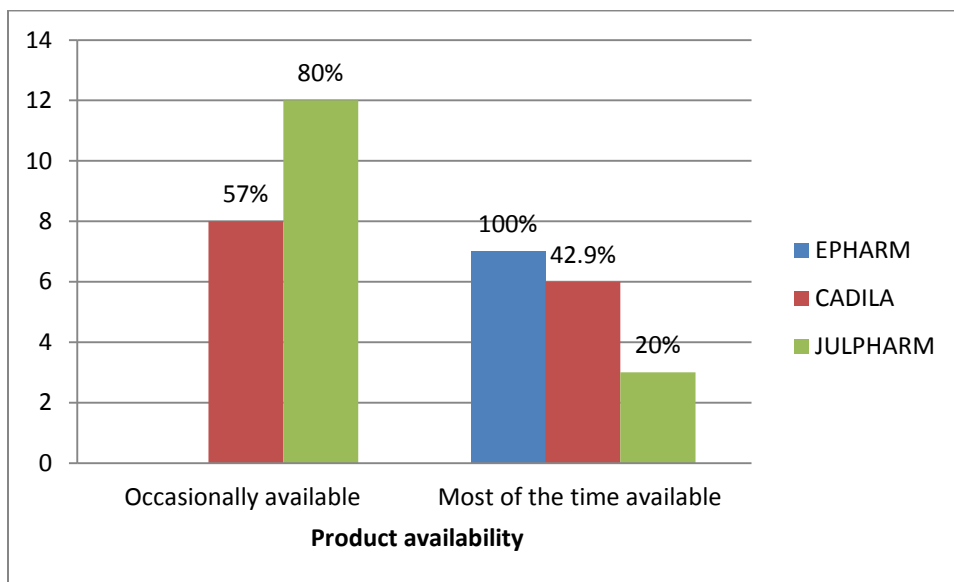
Price is the element of the marketing mix which might be stable in certain period but at one moment it might increase or decrease. Drug pricing is influenced by a variety of factors, and the complexity can be overwhelming for health care professionals as well as the public. Out-of

pocket spending on pharmaceuticals accounts for a much larger share of total pharmaceutical spending in poor countries.

The community pharmacists receive sometimes the complaints, while at other times is criticized the whole industry and, as a consequence, there is no right price – only a “too high” price (or a “soaring” price); that is why what that price should be is a part of the task of the marketing department to determine; for a given product several prices will be set in practice, the price per capsule for a given antibiotic, for example, might differ: as sold in varying quantities, as sold to retailers, as sold to the wholesalers, as sold to hospitals or when sold in foreign countries. (Irina P. et al 2009)

4.2.3 Distribution related result

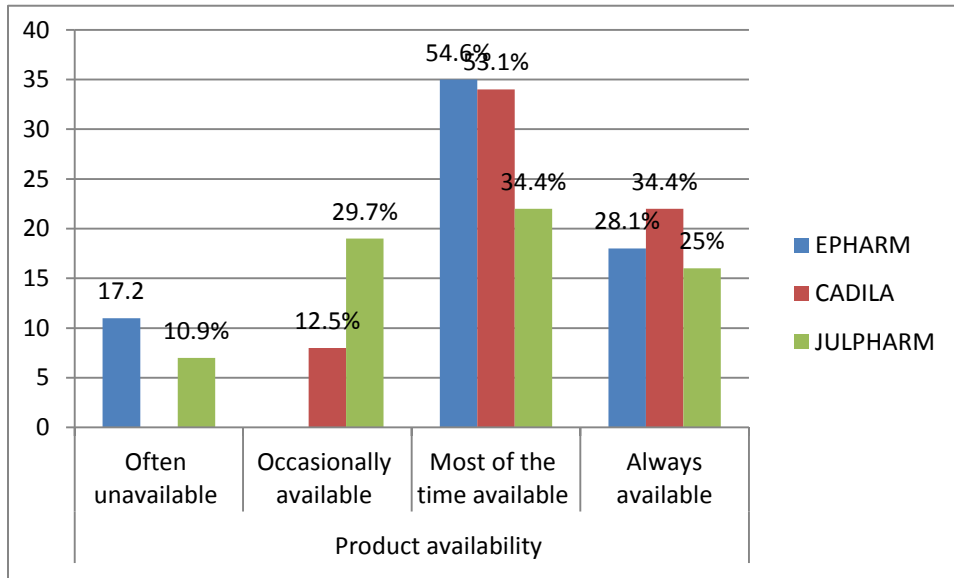
Figure 4.13: Response of manufacturing companies regarding availability of their products



Source: Survey data (2017)

Figure 4.13, shows that 100% of the respondents have an opinion that EPHARM’s products are most of the time available. This figure is followed by 80% of those who said JULPHARM’s products are occasionally available. 57% and 43% of the respondents responded that CADILA’s products are occasionally available and most of the time available respectively.

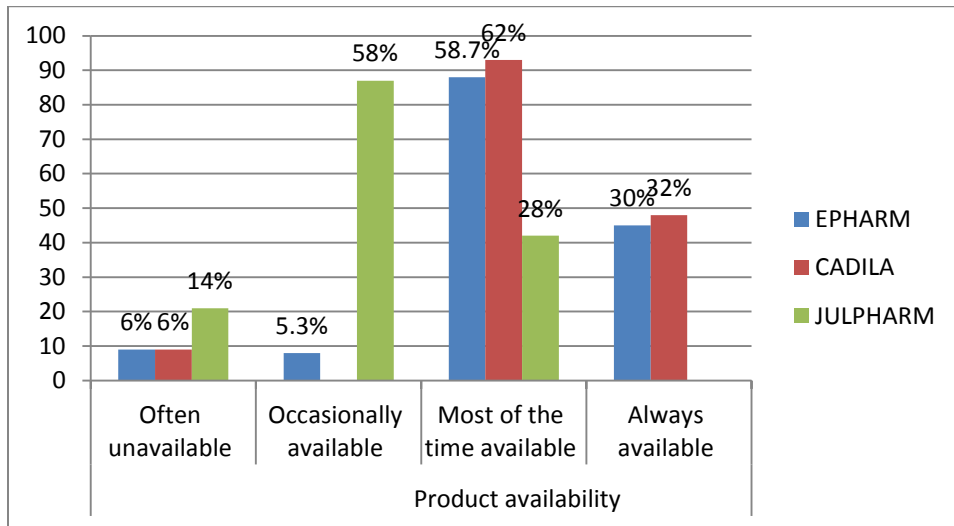
Figure 4.14: Response of wholesaler regarding availability of local products



