

CHAPTER 3

RESEARCH METHODOLOGY

This chapter describes the methodology used in the study, the selection of measures, the research instrument design, data collection procedure and data analysis techniques used.

SELECTION OF MEASURES

A two-stage research design was used. First, on the basis of a literature review and in-depth personal interview with users of industrial distributors, namely country managers, marketing managers and product managers in few foreign pharmaceutical companies. A list of relevant choices criteria was developed. Few criteria listed by Lambert (1978) were dropped in the questionnaire due to irrelevancy to pharmaceutical business in Malaysia. Few additional information gathered through in dept interview are added to the model proposed by Lambert (1978).

Among the additional items added is launching team. One of the product manager interviewed mentioned the important of launching team. According to him, launching team is important especially in Europe and United States for launching new product. Pharmaceutical

company only need to pay for the service when launching new product. This criteria was dropped in the final development of research instrument because no distributor in Malaysia have such a launching team.

Two new criteria added in the area of sales coverage are number of branches and availability of different sales team, namely over-the-counter team and ethical team.

In the area of management, items added were distributor marketing capability and commitment to achieve sales target as suggested by Shipley et al. (1989); ability to meet sales target deadline; type of distributor management and whether the distributor is entrepreneurial.

Through the interview, profit margin given by principal to distributor was considered an important criteria, it was later add into the development of questionnaire.

One big area added is service. Both suggested by managers interviewed in stage one and suggested by Shipley and Prinja (1988). The services were later grouped by author into the following two categories :

1. Need of service

- product availability
- fast product delivery to customer
- able to give technical advice

- able to provide product maintenance and after sales service
- able to conduct product demonstration

2. Availability of service

- EDP service
- Accounting service
- Administrative service
- Product registration service

The second part, availability of service were grouped and ask as one question.

One important criteria mentioned by managers interviewed is the personal connection between distributors and customers and influential people. This item was added to the questionnaire.

Skill in negotiation; ability to conduct market research were suggested by Band (1987). These criteria were adapted and added.

Another four items were added after suggested by local managers interviewed. These items are:

1. Distributors have good credit policy and payment collection policy.
2. Principal companies should have some form of control over the marketing of products.
3. Distributors should have good market knowledge.

4. Willingness to drop competing product lines..

Based on all these items, a summary of all important criteria a principal should used in selecting a distributor is summarized in TABLE 3.1.

TABLE 3.1:

CHOICE CRITERIA USED IN THE SELECTION OF PHYSICAL DISTRIBUTOR

1. Size of Channel

- are they adequately financed
- ability to finance initial sales and subsequent growth

2. Sales Strength

- number of sales personnel
- technically competence
- launching team

3. Product Lines

- competitive (conflicting) products
- compatible
- complementary
- quality of lines carried

4. Reputation

- respect and confidence of the community

5. Market Coverage

TABLE 3.1 (CONTINUED)

- geographical coverage
- industry coverage
- number of branches
- intensity of coverage (key customers only or every related person)
- different team of coverage (OTC and ethical team)

6. Sales Performance

- performance with related products
- general sales performance
- growth prospect

7. Management

- Marketing capability and commitment to achieve sales target
- Ability to meet deadline
- Type of leadership
- be entrepreneurial

8. Advertising and Promotion

- participation in trade show/exhibition

9. Acceptance of Training Assistance

10. Inventory

11. Warehousing

- cold room

TABLE 3.1 (CONTINUED)

12. Training Programme

- product training
- sales training

13. Reasonable Profit Margin

14. Service

- Need of service
 - product availability
 - fast delivery to customer
 - technical advice
 - product maintenance/after sales service
 - product demonstration
- Availability of service
 - EDP
 - accounting
 - administrative
 - registration of products

15. Connection

- contact with key customers
- contact with influential people

TABLE 3.1 (CONTINUED)

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16. Ability to Conduct Market Research
 17. Skill in Negotiation
 18. Credit Policy/Payment Collection
 19. Level of Control
 20. Knowledge of the Market
 21. Willingness to Drop Competing Product Lines
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RESEARCH INSTRUMENT

A questionnaire was developed based on the criteria listed in TABLE 3.1. Respondents were asked to rate the importance of all selection criteria in their final choice of an industrial distributors. A 7-point scale ranging from 1 = not important to 7 = extremely high importance was used. Later, the first draft of questionnaire was tested for its clarity, appropriateness and layout on few managers from pharmaceutical companies. The final version of questionnaire was developed after receiving the feedbacks. The final version was a six pages questionnaire (APPENDIX 1). Respondents were ask to rate the relative importance for 38 questions using a seven points scale. Twelve categorical questions were asked.

