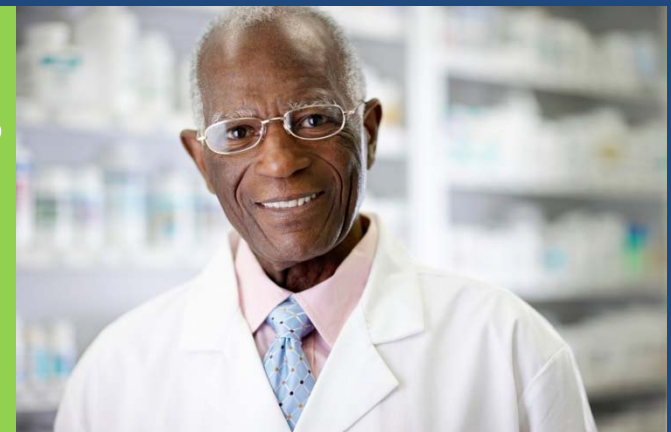




Local supply chains of medicines and medical supplies in Kenya: understanding challenges



Industrial productivity and health systems performance
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The Open University

Private distributor supply chains

- ✓ Some identified observations

Key points

- There is a fairly wide selection of distributors for both medicines (60) and medical supplies (71)
 - A number of local manufacturers also directly supply their products to facilities and outlets
- There is not much disparity between rural and urban areas in terms of private distributor penetration
- Competition amongst suppliers is rife and seen to offer a range of advantages to clients
 - Credit facilities, discounts, product range, reliability in terms of stocks, timely deliveries, flexibility/relationships etc.
- Suppliers (dealers) are thought to lengthen supply chains and there is growing interest in manufacturer-suppliers

Private distributors – availability in private facilities and outlets

- There appears to be a slight bias toward higher level facilities (hospitals) and outlets (pharmacies) for medicines
 - About 73% average availability compared to 59% in lower level facilities and drug shops
- Availability of other medical supplies is identical across facility types in the private sector and fairly high (81% average)
- Availability across different locations is comparable for both medicines and medical suppliers

Private distributors – availability in the private sector by location

Medicines in facilities

| district_name | availability | | | Total |
|-----------------------|--------------|-------|-------|--------|
| | 1 | 2 | 3 | |
| Msambweni | 185 | 29 | 62 | 276 |
| | 67.03 | 10.51 | 22.46 | 100.00 |
| Kajiado | 124 | 18 | 44 | 186 |
| | 66.67 | 9.68 | 23.66 | 100.00 |
| Kamukunji | 174 | 14 | 86 | 274 |
| | 63.50 | 5.11 | 31.39 | 100.00 |
| Muthaiga/Westlands/Ki | 182 | 13 | 58 | 253 |
| | 71.94 | 5.14 | 22.92 | 100.00 |
| Total | 665 | 74 | 250 | 989 |
| | 67.24 | 7.48 | 25.28 | 100.00 |

Private distributors – availability in the private sector by location

Other medical supplies in facilities

| district_name | availability | | | | Total |
|-----------------------|--------------|------------|-------------|-----------|---------------|
| | 1 | 2 | 3 | 4 | |
| Msambweni | 72 78.26 | 3 3.26 | 17 18.48 | 0 0.00 | 92 100.00 |
| Kajiado | 26 83.87 | 2 6.45 | 3 9.68 | 0 0.00 | 31 100.00 |
| Kamukunji | 46 85.19 | 3 5.56 | 5 9.26 | 0 0.00 | 54 100.00 |
| Muthaiga/Westlands/Ki | 69 81.18 | 4 4.71 | 10 11.76 | 2 2.35 | 85 100.00 |
| Total | 213 81.30 | 12 4.58 | 35 13.36 | 2 0.76 | 262 100.00 |

Private distributors – sources of medicines

- A total of 60 private suppliers - top 3 account for 21%
- Muthaiga/Westlands and Kajiado have high concentration in the top suppliers
 - Muthaiga/Westlands has 22 suppliers there is high concentration in the top supplier 24%
 - Kajiado has far less suppliers (11) with leading supplier accounting for 20%
- Competition is greater in Kamukunji and Msambweni (8% and 11% for top suppliers)
 - Of the 24 identified suppliers in Msambweni the top five had 41%
 - Competition amongst suppliers (24) in Kamukunji is much stiffer with 8 of the top suppliers accounting for 43%