Source: Survey data (2017)

Figure 4.14, show that 54.6% respondents of wholesaler have an opinion that EPHARM's products are most of the time available, followed by 28.1% of those who said EPHARM's products are always available and 17.2% of the respondents responded that EPHARM's products are often unavailable, and also the result indicated that majority of the respondents 53.1% and 34.4% have an opinion that CADILA's products are most of the time and always available respectively, While 12.5% of them believe that products are occasionally available. It also showed that majority of respondents responded that JULPHARM'S products are most of the time available which are 34.4%. In facts 29.7% of respondents responded that the JULPHARM'S products occasionally available which are followed by 25% of respondents who responded always available then 10.9% of the respondents said often unavailable.

Figure 4.15: Response of pharmacies regarding availability of local products



Source: Survey data (2017)

Figure 4.15, shows that 58.7% respondent of pharmacies responded that EPHARM’s products are most of the time available, While 30% and 6% of the pharmacies respondents have an opinion that EPHARM’s products are always available and often available respectively. Only 5.3 of the respondents believe that EPHARM’s products are occasionally available and also the result indicated that 62% of the respondents have an opinion that CADILA’s products are most of the time available. And this figure is followed by 32% of the respondents which believe CADILA’s products are always available. Only 6% of respondents said that CADILA’S products are often unavailable, finally the result indicated that majority of the pharmacies 58% responded that JULPHARM’S products are occasionally available; while, 28% and 14% respondents’ opinions are most of the time available and often unavailable respectively.

In this study the other area tried to assess was availability of EPHARM’s, CADILA’s and JULPHARM products in the market scaling from often unavailable up to always available, In general majority of wholesalers and pharmacies believe that EPHARM’s, and CADILA’s products are most of the time available in the market. In the other hand to this very few respondents of wholesaler consider that local pharmaceutical products are often unavailable. When availability of the three companies’ products is compared, all local pharmaceutical products which included in this study are always available. In addition to this wholesaler and pharmacies responded that JULPHARM product was occasionally available compared to the two

factories. This study find out that local products of the two company product EPHARM and CADILA are most of the time available which is good opportunities for local manufacturers for growth of the companies' market share, in addition to this the result obtained from qualitative data analysis manufacturers said that availability was the next most answered advantage next to price. By availability they mean that products could be accessed easily if there is no shortage of raw materials. In addition they added that increase the product range of local product related with this the possibility to access local products is higher than imported when all product range is available or produced locally. Qualitative result of wholesaler and pharmacy indicated that if local pharmaceuticals could make their products sustainably available it's a huge window of opportunity for them to hold a strong ground in the market.

This result indicated that all respondents agreed on there is a huge opportunity for local pharmaceutical manufacturer to make the product always available in the market for increase their market share.

Table 4.2: *Response of wholesalers and pharmacies on how they obtain products of EPHARM'S, CADILA 'S and JULPHARM 'S*

Product of	Response of wholesaler		Response of pharmacy		
	Direct from manufacturers	Through agent	Direct from manufacturer	Through agents	From wholesalers
EPHARM	14%	86%		32%	68%
CADILA	18.7%	81.3%		34.7%	65.3%
JULPHARM		100%		37.3%	62.7%

Source: Survey data (2017)

Table 4.2 indicated that wholesaler obtained local product from agent of manufacturers and direct from manufacturer and also majority of the pharmacies obtain local product through wholesalers and agents but majority of pharmacy obtained from wholesaler.

According to the basic supply chain model for prescription drugs, pharmaceutical companies distribute the products to wholesalers, which sell it to pharmacies. Pharmacies represent in most cases the ultimate contact to the patient / consumer. Players and their relationships in the supply chain vary depending on product type (e.g. prescription / OTC; drug / medical device; hospital product / pharmacy product), regulatory environment and other factors.

In this study it was found out that almost all of the manufacturing companies distribute their products to intermediary agents than the wholesaler take the product from the agent and distributed for retail pharmacies and Drug stores. The retail pharmacies are the place where the consumers come to get the products. This study indicated that wholesalers are the biggest supplier of local pharmaceutical product for the pharmacies, in this regard local manufacturers have a big opportunities directly distribute their product for pharmacies through agents without any competition. During interview of marketing manager of local manufacturers which included in this study responded that huge opportunity for local manufacturers is the commitment of the pharmaceutical fund and supplies agency (PFSA) to the local manufacturing companies. This is one big support from government because the tenders are sometimes exclusively for local manufacturing companies, he responded that almost 40% of the product of EPHARM deliver to the public through pharmaceutical fund and supplies agency (PFSA). This Opportunity given from PFSA has been a big privilege for local manufacturers to make its products available in government hospitals and health centers all over Ethiopia.

Agents like PFSA are government owned while manufacturers also choose private agents like Beker pharmaceuticals, Meditech Ethiopia, and Micorpharma PLC for specific products so that they will distribute it in the market. The choice of agent considers strength of presence in the market and delivery efficiency of the agents.

4.2.4 Promotion

Table 4.3: Response of manufacturing companies on how they promotionally support marketing of their products.

Means	EPHARM	CADILA	JULPHARM
Product promoter/medical representative	7 (100 %)	9(64.3%)	12(80%)
Give away		5(35.7%)	3(20%)

Source: Survey data (2017)

Table 4.3 indicated that all pharmaceutical companies are promoting its products through medical and sales representatives' for physicians and pharmacist. In fact they also use give away.

