

UNIVERSITY OF KWAZULU-NATAL

**Competitive Strategies for Independent Pharmacies Located in the
Capricorn District of Limpopo Province**

**Motale Doreen Madigoe
Student Number: 214583250**

**A Dissertation Submitted in Partial Fulfilment of the Requirements
for the Degree of Master of Business Administration**

**Graduate School of Business & Leadership
College of Law and Management Studies**


Supervisor: Mr Alec Bozas

November 2016

Declaration

I Motale Doreen Madigoe declare that:

- The research reported in this thesis, except where otherwise indicated, is my original work.
- This thesis has not been submitted for any degree or examination at any other university.
- This thesis does not contain other persons' data, pictures, graphs or other information, unless specifically acknowledged as being sourced from other persons.
- This thesis does not contain other persons' writing, unless specifically acknowledged as being sourced from other researchers. Where other written sources have been quoted, then:
 - a) Their words have been rewritten but the general information attributed to them has been referenced;
 - b) Where their exact words have been used, their writing has been placed inside quotation marks, and referenced.
 - c) Where I have reproduced a publication of which I am author, co-author or editor, I have indicated in detail which part of the publication was actually written by myself alone and have fully referenced such publications.
 - d) This thesis does not contain text, graphics or tables copied and pasted from the internet, unless specifically acknowledged, and the source being detailed in the thesis and in the References sections.

Signed:..........

Acknowledgements

I wish to express my sincere appreciation and gratitude to the following individuals, without whose assistance, this study would not have been possible:

- All the pharmacy managers and owners who took time away from their busy schedules to participate in this research.
- My research supervisor, Mr Alec Bozas for his guidance and emphasis of relevant issues related to this research.
- The University of KwaZulu-Natal, Graduate School of Business & Leadership – Thank you to the academics and administrators, without you I would not have been able to have the expertise needed to write this dissertation. Your guidance and support is greatly appreciated.
- My employer Black IQ Pharma, especially top management - Mr Phasha and Makgatse – thank you for allowing me time off from work to focus on the MBA.
- My immediate and extended family particularly my mother Mamosegane Madigoe, siblings: Marakeng, Phasoane, Thabitha, grandparents, aunts and uncles – thank you for supporting me throughout the MBA journey.
- My colleagues – thank you for making sure that it is business as usual and work continues during my absence.
- Last but not least – to my friends, especially Kgomotso Gumbo, Nani Nkutha and Ntombenhle Khumalo - thank you for the words of encouragement during those tough times of exams and assignments.

Abstract

The change in legislation that took place in South Africa in 2003 allowed any person including legal entities to own retail pharmacies resulting in the introduction of corporate-owned retail pharmacies and supermarkets with in-store pharmacies. The purpose of the study was to determine strategies instigated by independent pharmacies located in the Capricorn District of Limpopo Province to remain competitive against corporate-owned pharmacies. The non-probability purposive sampling technique was used to select 15 independent pharmacies to participate in the study. The study population included the pharmacy owner or responsible pharmacist. The participants signed a consent form before the interviews commenced. The 15 study participants were interviewed face-to-face, individually not as part of a group using a semi-structured data collection tool. The collected data was analysed using hand coding by developing themes and sub-themes from the participants responses. The average age of the participants was 41.4 years (range from 28 to 68 years). The average number of years that the pharmacy was in existence was 14.2 years (range from 01 to 43 years). The majority (80%) were males, (73%) of the independent pharmacies were located within one kilometre from another independent pharmacy and nearly half (47%) were located both less than one kilometre and more than 10 kilometres from a corporate-owned pharmacy. With regard to the competitive strategies used, the study results revealed that majority of the participants used a combination of strategies. Four themes were identified namely, pricing, personalised service, marketing and front shop strategy. Themes that were identified as part of external factors that affected future sustainability of their business included government price regulations, medical schemes network status, clients working hours and cost of dispensing program. The following themes were identified as part of internal factors that affected future sustainability of their business: quality of service rendered to clients, location of the business and staff knowledge of front shop items. The main recommendation of the study is for the independent pharmacy owners to consider the cost of products however shift from being focused on products to client-centricity through implementation of strategies that encourage operating in uncontested markets with limited or no competition with corporate-owned pharmacies.

Table of Contents

Declaration	i
Acknowledgements	ii
Abstract	iii
Table of Contents	iv
List of Figures	x
List of Tables.....	xi
List of Acronyms and Abbreviations	xii
Glossary of Key Concepts.....	xiii
CHAPTER ONE: INTRODUCTION TO THE RESEARCH	1
1.1 Introduction.....	1
1.2 Motivation and Significance of the Study.....	1
1.3 Focus of the Study.....	2
1.4 Research Questions	2
1.5 Research Approach and Methodology	2
1.6 Problem Statement	3
1.7 Purpose of the Research	4
1.8 Objectives of the Study	4
1.9 Study Limitations	4
1.10 The Role of a Pharmacist from a Global Perspective	4
1.11 The Role of a Pharmacist in Developing Countries.....	5
1.12 Stakeholders that Influence the Retail Pharmacy Business	5
1.12.1 Patients as Consumers.....	5
1.12.2 Medical Doctors as Stakeholders	6
1.12.3 Medical Schemes	6
1.13 The New Media as Stakeholders.....	7
1.14 Government Intervention	7

1.15 Chapter Outline	8
1.16 Summary	9

CHAPTER TWO: REVIEW OF LITERATURE OF THE FACTORS AFFECTING THE SOUTH AFRICAN INDEPENDENT PHARMACIES 10

2.1 Introduction	10
2.2 External Factors Affecting Independent Pharmacies in South Africa	10
2.2.1 Political Factors.....	11
2.2.1.1 Council for Medical Schemes and Designated Service Providers	13
2.2.2 Economical Factors Affecting Independent Pharmacies in South Africa.....	13
2.2.3 Social Factors Affecting the Independent Pharmacies.....	14
2.2.4 Technology and the Independent Pharmacies	14
2.2.4.1 The Power of the Internet.....	15
2.2.4.2 Automated Dispensing	15
2.2.4.3 Mobile Technology	15
2.3 Immediate Industry and Competitive Environment	16
2.3.1 Porter’s Five Forces Model for South African Retail Pharmacies.....	17
2.3.1.1 Power of Suppliers	17
2.3.1.2 Power of Buyers	19
2.3.1.3 Threat of new entrants.....	19
2.3.1.4 Threats of Substitutes	19
2.3.1.5 Industry Rivalry	19
2.4 Internal factors that affect the South African Independent Pharmacies.....	20
2.4.1 SWOT Analysis of Independent Pharmacies in South Africa	20
2.4.1.1 Strengths.....	20
2.4.1.2 Weaknesses	21
2.4.1.3 Opportunities.....	21
2.4.1.4 Threats.....	22
2.5 Competitive Strategies	22

2.5.1 Porter’s Generic Competitive Strategies	22
2.5.1.1 Cost Leadership Strategy	23
2.5.1.2 Differentiation Strategy.....	24
2.5.1.3 Focus Strategy	24
2.5.1.4 Best-cost Strategy.....	25
2.6 Blue Ocean Competitive Strategy	25
2.7 Small Retailers Competitive Behaviour.....	27
2.8 Obstacles to implementation of Competitive Strategies by Small Retailers.....	29
2.9 Barriers to Future Sustainability of Independent Retail Pharmacies	29
2.9.1 Regulatory	29
2.9.2 Technological	29
2.9.3 Self-Imposed	30
2.10 Benefits and Drawbacks of Chain Retail Pharmacies.....	30
2.11 Summary	31
CHAPTER THREE: RESEARCH METHODOLOGY	32
3.1 Introduction.....	32
3.2 Participants and Location of the Study	32
3.3 Sampling Techniques and Sample Size	32
3.4 Demographic Information of the Study Participants	33
3.5 Research Design and Method.....	35
3.6 Construction of the Research Instrument.....	36
3.7 Data Collection Strategies.....	37
3.8 Data Analysis	37
3.9 Validity and Reliability of findings.....	38
3.10 Ethical Reflections	39
3.11 Summary	39
CHAPTER FOUR: PRESENTATION OF RESULTS	40
4.1 Introduction.....	40

4.2 Objective 1: Strategies Instigated Against Corporate-owned pharmacies	40
4.2.1 Theme 1: Differentiated (Personalised Service) Strategy	40
4.2.1.1 Sub-theme 1.1: Building Relationships.....	41
4.2.1.2 Sub-theme 1.2: Provision of Medical Information:	42
4.2.2 Theme 2: Marketing Strategy.....	42
4.2.2.1 Sub-theme 2.1: Advertising Media	42
4.2.2.2 Sub-theme 2.2: In-Store Promotions.....	42
4.2.2.3 Sub-theme 2.3: Printing Hand-Outs	43
4.2.3 Theme 3: Cost (Pricing) Strategy.....	43
4.2.4 Theme 4: Focus Strategy.....	44
4.2.4.1 Sub-theme 4.1: Front Shop	44
4.3 Objective 2: Sustainability of the Competitive Strategies for Competitiveness	44
4.3.1 Theme: Quality Service.....	45
4.3.1.1 Sub-theme: Customer Satisfaction.....	45
4.3.1.2 Sub-theme: Staff Training.....	46
4.3.2 Theme: Technology	46
4.3.2.1 Sub-theme: Communication with Clients	46
4.3.2.2 Sub-theme: Inventory Management.....	47
4.3.3 Theme: Collaboration Strategy	47
4.3.3.1 Sub-theme: Medical Schemes Network Status:	47
4.3.3.2 Sub-theme: Pharmaceutical Wholesalers	48
4.3.3.3 Sub-theme: Other Health Professionals	49
4.3.3.4 Sub-theme: Government	49
4.3.4 Theme: Location	50
4.3.4.1 Sub-theme: Malls	50
4.4 External and Internal Factors Affecting Future Sustainability of the Independent Pharmacy	50
4.4.1 External Factors	51
4.4.1.1 Political	51
4.4.1.2 Economic.....	52

4.4.1.3 Social.....	53
4.4.1.4 Technological.....	53
4.4.2 Internal Factors.....	53
4.4.2.1 Staff Friendliness	53
4.4.2.2 Staff Knowledge.....	54
4.4.2.3 Trading Hours	54
4.4.2.4 Location of Pharmacy	54
4.4.2.5 Relationship between Pharmacy Owner or Manager and Staff	55
4.4.2.6 Relationship between Pharmacy Staff and Local Doctors	55
4.5 Summary	55
CHAPTER FIVE: DISCUSSION OF FINDINGS	56
5.1 Introduction.....	56
5.2 Objective 1	56
5.2.1 Personalised Service Strategy	57
5.2.1.1 Obstacles to Implementation of Personalised Service Strategy	57
5.2.2 Pricing Strategy.....	58
5.2.2.1 Obstacles to Pricing Strategy	58
5.2.3 Focus Strategy.....	58
5.2.3.1 Obstacles to Focus Strategy	59
5.3 Objective 2	59
5.4 Summary	63
CHAPTER SIX: CONCLUSION AND RECOMMENDATIONS	64
6.1 Introduction.....	64
6.2 Conclusion and Recommendations	64
6.2.1 Objective 1	64
6.2.1.1 Conclusion.....	65
6.2.1.2 Recommendations	65

6.2.2 Objective 2	65
6.2.2.1 Conclusion.....	66
6.2.2.2 Recommendations	66
6.2.3 Objective 3	67
6.2.3.1 Conclusion.....	67
6.2.3.2 Recommendations	68
6.3 Recommendations for Future Research	68
6.4 Concluding Remarks	68
References	70
APPENDICES.....	75
Appendix 1: Letter of Introduction	75
Appendix 2: Informed Consent Form	76
Appendix 3: Data Collection Form	77
Appendix 4: Ethical Clearance Form	78

List of Figures

Number	Description	Page
Figure 2. 1	Constituents of a Business Macro Environment.....	10
Figure 2. 2	Porter’s Five Competitive Forces	16
Figure 2. 3	Porter’s Five Forces Model for South African Retail Pharmacies	18
Figure 2. 4	Porter’s Generic Competitive Strategies	23
Figure 3. 1	Gender Distribution of the Respondents.....	33
Figure 3. 2	Distance from Another Independent Pharmacy.....	34
Figure 3. 3	Distance from Corporate-owned Pharmacy.....	34
Figure 3. 4	Qualitative Data Analysis Steps	38

List of Tables

Number	Description	Page
Table 2. 1	Legislation Affecting South African Retail Pharmacies.....	11
Table 2. 2	Ownership of South African Retail Pharmacies	12
Table 2. 3	Dispensing Fee Calculation for Pharmacists in South Africa.....	13
Table 2. 4	Limitations of the Five Force Model	20
Table 2. 5	Pitfalls of Porter’s Generic Competitive Strategies.	26
Table 2. 6	Red Ocean versus Blue Ocean Strategies	26
Table 2. 7	Competitive Strategies for Small Retailers	28
Table 2. 8	Advantages and Disadvantages of Chain Retail Pharmacies.....	30
Table 3. 1	Qualitative Data Collection Option Types and Limitations.....	35
Table 3. 2	Construction of the Data Collection Tool	36
Table 4. 1	Strategies Instigated Against Corporate-owned Pharmacies	41
Table 4. 2	Sustainability of the Competitive Strategies for Competitiveness.....	45
Table 4. 3	Internal and External Factors for Sustainability of Independent Pharmacies	51

List of Acronyms and Abbreviations

ACA	Affordable Care Act
CMS	Council for Medical Schemes
CPI	Consumer Price Index
DSP	Designated Service Provider
MCC	Medicines Control Council
NDP	National Drug Policy
NHI	National Health Insurance
NHS	National Health Service
OOP	Object Oriented Programming
PEST	Political Economic Social Technological
PIT	Pharmacist Initiated Therapy
RSA	Republic of South Africa
SAPC	South African Pharmacy Council
SARB	South African Reserve Bank
SEP	Single Exit Price
SWOT	Strengths Weaknesses Opportunities Threats
UK	United Kingdom
USA	United States of America
WHO	World Health Organisation

Glossary of Key Concepts

The following terms are clarified:

Chronic Medication

Medication necessary for an individual with a life-threatening condition, to be taken on an ongoing basis in order to maintain and even improve quality of life.

Corporate-owned Pharmacies

Pharmacies owned by large public or private companies, such as supermarket stores with in-store dispensaries and or mass market chains with a retail pharmacy business.

