

**SELECTION OF PHYSICAL DISTRIBUTOR:  
A SURVEY OF PHARMACEUTICAL  
INDUSTRY IN MALAYSIA**

**BY**

**CHEAH TIEN KEAT  
Bachelor of Applied Science (Hons.)  
Universiti Sains Malaysia  
Penang, 1991**

**Submitted to the Faculty of  
Economics and Administration  
in partial fulfillment of  
the requirements for  
the Degree of  
MASTER OF BUSINESS ADMINISTRATION  
March, 1996**

12-06-1997  
12988

## **ABSTRACT**

A mailed survey was conducted to access the selection criteria used by international pharmaceutical companies to choose a distributor in Malaysia. 38 selection criteria were used in a mailed questionnaire. Respondents were asked to self administered a 7-points scale ranging from 1 = not important to 7 = extremely high importance. Respondents were from the member list of Malaysian Pharmaceutical Trade and Manufacturers Association (MPTMA). A total of 52 questionnaires were sent out, 31 of them replied (59.6% response rate). Mean scores were used to compared the relative importance of the selection criteria. The result found out five most important criteria out of the 38 criteria listed are:

1. Fast product delivery.
2. Distributor can covers all key customers.
3. Coverage should include key customers and every related person.
4. Distributor has appropriate warehousing facility.
5. Distributor should have good reputation.

All 38 criteria were rated high by respondents. The smallest mean score was 4.39. The implication of this study is, if a distributor want to be competitive and be attractive to foreign pharmaceutical companies, they must pay extra attention to these criteria as all of the criteria are important.

## **ACKNOWLEDGEMENTS**

I wish to express my sincere appreciation to my supervisor, Associate Professor Dr. Md. Nor عثمان for his invaluable time, guidance and helpful advice that enabled me to successfully complete this study.

I also want to express my special thanks to Puan Zaiton Jamaluddin in giving me advice and valuable information on this study.

My special thanks too to all my friends whose the list of names will be too many to be appeared on this short page in one way or another giving a helping hand to the completion of this study.

To my dearest wife, Sylvia, for giving me moral support and patients during the whole period of the study.

## TABLE OF CONTENTS

| Chapter                              | Page |
|--------------------------------------|------|
| 1. INTRODUCTION .....                | 1    |
| BACKGROUND INFORMATION .....         | 4    |
| INDUSTRY INFORMATION .....           | 6    |
| OBJECTIVE .....                      | 12   |
| 2. LITERATURE REVIEW .....           | 14   |
| 3. RESEARCH METHODOLOGY .....        | 24   |
| SELECTION OF MEASURES .....          | 24   |
| RESEARCH INSTRUMENT .....            | 30   |
| SAMPLING .....                       | 31   |
| DATA COLLECTION .....                | 32   |
| STUDY'S LIMITATION .....             | 33   |
| DATA ANALYSIS TECHNIQUES .....       | 33   |
| 4. RESEARCH RESULTS .....            | 35   |
| CHARACTERISTICS OF RESPONDENTS ..... | 35   |
| MEAN SCORE .....                     | 42   |
| 5. SUMMARY AND CONCLUSION .....      | 62   |
| OVERVIEW OF STUDY .....              | 62   |
| SUMMARY OF RESEARCH RESULTS .....    | 63   |
| IMPLICATIONS OF THE STUDY .....      | 63   |

|   |    |
|---|----|
| LIMITATIONS OF THE STUDY .....            | 64 |
| RECOMMENDATIONS FOR FUTURE RESEARCH ..... | 65 |
| BIBLIOGRAPHY .....                        | 67 |
| APPENDIXES .....                          | 69 |
| APPENDIX 1 .....                          | 70 |
| APPENDIX 2 .....                          | 77 |

## **LIST OF FIGURES**

| FIGURE   | Page |
|--|------|
| FIGURE 1 : FLOW OF PHARMACEUTICAL BUSINESS IN MALAYSIA ..... | 6    |
| FIGURE 2 : PROGRESS OF DISTRIBUTION SYSTEM .....             | 10   |

## **EXHIBIT**

EXHIBIT

Page

|   |    |
|---|----|
| EXHIBIT 1 : A CHECKLIST OF 21 QUESTIONS FOR RATING<br>PROSPECTIVE APPLICANTS FOR A<br>DISTRIBUTORSHIP ..... | 17 |
| EXHIBIT 2 : CRITERIA FOR SELECTING A CHANNEL MEMBER .....   | 19 |
| EXHIBIT 3 : CRITERIA FOR EVALUATING FOREIGN DISTRIBUTORS .....  | 22 |

## LIST OF TABLES

| TABLE  | Page |
|--|------|
| TABLE 3.1 : CHOICE CRITERIA USED IN THE SELECTION OF<br>PHYSICAL DISTRIBUTOR .....                           | 27   |
| TABLE 3.2 : COMPANIES THAT ARE EXCLUDED IN THE SAMPLING FRAME ...  | 31   |
| TABLE 4.1 : RESPONDENTS CHARACTERISTICS .....  | 35   |
| TABLE 4.2 : POPULATION MEAN SCORE AND IMPORTANCE RANKING FOR<br>EACH SELECTION CRITERIA .....                | 43   |
| TABLE 4.3 : MEAN SCORE AND IMPORTANCE RANKING FOR COMPANY<br>USING DIFFERENT NUMBER OF DISTRIBUTOR .....     | 51   |
| TABLE 4.4 : MEAN SCORE AND RANKING OF IMPORTANCE FOR COMPANY<br>WITH DIFFERENT TOTAL NUMBER OF PRODUCT ..... | 53   |
| TABLE 4.5 : MEAN SCORE AND IMPORTANCE RANKING FOR COMPANY<br>WITH DIFFERENT PRODUCT LINES .....              | 55   |
| TABLE 4.6 : MEAN SCORE AND IMPORTANCE RANKING FOR COMPANY<br>FROM DIFFERENT GEOGRAPHICAL REGION .....        | 57   |
| TABLE 4.7 : MEAN SCORE AND IMPORTANCE RANKING FOR DIFFERENT<br>TURNOVER GROUP .....                          | 59   |