Table 4.4: Response of wholesalers and pharmacy regarding how local manufacturer promote their products

Manufacturer	Response of wholesalers			Response of Pharmacy		
	Promotion			Promotion		
	Doesn't promote	By promoter	Price discount	Doesn't promote	By promoter	Price discount
EPHARM	100%			100%		
CADILA		100%			80%	20%
JULPHARM		100%			86.7%	13.3%

Source: Survey data (2017)

Table 4.4 shows that all of the wholesalers and pharmacies in the study responded that EPHARM doesn't support its products through promotion in the market, while all of the respondents said that CADILA and JULPHARM does promotion through sales and medical representatives. In addition to this they use price discount promotion.

Table 4.5: Response of manufacturing companies respondents regarding their respective promotional strength

Manufacturing company	Promotional strength				
	Very weak	Weak	Average	Strong	very strong
EPHARM	-	100%	-	-	-
CADILA	-	21.4%	78.6%	-	-
JULPHARM	-	-	20%	80%	-

Source: Survey data (2017)

Table 4.5 shows that all respondents of EPHARM and 21.4% respondents of CADILA rated their company's promotional strength as weak. And 78.6% of the respondents from CADILA and 20% from JULPHARM rated their promotional strength average. In case of JULPHARM 80% of respondents consider they have strong promotional activities.

Table 4.6: Response of wholesaler and pharmacies regarding promotion strength of local manufacturers

Manufacturer	Response of wholesalers			Response of pharmacies		
	Promotion strength			Promotion strength		
	Very weak	Average	strong	Very weak	Average	Strong
EPHARM	100%			100%		
CADILA		90.6%	9.4%		85.3%	14.7%
JULPHARM		81.2%	18.8%		19.3%	80.7%

Source: Survey data (2017)

The above table 4.6, also showed that all of the pharmacies rated EPHARM's promotional activities strength as very weak which is 100% of respondent. Majority of the respondents, 85.3 % rate CADILA has average promotional activity and 14.7 % of respondent's rate that strong strength of promotion. 80.7 % of pharmacy respondent's rate that JULPHARM promotion strength is strong and 19.3 % respondent's rate average.

The study found out that EPHARM are not doing promotion through medical representatives until October 2017. Starting from October 2017 EPHARM hired three medical representatives to promote their product. Most of the times EPHARM promote their product by sponsor annual conference of big associations like Ethiopian Pharmaceutical Association and Ethiopian Medical Associations. In these conferences the companies will display their product on exhibition and promote it. CADILA and JULPHARM are also taking part in these activities and promote their product.

But CADILA and JULPHARM is promoting its product through medical and sales representatives. Majority of wholesaler, pharmacies and manufacturers rated CADILA's promotional activities strength as average, JULPHARM promotional activity rated by wholesaler are average but the pharmacy and manufacturers rated strong promotional activity. Contrary to this, EPHARM's promotional activities were rated very weak by wholesalers as well as by pharmacies. This indicated that EPHARM should have to revise their marketing strategy by employing medical representatives and build their respective brand image in the market. From this study found out that local pharmaceutical manufacturers focus on promoting their product which is create a great opportunities physician to use it and pharmacist dispense by brand name of local products.

Qualitative data result indicated that only CADILA and JULPHARM is doing promotion by face to face calls with the physicians as well pharmacist, As a result products of CADILA and JULPHARM are being prescribed by their brands, when it comes foreign pharmaceutical companies they are doing intensive promotion by face to face calls with the physicians as well pharmacist, as a result of strong promotion foreign pharmaceutical product prescribed by their brand name than local product.

Basically what happens is the medical representatives go to the physician's office and detail about the specific features and unique advantages of their products by using different promotional materials so that brand image will be created and then physician will use it for his patients. In addition to this the company created brand awareness by organizing different meeting for physician and pharmacist most of the time in this kind of meeting was organized by foreign company and extensively doing by them and create strong brand awareness of their products. If new product is introduced to the market, launching program will be organized for physicians and pharmacies created brand awareness for them.

IFPMA defines "promotion" as any activity undertaken, organized or sponsored by a member company which is directed at healthcare professionals to promote the prescription, recommendation, supply, administration or consumption of its pharmaceutical product(s) through all methods of communications, including the internet. Promotional information should be clear, legible, accurate, balanced, fair, and sufficiently complete to enable the recipient to form his or her own opinion of the therapeutic value of the pharmaceutical product concerned.

Promotional information should be based on an up-to-date evaluation of all relevant evidence and reflect that evidence clearly. It should not mislead by distortion, exaggeration, undue emphasis, omission or in any other way (IFPMA 2012).

4.2.5. Opportunities of local pharmaceutical products

Concerning opportunities that local manufacturers have, response obtained from EPHARM's marketing manager is the commitment by the pharmaceutical fund and supplies agency (PFSA) to the local manufacturing companies. This is one big support from government because the tenders are sometimes exclusively for local manufacturing companies as he responded. Even if in times the country may face foreign currency shortages in as much as possible the government

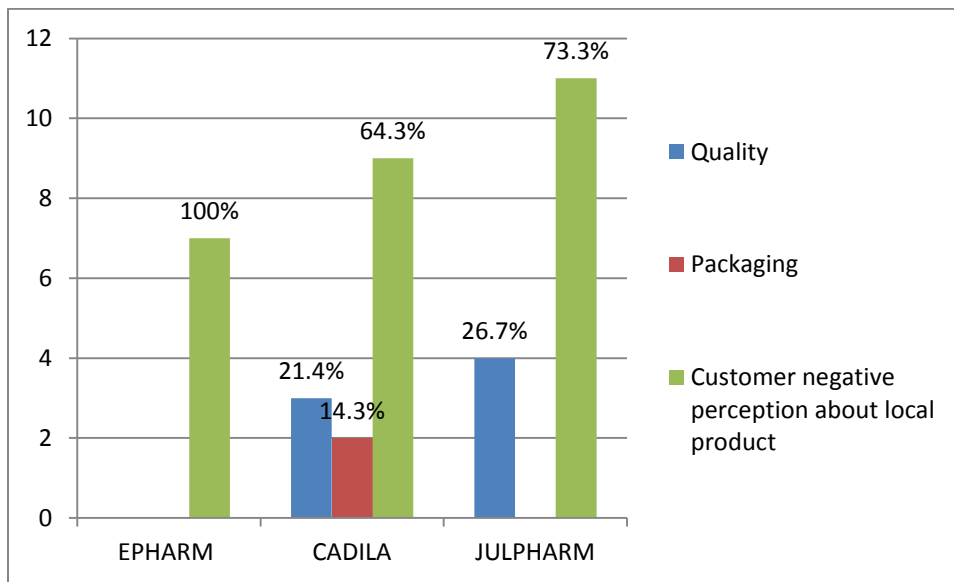
encourages local manufacturers importing raw material free of tax. CADILA’s marketing manager stated that customers trust when it comes to quality especially with imported Asian products is an opportunity for marketing. Opportunities given from PFSA have been a big privilege for CADILA to make its products available in government hospitals and health centers all over Ethiopia.