Designated Service Provider

A chosen healthcare provider that is preferred by a medical scheme as is its first choice when members need diagnosis, treatment or care for a condition at a cost that does not necessitate an additional amount payable by the client at the point of service or purchase.

Dispensing Fee

A fee added to a medicine in addition to the Single Exit Price to make provision for the pharmacy cost of providing the client with care.

Generic Medication

Medicine introduced into the market to be similar as medication that has already been registered and encompasses the same active ingredient(s) and is utilised at the same dose(s) to treat the same condition(s) as the reference medicine.

Independent Pharmacy

A private retail pharmacy that is pharmacist-owned and not directly associated with or owned by a public company.

Medicines and Related Substances Act

Medicines and Related Substances Act No. 101 of 1965

National Health Insurance

Health insurance that covers residents of a country for healthcare costs and is introduced as a program of health transformation.

Pharmacy Act

The South African Pharmacy Act No.53 of 1974

Retail Pharmacy

A pharmacy that sells medications to clients and is not government-owned.

Self-Medication

Medication sold from the pharmacy to clients without a prescription from a doctor.

Small Business

A business that is independently owned, operated, restricted in size and income depending on the sector it operates in.

CHAPTER ONE: INTRODUCTION TO THE RESEARCH

1.1 Introduction

Lowe and Montagu (2009) reported that in South Africa, prior to 2003 when the changes to the Pharmacy Act were ratified, only pharmacists were allowed to own a retail pharmacy. Wessels and Luiz (2003) reported that throughout the 1990s the number of retail pharmacies decreased expressively due to changing demographics, increased competition and declining margins. This was based on the growth in discount pharmacies that established into chains to accelerate their buying power. Numerous smaller retail pharmacies were forced to close due to this pressure.

Following the change in legislation that took place in 2003 any person including legal entities could own a pharmacy. This resulted in corporate-owned pharmacy chains entering the market including supermarket retailers with in-store dispensaries (Lowe and Montagu, 2009). In addition, introduction of a Single Exit Price (SEP) by pharmaceutical production companies to wholesalers happened prohibiting discounts (Adams, 2011). Lowe and Montagu (2003) reported that the change in legislation to allow non-pharmacists to own retail pharmacies added pressure to the small retail pharmacies that were already struggling.

1.2 Motivation and Significance of the Study

This study contribution is towards providing an understanding of the competitive strategies currently instigated by independent pharmacies located in the Capricorn District of Limpopo Province. The study contribution is to inspire these pharmacists to join their colleagues in an effort to improve the current strategies and come up with innovative ways to remain in business and compete with corporate-owned pharmacies.

This study contribution is also towards the benefit of customers, physicians, medical schemes, investors and other related stakeholders by providing an in-depth knowledge of the internal and external factors affecting the sustainability of independent pharmacy business. These

factors include strategies and recommendations to address them to ensure long-term business relations.

1.3 Focus of the Study

The study is focused on the competitive strategies currently instigated by the independent pharmacies located in the Capricorn District of Limpopo Province. The primary data was not collected from pharmacies that are located outside the borders of the Capricorn District of Limpopo Province. Independent pharmacies that operated as small businesses with a total number of paid employees less than 50 were included as part of the study population.

1.4 Research Questions

The major question of the study is to find out:

What strategies do independent pharmacies located in the Capricorn district of Limpopo Province instigate in order to remain competitive against corporate-owned pharmacies?

The secondary questions to be answered included the following:

- Do independent pharmacies located in the Capricorn district of Limpopo province currently have sustainable competitive strategies to compete against corporate-owned pharmacies?
- How can the current competitive strategies instigated by the independent pharmacies located in the Capricorn District of Limpopo Province be improved to ensure future competitiveness against corporate-owned pharmacies?

1.5 Research Approach and Methodology

Prior related research on independent retail pharmacies in South Africa was done by Adams (2011), Pampel (2013) and Solomons (2014). This study is an addition to their work however data was collected at a different location. This was accomplished by using a qualitative and descriptive study design. Pharmacy owners or responsible pharmacists were questioned as part

of primary data collection using a tool designed specifically for this study. The data gathering tool consisted of semi-structured questions used as a guide during interviews.

1.6 Problem Statement

The South African Pharmacy Council (2016) reported the total number of registered community pharmacies as 3182. This figure shows an increase compared to 2 693 as reported in 2003 prior to the change in legislation to allow non-pharmacists to open retail pharmacies (Wessels and Luiz, 2003, p.615). However the Clicks Group, a retail-led corporation listed on the Johannesburg Stock Exchange Limited since 1996 with over 650 stores across Southern Africa have the largest retail pharmacy chain with over 360 in-store pharmacies contributing to about 73.62% of the growth in the total number of retail pharmacies from the reported 2003 data compared to 2016 statistics (Clicks Group, 2016).

Dis-chem, the second largest pharmacy group in South Africa publicised in June 2008 that it was planning to increase the number of stores through franchising not limited to ownership by pharmacists but open to retailers in acknowledgment of the fact that the bulk of revenues from its operations are resulting from retail not the pharmacy sales (Lowe and Montagu, 2009, p.40). Magwaza (2014) reported that Dis-chem opened more than 50 stores in South Africa as compared to the 11 stores the retailer had in 2009. A number of other grocery and general retail chains such as Pick n Pay and Shoprite have also opened in-store retail pharmacies. In the first four years after ownership deregulation the total number of pharmacies in South Africa increased by 15%.

The problem is that for pharmacists to be able to participate in this retail pharmacy market and continue to be justifiable as both health professionals and business individuals, they need to apply strategies that permit competition with corporate-owned pharmacies. Based on the above, this research was conducted to see how the independent pharmacists located in the Capricorn District of Limpopo Province instigated strategies to survive, remain in business and avoid business closure.

1.7 Purpose of the Research

The aim of the study was to determine strategies instigated and/or used by independent pharmacies located in the Capricorn District of Limpopo Province to stay competitive against corporate-owned pharmacies.

1.8 Objectives of the Study

- To evaluate competitive strategies instigated by independent pharmacies located in the Capricorn District of Limpopo Province against corporate-owned pharmacies.
- To establish whether the competitive strategies instigated by independent pharmacies located in the Capricorn District of Limpopo Province are sustainable for future competitiveness against corporate-owned pharmacies.
- To recommend improvements to the existing competitive strategies utilized by independent pharmacies located in the Capricorn District of Limpopo Province to enhance competitiveness against corporate-owned pharmacies.

1.9 Study Limitations

The study was done with the following restrictions:

- Only small retailers that were operating as independent pharmacies were included in the study.
- Due to time and budget constraints, a sample of 15 independent pharmacies was selected to be part of the study using the non-probability purposive sampling technique.

1.10 The Role of a Pharmacist from a Global Perspective

Azhar, Hassali, Ibrahim, Ahmad, Masood and Shafie (2009) stated that according to the World Health Organization, the next generation of pharmacists should know the responsibility that is allocated to them and use it to promote the health of the general public with a recommended

ratio of 1 pharmacist per 2000 individuals for the delivery of adequate health care service. In other parts of the world pharmacists responsibilities are different from the traditional role of dispensing medicines as these health professionals are focused on policy implementation and they provide an advisory role. According to the finance, audit and risk management firm Deloitte (2016) “Global health care outlook Battling costs while improving care” the global trend in healthcare is a shift from a provider, operational centered approach to a multidisciplinary, disease and client-centric approach. This includes a move from department and individual speciality-driven organisations towards team orientation care delivery that involves multiple specialties.

1.11 The Role of a Pharmacist in Developing Countries

The responsibilities of a pharmacist in the developing nations differ significantly to the developed world. It can be observed that the main problem facing developing countries is the lack of qualified pharmacists. In countries like South Africa, based on the lack of sufficient pharmacists their role has been transferred to other health professionals. For example the dispensing function is done by other health professionals both in the public and private sector. The 2006 information revealed a ratio of 1:6207, pharmacists to the general public in Malaysia. This was far from the recommendation by the World Health Organization (Azhar, et al., 2009).

1.12 Stakeholders that Influence the Retail Pharmacy Business

The independent pharmacy business forms part of a unique and exceptional market as compared to others through the health and wellness promotion concurrently creating revenues that fulfil desires of the proprietors including investors (Kessel, 2014).

1.12.1 Patients as Consumers

The current consumer is more knowledgeable as compared to clients of the past who received what they were offered in terms of healthcare. Today the clients make demands because they have an idea of what is going on in the world they live in through the introduction of the

internet and social media. People empower themselves with knowledge. Upon arrival at the health professional to seek help they already have an understanding of what to expect. If they don't get what is expected, the information acquired through the internet or other mediums would guide them to seek a second opinion including a third if necessary. Therefore the health system has evolved making the professionals and the industry as a whole to perform under pressure because it is after all still a business that needs to be sustained just like any other private firm through profit generation. However, when dealing with people's lives it becomes difficult to act like other business people which essentially creates a dilemma in this type of market for long-term sustainability (Kessel, 2014).

1.12.2 Medical Doctors as Stakeholders

The doctor's relationship with the pharmaceutical sector date back to many years ago when their practice started to be influenced by some players in the market that used questionable tactics to increase sales. These campaigns by drug manufacturers included buying doctors loyalty through offering them perverse incentives to prescribe their products. In turn this made the general public to question the integrity of the doctors and in some countries rules were made against such behaviour by pharmaceutical firms. However, by the time that these organisations receive fines and the perverse incentives were stopped it was too late because the damage had already been done. In the eyes of the public a judgement was made with regards to the extent that pharmaceutical companies, even giants would go to promote their products. Amounting to the result of this current relationship of doubtfulness between the general public, doctors and the pharmaceutical industry (Kessel, 2014).

1.12.3 Medical Schemes

Pampel (2013) reported that medical schemes are non-profit organisations that represent health patients by offering financial medical assistance by undertaking liability in return for a premium or contribution. According to the Medical Schemes Act there is an agreement between the member and a certain scheme. The arrangement between these two parties permits a member to pay a monthly contribution towards the scheme in exchange of products and

services being paid to a health professional should the need arise. These schemes play an important role to the service provider for example an independent pharmacy because the member is provided a service and the medical scheme pays at a later stage. This affects profit generation for the independent pharmacies because of the lead time between the provision of service or products and claims being settled by the scheme. During this time the product is out of the pharmacy so the pharmacist cash flow is affected by how long the scheme takes to pay. The Council for Medical Schemes (2016) reported that there are about 87 medical aid companies in South Africa containing 8 776 279 beneficiaries with a total yearly contribution flow of approximately R129.8 billion. According to Statistics South Africa (2011) the total population was 51 770 560 translating into a significant amount of people that depend on the government for healthcare financing.

1.13 The New Media as Stakeholders

The trend by savvy clients is that before consultation with a health professional, a possible solution to their medical condition is pursued through the internet. Then these clients arrive at the pharmacy or doctors practise already informed or in some other cases misinformed because anyone can post information about anything on the internet with no scientific justification. Upon arrival at the pharmacy these clients already have a preconceived idea of the type of treatment they need then select the self-medication option (Kessel, 2014).

1.14 Government Intervention

Pretorius (2011) explained that price controls for medicines in private sector market is regulated by the Department of Health of South Africa. The Single Exit Price (SEP) or Price Ceiling is the selling price from the pharmaceutical manufacturer to the wholesaler that includes the logistics fee that is capped at a specific percentage which is not regulated. The retail pharmacist price of scheduled medicines is also regulated through the dispensing fee model by the government. A regulated dispensing fee is added to the SEP to determine the selling price to the patient.

1.15 Chapter Outline

Chapter 1

This chapter covered the background of the study including an introduction, motivation, focus, problem statement, main research question and study sub-questions. The study purpose was also explained as well as the objectives, benefits and limitations of the research. The design of the study was also described. Various stakeholders that affect the retail pharmacy sector were defined. This chapter concludes with an outline of the different chapters.

Chapter 2

This chapter includes a literature review on the external and internal factors affecting the South African Independent Pharmacies including immediate industry and competitive environment analysis. A PEST analysis was used to analyse the Political, Economic, Social and Technological factors affecting independent pharmacies. A SWOT analysis further analyses the strengths and weaknesses of these independent pharmacies as well as the opportunities and threats they encounter. Competitive strategies were described as well as the limitations of these strategies. The chapter concludes with exploring possible barriers to future sustainability of independent pharmacies.

Chapter 3

The research design and methodology was described. It mentions the research population, method of selecting the sample as well as the demographic information of the study participants. The chapter also highlights the format of the interview and aids that were used (e.g. interview guide). Further to this, the data collection and analysis process are presented. Lastly validity, reliability and ethical considerations are presented in this chapter.

Chapter 4

Research findings are presented including data analysis. Key findings, related to the research questions, are provided.

Chapter 5

The discussion of the main findings obtained from the interviews was done in this chapter.

Chapter 6

This chapter provides conclusion and recommendations to the study including recommendations for future studies.

1.16 Summary

The history of changes that took place to the current environment in which independent pharmacies are operating was delivered in this chapter. The research introduction including the motivation, focus, problem statement, aim, objectives, research questions and study limitations were described. The next chapter contains a comprehensive literature review on previous studies that were conducted on similar and or related studies taking into consideration research that was conducted in areas not covered through the primary data collection for this study.

