Introduction

The Private Hospital segment of the Malaysian health care industry is growing rapidly and is destined to be the largest segment of the market when the privatization project of the major government hospital is completed. This study is designed to provide a better understanding of the purchasing behaviour of this rapidly growing market. In this study the theories and models of organizational markets and industrial buying behaviour will be applied.

This is because although it is sometimes suggested that there are differences between the principles of management in a hospital than in other types of institutions or business undertakings, the management of hospital is deemed to be higher in social value than business management. But on analysis there seems to be more similarities than differences between the management of a hospital and the non hospital organisation. (Grant,1973)

It is sometimes suggested for example that ethics of a non hospital organisation do not apply because of the nature of business of hospitals i.e. taking care of and healing the ill. A glance at the hospital reveals immediately that it is a structured organisation and its major profession, nursing, is at least as structured as any other organisations.

Although distinction can sometimes be made between profit oriented hospital and non-profit oriented hospitals, it is becoming more hazy as third party persons are becoming an important force in shaping hospital policy. Traditionally these third parties acted as financiers but as hospital and medical costs grow, financiers become investors and expect a return on their investment. Hospitals aim to be listed on the Kuala Lumpur Stock Exchange, for example Hospital Pantai Bhd and Kumpulan Perubatan Johor. Governments who acted as financiers decided to transfer the cost of financing health care to the general public through the privatization process, the corporatised 'Institute Jantung Negara' is a profitable organization with key specialists in the hospitals holding shares in the organization, the Melaka state government holds a stake in the new Southern Hospital in Melaka and Johore State Economic Developement Corporation owns a stake in Kumpulan Perubatan Johore. More listings of health care providers on the KLSE in the near future is expected.

In fact hospital is viewed as a competitive enterprise engaged in selling services to patients and doctors.(Tatchell, 1973). For the hospital as a whole, output is only partly determined by an exogeneous demand. It also depends on "marketing" techniques like any other organisations. Its success depends on attracting cases which might benefit from the particular service offered. Case mix in a hospital thus depends on service availability rather than the reverse (Winston,1984).

In order to provide service these hospitals are dependent on the manufacturers of medical products especially the multinationals who spend a significant portion of their earnings on research and developments of new medical products and the distribution channel.

The Malaysian Health Care Industry

Malaysians generally enjoy good health. The Ministry of Health is currently the largest provider of health care with its government run hospitals, public health promotions and education campaigns alongside routine disease prevention and control programs.

In the 1993 Ministry of Health (MOH) Annual Report, the expectancy of life was 69.1 years for males and 73.8 years for females. Generally government hospitals deaths constitute about 67.5% of the national total for medically certified death.

A total of 8,279 medical practitioners were registered with the Malaysian Medical Council (MMC) in 1993 comprising 3,810 doctors in the public sector and 4,469 doctors in the private sectors.The doctor population ratio in 1995 was estimated to be 1:2,000 while 1993 was 1:2,301 compared to 1:2,411 in 1992. Medical specialists as at 31 December 1993 was 559 (Appendix 1).

Financial appropriation for the MOH from 1991 to 1993 was on the upturned. The price to provide health care to approximately 19 million Malaysians in 1993 was RM2.5 billion. Expenditure as a percentage to National Budget increased to 5.74% while percentage to GNP declined to 1.64%. Total per capita allocation for health care increased to RM133.09 (Appendix 2).

In comparison to the rest of the developed nations in the world, health care expenditure for Malaysian public is way behind even compared to the amount spent by these developed nations 10 years ago. Then, these developed nations were spending in excess of 6% of GDP, with USA topping the list with 10.6% of GDP (Appendix 3).

Hospitals in Malaysia can be easily classified as government hospitals and private hospitals. There are a total of 120 government hospitals comprising of 16 general hospitals and the rest, district hospitals (1993 MOH Annual Report). Total bed space available is close to 30,000 beds excluding institutional beds (Appendix 4).The total admission for government hospitals in 1993 were approximately 1.4 million.