In the same manner government support for local manufacturers in giving priority for foreign currency for raw materials was what APF’s marketing manager mentioned as an opportunity they have. He didn’t pass without mentioning PFSA’s exclusive tender for local manufacturers.

4.3 Challenges of local pharmaceutical manufacturers

4.3.1 Product related challenge

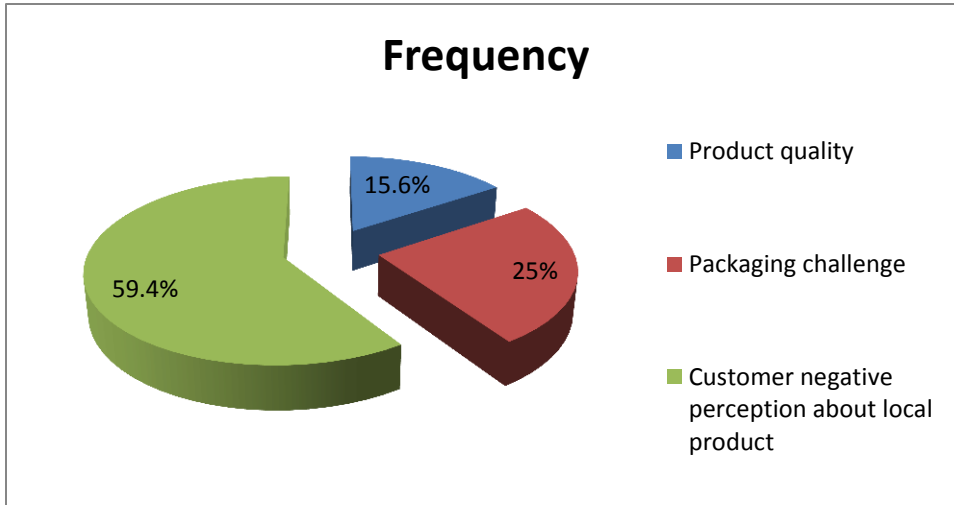
Figure 4.16: Response of manufacturing companies regarding major product challenges faced



Source: Survey data (2017)

Figure 4.16, show that majority of the local manufacturers respondents think that customer’s negative perception about their products is the major challenge faced. While none of EPHARMS respondents responded to quality and packaging as challenge. However 21.4% of CADILA respondents with 26.7% from JULPHARM said packaging is another major challenge of their respective products. Additionally 14.3 % of CADILA respondent said packaging is other challenge faced.

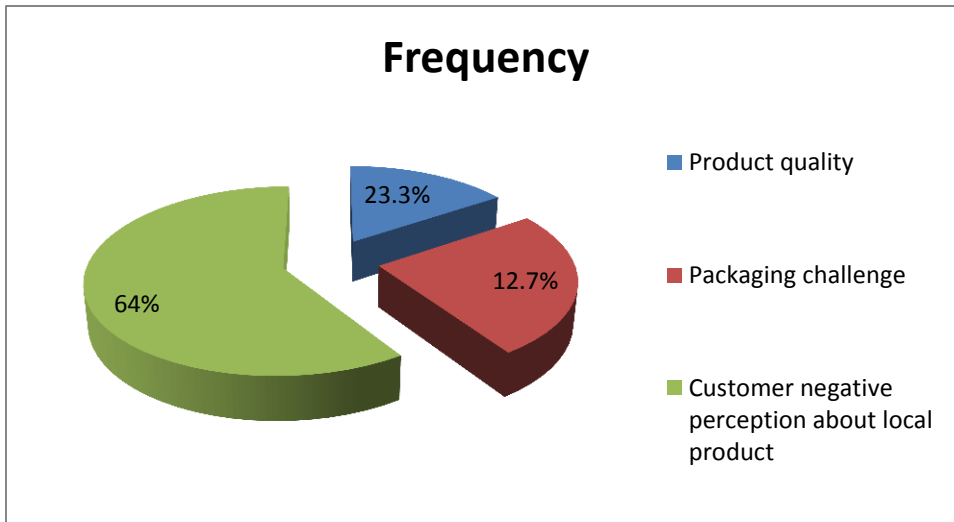
Figure 4.17: Response of wholesalers for major challenges local manufacturers face regarding their products.



Source: Survey data (2017)

From figure 4.17, wholesalers also view that customers' negative perception about local products is the major challenge as 59.4% of the wholesalers responded. Product quality and poor packaging accounted for 15.6% and 25% of the wholesaler respectively.

Figure 4.18 Response of pharmacies for major challenges local manufacturers face regarding their products



Source: Survey data (2017)

As shown in the above figure 4.18; customers negative perception about local products is the most challenging aspect of the local products as 64% of the respondents responded. And of course product quality and packaging also another major challenge as 23.3% and 12.7% of the respondents responded respectively.

Even if Kotler (2012) has considered product package is the buyer’s first encounter with the product and good package draws the consumer in and encourages product choice; Packaging also affects consumers’ later product experiences when they go to open the package and use the product at home. Some packages can even be attractively displayed at home. It was found out from this study local pharmaceutical products have poor packaging.