CHAPTER TWO: REVIEW OF LITERATURE OF THE FACTORS AFFECTING THE SOUTH AFRICAN INDEPENDENT PHARMACIES

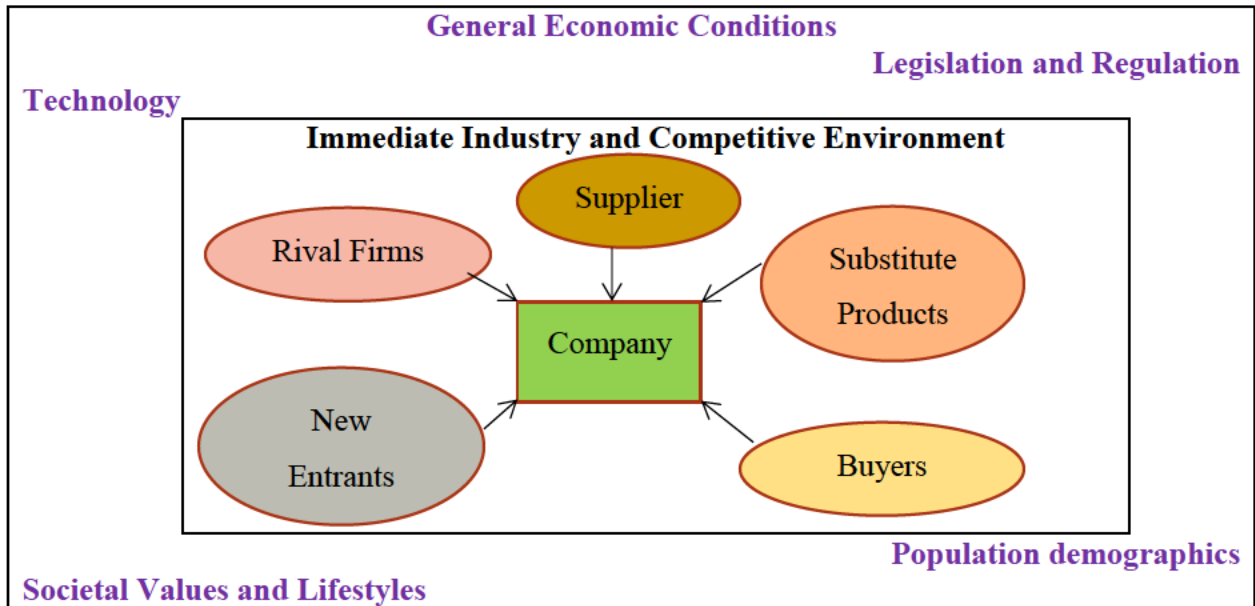
2.1 Introduction

The literature review chapter is focused on a review of data related to the research objectives. The chapter begins with an analysis of the external and internal factors that affect retail pharmacies including the immediate and competitive environment where these businesses operate. Various competitive strategies that independently owned retail pharmacies instigate in order to compete with corporate-owned pharmacies are described as well as barriers to future sustainability of independent pharmacies.

2.2 External Factors Affecting Independent Pharmacies in South Africa

Hough, Thompson, Strickland and Gamble (2011, p.57) explain that all businesses operate in a “macro environment” illustrated by figure 2.1 below which include all the important factors affecting decisions regarding their direction, objectives, strategy and business model.

Figure 2. 1 Constituents of a Business Macro Environment



Source: Hough et al., 2011, p.57

Kotler (1998) as cited by Abdullah and Shamsheer (2011) argued that PEST analysis is a valuable strategic tool for understanding market development, deteriorating corporate position, potential and guidelines for operations. PEST (Political, Economic, Social and Technological) analysis can be used as an addition for SWOT (Strengths, Weaknesses, Opportunities and Threats), which is useful in organisations during evaluation of the strategic direction. This is consistent with the description by Hough et al. (2011, p.57) that the macro environment that all businesses operate in included “population demographics; societal values and lifestyle; technological factors; government legislation and regulation”.

2.2.1 Political Factors

Lowe and Montagu (2009) documented the rules and regulations governing the retail pharmacy practice in South Africa as demonstrated below on Table 2.1 and 2.2.

Table 2. 1 Legislation Affecting South African Retail Pharmacies

Ownership / Practice Legislation	Pharmacy Registration / Licensing	Pharmaceutical sales/ Prescription Legislation
Pharmacy Act	Department of Health (Licensing), South African Pharmacy Council (Recording)	National Drug Policy, Medicines and Related Substances Control Act

Source: Adapted from Lowe and Montagu, “Legislation, regulation, and consolidation in the retail pharmacy sector in low-income countries” *Southern Med Review*, 2009, vol. 2, issue 2, p. 35-44.

Lowe and Montagu (2009) reported that out of 12 countries reviewed in their study on legislation, regulation, and consolidation in the retail pharmacy sector in low-income countries, very little had corporate-owned pharmacies with the exception of South Africa and India. In South Africa, the growth in the corporate-owned pharmacies increased based on the

legislative change that took place in 2003 to allow non-pharmacists including legal entities to own a pharmacy as seen above on Table 2.1 and below on Table 2.2.

In India, an increase was due to the explosive growth in retail sector that took place in 2000 and the open-minded analysis of rules on pharmacy licencing, however since 2004 pharmacy chains and outlets in general trade suppliers increased (Lowe and Montagu, 2009).

Table 2. 2 Ownership of South African Retail Pharmacies

Who can own	Constraints	Credentials
Any person and Body Corporates	Registered pharmacies must have a registered pharmacist in all stores	Bachelor of Pharmacy (4years), 12 months practical training at an approved provider, twelve months community service in a government institution

Source: Adapted from Lowe and Montagu, “Legislation, regulation, and consolidation in the retail pharmacy sector in low-income countries” *Southern Med Review*, 2009, vol. 2, issue 2, p. 35-44.

Retail costs for most pharmaceuticals in India are set by the government. Based on this, competition by corporate-owned pharmacies has successfully emphasised discounts including delivery (Lowe and Montagu, 2009).

According to the Republic of South Africa Government Gazette No. 39658, published on the 5th February 2016, p.4, dispensing fee as outlined below (Table 2.3) is exclusive of Value Added Tax (VAT), symbolises the maximum fee and does not prohibit pharmacists from charging a lower dispensing fee to be added to the SEP of the medicine or scheduled substance thus bringing about lower final price to be paid by the client. In South Africa, Table 2.3 below outlines the maximum dispensing fee charged by the pharmacists.

Table 2. 3 Dispensing Fee Calculation for Pharmacists in South Africa

Single Exit Price (Rands)	Maximum dispensing fee (Rands)
Less than R90.00	R7.65 plus 46% of the Single Exit Price (SEP)
$R90.00 \leq R240.06$	R19.50 plus 33% of the SEP
$R240.06 \leq R840.23$	R64.80 plus 15% of the SEP
$\geq R840.23$	R154.00 plus 05% of the SEP

Source: Adapted from the Republic of South Africa Government Gazette No. 39658, Vol. 608, 5 February 2016, p. 3-4.

2.2.1.1 Council for Medical Schemes and Designated Service Providers

The Council for Medical Schemes (2016) reported that provisions are made for a medical scheme to select a designated service provider (DSP) for their clients to provide treatments for prescribed minimum benefit (PMB's) conditions. It is the responsibility of the medical scheme to inform the member of the chosen DSP. If the member does not use the DSP selected by the scheme then the member will be liable for the cost or part of the cost in a form of a co-payment however if the scheme does not select a DSP then the member can utilize any service provider and the scheme has to pay in full.

2.2.2 Economical Factors Affecting Independent Pharmacies in South Africa

Abdullah and Shamsheer (2011) explained that the number of years that a person stays alive is related to the amount of money they can spend on healthy food and the affordability of medicines. Cheaper foods tend to be unhealthy and if a person is poor they would also be reluctant to spend their limited resources on costly medicines. According to Statistics South Africa (2016), unemployment rate increased in the first quarter of 2016 to 26.7 %. The Annual Consumer Price Index (CPI) was 6.1% in May 2016, decreased from 6.2% in April 2016. The

CPI decreased by 0.1% month-on-month in May 2016. The repo rate on the 24 June 2016 was reported to be 7% (South African Reserve Bank, 2016). This means that the prime lending rates by the banks was 10.5%.

Abdullah and Shamsher (2009) explained that a change in inflation rate may result in a changes in interest rates because creditors are aware that high inflation will wear down the value of money during the term of the loan so the outcome is increased interest rate to pay for the forfeiture. This actually puts consumers under more pressure because the cost of a loan becomes high and decrease the money in their pockets to pay for other goods and services including medicines.

2.2.3 Social Factors Affecting the Independent Pharmacies

According to Statistics South Africa (2011) the total population in South Africa was 51 770 560. According to Abdullah and Shamsher (2009) a growing population is one of the favourable factors for the independent pharmacies because it signifies a growing need for medicines. As people become educated, opportunities to live a better life becomes available because they can afford a certain lifestyle which decreases the dependency as can be seen in the rural population dependency on the government for medicines.

2.2.4 Technology and the Independent Pharmacies

Goundrey-Smith (2014) explained that pharmacists depend heavily on technology to support them with difficult activities. It is noted that pharmacists are currently utilising information technology (IT) to assist with their everyday duties for example all pharmacies use the pharmacy management systems for medicine proceedings, dispensing, marking, ordering and inventory control. However, most pharmacists do not use all of the existing features of their system. For example, modules to handle client-centred services such as pharmaceutical utilisation reviews or medicine interventions (Goundrey-Smith, 2014).

Pampel (2013) argued that the use of technology can assist the pharmacy manager to manage stock according to trends in demand. Tracking of quantities needed on a daily basis avoids stock shortages that may affect sales due to lack of inventory on the shelf. Technology can also assist in tracking stock expiry dates during receiving to ensure that the stock that is short dated is either returned to the wholesaler or used first.

2.2.4.1 The Power of the Internet

The internet has turned out to be extensively embraced for commercial and public communications. In the future, as internet use becomes world-wide, there may be a rise in the quantity of internet pharmacies and use to show and distribute data on pharmaceuticals and well-being (Goundrey-Smith, 2014).

2.2.4.2 Automated Dispensing

Computers have been utilised in logistics and dissemination of medicines for numerous years. The utilisation of robots in independent pharmacies in the United Kingdom is currently limited. However, robots have the prospective to handle increased quantities of dispensing in independent pharmacy to improve and provide client-centred services. The use of automated ward cabinets is the subsequent level of computerisation in hospitals. These have revealed advantages such as decreased dispensing errors, reduced quantity of missed doses, supply delays, stock-outs, decline in stock holding and waste. However, installation of these resources proved to be costly based on the implementation development project and major transformation in practice for pharmacists and nurses (Goundrey-Smith, 2014).

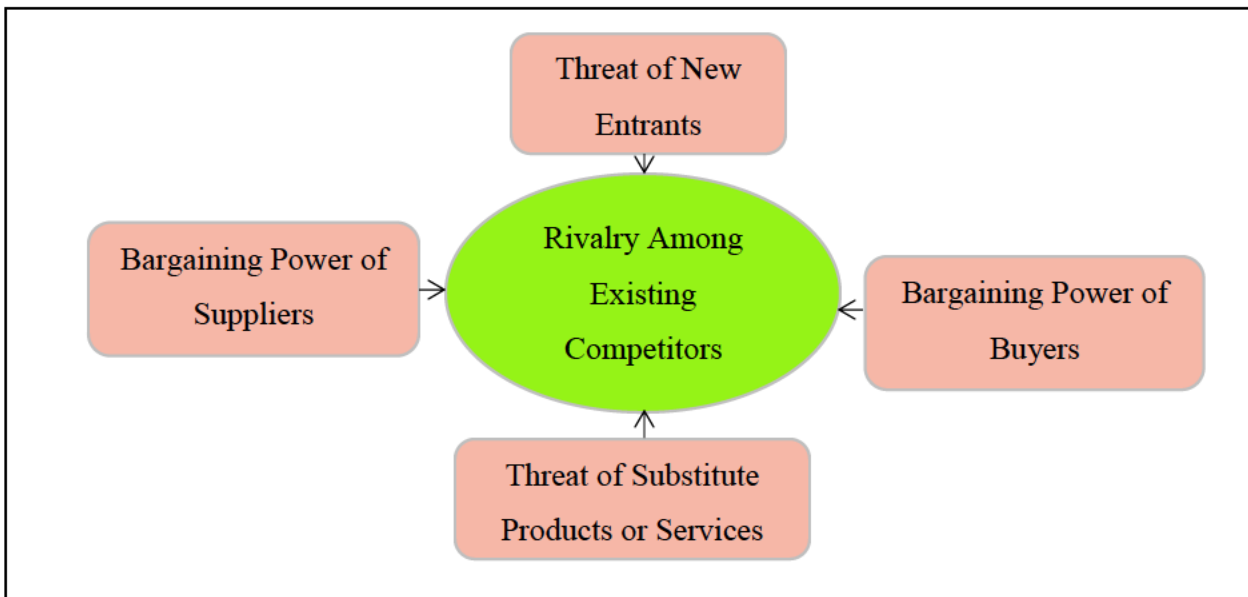
2.2.4.3 Mobile Technology

The use of mobile telephones is prevalent worldwide. Some pharmacists use text messaging to remind clients that repeat medications are ready for collection but refined apps have been developed for dispense checking for example medicine adherence care and health instructions. These apps have been reported to possess the ability to constitute a significant impact on pharmacy in the future (Goundrey-Smith, 2014).

2.3 Immediate Industry and Competitive Environment

Hough et al. (2011, p.58) reported that issues and powers in a company's macro environment mainly involving strategy-shaping impact typically include the company's immediate trade and competitive setting. These consist of the competitive pressure, actions of rival businesses, buyer behaviour and supplier related issues which is consistent with Porter's five forces as showed by figure 2.2 below.

Figure 2. 2 Porter's Five Competitive Forces



Source: Adapted from Michael E. Porter, "The Five Competitive Forces that Shape Strategy" *Harvard Business Review* January 2008, p. 27.

Dalken (2014, p.2) explained that the above structure (Figure 2.2) categorises five forces in the microenvironment that determine competition and threaten a company's capability to generate profit. Porter (1979) as cited by Dalken (2014, p.2) argued that in order to create a strategy, it is very imperative to possess sufficient understanding about the industry in which the business operates. The factors that are influencing an organisation within an industry can be extremely various. Therefore it is advisable to contemplate on the issues that are significant for all participating businesses within an industry. Porter's Five Forces model recognise four forces

in addition to competition that symbolise the power of competition within an industry: “Bargaining power of Suppliers, Bargaining power of Buyers, Threat of Substitutes and Threat of New Entrants”. Porter (2008, p.32) explained that the force “Rivalry Among Competitors” comprises of numerous forms of competition for example “price discounting, new product introductions, advertising campaigns and service improvements”.