Private distributors – sources of medical supplies

- There are more distributors (71) and much greater competition
 - The top supplier accounts for 2% (medicines 21%)
- Of the 22 identified suppliers in Msambweni the leading supplier had only 3% (11% for medicines)
- Kajiado had far less suppliers (12) but competition is stronger than in the case of medicines
 - The leading supplier accounts for 5% compared to 20% (medicines)
- Competition amongst suppliers (23) in Kamukunji is stiff
 - The top supplier accounted for 4% (8% for medicines)
- Unlike with medicines Muthaiga/Westlands competition is tight (29 suppliers)
 - The top supplier 5% (medicines top supplier 24%)

High competition amongst private distributors offers a range of benefits

- Efficient processing of orders, timely deliveries, favourable credit facilities and discounts

“... efficiency in supplying the things I ask for.”

“They do deliver on time; they are faster and I think also the pricing also they have better pricing compared to many and it’s also convenient to get from them”

“It is easy to get from them, they are delivered to us, we ring in the morning or we send a mail in the morning, by evening all of them are supplied to us also yeah, they give credit, sixty to ninety days, they give credit”

“...credit period and payment terms. Some give 30 days, others 60 days, others 90 days and others even 120 days.”

“What now matters is the discount they are giving you. There are those who will give you 15% others will give you 20% discount. So you will go to where you can maximize.

High competition amongst private distributors offers a range of benefits

- Flexibility of suppliers

“... We also really value a Supplier relationship, that is also very key because you may have a patient who requires a particular item very urgently. When you have a good relationship with the Supplier they can quickly send someone with a Motor Bike and you save the life of the patient.”

“There are suppliers you call the know, by tomorrow at nine those supplies are here even if they are from Nairobi because they use the courier services and they have contracts with them, so they just supply”

- ... and long terms relationships

“There are those with whom we have been in business for a long time and they have trusted our brand and they know that we are an organization they can grow with.”

Other advantages of competition amongst private distributors

- Options that ensure availability of stocks and stock range

“The main thing we look into when choosing the Suppliers is their reliability of supply and the reliability of the stocks. Because so many people will start supplying and then in a week’s time they stop supplying.”

“Two main things that inform me of what to source from, one I like sourcing from a reliable supplier, so, that when I ask for supplies they are there, they must be well stocked and that is why I look for people that are direct importers”

- ... and single supplier for both medicines and medical supplies

“The reason why we chose distributor X is because of the range of the products that they have. Supplier X offers a range from drugs to equipment. Unlike distributor Y who will only do the drugs. distributor X would even go a step higher to source the medicines that you want even if they don’t stock them, even if it is locally or abroad.”

Other advantages of competition amongst private distributors

- Ability to offer products of preferred manufacturers in a timely and cost competitive way

“We also look at the Manufacturer; if it is from that particular manufacturer then we look for the Supplier who has the best discount and who will supply within the time required.”

- Quality products

“But basically we normally buy directly from the manufacturers or appointed distributors. You see a Hospital is very key in terms of ensuring high quality products... It is also good to buy from reputable organizations for the safety of the patients. And that is why our organization vets all our suppliers

- Guarantee of adherence to regulation (Pharmacy and Poisons Board)

“... in the pharmaceutical business there are genuine medicines and there are those that are brought in by parallel imports. They are genuine but they are not registered in Kenya. [We only deal with suppliers who are] very strict [about regulation] and [our suppliers] just don't sell to anyone; you have to be registered by the Pharmacy and Poisons Board.”

Some identified challenges

- Occasional delays by some suppliers

“... sometimes, the companies don't live to the promise where they don't get to deliver on time

- ...and occasional stock outs

“there are quite a number of items you need to save by a dozen, [having to] buy in bulk, occasionally we run out of stock

- Distributors (dealers) lengthen supply chain - increased costs

“...if they can make the Supply chain as short as possible, get a Manufacturer to buy from direct, we would have competitive pricing... But when there are so many players at every step there is tax then the cost definitely goes up”

Summary points

- Competition amongst suppliers is seen to contribute to a stronger supply chains
 - Quality products, timely deliveries, product range, stock availability
- Price advantages and favourable credit options
- Flexibility of suppliers and long-term relationships
- Access to single source suppliers for both medicines and other medical products
- Shortening of supply chains - direct access to products from manufacturer-suppliers
- Access to products of manufacturers of choice
- No particularly striking rural and urban areas disparity
- Guaranteed adherence to regulation (Pharmacy and Poisons Board)