4.3.2 Competition

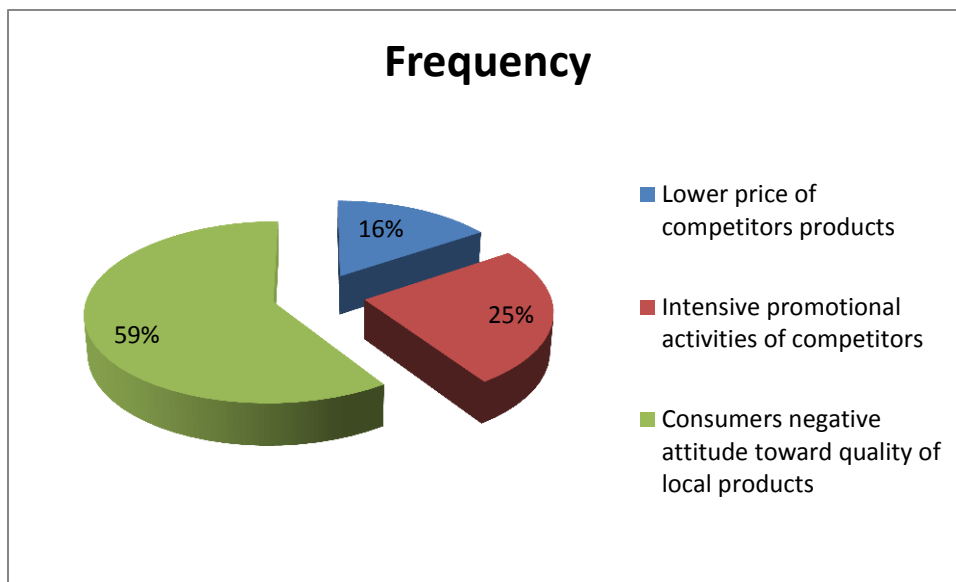
Table 4.7: Response of manufacturing companies respondents regarding challenges of Competition

Challenge in competition	EPHARM	CADILA	JULPHARM
Lower price of competitors products	42.9%		40%
Higher quality of competitors products			
Intensive promotional activities	57.1%	35.7%	
Sustainable product availability of competitors			
Efficient product distribution of competitors			
Consumers negative attitude towards quality of local products		64.3%	60%

Source: Survey data (2017)

As shown in table 4.7, consumer's negative attitude towards quality of local products accounts for the highest response 64.3% and 60% respondents of CADILA and JULPHARM respectively; for local pharmaceutical companies as a challenge of competition in the market. And of course intensive promotional activities of competitor and lower price of competitors companies is also another major challenge 42.9% of CADILA and 40% of JULPHARM respondents responded respectively.

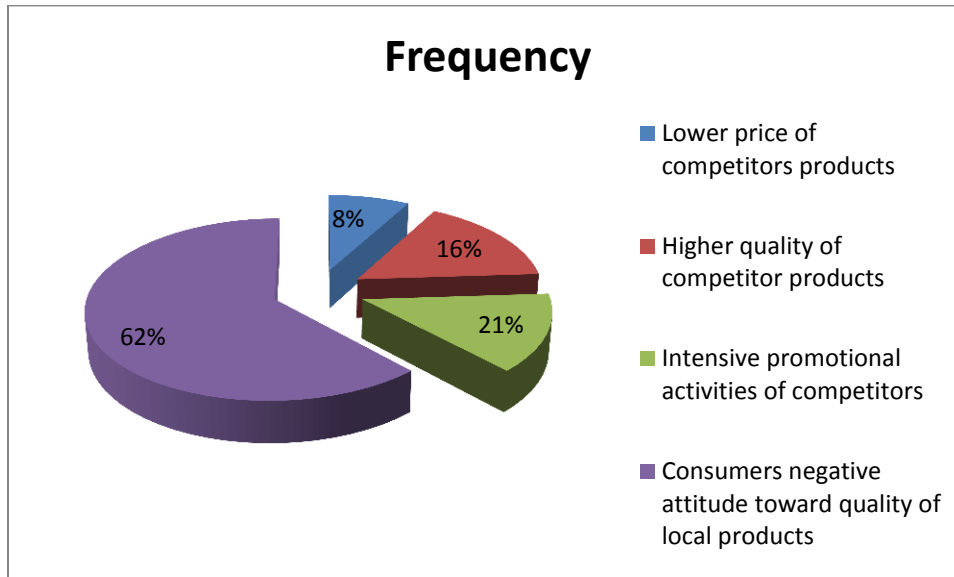
Figure 4.19: Response of wholesalers concerning challenges of local products when competing in the market



Source: Survey data (2017)

Figure 4.19, show that, customer negative attitude towards quality of local products holds the highest percent of wholesalers' responses which is 59 % ; followed by intensive promotional activities of competitors 25 % and lower price of competitor products 16 %.

Figure 4.20: Response of pharmacies concerning challenges of local products when competing in the market.



Source: Survey data (2017)

Figure 4.20, shows that the three most challenging aspects for local products when it comes to competing in the market are consumer's negative attitude toward quality of local products (62%), higher quality of competitors product and intensive promotion activities of competitors 16 % and 14% respectively as respondents from pharmacies responded. Lower price of competitors' products got response of 8% of the respondents making it the less challenging aspect.

The study found out that manufacturer face challenges of different facets. The majority of manufacturers, wholesalers and pharmacies believed that the major challenges in competition are: consumers' negative attitude towards quality of local products, intensive promotional activities of competitors, lower price of competitors' products those from China and India.

The result obtained from the qualitative data analysis also indicated that sustainable and strong activities should be undertaken to change society's attitude towards local pharmaceutical products. Because this is the biggest challenge the companies are facing in the market.

The respondents answered that its quiet visible that foreign pharmaceutical companies are doing intensive promotion by face to face calls with the physicians as well pharmacist is the other challenge.

The marketing/business manager of companies stated that other Indian and Asian companies are providing products with cheaper price than local products. This has become a challenge for competition. Relative to how long the company was in the market it is producing few product mixes for the market; this was also one of the challenges when competing with different companies providing wide range of products as EPHARM's marketing manager responded.

4.3.3 Manufacturing companies' general challenge encountered

Table 4.8: Response of manufacturing company's respondent regarding general challenged faced

Major challenges encountered	EPHARM	CADILA	JULPHARM
Competitors from abroad	100%	64.3%	40%
Customers preference		35.7%	60%

Source: Survey data (2017)

Table 4.8, shows that totally Majority of respondents responded that competitors from abroad are the major challenges encountered in the market. On top of this 35.7% of CADILA and 60% of JULPHARM respondent put customer preference as one of the major challenges.