2.3.1 Porter’s Five Forces Model for South African Retail Pharmacies

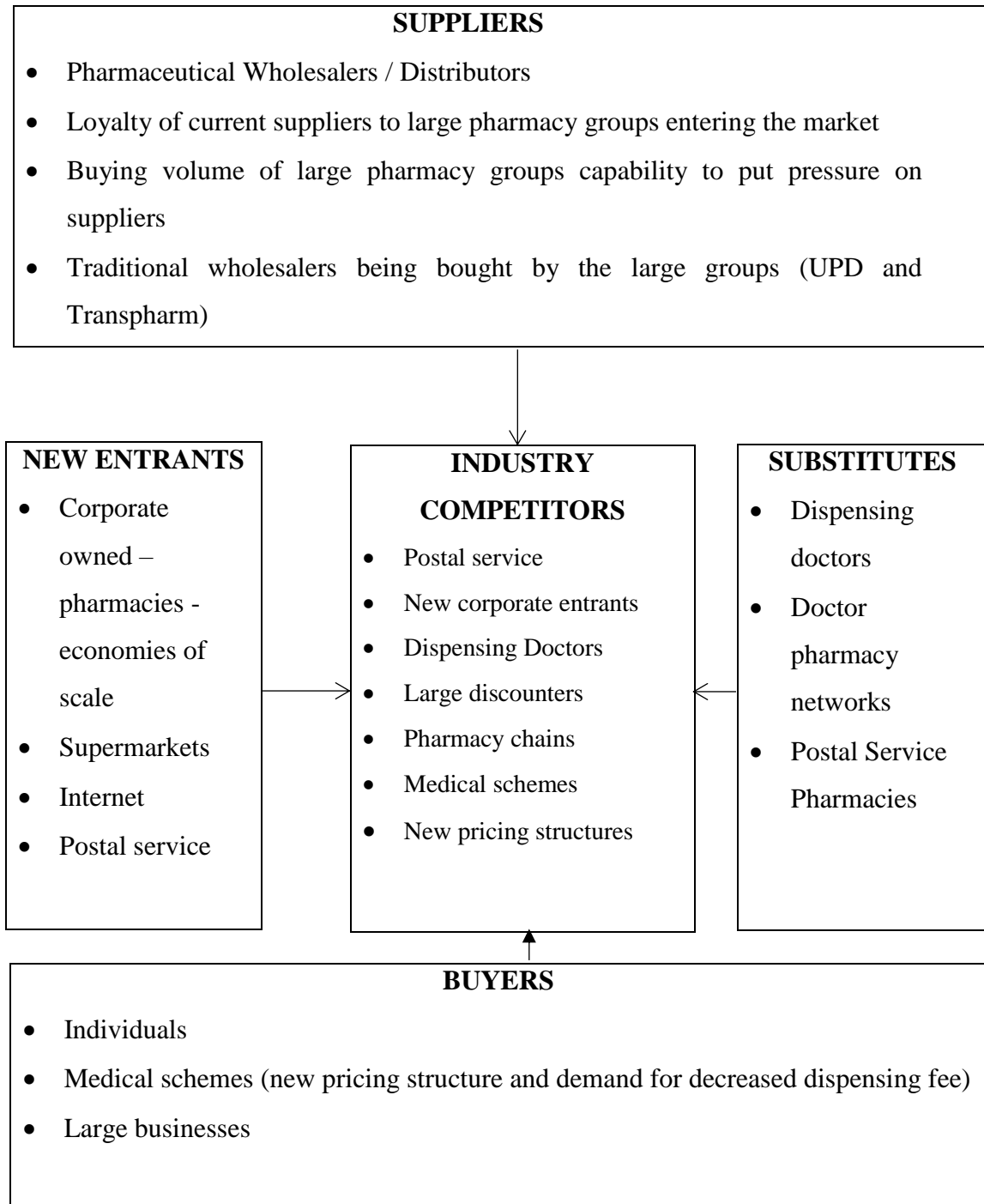
The below discussion and diagram (figure 2.3) illustrates the various forces acting on the retail pharmacy sector in South Africa.

2.3.1.1 Power of Suppliers

Porter (2008, p.30) reported that influential traders capture more of the value for themselves through the application of higher prices, shifting quality, services or costs to industry participants. Solomons (2014) mentioned that the introduction of SEP has deteriorated the power of suppliers as prices of pharmaceuticals are currently established by the government. Wholesalers still have some level of influence as independent pharmacies buy stock from restricted suppliers even though the price of change from one supplier to another is very little.

Solomons (2014) reported that larger retail pharmacy chains are in possession of the capability to put pressure on suppliers and decrease supplier power by procuring in large quantities. The loyalty of current suppliers has shifted to large corporate-owned pharmacies entering the sector and forcing independent pharmacies to join buying groups to achieve the same results. Generally supplier influence is medium in the retail pharmacy sector. The ability to backward participate is restricted with the exclusion of those corporate-owned pharmacies who managed to buy traditional wholesalers limiting the choices available to other retail pharmacies and increasing the influence of suppliers (e.g. Clicks owns United Pharmaceutical Distributors (UPD) and Shoprite ownership of Transpharm).

Figure 2. 3 Porter’s Five Forces Model for South African Retail Pharmacies



Source: Adapted from Wessels and Luiz, “The Future of the South African Retail Pharmacy Industry in the Light of International Experience and the Changing Healthcare Market” *South African Journal of Economic and Management Sciences*, 2003, vol. 6, issue 3, p. 616.

2.3.1.2 Power of Buyers

Porter (2008, p.30) explained that powerful consumers can capture value by driving down prices, demanding improved quality or more services which would result in increased costs. However Solomons (2014) reported that buying power South African retail pharmacy sector is medium as buyer power is strengthened by the numerous pharmacies stock of generic medicines with restricted variation.

2.3.1.3 Threat of new entrants

Lowe and Montagu (2009, p.40) reported that since the amendments to the Pharmacy Act were ratified in 2003, a number of corporate-owned pharmacy chains have appeared including Clicks, MediRite, Dis-chem, and Pick n Pay. Solomons (2014) reported that traditionally independent pharmacies compete through appropriate location including having a loyal customer base. The corporate-owned pharmacies have placed themselves in appropriate locations such as malls and close vicinity to existing retail pharmacies as well as purchasing existing independent pharmacies. Ten years since the ownership regulations were amended, barriers to entry are high based on competition between independent pharmacies and corporate-owned pharmacies.

2.3.1.4 Threats of Substitutes

Hough et al. (2011, p.73) stated that as a guide, the lower the cost of substitutes, the higher their quality and performance and the lower the user's swapping prices, the more powerful the competitive pressures posed by substitute products. Solomons (2014, p. 20) reported that the threat of substitutes in retail pharmacy is high as introduction of corporate-owned pharmacies intensified competition within the sector.

2.3.1.5 Industry Rivalry

Porter (2008, p. 32) explained that conflict among remaining competitors may include cost discounting, product innovation, promotion campaigns and service enhancements. Increased challenge restricts profitability of businesses. Solomons (2014) reported that due to the highly

competitive retail pharmacy sector, pharmacies compete through differentiation. Corporate-owned pharmacies such as Clicks and Dischem stock front shop items that are available in supermarkets, offer extra services like a full time nurse to perform vaccinations and screening for conditions like high blood pressure and diabetes. Independent pharmacies differentiate themselves by customer loyalty and excellent personalised service which includes free delivery as well as extended trading hours as compared to corporate-owned pharmacies. Supermarkets with in-store pharmacies such as Pick n Pay and Shoprite use the convenience of shopping at their store to differentiate themselves.

Table 2. 4 Limitations of the Five Force Model

- The model is fixed and does not include phases. Thus it is much more problematic to establish markets with higher competition dynamics because they change rapidly (Thyrlby (1998))
- The model does not guarantee a competitive advantage that is unchallengeable and continuous (Aktouf, 2004)
- The model does not refer to political, economic, social and technological issues or the dynamics of progress within an industry

Source: Dalen (2014, p. 3-4)

2.4 Internal factors that affect the South African Independent Pharmacies

Hough et al. (2011, p.56) reported that understanding of a business external and internal situation is a requirement for managers to prosper in constructing and aligning a strategy fit for the company's position.

2.4.1 SWOT Analysis of Independent Pharmacies in South Africa

2.4.1.1 Strengths

Solomons (2014) reported the following as strengths of independent pharmacies: pharmacist knowledge of pharmaceutical products through the training received and constant professional

updates is part of what makes the pharmacist the best person to advise on which products can be used. Adams (2011) highlighted that pharmacists are continuously engaging with both the urban and rural clients to have an idea of the medical conditions experienced and promote the appropriate treatment accordingly. Hewitson (2013) as cited by Solomons (2014) argues that the trust that clients have in the pharmacist ultimately results in loyalty to obtain medication from the independent pharmacy due to the personal service provided to the community. Cardinal Health (2012) as cited by Solomons (2014) added to these strengths by confirming that employee turnover at independent pharmacies is low.

2.4.1.2 Weaknesses

Pioch and Schmidt (2005) as cited by Solomons (2014) stated that independent pharmacies have limited resources to hire additional front shop assistants. There is a tendency to not realise the need for analysing data and hence the information to planning according to trends is not available. Adams (2011) explained that the lack of funds results in renovations not being done and the store does not look appealing to potential customers.

Solomons (2014) reported that a multidisciplinary team becomes difficult to participate in because of the independent pharmacists' lack of time and competing with different products becomes difficult due to lack of finances and strategic direction.

2.4.1.3 Opportunities

Schmidt and Pioch (2005) as cited by Solomons (2014) explained that there is a trend towards self-medication. Hewitson (2013) as cited by Solomons (2014) mentioned the need for independent pharmacies to focus on online solutions, rewarding of loyal customers for their continued support and the ageing population based on the increased need for medical attention.

Solomons (2014) reported that relations with stakeholders that include other local health professionals and the government is important for the formation of partnerships and survival of the sector. The focus should be on herbal products, customer requested front shop items and

use of technology (text messaging to remind about chronic medication and product trend analysis).

2.4.1.4 Threats

The continuation of government legislation on monitoring and updating the dispensing fee model is a threat especially for pharmacies that rely heavily of selling scheduled substances including products that need a prescription. Growth strategies by the corporate-owned pharmacies that use a low cost strategy attracting customers who struggle to afford slightly higher prices (Solomons, 2014). Inability to offer competitive salaries to young pharmacy graduates who select to join corporate-owned pharmacies (Adams, 2011).

2.5 Competitive Strategies

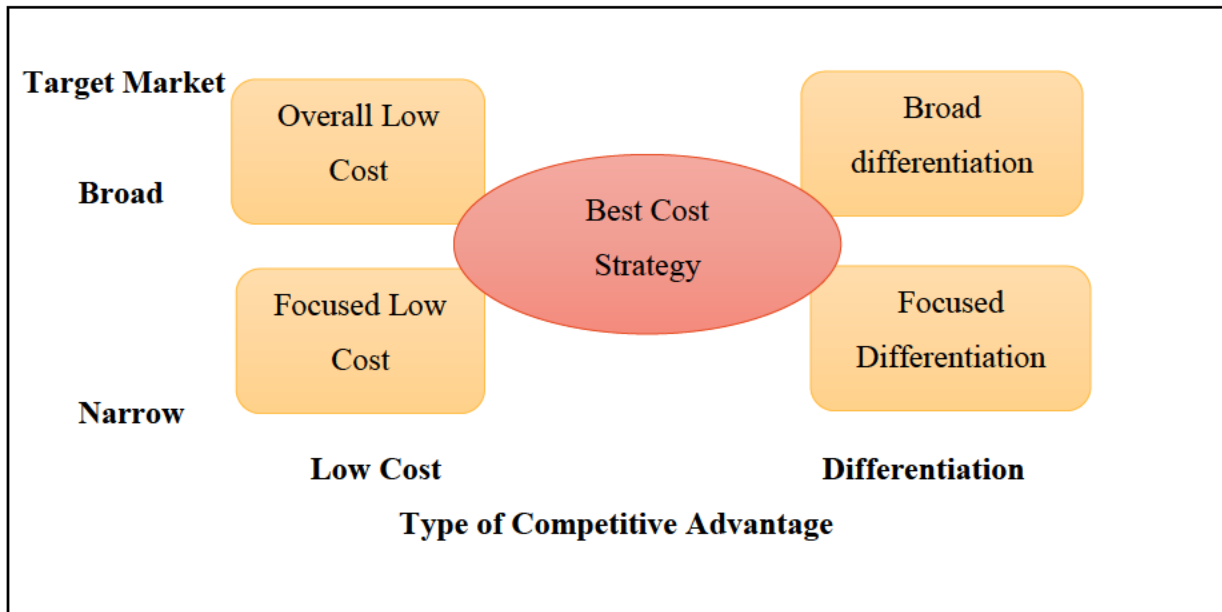
Hough et al. (2011) defined strategy as modest interchanges and commercial tactics that managers employ to cultivate the business, appeal and satisfy clients, contest productively, conduct processes and accomplish the directed levels of corporate performance.

Hough et al. (2011, p. 148) explained that competitive strategy involve fundamentals of administration's game plan for challenging effectively and safeguarding a competitive advantage above opponents. There are unlimited differences in the competitive strategies that businesses instigate, primarily because each corporation's strategic style involves custom-tailored activities aligned to its conditions including trade setting.

2.5.1 Porter's Generic Competitive Strategies

Porter (1985) as cited by Tanwar (2013), explained that there are three major ways that firms can realise competitive advantage, Cost Leadership, Differentiation or Focus.

Figure 2. 4 Porter’s Generic Competitive Strategies



Source: Michael E. Porter (1980, p. 35-40) as cited by Hough et al. (2011, p. 149)

As per Figure 2.4 above, Michael E. Porter classified the competitive strategies into 3 central classifications: Price leader, Differentiator and Focuser (Hough et al. 2011).

2.5.1.1 Cost Leadership Strategy

Baroto, Abdullah and Wan (2012) reported that by utilization of this form of strategy the organisation aims to achieve competitive advantage in the market through implementation of the lowest cost in the industry. This is done through performance of the value chain activities at the lowest cost possible as compared to the competitors. This type of strategic direction is preferred in developing countries by focusing more on the supply side instead of demand.

According to Hough et al. (2011) the advantages of a Cost Leader include survival of price wars through utilisation of decreased price to increase sales and market share, brand differences do not matter and consumers are sensitive to price differences, consumers use the product in the same way with an emphasis on low cost not quality or features and industry new comers use low cost to attract buyers and build a consumer base.

2.5.1.2 Differentiation Strategy

Baroto et al. (2012) reported that this type of strategy involves developing a unique selling point in the market that will be the differentiator to other firms and appeal to a variety of customers. According to Kim et al. (2004) as cited by Baroto et al. (2012), in the developing countries the focus of this strategy is not on a single dimension but on numerous elements such as but not limited to appearance, improvement, buyer reliability, superiority, origination and provision level.

Hough et al. (2011) described the benefits of differentiation as diversification of consumer needs and product use, numerous ways to differentiate the product exist resulting in consumers placing value on the perceived differences and few rival companies utilise the same differentiating approach

2.5.1.3 Focus Strategy

The other name for this type of strategy is Niche. Here the focus is on one constricted market segment and adapting your marketing mix to these segments to better meet the needs of the specialised and specific target market. The firm gains competitive advantage through effectiveness rather than efficiency. This type of strategy can be divided into two main components namely: cost focus, looking at cost advantage and differentiation focus which aims at differentiating within a specific market segment (Baroto, et al., 2012).