There were a total of 180 licensed private hospitals, maternity homes and nursing homes in Malaysia providing approximately 6,000 bed space in 1993 (Appendix 5).

The majority of these private hospitals, maternity/nursing homes are located in Peninsular Malaysia. These private centers account for approximately 300,000 admissions and 2.4 million outpatient attendance in 1993. The published figures of 180 private health care centers is often misleading because the actual number of private hospitals in Malaysia providing the majority of private health care services and 80% of bed space is only 22 with 20 private hospitals in Peninsular Malaysia and 2 in East Malaysia. These are private hospitals with bed space above 100 each.

The rest of the hospitals in Malaysia are non-MOH government hospitals which number 6 and contribute approximately 2,000 bed space. Non-MOH government hospitals account for approximately 80,000 admissions and 650,000 outpatient attendance in 1993 (Appendix 5).

Goods purchased by hospitals in order to provide health care can be roughly segmented into medical, pharmaceutical, diagnostic and equipment. The total Malaysia pharmaceutical market size is estimated to be RM700 million (MPTMA 1994). Over the counter (OTC) products account for 25% while the majority are ethical pharmaceutical products.

There is no official figure to account for medical and diagnostic products market size in Malaysia. However unofficial industry estimates the figure at approximately RM300 million.

The private hospitals segment of the Malaysian health care industry is growing rapidly and is destined to be the largest segment of the market when the privatization project of the major government hospitals is completed. On May 1994, United Engineers Malaysia Bhd.. (UEM) and the MOH signed a 15 years concession agreement for the privatization of the Ministry's pharmaceutical laboratories and stores (Makmal dan Stor - MUS). The concession may be extended for another 15 years, the actual reason why is not public knowledge.

The laboratories and stores are currently located in Petaling Jaya and Bukit Mertajam - procure store, distribute and deliver drugs, medical equipment and dentures to government hospitals.The laboratories manufacture about 10% of the total drugs supplied to hospitals. Presently, the government purchases from MUS about RM150 million worth of drugs annually. It is supposed to continue to regulate the safety and quality of pharmaceutical and non-pharmaceutical products manufactured and sold in Malaysia including imported medical drugs.

UEM has undertaken this project through a wholly owned subsidiary , Remedi Pharmaceutical Sdn Bhd which has a paid up capital of RM20 million. There are also plans by Remedi to manufacture generic drugs within 5 years after privatization. The company will enter into licensing agreements with foreign principals for manufacturing their drugs.

According to the then Minister of Health, Dato' Lee Kim Sai, the privatization will reduce the dependence of government hospitals on imported drugs. Seventy percent of drugs used in government and private hospitals are presently imported. The Minister also stressed that there will be no increase in charges at government hospitals following the privatization. In fact, the government saves RM7 million in salaries paid to the 377 employees who opted for employment with UEM. Under the agreement, 'taken-over' staff cannot be retrenched for a period of 5 years after privatization. Remedi Pharmaceutical is also not allowed to increase price of products to government hospitals for a period of 3 years which ends in mid 1997.

In the meantime, Remedi sources products from medical, pharmaceutical suppliers at MOH tender price limit set in 1992.Through this exercise the government hopes to establish a pharmaceutical manufacturing industry for local supply and export.

Significance of the Study

The private hospital buying behaviour will be of special interest to anyone who manufactures, markets or advertises medical products to private hospital in Malaysia. Companies selling to private hospitals in Malaysia will be able to target the right persons, spend valuable time and money with knowledge on factors which influence buyers decision. Companies can target the right persons for their kind of products. Companies can spend promotion funds effectively promoting the right factors which influences buying decision.

Organization of the Report

The study is organized into 5 chapters. The first chapter introduces the area of study by highlighting the Malaysian health care industry and presenting the objectives and significance of the study.

The second chapter discusses the theoretical concepts and some models on organizational markets and organizational buyer behaviour.

The third chapter discusses the methodology and techniques used in the collection and analysis of the survey data.

The fourth chapter discusses the analysis of the results of the survey.

Finally, the fifth chapter is a conclusion with a summary of the study, limitation of the study and suggestions for future research.