Different factors determine the strength of competition one company shows in the market. The local pharmaceutical manufacturing companies consider that foreign companies are their major competitors.

The study found out that manufacturer face challenges of different facets. The major challenges are competitor from abroad or intensive promotional activities of foreign companies; all of foreign pharmaceutical companies have their own medical representatives. They do intensive face to face promotions for physician and pharmacists, they organize scientific sessions for the doctors and they also sponsor associations' conference. In such manner they are building their brand image. This has become a challenge not only to the local products but the foreign companies are also competing among themselves and the competition is getting tougher and tougher as days come and go. In Ethiopia there are number of multinationals and generic company of the western countries and from other for example from multinational company (GSK, MSD, Bayer, Sanofi, AstraZeneca, Pfizer, Novartis, Roche ,Novo Nordisk, Nestle,

Johnson and Johnson etc) and also generic companies of different countries; for instance Europe companies (Medochemie Bilim, Sandoz, Lagap and Remedica), Indian companies (Cipla, Glenmark, Ranbaxy, Intas, Emcure etc) and Middle East companies (Pharma international, Julphar, Tabuk). (from EFMHACA). All of the above foreign companies are also competing among themselves.

The second biggest challenge for local Pharmaceuticals faced customer preference. This may be from consumers' experience of inferior quality product from local company or from economic development biased. Since according to Huddleston et al. (2001), shows that there is a linear relationship between a country's image and consumer perceptions for the quality of goods produced in the country. Consumers may assume that more developed countries produce better quality products. Another author suggests that country of origin effects is used as an important cue in forming positive and negative influences of a product's country of manufacture, and hence affecting decisions and purchases (Watson and Wright, 2000).

From this study found out that most of the respondents from wholesalers and pharmacies think higher quality of competitors products are also one of the challenges for local products. If we take multinationals products since they are innovators there is no question about their products when it comes to quality. However, quality concern has always been raised with generic products. Some companies present the bioequivalence study test to prove that their product is as quality as innovator brand, considering efficacy and safety. So the local manufacturers have to work on quality of their products to convince the customer/consumer.

4.4 Means of lessening or overcoming the challenges

4.4.1 Response from Manufacturing companies respondents

The respondents suggested that sustainable and strong activities should be undertaken to change society's attitude towards local pharmaceutical products, because local products generally are perceived by the public to be poor quality. It's the biggest challenge the companies are facing in the market. These could be by taking part in corporate social activities and working with pharmacy professionals those are dispensing the product in pharmacies and drug stores they are closer to the consumers.

So they proposed that local manufacturing companies should be employed a pharmacists to build their brands image first in the mind of health professionals then in the consumers. Moreover, response from CADILA's and JULPHARM representatives was that the local manufacturing company should encourage the medical representative by offering them benefits they should get like foreign company so that they will not leave the company and build good image in the mind of physician and consumer.

Marketing manager of EPHARM believes that local pharmaceutical manufacturing companies to look and process raw material locally which in turn will strengthen manufacturers' potential in reducing the expense for raw material import and reduced the out puts price of the product. According to EPHARM marketing managers response; Government should keep giving priority to the pharmaceutical industry regarding the foreign currency needed to import raw materials. companies should work on their product mix to be strong competitors in the market. He also added that local manufacturers should be engaged in intensive promotional activity as that of the foreigners so EPHARM should work aggressively on this regard and make the company to be strong competitor in the market.

Marketing manager of CADILA suggested that local manufacturers should expand their product range to minimize the imported product and increase the coverage in the country. In addition he added that increases product range and quantities of product reduced the price and take the market shear of imported product by using advantages of economies of scale would be of great help for local manufacturers. He strongly recommended that working with concerned government body to change the customers as well consumers attitude about local products efficacy and safety.

JULPHARM marketing manager suggested that improving local manufacturers' internal capacity in terms of research and development (R&D); for R&D is the base to build strong image concerning equivalency in efficacy with the originator brands. He add also government support for local manufacturers in giving priority for foreign currency for importing raw materials. He added that improving supply of raw materials from abroad will really make all the products to be sustainably available in the market; in such a way it would strengthen the market presence of local products.

4.4.2 Response from Wholesalers respondents

The most commonly suggested way of challenge overcoming is that local manufacturer has to work aggressively to improve quality of the products. In addition to the above points; there were opinions that local pharmaceutical manufacturing companies should be able to satisfy the market demand and make share of the products when the products are available sustainably and abundantly; and as some of them said these comes to reality if the companies could increase their production capacity.

4.4.3 Response from Pharmacies respondents

The most proposed way of improvement from the pharmacies is that local manufacturers work aggressively on quality of local products should be improved. In order to improve the quality of products the respondents suggested that undertaking post marketing surveillances would be of great help to know where their weakness and strength is. In line with this, the respondents put forward that quality & affordability of local pharmaceutical products should always be guaranteed in order to compete with Chinese, Indian and other Asian imported pharmaceutical products. Because these countries products are most of the time very cheap as a result, only price competition doesn't make the local products take the biggest share of the market.

The most proposed way of improvement from the pharmacies is that local manufacturers should really invest on attractiveness of their product package because imported pharmaceutical products package is incomparably attractive than the local ones. This in turn has a big impact on customers' and consumers perception as much as quality of the product matters. More over beyond making their package attractive it was suggested lots and lots of times that local pharmaceutical companies should educate and undertake different activities to change the negative attitude consumers have towards locally manufactured pharmaceutical products. The other commonly proposed way is that sustainable supply of products should be ensured to prevent stock rupture and not to give a reason for local products to be substituted by imported ones.

4.5 Triangulation of quantitative and qualitative analysis

This part of the study presents correlating data obtained quantitatively and qualitatively.

The result obtained from quantitative analysis almost all of the pharmaceutical manufacturers' respondents believe that their products are affordable. On top of this majority of wholesalers and pharmacy respondents responded that the two companies product price is average or cheap and one company product is average in price. In addition it was seen that the most influential attribute of local product in the market is their price as the respondents answered. By the same token the qualitative analysis has shown that price is the major advantage local products have in the market over the imported ones, except Indian and Chinese companies.