Hough et al. (2011) argued that the advantages of a focus strategy include target market being large enough to offer growth potential, the industry has many different segments to allow the focusers to avoid each other and select a suited niche according to its strengths and opportunities, few rivals in the market and loyal clients that are willing to continue with the product through introduction of competitors.

2.5.1.4 Best-cost Strategy

Thompson et al. (2004) as cited by Baroto et al. (2012) described this type of strategy as providing increased worth with regards to cash through activating or mounting merchandise elements at low cost as compared to competitors, blending elements of differentiation and reduced price through an exceptional method.

Hough et al. (2011) explained that buyer variety results in merchandise differentiation and consumers are sensitive to price as well as the value of products or services.

2.6 Blue Ocean Competitive Strategy

Kim and Mauborgne (2015) explained that Blue Ocean Strategy (BOS) model incorporates how strategy can create a new market space while competitive strategy sees strategy as selecting the correct situation under organisational limitations.

However if a business commercial trade is sailing in a red ocean as can be seen on table 2.4 below, and it has no potential for profit or growth, it can look at BOS as an alternative.

But organisations with various portfolios of operations may find it necessary to traverse both red and blue oceans. The main aim is to sustain a healthy balance between the current profit and the progress of tomorrow (Kim and Mauborgne, 2015).

Table 2. 5 Pitfalls of Porter’s Generic Competitive Strategies.

Strategy	Pitfalls
Cost Leader	<ul style="list-style-type: none"> • Knowledge of low cost strategy by late entrants who imitate and introduce an even lower cost as compared to the firm. • High focus on cost while compromising quality service offering to clients. • Unexpected inflation that makes it difficult to continue competing with low product cost.
Differentiation	<ul style="list-style-type: none"> • Loyal clients realise the potential savings that would be experienced if they were to switch to low cost products at a risk of sacrificing differentiated features. • Imitation narrowing the observed difference. • Market leadership takeover by a low cost firm due to the differentiation strategy firm’s price being too high for clients.
Focus	<ul style="list-style-type: none"> • Clients may switch to firms that offer a broad range of products due to increasing cost of differentiated product. • Other firms might submarket within the target market and out focus the focuser.

Source: Adapted from Tanwar, “Porter’s Generic Competitive Strategies” *IOSR Journal of Business and Management*, 2013, vol. 15, issue 1, p. 11-17.

Table 2. 6 Red Ocean versus Blue Ocean Strategies

Red Ocean Strategies	Blue Ocean Strategies
Contest in prevailing industries	Build uncontested organisations
Exhausted rivalry	Create no need for rivalry
Achievement of current trends	Construct, capture innovative trends
Firm’s accomplishments are structured around selection between diversity or decreased pricing	Organisations’ endeavours in seeking variation and reduced price

Source: Kim and Mauborgne (2015, p.7)

2.7 Small Retailers Competitive Behaviour

According to the National Small Business Act no. 102 of 1996, in South Africa a small business is defined as a distinct and different commercial unit, including compliant initiatives and non-governmental institutes administered by one owner or more. The schedules further classify a small business in the retail industry to have total full time paid employees less than 50. The independent pharmacies included in this study are classified as small businesses according to total number of employees in each business.

McGee and Rubach (2011) reported that small retailers remain cost effective while introducing additional factors such as better service. It was believed that this is a direct consideration of innovative competitive behaviour and does not contradict the perception that competing only on price is detrimental to small retailer performance. Environmental conditions facing organisations can be divided into two main categories for these organisations, one being benign meaning the firms are competing in an orderly and predictable manner. A hostile environment consists of harsh, highly competitive business situations.

According to the study done by McGee and Rubach (2011) businesses that compete in an orderly manner tend to last longer and so do the markets until the high competing firms join the small retailers and disturbs the calm. The results of the study by McGee and Rubach (2011) demonstrated that cost is an imperative component of prosperous competitive behaviour in hostile business climates. According to study findings by McGee and Rubach (2011), small retailers following some pricing approach outperformed companies demonstrating other competitive behaviour.

Table 2. 7 Competitive Strategies for Small Retailers

Type of Strategy	Description
Innovation Strategy	Porter (2001) showed that origination is a procedure rather than one incident. Internal and external factors that drive innovation are undisputable. Grant (1998) explained that one of the most universal inspections of innovation for small businesses used resources-based theory, which emphasised the way in which internal factors including knowledge, skills, patents and brands are joined in distinctive techniques by means of management abilities
Network and Cluster Strategy	Competitiveness of small businesses is intensely inclined by the level inter-firm alliance. The acquaintances take different forms in which diverse companies collaborate to co-produce, co-market or co-purchase, cooperate in new product development or share information while networking is viewed as an significant prerequisite in all business sizes, they are debated to be mainly vital to small businesses in order to offset the vulnerability of size acting as the key disadvantage of organisational success.
Flexibility Strategy	Small businesses have the capability to modify direction rapidly at low cost. Halberg (2000) has noted that the small businesses are regularly seen as being extra innovative than larger companies.

Source: (Sultan 2007, p. 53-57)

According to the above (Table 2.7), small businesses that can distinguish their products and services positively are likely to increase their capacity of sales. An increased volume of sales can result in economies of scale, learning curve and other ways of cost reduction. Differentiation is more attractive to small businesses predominantly when associated with focus strategy (Sultan, 2007).

2.8 Obstacles to implementation of Competitive Strategies by Small Retailers

According to Sultan (2007) some of the barriers to successful instigation of Porter's generic competitive strategies by small businesses include the following:

- Limited resources for carrying out research and improvements to current processes.
Financing innovative knowledge is a risky activity that most of these businesses are unable to validate.
- Inadequate access to new technologies and expertise.
- Accounting for restricted base of possessions and impact to productivity frequently takes time that is longer than in larger corporations.
- Information constrained which make them exceedingly reliant on external knowledge sources.

2.9 Barriers to Future Sustainability of Independent Retail Pharmacies

2.9.1 Regulatory

Ahlquist, Javanmardian, Kaura, Bilokrynytskyy (2010, p. 4) reported that the variety of services that pharmacists are permitted to perform are restricted. One historic reason for this concern is client protection, but in several instances political pressure from doctor groups also has a part.

2.9.2 Technological

Ghazal, Hassan, Ghaleb, Ahdab, Saliem, (2014) reported that lack of skill required to deal with technology was reported by 64% of their study participants. This is consistent with a study by Ahlquist et al. (2010) that reported that although pharmacies, medical aid companies and doctors are beginning to follow the direction of better electronic records, most of these systems continue to be independent of one another and regularly offer only partial data about a client. Deprived of a complete clinical record and a doctor interface, the pharmacist is restricted in his or her ability to advise the client properly.

2.9.3 Self-Imposed

Ahlquist et al. (2010) argued that retail pharmacies have been cautious to grow their range of services for fear of distancing prescribing doctors. They also face particular rising challenges in making the shift from the traditional pharmacy business to new formats. In addition, a substantial investment is needed for pharmacies to improve technology, facilities and staff to be able to offer a wider range of services. This is consistent with a study by Ghazal (2014) that argued that their study participants also admitted that lack of access to complete client data is a significant disadvantage to pharmaceutical care practice.

2.10 Benefits and Drawbacks of Chain Retail Pharmacies

Lowe and Montagu (2009) reported that legislation change to allow non-pharmacists to own pharmacies in South Africa facilitated existence of chain retail pharmacies. The below (Table 2.8) provides the possible advantages and limitations of chain retail pharmacies.

Table 2. 8 Advantages and Disadvantages of Chain Retail Pharmacies

Pros	Cons
Uniform quality	Profit motivated corporate entities
Enhanced efficiencies	Reduced personalised service – decline in quality of care
Inspires effective competition	Resistance from Pharmacy Councils
Augmented convenience	Probable reduction in pharmacist responsibility
Growth in pharmacies and pharmacists	Added investment in infrastructure needed
Development of new services	Possible loss of services in rural regions
Decreased costs to consumers	

Source: Adapted from Lowe and Montagu, “Legislation, regulation, and consolidation in the retail pharmacy sector in low-income countries” *Southern Med Review*, 2009, vol. 2, issue 2, p. 35-44.

2.11 Summary

This chapter has explored the literature available on the subject matter with a main aim of providing a link and a guide towards the findings of the primary data collected. The next chapter presents the study methodology.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

As this study was designed to analyse the competitive strategies of independent pharmacies located in the Capricorn District of Limpopo Province, it was imperative to gather independent pharmacy owners'/pharmacy managers' views regarding key elements addressed in the literature review as outlined in the previous chapter. The research methodology for this study, including identification of population and selection of the sample, the interview design and process, the data collection procedures, data analysis techniques utilized, ethical considerations, validity and reliability of the findings are described in this chapter.

3.2 Participants and Location of the Study

Primary data was collected in the Capricorn District of Limpopo Province, in the north of South Africa. Twenty one Independent pharmacies in Bochum, Lebowakgomo, Mankweng, Polokwane and Seshego, constituted the study population.

3.3 Sampling Techniques and Sample Size

Etikan, Sulaiman and Sunusi (2015) reported that it is very crucial to decide which non-probability sampling technique is related to a study. The method to be used depends on the type, nature and purpose of the study. Purposive sampling technique is generally suitable for qualitative research while convenience sampling is mainly for quantitative studies. Purposive sampling methods place crucial importance on saturation (i.e., attaining a broad understanding by continuing to sample until no new essential data is learned).

According to Sekaran and Bougie (2013) the sample used for purposive sampling is narrowed to particular kinds of individuals who can offer the anticipated data, either due to lack of anyone else, they are the only individuals who possess it or they follow criteria set by the investigator. There are two types of purposive sampling, known as Judgmental and Quota

sampling. In this study judgmental purposive sampling was used. This involves the selection of participants who are most valuably positioned to deliver the data. Due to time and budget constraints, a sample of 15 independent pharmacies, operating as small retailers with a total number of less than 50 employees for each store was selected to be part of the study using the non-probability purposive sampling technique.

3.4 Demographic Information of the Study Participants

A total of 15 independent pharmacists participated in the study. The average age of the participants was 41.4 years (range from 28 to 68 years). This finding demonstrated a lack of young entrepreneurs in this area.

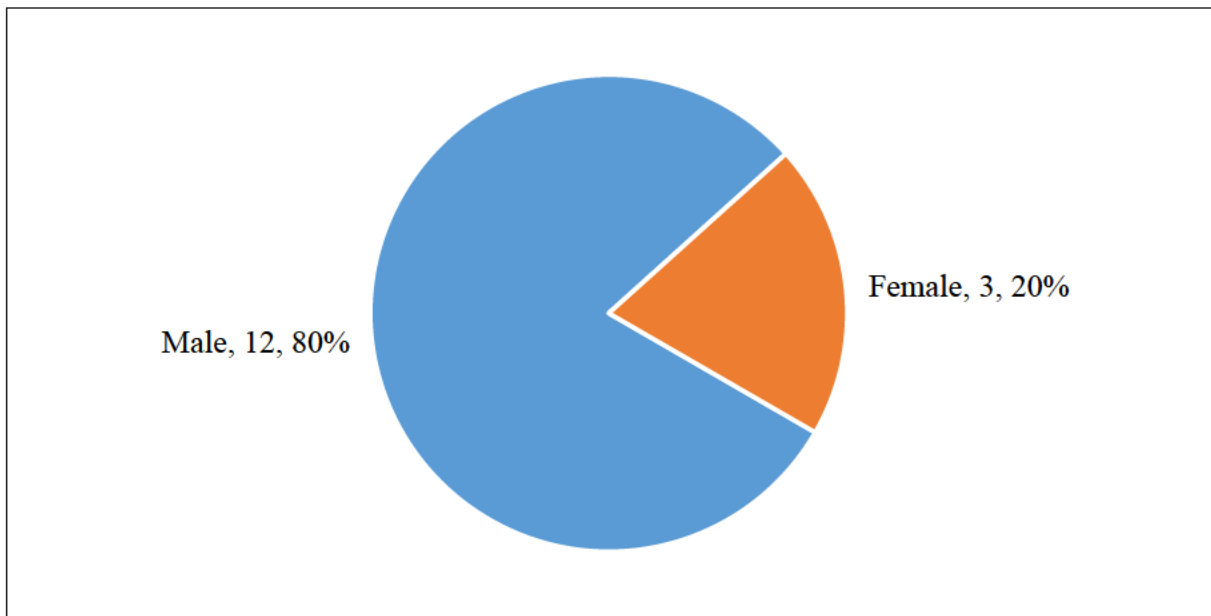


Figure 3. 1: Gender Distribution of the Respondents

The average number of years that the pharmacy existed was 14.2 (range from 01 to 43 years). One pharmacy had been in existence for just a year indicating the growth of independent pharmacies and another existed for more than 40 years indicating sustainability. The gender distribution of the participants as shown in **Figure 3.1** was mostly males (80%) indicating the need for increased female participation.