SAMPLING

The sampling frame was composed of pharmaceutical organizations on the membership list of Malaysian Pharmaceutical Trade and Manufacturers Association or more commonly called MPTMA (APPENDIX 2). Because the main target sample are the principal companies and not the distributors themselves, the questionnaires were not mailed to the distributors. The distributors or agents are excluded in the sampling frame are listed in TABLE 3.2.

The principal companies registered with MPTMA is less than the actual pharmaceutical represented by distributors. This is because some of the principal companies do not have a representing office or affiliate office in Malaysia. Therefore, MPTMA member list is used in this survey as the company listed are represented by at least a country manager who can answer the questionnaire.

TABLE 3.2 : COMPANIES THAT ARE EXCLUDED IN THE SAMPLING FRAME

Antah Pharma Sdn Bhd	Boustead Trading (1985) Sdn Bhd
Cambert Malaysia Sdn Bhd	Diethelm Malaysia Sdn Bhd
FP Marketing (M) Sdn Bhd	Guthrie Malaysia Trading Corporation Sdn Bhd
Inchcape Eastern	Jebsen & Jessen Industrial Services (M) Sdn Bhd
Kontrak Manufacturing Services Sdn Bhd	Primabumi Sdn Bhd

TABLE 3.2 (CONTINUED)

Schmidt Scientific Sdn Bhd	Sime Darby Marketing Sdn Bhd
Summit Co (M) Sdn Bhd	The Boots Co (FE) Pte Ltd
United Italian Trading Malaysia	Waleta Malaysia Sdn Bhd
Zuellig Pharma Sdn Bhd	

DATA COLLECTION

The relevant data was collected using the survey method over a period of four weeks. Mailed questionnaires and self-administered method were used. A total of 52 questionnaires were sent together with a self addressed and stamped envelop. Only one questionnaire was sent to each company. All questionnaires were addressed to The General Manager of the companies. Not all 52 pieces of questionnaires were sent by mail, some were hand delivered by author due to personal contact with the respondents. Hand delivered questionnaires were later sent back to author by mail in order to maintain synonymous of the respondents. Questionnaires were received after seven days the questionnaires were sent out. Only 12 questionnaires were received. In order to increase the response rate, a one page reminder letter was sent by mail to all. After another seven days, the total questionnaires received were increased to 31 pieces. 31 questionnaires represent a 59.6% of response rate.

STUDY'S LIMITATIONS

This study sampling frame is from MPTMA member list. Not all pharmaceutical company in Malaysia are registered with MPTMA. Furthermore, there are a lot of company that do not have a representative in Malaysia. These companies only appoint a sole distributor and let all marketing and management aspects to the distributors. Therefore, the result of this study might not represent the actual view of the whole pharmaceutical industry. Furthermore, most of the local generic drugs manufacturer are not the members of MPTMA. It is more appropriate to say that the result only represent big international pharmaceutical companies which are represent at least by one person in Malaysia.

DATA ANALYSIS TECHNIQUES

Data collected were checked for clarity and completeness. Missing data were declared prior to the computer analysis. Data collected were then translated into numerical codes and stored in ASCII form in WordStar Nondocument file. All quantitative analysis of data are performed by using Statistical Package for Social Sciences Programme (SPSS/PC+) software. An overview of the summary statistics of 31 respondents was obtained through frequency counts. Missing value were declared prior to any statistical analysis. Statistical tests performed were :

Means

Means score were computed and ranked as a way to see the relative importance of each criteria.