Manufacturers, wholesalers, and pharmacies responded that the most challenges local pharmaceutical products face is customers negative perception (73.5%, 59.4%, 64% respectively) than followed by product packaging challenge (14.7 %, 25.5%, 19.3% respectively) the other challenge local pharmaceuticals product face at pharmacy level was on the quality of the product 23.3 % of the pharmacies respondents responded that local products are lower quality. It was seen in the result of interview and also answers of the open ended question that the local pharmaceutical companies should work on changing customers' attitude and also that beyond price competition focus should also be given to change the society perception and packaging improvement.

Only CADILA and JULPHARM is doing direct face to face calls with the physicians and pharmacists; which most pharmacies 85.3 % rated CADILA average in strength of promotional activity and also JULPHARM doing the same as CADILA 80.7 % of respondents rated that JILPHARM has strong in their promotion activity . This was also seen in competition challenge local manufacturers face in the market. All (100%) of the wholesalers as well pharmacies responded that EPHARM doesn't do direct product promotion. By the same token it was proposed form manufacturing companies that local manufacturers should be engaged in promotion like foreign companies to change customers/ consumers negative perception.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 Conclusion

In this part of the study, depending on the result and discussion from previous chapter, the following conclusions are made.

- EPHARM's products are considered very good quality among the local companies included in the study. Few number of respondents rated JULPHARM and CADILA products as good in quality and no such response obtained for EPHARM and no one say local product quality poor.
- Lower price of local pharmaceutical products when compared with imported ones is the primary driving reason for pharmacies and wholesalers to purchase local products and local products price is considered affordable than most of imported pharmaceutical products except some Chinese and Indian products.
- Local pharmaceutical products reach consumers through manufacturer - agent/wholesale-pharmacy channel ultimately and local products are most of the time available in the market in general except JULPHARM product which is available occasionally.
- Only EPHARM pharmaceutical is not engaged in promotional activities through medical representatives until October 2017, while CADILA and JULPHARM are being involved in such type of marketing activity and this has good for create product brand image they have.
- When competition is taken into consideration local pharmaceutical companies major challenges are: consumers' negative attitude towards quality of local products, intensive promotional activities of competitors, and lower price of competitors' products from China and India.
- When it comes to opportunities local pharmaceuticals have price advantage than most imported products. Beside this availability, ease of accessibility and exclusive PFSA tenders were identified as special advantages over imported products.

5.2 Recommendations

- Based on the findings and analysis of this study concerning marketing challenges and opportunities of local pharmaceutical manufacturing companies in Ethiopia; the following suggestions and recommendation were made so that they will overcome the challenges and be able to exploit opportunities that are out there in the market.
- Local pharmaceutical companies should work strongly to change the negative perception of the society with the collaboration to all stake holders by under taking different awareness creation activities and setting strategies, because customers and consumers negative attitude towards local product is the biggest challenge in the market.
- The local pharmaceutical manufacturers should focus on product quality and present the bioequivalence study test to prove that their product quality as innovator brand, considering efficacy and safety, in such a way quality will be guaranteed.
- The local pharmaceutical manufacturing companies such as EPHARM should modify their strategy of marketing to stay competent in the market. Rather than focusing on exclusive PFSA tenders and governmental hospitals, like CADILA and JULPHARM a strong dedicated team of marketing which is totally engaged in sales and promotion should be formed and extensive promotional activities must be done.
- Local pharmaceutical companies should expand their product range and amount of production by expanding their capacity so that they will be able to take the biggest share of the market from competitors.
- The government should continue to make special support for local pharmaceutical manufacturing companies like give exclusive PFSA tenders to strengthen the company capacity.

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APPENDICES I

ST. MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES

Questionnaire for Assessment of marketing challenge and opportunity of local pharmaceutical company in Ethiopia

For Manufacturing Companies

Dear respondent,

First of all I would like to thank you for giving your precious time to fill this questionnaire.

The Purpose of this questionnaire is to gather relevant information about local pharmaceuticals company in Ethiopia.

The information you provide will help me to better understand the situation of Ethiopian local pharmaceutical company and will be used as an input for completing my MBA Thesis in St Mary's University.

Therefore, I kindly request you to complete the following questions to reflect your opinions as accurately as possible and give factual information to the best of your knowledge.

The information that I will get from you will be treated confidentially and will not be disclosed for third party.

NB: Please fill the questionnaire only if you are voluntary

Thank you
Ejegayehu Assefa

Part One. General Information

Name of the company _____

1. Gender

Male Female

2. Educational Level

Diploma BSc/BPharm/BA MBA PhD Other _____

3. Position

Marketing Manager Sales Representative Medical Representative

Other _____

Part Two. Basic Information

2.1 Product related

1. How do you rate quality of your company's products?

Poor Fair Good Very good Excellent

2. How do you rate the package of your company's products?

Not attractive Less attractive Somewhat attractive Attractive

Very attractive

3. What attributes of your company's products do you think are influential in the market?

The brand name

Product Package

Product price

Efficacy and safety of the product

Other (Specify) _____

4. What major challenges in the market do you face regarding your products?

Product quality challenges

Packaging challenge

Customer's negative perception

Others _ (Please specify) _____

2.2. Price Related

1. What is your opinion concerning the price of the products your company produce?

Very Cheap Cheap Affordable Expensive Very Expensive

2. How do you rate your company's products price versus other local manufacturers' products price?

Less expensive Equivalent Expensive Very Expensive

3. What's your opinion regarding price versus quality of your company's products

The price should have been lesser for the products quality is poor

The price shouldn't be changed

The price should have been more for the products quality is worth more

4. What challenges do you face regarding price of your products?

2.3 Distribution Related

1. What is your opinion concerning your companies' products availability

Often unavailable

Rarely available

Occasionally available

Most of the time available

Always Available

2. How do you distribute your products?

Through Specific Agents

Through wholesalers

Directly to pharmacies/Drug stores

Other means (Please Specify) _____

3. What markets do you focus on?

Government Hospitals

Private Hospitals

Physicians Prescription

Pharmacies

Others _____

4. How do you rate order delivery process of your company?

Very poor Poor Good Very good Excellent

2.4 Promotion related

1. How do you promotionally support your product lines in general?

- Through product promoters/Medical representatives
- Give away
- Price discount
- Credit period terms
- Using different printed materials
- Others (Please specify) _____