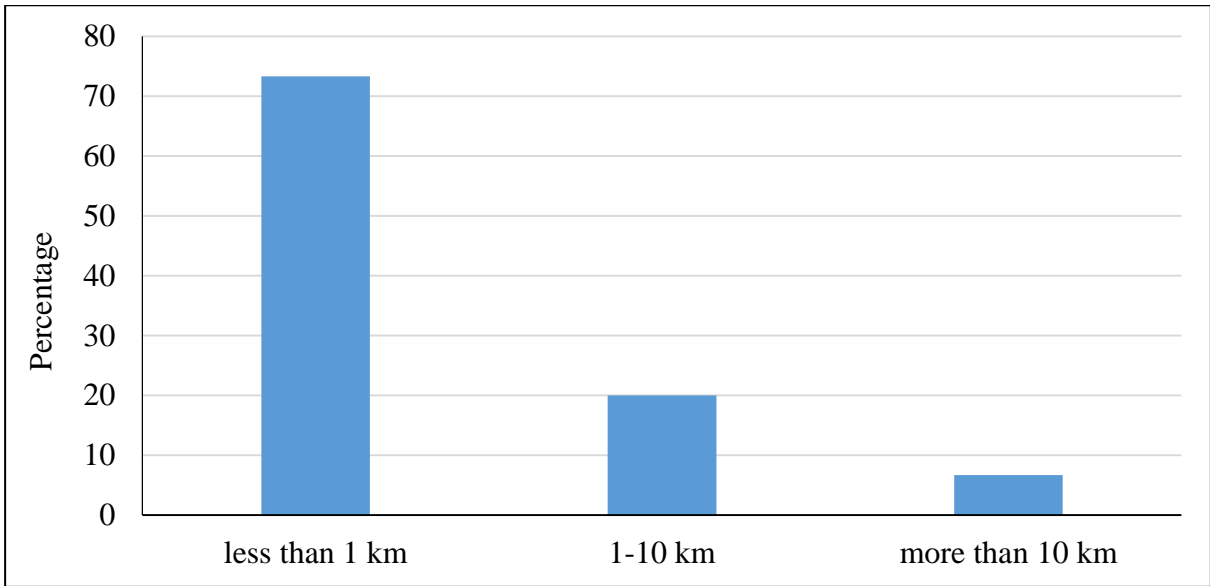


Figure 3. 2 Distance from Another Independent Pharmacy

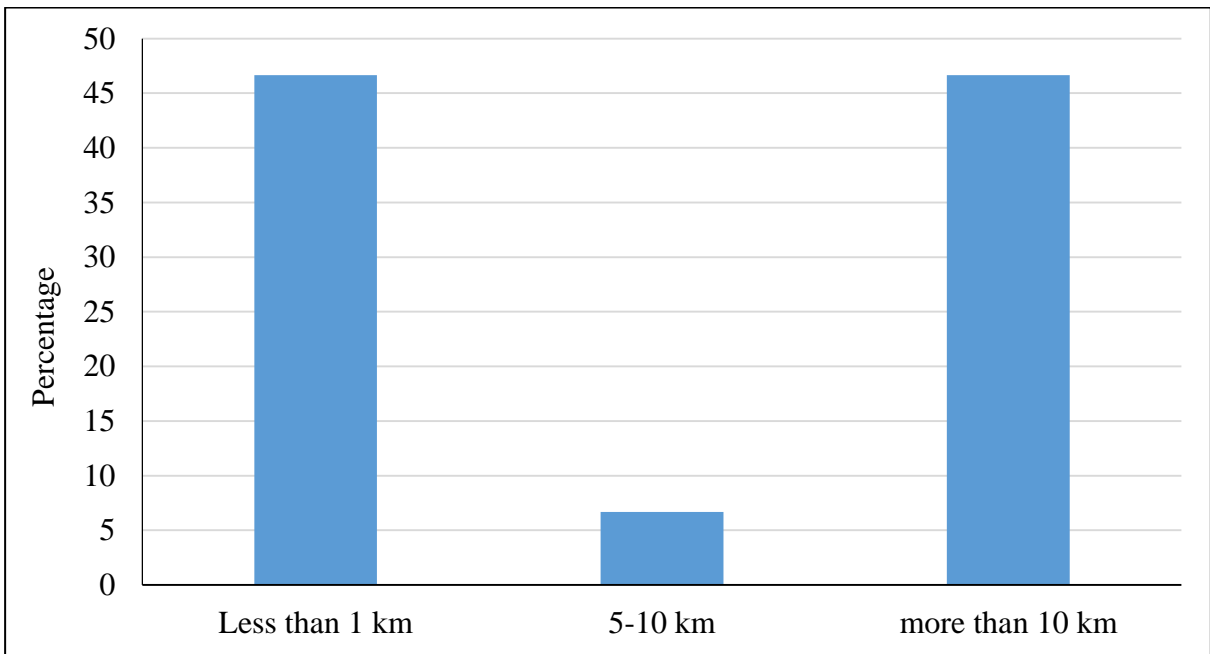


Figure 3. 3 Distance from Corporate-owned Pharmacy

The majority (73%) of the independent pharmacies were located within one kilometre from another independent pharmacy (**Figure 3.2**). Nearly half (47%) of the independent pharmacies were located both less than one kilometre and more than 10 kilometres from a corporate-

owned pharmacy (**Figure 3.3**) indicating the infiltration of corporate-owned pharmacies in the area.

3.5 Research Design and Method

The qualitative research method was used for this study. According to Creswell (2014) this type of methodology is interpretative. Sekaran and Bougie (2013) explain that the objective of a descriptive study is to collect data that often describes events or situations through collection of either quantitative or qualitative information. Creswell (2014) explained that the collection processes in qualitative research involve four basic types: observation, interviews, documents, audio and visual materials.

For the purpose of the present study, qualitative interviews were conducted. These included face-to-face interviews of the participants. The interviews were conducted individually, no group interviews were done. These interviews included five semi-structured, open-ended questions that were intended to provoke views and opinions from the participants.

Benefits of qualitative data collection methods include the following:

- Participants can offer historic data.
- Permits investigator control of enquiring.
- Beneficial when contributors cannot be directly observed.

Table 3. 1 Qualitative Data Collection Option Types and Limitations

Option Types	Disadvantages
<ul style="list-style-type: none"> • Face-to-face, One-on-one, in-person interviews • Telephone interviews • Focus group: Interviews for a group • E-mail Internet Interviews 	<ul style="list-style-type: none"> • Affords indirect data clarified through the ideas of the dialogs. • Offers data in a selected location instead of the natural field setting. • Not all individuals are similarly expressive and perceptive

Source: Creswell (2014, p. 191)

A qualitative, descriptive method was used to answer the following research questions:

What strategies do independent pharmacies located in the Capricorn District of Limpopo Province instigate in order to remain competitive against corporate-owned pharmacies?

The secondary question to be answered included the following:

Do independent pharmacies located in the Capricorn District of Limpopo Province currently have sustainable competitive strategies in place to effectively compete against corporate-owned pharmacies?

How can the competitive strategies implemented by independent pharmacies located in the Capricorn District of Limpopo Province be improved to ensure future competitiveness against corporate owned pharmacies?

3.6 Construction of the Research Instrument

The data collection tool was constructed from the objectives as outlined below (Table 3.2). Prior to data collection commencement, the data collection tool was tested on a sample of two pharmacy owners.

Table 3. 2 Construction of the Data Collection Tool

Research Objectives	Themes/Sub-themes	Data Collection Question
To evaluate competitive strategies instigated by independent pharmacies located in the Capricorn district of Limpopo province.	Competitive Strategies	Which of the competitive strategies describes your business and why?
	Customer retention strategies	What strategies do you currently have in place to establish and maintain relations with different stakeholders and why?
	Stakeholder relations	

<p>To establish whether the competitive strategies implemented by independent pharmacies located in the Capricorn district of Limpopo province are sustainable for future competitiveness against corporate-owned pharmacies.</p>	<p>Internal and External factors affecting sustainability.</p>	<p>What strategies do you have to adapt in an expanding and transforming health care system?</p> <p>What are the internal and external factors affecting sustainability of your pharmacy and what strategies do you have to address them.</p>
---	--	---

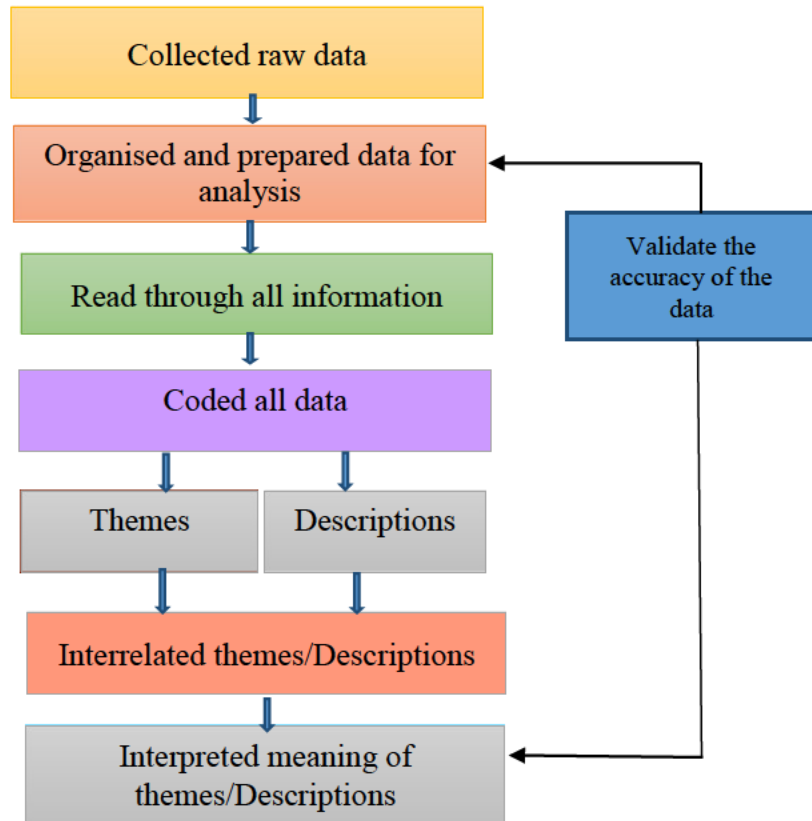
3.7 Data Collection Strategies

Appointments were made and confirmed telephonically with the pharmacy owner or pharmacy manager for the interview to take place at an appropriate time. The meeting took place at the respective pharmacies. During the meeting, participants were firstly introduced to the study by providing them with a signed hard copy of an introductory letter (**Appendix 1**) then participants were requested to sign a consent form (**Appendix 2**) giving permission for the interview to be recorded using a digital voice recorder and or notes of their responses written and used as part of the research. The duration of each interview was planned to take place for about thirty minutes. Five open-ended questions (**Appendix 3**) were asked. Each question was created from the research objectives with an aim of responding to that study objective.

3.8 Data Analysis

The research findings were analysed from the information obtained by using the data collection tool (Appendix 3). A qualitative data analysis computer program was not utilised to analyse the information. Hand coding was used to develop themes and descriptions from the research questions. The data collected was analysed according to the steps outlined by Creswell (2014) as demonstrated by figure 3.4 with steps used to analyse qualitative research. The figure 3.4 suggests a linear hierarchical approach, from the top to the bottom then consolidating through validation of the accuracy of the collected data (Creswell, 2014).

Figure 3. 4 Qualitative Data Analysis Steps



Source: Creswell (2014, p.197)

3.9 Validity and Reliability of findings

According to Creswell (2014) validation of research findings happens throughout the stages in the progression of a study as outlined by figure 3.4 above. Qualitative validity means that the accuracy of the findings is checked through application of certain processes. Qualitative reliability specifies that the study approach is consistent across a variety of projects (Gibbs, 2007 as cited by Creswell, 2014).

In the present study multiple approaches were used to enhance the accuracy of the findings as recommended by Creswell (2014). The following approaches were used:

- Use of rich, thick description to convey the findings through provision of detailed description of the situation to offer several perceptions regarding the theme, making the results presented more realistic and richer.
- Demonstration of negative or opposing views that runs counter to the themes because real life is composed of dissimilar opinions that do not always unite, deliberating contrary data adds to the credibility of an account therefore resulting in additional valid findings.

Sekaran and Bougie (2013) describe reliability as a measure that shows the scope to which the research findings are without bias and safeguards dependable measurement over time. The following reliability procedures were used in this study as described by Gibbs (2007) as cited by Creswell (2014):

- Checked records to make sure that they do not comprise obvious mistakes made during transcription.
- Made sure that there is not a modification in the meaning of the codes through comparison of collected data with themes and descriptions.

3.10 Ethical Reflections

Ethical clearance was acquired from the Humanities and Social Sciences Research Ethics Committee of the University of KwaZulu-Natal (**Appendix 4**). Confidentiality was ensured by not identifying the participants by their name. Participants signed an informed consent before participating in the study (**Appendix 2**). In addition, the information obtained was used for the purpose of the research only.

3.11 Summary

This chapter has outlined the methodology that was used to collect the primary data, setting, research design, sampling, data collection and analysis technique. The next chapter presents results collected using the tools constructed for this research.

CHAPTER FOUR: PRESENTATION OF RESULTS

4.1 Introduction

The research findings include a description of the primary data that was collected. This was done through the identification of the main themes and sub-themes in relation to the participant's responses. Themes were identified and highlighted with the use of coding in order to group similar responses.

4.2 Objective 1: Strategies Instigated Against Corporate-owned pharmacies

The first objective of the research was to evaluate the competitive strategies instigated and/or utilized by independent pharmacies located in the Capricorn District of Limpopo province against corporate-owned pharmacies. The participants did not single out a specific strategy but mentioned utilization of a combination of strategies to compete with corporate pharmacies. Four themes emerged from this study which included differentiated (personalised service and marketing) strategy, cost (pricing) strategy, and focus (front shop) strategy (**Table 4.1**).

4.2.1 Theme 1: Differentiated (Personalised Service) Strategy

Most of the participants mentioned differentiated personalised service as one of the strategies used to compete with corporate-owned pharmacies. This strategy includes a pharmacy differentiating itself from corporate-owned pharmacies by offering a personal service to the clients. Most of the independent pharmacists explained that the personal service to the clients differentiates them from corporate pharmacies through building a close and long-term relationship with the clients.

“In our situation, we can't compete with cost, all I can say here is that I can give personal attention and experienced advice. People come to me because they know that I know what I'm talking about. That is my drawcard. So they misuse you because they don't want to go to a doctor, but it's ok. That brings clients into the pharmacy. It helps to be approachable to the clients because you want people to come back to you”

Table 4. 1 Strategies Instigated Against Corporate-owned Pharmacies

Themes	Sub-themes
Differentiated (Personalised service) strategy	Build relationships
	Provision of medical information
Differentiated (Marketing) Strategy	Advertising media
	In store product promotion
	Printing hand-outs
Cost (Pricing) Strategy	Dispensing fee
Focus Strategy	Front shop

4.2.1.1 Sub-theme 1.1: Building Relationships

The participants explained that the relationship building process includes greeting the client, by their name once they walk into the store, offering the client assistance from the entrance and guiding the client through the store to the appropriate section within the store until the client gets out of the store. This strategy is applied to all clients including regular and new clients that walk into the store for the first time.

“Looking at your question, I’d say that we use a combination of strategies. But if I were to choose one it would be the relationship that we have with our clients through offering them a personal touch service. We plan to keep the clients with us and not forfeit their support to corporate pharmacies. We’ve learned that clients choose us despite knowing that the prices may be slightly lower at corporate pharmacies because we know them by name and try to make each client feel special. We also want to build trust because the people have to trust us with their own lives as well as those of their families. We hope that this strategy assists us long-term but I must admit that through these tough economic times with unemployment being so high in this province we experience a lot of problems as our prices especially of scheduled items are deemed as high and we do see a decrease because some clients do prefer lower prices even disregarding the personal service provided by this pharmacy”.