2. How do you rate the strength of your company's promotional activities?

Very weak Weak Average Strong Very strong

3. What challenges are you facing in the market while promoting your products?

Competitors and marketing strategy related

1. Who are your major competitors?

- Other local manufacturers
- Foreign companies (If possible please specify) _____

2. What are the challenging aspects when it comes to competing in the market?

- Lower price of competitors' products
- Higher quality of competitors' products
- Intensive promotional activities of competitors
- Sustainable product availability of competitors
- Efficient product distribution of competitors
- Consumers negative attitude towards quality of local products
- Others _____

3. On scale of 1 to 5; "1 being least effective" and "5 being most effective" how would you rate your company's overall marketing strategy?

1 2 3 4 5

4. What marketing mix strategies does the company focus on majorly?

Product Price Promotion Distribution All

5. What do you think are customer's primary reasons for buying your company's products?

- Higher quality of product
- High demand of the product
- Proximity of supply
- Lower price than others
- Effective promotion
- Locality of the products
- Other (if any please specify) _____

6. In general what are the major challenges encountered in the market? (Please Describe Why)

Competitors from abroad _____

Customer's preference _____

Government policy _____

Internal marketing strategy problem _

Others_(PleaseSpecify)

7. What opportunities do you think do the locally manufactured products have in the market when we compare them with products imported from abroad?

8. What do you propose to lessen or overcome the existing challenges?

APPENDICES II

Questionnaire for Assessment of marketing challenge and opportunity of local pharmaceutical company in Ethiopia

For wholesaler and pharmacy

Dear respondent,

First of all I would like to thank you for giving your precious time to fill this questionnaire.

The Purpose of this questionnaire is to gather relevant information about local pharmaceuticals company in Ethiopia.

The information you provide will help me to better understand the situation of Ethiopian local pharmaceutical company and will be used as an input for completing my MBA Thesis in St Mary's University.

Therefore, I kindly request you to complete the following questions to reflect your opinions as accurately as possible and give factual information to the best of your knowledge.

The information that I will get from you will be treated confidentially and will not be disclosed for third party.

NB: Please fill the questionnaire only if you are voluntary

Thank you
Ejegayehu Assefa

Part One. General Information

Name of the pharmacy/ wholesalers _____

1. Gender

Male Female

2. Educational Level

Diploma BSc/BPharm/BA MBA PhD Other _____

3. Position

Marketing Manager Sales Representative Medical Representative

Other _____

Part Two. Basic Information

2.1 Product related

1. Which of the following pharmaceutical manufacturing company's products do you have in your store?

Poor Fair Good Very good Excellent

2. How do you rate the package of your company's products?

Not attractive Less attractive Somewhat attractive Attractive

Very attractive

3. What attributes of your company's products do you think are influential in the market?

The brand name

Product Package

Product price

Efficacy and safety of the product

Other (Specify) _____

4. What major challenges in the market do you face regarding your products?

Product quality challenges

Packaging challenge

Customer's negative perception

Others _ (Please specify) _____

2.2. Price Related

1. What is your opinion concerning the price of the products your company produce?

Very Cheap Cheap Affordable Expensive Very Expensive

2. How do you rate your company's products price versus other local manufacturers' products price?

Less expensive Equivalent Expensive Very Expensive

3. What's your opinion regarding price versus quality of your company's products

The price should have been lesser for the products quality is poor

The price shouldn't be changed

The price should have been more for the products quality is worth more

4. What challenges do you face regarding price of your products?

2.3 Distribution Related

1. What is your opinion concerning your companies' products availability

Often unavailable

Rarely available

Occasionally available

Most of the time available

Always Available

2. How do you distribute your products?

Through Specific Agents

Through wholesalers

Directly to pharmacies/Drug stores

Other means (Please Specify) _____

3. What markets do you focus on?

Government Hospitals

Private Hospitals

Physicians Prescription

Pharmacies

Others _____

4. How do you rate order delivery process of your company?

Very poor Poor Good Very good Excellent

2.4 Promotion related

1. How do you promotionally support your product lines in general?

- Through product promoters/Medical representatives
- Give away
- Price discount
- Credit period terms
- Using different printed materials
- Others (Please specify) _____

2. How do you rate the strength of your company's promotional activities?

Very weak Weak Average Strong Very strong

3. What challenges are you facing in the market while promoting your products?

Competitors and marketing strategy related

1. Who are your major competitors?

- Other local manufacturers
- Foreign companies (If possible please specify) _____

2. What are the challenging aspects when it comes to competing in the market?

- Lower price of competitors' products
- Higher quality of competitors' products
- Intensive promotional activities of competitors
- Sustainable product availability of competitors
- Efficient product distribution of competitors
- Consumers negative attitude towards quality of local products
- Others _____

3. On scale of 1 to 5; "1 being least effective" and "5 being most effective" how would you rate your company's overall marketing strategy?

1 2 3 4 5

4. What marketing mix strategies does the company focus on majorly?

Product Price Promotion Distribution All

5. What do you think are customer's primary reasons for buying your company's products?

- Higher quality of product
- High demand of the product
- Proximity of supply
- Lower price than others
- Effective promotion
- Locality of the products
- Other (if any please specify) _____

6. In general what are the major challenges encountered in the market? (Please Describe Why)

Competitors from abroad _____

Customer's preference _____

Government policy _____

Internal marketing strategy problem _

Others_(PleaseSpecify)

7. What opportunities do you think do the locally manufactured products have in the market when we compare them with products imported from abroad?

8. What do you propose to lessen or overcome the existing challenges?

APPNEDICES III

Interview Questions for marketing managers

1. What challenges are you facing in the market (From every angle)?
2. What are the prospects and opportunities for local pharmaceutical manufacturing in the market?
3. What should be done to lessen the challenges and expand the market coverage and dominance of local products?