4.2.1.2 Sub-theme 1.2: Provision of Medical Information:

In addition, the participants stated that pharmacists are viewed as custodians of medical information by the community they serve, so providing the clients with relevant medical information and answering their questions is an integral part of their day to day responsibilities. The participants mentioned that provision of medical information is part of the professional role of a pharmacist as some clients need to be referred to another more appropriate health professional for further management of their condition.

“We offer medical information to our clients’ especially possible side effects related to the products we dispense including disease information, unfortunately this is done for free particularly for those clients who end up not buying anything from the store. We also currently don’t have an onsite clinic nurse to charge for consultations or vaccinations etc. We are also not able to claim for the service we offer to clients from the medical aids because we are not registered for PCDT which is primary care drug therapy that takes a few years I think and only one institution offering it in the country. I plan to study this course to try and increase my turnover but for now we are still product based. So our only source of income is the dispensing fee and mark-up for front shop items”

4.2.2 Theme 2: Marketing Strategy

4.2.2.1 Sub-theme 2.1: Advertising Media

The participants acknowledged that they don’t have a big budget as compared to corporate-owned pharmacies that advertise their businesses and product offering on national television channels, newspapers and radio stations. Most of the participants explained that they used a differentiated marketing strategy that includes advertising on media such as local radio stations, newspapers and magazines.

4.2.2.2 Sub-theme 2.2: In-Store Promotions

In addition to the advertising media, the participants mentioned in-store product promotions. The front shop is used to display products on promotion and the display does not require any

extra cost to the pharmacies. The display of products on promotion is a good way to educate the general public about product offerings during different seasons and new products on the market that the manufacturer may already be advertising on national television channels. This associates the pharmacy with brands seen on television and saves the pharmacy advertising costs.

4.2.2.3 Sub-theme 2.3: Printing Hand-Outs

The participants mentioned printing hand-outs of the store information and putting it in strategic areas like the waiting space in the local doctor's rooms as another way to advertise their business. Building good relations with local doctors ensures that permission is granted to use their consulting rooms waiting area for free resulting in costs saving.

4.2.3 Theme 3: Cost (Pricing) Strategy

The issue of cost was not disregarded by the participants. The participants mentioned that based on the legislation around scheduled products through implementation of a four-tier pricing model by the government, participating in medical scheme networks assisted them to charge a negotiated reduced dispensing fee which is used as a competitive strategy. This agreement benefits the independent pharmacies by enabling the members of the specific medical schemes to collect scheduled medicines from the independent pharmacy without experiencing a non-designated service provider (non-DSP) co-payment. This can be used as a strategy to get the member into the store and once the client is in the store other products that don't have price regulations like front shop items can be marketed to the client.

“It is actually sad that we don't have a say in the determination of dispensing fee paid for by the medical aids. We are forced in a way to sign network contracts to join medical aid networks because we face their clients every day and have to inform them that there is a co-payment providing the clients with an option to choose not to come back to us. To avoid this we just go ahead and sign the contract and make sure that we get the clients into the pharmacy so that we can sell them other front shop items where we control the mark-up”.

4.2.4 Theme 4: Focus Strategy

4.2.4.1 Sub-theme 4.1: Front Shop

The front shop was also mentioned as a strategic area to bring people into the store. The participants emphasised that the front shop is customized according to the customers demand and needs. It is the role of the front shop staff and store manager to keep abreast of the new products and trends in the market, however, some of the product information can be received from the general public. For an example, if a client walks into the store asking for a specific product that is not on the shelf, depending on the popularity or demand for that specific front shop item, the item can be ordered for a trial period and monitored for its sales performance over a specific period and if the results are positive and satisfactory, the product can become a staple item maintained within the front shop area. Being part of a buying group contributes to the front shop strategy through certain items that can be sold at a reduced price however the participants did mention that even as part of a buying group it remained difficult to compete with corporate-owned pharmacies on price.

4.3 Objective 2: Sustainability of the Competitive Strategies for Competitiveness

The second objective of the research was to assess whether competitive strategies instigated by independent pharmacies located in the Capricorn District of Limpopo Province are sustainable for future competitiveness against corporate-owned pharmacies. The different four themes namely quality services, collaboration, location of pharmacy and technology emerged in this study and are elaborated below (Table 4.2).

Table 4. 2 Sustainability of the Competitive Strategies for Competitiveness

Number	Theme	Number	Sub-theme
4.3.1	Quality Service	4.3.1.1	Customer Satisfaction
		4.3.1.2	Staff training
4.3.2	Technology	4.3.2.1	Communication with Clients
		4.3.2.2	Inventory management
4.3.3	Collaboration	4.3.3.1	Medical schemes network status
		4.3.3.2	Pharmaceutical wholesalers
		4.3.3.3	Other health professionals
		4.3.3.4	Government
4.3.4	Location	4.3.4.1	Malls

4.3.1 Theme: Quality Service

4.3.1.1 Sub-theme: Customer Satisfaction

The participants revealed that customers are the most important part of their business so building and maintaining a solid relationship with the customers is highly imperative for the long-term success and sustainability of their business. The strategies that are used to establish relations with the customers that enter the pharmacies include offering a quality service to the client by being professional and catering to the different needs of the customers. Some of the participants have a clinic in their stores which ensure that the customers do not only receive medicine from the pharmacy but can also have screening for high blood pressure, diabetes and other conditions.

Participants declared that for medical aid clients, follow-ups are made on the benefits for example updating chronic medication registrations for clients that are already registered for a specific condition in cases where the prescribers have increased a dose or changed an item on the script. This can be done by sending the most recent doctor's prescription to the medical scheme at no charge to the client by fax or e-mail then at a later stage the medical scheme can be phoned to find out if the latest prescription has been received.

If for some specific medicines blood tests are required, then the doctor can be phoned and informed to provide that information however this is done to save the customers the trouble of going back and forth to get the required information from the doctor to the medical scheme then to the pharmacy.

“We try and go the extra mile for our customers, for example if a customer comes here looking for an item that they did not get from other pharmacies we avoid sending them away instead we try and see how we can assist through communicating with a lot of suppliers for that item for the customer to get the service they are looking for”

4.3.1.2 Sub-theme: Staff Training

Training of pharmacy staff was mentioned as part of offering a quality service. The employees are trained to be friendly and treat each customer with respect and dignity. This ensures that all staff in the store build relations with clients. This assist to avoid a situation where a client requests to be assisted by a certain staff member because if that requested employee is not available then there is a risk that the client may not feel comfortable to be assisted by anyone else in the store.

4.3.2 Theme: Technology

4.3.2.1 Sub-theme: Communication with Clients

The participants mentioned that one of the strategies used to maintain customers that collect chronic medication from the pharmacy includes using the dispensing program to send out bulk text messages on a monthly basis to the customers. This is to remind them about collection of the medicines and some participants even deliver to the clients' home for a small fee, while others deliver for free. Other participants send out text messages on the clients' birthdays. Even though text messages are being send to clients to remind them about chronic medications

some participants mentioned that they are finding it difficult to afford this service through the cost of each message that drives up operational costs.

4.3.2.2 Sub-theme: Inventory Management

The participants mentioned that capturing on the dispensing program is done as part of receiving stock from the wholesaler. This includes comparing the actual stock received to the information on the invoice to see if the quantity, item description, expiry date and other information required is the same. If no discrepancies, the stock is received and recorded on the system but if the information is not the same for example the stock is short supplied or short dated then a decision is made by the manager or supervisor to record the discrepancy, accept the stock and sell it or reject and send it back to the wholesaler.

4.3.3 Theme: Collaboration Strategy

4.3.3.1 Sub-theme: Medical Schemes Network Status:

The participants said that they are part of the networks for medical schemes that allow independent pharmacies to join their networks. It was mentioned that some medical schemes DSP's exclude them specifically for chronic medicines however they still continue to offer acute scheduled medicines to these customers from the savings benefits as part of self-medication. If the savings benefit is not accessible due to depletion or not part of the benefits on that specific plan then the medication can be obtained from the independent pharmacy using cash. Medical scheme related queries are discussed with the specific medical schemes through the provider contact centre and some schemes do have road shows to update independent pharmacists on the changes to be implemented especially at the beginning of the year.

The participants mentioned that there is no consultation process at individual independent pharmacy level to agree on a negotiated medical scheme rate however a decision is made to join the medical scheme networks. It is also not mandatory to become part of a network but if

the specified medical scheme rate is not complied with then the member will experience a co-payment when acquiring medicines from the non-network pharmacy.

“We don’t really have relationships with medical aids, we claim with all medical aids that we can. It’s very difficult just to phone the medical aids because you end up holding for a long time so I do try and authorise chronic medicines for clients via email. I find it easier than phoning”

“Making an effort to get hold of the medical aid helps keep clients because it shows that you as the health care provider made an effort. In this rural set up other people don’t have access to internet to get to the medical aid, and in fact the doctors should be doing the chronic authorisations but they don’t”

“Medical aids complain about lack of icd 10 codes on pharmacy claims but it is actually the doctor’s responsibility to provide the pharmacist with these codes. This is a problem because if the chronic medication is not registered on chronic we end up claiming from the acute benefit because the medical aids insists on icd 10 codes and sometimes test results before an authorisation can be granted”

“We try and solve most of the medical aid issues that we have through discussing the issues with the client. For example some medical aids require that clients nominate a specific pharmacy for chronic medication within their network. We let the member tell the medical aid where to collect their medicines”

4.3.3.2 Sub-theme: Pharmaceutical Wholesalers

The participants mainly open 30-day accounts with the wholesalers. It was mentioned that it is highly important to pay wholesalers on time to avoid suspension of an account which would lead to the wholesaler not delivering stock and this impacting negatively on clients. The use of different wholesalers was highlighted as this avoids stock-outs. For example if an item is not

available from one wholesaler, the order can be made from another to make sure that the clients especially those on chronic medicines are not disadvantaged. Being part of a buying group is an advantage for front shop items that can be bought in bulk and discounts offered by the wholesaler which will be transferred to the customers through monthly specials of specific items sold at a reduced cost.

4.3.3.3 Sub-theme: Other Health Professionals

Most of the participants mentioned that the local doctors dispense medicines to clients however they lack a variety of products. Therefore the doctors write prescriptions which require dispensing at pharmacy level. This provides an opportunity for the pharmacist to advertise their pharmacies to the clients that consult at that doctor's consulting rooms. This involves development of working relations with local doctors because the same clients may need self-medication in the future.

4.3.3.4 Sub-theme: Government

The participants cited that they are aware of the developments with the NHI including the Green and White papers that were published by the South African Health Department. One respondent mentioned being part of the pilot project in the province and was looking forward to the project developments as planned by the government. The respondent's view of the NHI included that it would increase the number of customers especially those that could not afford medicines and resorted to getting their medicines from public institutions. This program would result in the clients collecting their chronic medication from the private pharmacy instead of the government institution in an effort to decrease the load from the central points to near the client's residence.

"I believe that associations like the ICPA should have partnerships with the government training institutions like the universities that train pharmacists. That will assist to influence an entrepreneurial spirit in the students and generate ideas going forward in terms of the direction independent pharmacy should take long-term. This will change the bad perception of

independent pharmacist owned businesses because they can be a success as currently pharmacists that would be entrepreneurs are working for the corporate-owned pharmacies”

4.3.4 Theme: Location

4.3.4.1 Sub-theme: Malls

Most of the respondent mentioned the ideal location for independent pharmacies being in malls as they provide accessibility to other stores and parking. One respondent mentioned the idea of a medical court like a food court in the malls, towns and or community residential areas through collaboration with other healthcare professionals.

This would improve client accessibility to health professionals especially because the clients will not have to travel long distances between consultations. Another respondent mentioned that a joint health care administration service in malls would be ideal to free up time for the health professionals to avoid spending time on explaining non-health related matters to clients.

4.4 External and Internal Factors Affecting Future Sustainability of the Independent Pharmacy

There are numerous factors affecting the sustainability of Independent Pharmacies located in the Capricorn District of the Limpopo Province. Most of the participants mentioned internal and external factors that affect sustainability of their business (**Table 4.3**).

The below table outlines the internal and external factors that affect future sustainability of independent pharmacies (**Table 4.3**).

Table 4. 3 Internal and External Factors for Sustainability of Independent Pharmacies

Number	External Factors	Number	Internal Factors
4.4.1.1	Political	4.4.2.1	Staff friendliness
4.4.1.2	Economic	4.4.2.2	Staff knowledge
4.4.1.3	Social	4.4.2.3	Trading hours
4.4.1.4	Technological	4.4.2.4	Location of pharmacy
		4.4.2.5	Relationship between pharmacy owner and staff
		4.4.2.6	Relationship between pharmacy staff and local doctors

4.4.1 External Factors

The participants mentioned the following external factors affecting future sustainability of their independent pharmacies: political, economic, social and technological.

4.4.1.1 Political

The price regulations for scheduled medications was mentioned by the participants as a negative aspect because the big portion of the price is the single exit price (SEP) that in most cases is high and the percentage of dispensing fee added increases the price even further making it difficult for cash paying clients to afford certain medications. Decreasing the dispensing fee as in the case of medical scheme network agreements decreases the profit for the business. The lack of negotiation for a higher fee or maximum legislated fee with medical schemes also has a negative impact on profit resulting in poor staff salaries, inability to cope with rent increments and other operational expenses. Increased number of community service delivery protests has a negative impact on independent pharmacies as some businesses are forced to close due to safety concerns for their employees.

“With regards to the political situation in South Africa, specifically referring to the Pharmacy Act we as independent pharmacy owners are hanging by a threat. If the government continues to allow these corporates to open as many pharmacies as they want to anywhere one day the bomb will explode and we will find ourselves all working for corporates with lack of entrepreneurs in pharmacy”.

4.4.1.2 Economic

Independent pharmacies that are located in the rural areas are affected negatively by the unemployment rate as the locals find it difficult to afford scheduled medicines due to the legislated pricing and therefore opt to get medicines from public institutions. Due to the high number of people who are unemployed in the rural areas, increase in inflation rate (CPI) and interest rates makes it difficult for people to prioritise medicines as compared to food, clothes and transport therefore this means that a choice of collecting medicines from a public institution is made and the independent pharmacy is not prioritised.

Private doctor’s that dispense medicines to patients instead of writing prescriptions decrease the number of clients that would get their medications from the pharmacy as they offer a dual service. Pharmacy owners that are not or are pharmacists but own more than one store find it difficult to employ and retain pharmacists because of higher salary offers from corporate-owned pharmacies. Medical schemes that have independent pharmacies as part of their provider networks narrowing down to include corporate-owned pharmacies only.

“We take every day as it comes, live in fear and prepare to go and look for a job because we are afraid of the big corporate-owned pharmacies. We find it very difficult to compete with them on price so we look at other means of competing however we need profit to survive and once we are unable to generate profit from our business then we will be forced to close and all our employees will be out of a job”

4.4.1.3 Social

Independent pharmacies that are located in malls and in the residential areas have high number of clients during month end when the working class get paid and late afternoon when workers knock off from work, resulting in long working hours that include a couple of hours during the day with few or no clients entering the store. The above was seen as a disadvantage as compared to pharmacies located in the Central Business District (CBD) nearby offices or work destinations as people could go to the pharmacy during working hours and breaks. Landlords that allow other pharmacies, especially corporate-owned pharmacies to open in the same mall or building increases competition and reduce the number of potential clients at each store.

4.4.1.4 Technological

The cost of the dispensing program meant that the independent pharmacies use affordability as a main factor to choose the system to be used in the pharmacy. Overall the dispensing system was seen as an essential part of the business because it ensured that real time medical scheme responses could be received within a few seconds, text message reminders could be send to clients contributing to the quality of service offered.

4.4.2 Internal Factors

Internal factors were also mentioned by the participants which included staff friendliness and knowledge, trading hours, location of pharmacy, relationship between pharmacy owner and staff and relationship between pharmacy staff and local general practitioners.

4.4.2.1 Staff Friendliness

Friendly, warm and welcoming behaviour of the pharmacy staff towards customers contributes to maintaining a strong, long-term relationship with clients. However, staff with a bad attitude make it difficult for the clients to come back to the store.

“All our staff attend customer service courses. This helps to improve interactions with the customers. And ultimately assist with customer retention”

4.4.2.2 Staff Knowledge

Staff knowledge of front shop products increases confidence of customers in the store as the clients are exposed to the front shop first when they enter the store.

4.4.2.3 Trading Hours

Ability to adjust working hours according to the seasons as determined by clients’ needs is viewed as an advantage for independent pharmacies.

4.4.2.4 Location of the Pharmacy

Pharmacies that are located in a position that is visible to the general public and have availability of parking increase accessibility to clients. Operating inside a building that is not the property of the pharmacy owner results in the requirement of approval from the landlord for renovations and other alterations according to the contractual agreement. Development of previously disadvantaged areas make it possible to open small businesses due to increased economic activity.

“We have now adopted a strategy of provision of pharmaceutical care to people who previously did not get it through lack of retail pharmacies in certain areas. My pharmacy is located in the CBD, down town area near a taxi rank and our strategy is to understand our customer. Actually I am happy to be in this location as a strategy to go the opposite direction of corporates as they seem to prefer upmarket areas but it works for us because these customers also need us. We take what they are asking for very serious and we make sure that we structure our inventory accordingly”.

4.4.2.5 Relationship between Pharmacy Owner or Manager and Staff

Good working relationship between the pharmacy owner or manager and the staff promotes a favourable working environment. Open door policy applies as the staff is free to discuss issues affecting them and translates to the quality of service offered to clients.

4.4.2.6 Relationship between Pharmacy Staff and Local Doctors

Good working relationship between the pharmacy staff and the local doctors ensure that the pharmacy receives referrals in a form of prescriptions from the clients who consult at the doctor's practice on a daily basis. The dispensing doctors don't keep all items so they will still need to refer some of their patients to the pharmacy to collect medicines.

"I try to avoid contact with doctors. Sometimes we forced to phone doctors because we can't read their prescriptions and they get angry. A lot of the doctors in Polokwane dispense and they write prescriptions for the items they don't have which is a problem for us because we may also not keep that specific item in stock because it is not fast moving".

4.5 Summary

The chapter provided findings and analysis of the collected information. The methods that were used to analyse the data was described. The data was coded, themes, sub-themes were identified and described. External and internal factors affecting the future sustainability of independent pharmacies located in the Capricorn District of Limpopo Province were described. The next chapter discusses the collected data in relation to previous research that was done based on the available literature.

CHAPTER FIVE: DISCUSSION OF FINDINGS

5.1 Introduction

The results of the study were presented in the previous chapter. In this chapter, the results are described and interpreted taking into consideration the literature review (Chapter 2).

5.2 Objective 1

To evaluate competitive strategies instigated by independent pharmacies located in the Capricorn District of Limpopo Province against corporate-owned pharmacies

The strategies outlined as per the literature review included Michael Porter's generic competitive strategies including strategies for small retailers and Blue ocean strategy. Baroto et al. (2012) explains that there are three broad categories of Porter's generic strategies namely: Cost leadership, Differentiation and Focus. Cost strategy focuses on achieving competitive advantage through provision of the lowest cost in the market. Differentiators appeal to a broad market through a unique selling point that differentiates the business from other competitors. Focus strategy involves selling a product to a specific target market through effectiveness rather than efficiency. Best cost strategy blends elements of differentiation and reduced costs.

Sultan (2007) explained that small retailers may implement the following strategies to compete: Innovation, Flexibility, Network and Cluster strategy, Kim and Mauborgne (2015) describe Blue ocean strategy as the strategy of competing in uncontested markets with limited or no competition. This type of strategy does not disregard competition however it seeks to produce new and innovative ways to conduct business. The traditional way of conducting business through competing with rival firms in the market is referred to as the Red oceans. However, with the introduction of a blue ocean strategy firms eliminate competition and create no need for rivalry.

5.2.1 Personalised Service Strategy

The results from the current study revealed that all the independent pharmacies provided a personalised service to their clients as a competitive advantage through offering a differentiated strategy from corporate-owned pharmacies. Covin and Covin (1990) as cited by McGee and Rubach (2011) reported similar results that encouraged customer service and product focus strategy rather than price competition. McGee and Rubach (2011) also reported that following implementation of pricing strategies, not necessarily low cost leadership small retailers continued to compete with a discount store like Walmart that competes on low prices. This was from the theory that provides that small retailers should emphasise their competitive energies on target markets that their competitor is expected to disregard.

The present study results revealed that the participants utilised a combination of strategies including but not limited to personalised service. This is consistent with results from McGee and Rubach (2011) that argued that small retailers remained price competitive while introducing other dynamics such as superior service. It was believed that this is a direct consideration of innovative competitive behaviour and does not essentially contradict the idea that pure price competition is harmful to small retailer performance. It was identified that firms must change and adopt to change in their environment. This is consistent with results from the present study, as the legislation amendment that allowed non-pharmacists to own pharmacies in 2003 forced independent pharmacies to review their strategies and come up with innovative ways to compete with corporate-owned pharmacies.

5.2.1.1 Obstacles to Implementation of Personalised Service Strategy

According to the literature review, Sultan (2007) reported that small retailers may experience information constrain resulting in extreme reliance on external information. This is not consistent with the present study as participants mentioned that as health care professionals they are seen as custodians of medical information by the community and find that this provision of medical information is abused by the clients. However, participants also

mentioned that they don't mind because the provision of medical information contributes to client retention.

5.2.2 Pricing Strategy

The participants' responses on pricing strategy were consistent with findings from a previous study done by McGee and Rubach (2011) that argued that product cost is a vital component of prosperous competition. Lowe and Montagu (2009) reported that knowledge from India and South Africa indicates that where legislation changes as in the case in 2003 in South Africa to allow non-pharmacists to own pharmacies and open-minded analysis of the laws in India, market forces quickly lead to development in chain and franchise businesses for retail pharmacies (Abdullah and Shamsheer, 2009). In the present study due to population and economic growth including development of previously disadvantaged areas the participant's businesses have survived.

5.2.2.1 Obstacles to Pricing Strategy

Sultan (2007) reported some of the barriers for implementation of competitive strategies for small retailers included limited financial resources. In the current study, financial resources for the participants was not investigated as it was not part of the objectives however, the participants did mention experiencing difficulties with regards to competing on price against corporate-owned pharmacies.

5.2.3 Focus Strategy

The results from this study revealed that application of a front shop (focus) strategy to enhance competitiveness with corporate-owned pharmacies shows consistency with prior research findings by Solomons (2014) which concluded that competition on scheduled products alone require financial resources which the independent pharmacies lack. In addition, the single exit price and dispensing fees exerts extra pressure which results in higher prices in comparison to corporate-owned pharmacies. Taking this into consideration, it was concluded that leveraging

front shop offerings and providing products according to the needs of the clients will put the independent pharmacies in a better position to compete with corporate-owned pharmacies.

5.2.3.1 Obstacles to Focus Strategy

Ghazal (2014) reported that lack of client's historic medication data is a significant disadvantage to adequate pharmaceutical care. This is in contradiction with the results of the study by Solomons (2014) which reported that the trend in retail pharmacy is towards self-medication and the participants of the current study also mentioned that the front shop is a strategic area that is used to attract clients into the store and it is customised according to the specific client's needs according to the area.

5.3 Objective 2

To establish whether the competitive strategies implemented by independent pharmacies located in the Capricorn District of Limpopo Province are sustainable for future competitiveness against corporate-owned pharmacies.

As per the literature review of the present study, external and internal factors affecting independently owned retail pharmacies were discussed. This was done through an analysis of the company's macro and micro environment as described by Hough et al. (2011). The factors that were described as part of the macro environment included PEST elements (Political, Economic, Social and Technological). The Immediate industry and competitive environment was described through Porter's Five Forces Model that include power of suppliers, power of buyers, threat of new entrants, threat of substitutes and industry rivalry. This also included an illustration of these factors for the South African retail pharmacy industry (figure 2.3).

With regards to the political factors, Lowe and Montagu (2009) documented the legislation affecting independent pharmacies in South Africa and concluded that the number of corporate-owned pharmacies in South Africa increased from 2003 when a change in ownership legislation allowed non-pharmacists and legal entities to own retail pharmacies. Some of the

economic factors that affect independent pharmacies may include the financial resources available to spend on medicines as explained by Abdullah and Shamsher (2011). These include unemployment, inflation and interest rates. Other political factors comprised of price regulations by the government, medical schemes dispensing fee rate negotiations and service delivery protests.

Economic factors involved the unemployment, inflation and interest rates, dispensing doctors and employment of pharmacists. Previous studies that also highlighted external factors included data from a study by Abdullah and Shamsher (2011) that established that a rising population as seen in South Africa as reported by Statistics South Africa (2011) increases the need for pharmaceuticals. Lowe and Montagu (2009) reported that a rapid increase in the number of retail pharmacy chains took place and this resulted in decreased prices, increase competition and an imbalance between corporate-owned and independent pharmacies.

Social aspects were working hours and the landlords' decision to allow another pharmacy to open in the same mall. Social factors also include the growing population that signifies the need for medicines and education that makes poor communities less dependent on the government and affording private health care. Goundrey-Smith (2014) highlighted that even though pharmacists are already using technology through the dispensing management systems, not all functionality is used.

Ahlquist et al. (2010) reported that pharmacists lack integrated electronic records to complete the history taking part of client assessments. This is consistent with the findings of the current study, as participants mentioned the choice of dispensing system being related to cost. This limits the expansion of technological advances based on affordability. Participants also mentioned lack of resources available to improve technology stating that the funds would be prioritised to other projects like customization of the front shop to improve sales.

The participants mentioned reliance on technology as a strategic resource to compete with corporate-owned pharmacies. This was done through using technology on a daily basis to keep

up to date with trends in the market and improve the products and services offered to clients which include but not limited to communication and inventory management. These results were consistent with prior data from Goundrey-Smith (2014) that reported that information technology can allow the independent pharmacists to store structured client records and automate the management of pharmaceuticals in the supply chain. In so doing leading to improved patient safety and quality care.

According to Hough et al. (2011) immediate industry and competitive forces include competitive pressure, actions of rival businesses, buyer behaviour and supplier related issues. Dalken (2014) emphasised that Porter's Five Competitive Forces determine competition and influence the business capability to generate a profit. Porter (2008, p.32) reported that the force "Rivalry Among Competitors" contain different types of competition, namely: price discounting, new product introductions, advertising campaigns and service improvements.

This is consistent with the results of the current study as participants mentioned that due to the legislation governing the pharmacy profession and strict controls of the pricing of scheduled medicines by the government, discounting is applied through a decrease in the dispensing fee by joining medical scheme networks. Discounting for clients can also be achieved through shopping around and comparing prices at wholesalers for front shop items as prices are not regulated and the mark-up is determined at each pharmacy level.

With regards to advertising, most of the participants mentioned that this is done through local radio stations, magazines, newspapers, doctor's consulting room waiting area and in-store front shop promotions.

A SWOT analysis conducted in the present study revealed the internal factors that affect the independent pharmacy business. Some of the strengths of independent pharmacies include product knowledge through constant medical updates, personal service offering, client loyalty

and trust. On the other hand weaknesses identified were lack of finances, pharmacy manager not having enough time to participate in multidisciplinary teams and lack of strategic direction make it difficult to compete. However, it can be noted that self-medication, online solutions, loyal clients' rewards and ageing population are highlighted as opportunities. Threats include low cost leadership strategy implementation by corporate-owned pharmacies, inability to employ young pharmacy graduates and continual legislative monitoring by the government (Solomons, 2014).

The internal factors mentioned by the participants included staff friendliness and knowledge, working hours, location of the pharmacy, relationship between pharmacy owner, staff and local doctors. These are consistent with the previous study by Adams (2011) that highlighted the strengths of independent pharmacies to be flexibility in decision making based on the lack of red tape as experienced by the corporate. The business owner and the manager is normally the same person who does not have to consult a board of directors or shareholders to make a decision with regards to the strategic directive of the business.

Other strengths of independent pharmacists include a solid rural and urban client base and business disposition for beginning managers to lead the business in an innovative way as opposed to the traditional methods applied by the big corporations. The opportunities available for independent pharmacies include NHI plan by the government to increase the customer base through contracting as chronic medicine pick up points.

However as highlighted by the participants, independent pharmacies face internal challenges. Adams (2011) reported that lack of negotiating power with medical schemes, deficient financial resources for growth and weak inventory control systems as some of the weaknesses. The threats included inability to employ young pharmacy graduates that opt to work for corporate-owned pharmacies and corporate chains ability to negotiate with different stakeholders.

The participants mentioned malls as the preferred location of their independent pharmacies due to accessibility for clients and trend in the area. This can be associated with similar research by Azhar et al. (2009) that highlighted that in South Africa and related developing countries, pharmacist professionals chose to work in urban areas as compared to the rural areas. In a study on legislature in the retail pharmacy division in low-income countries including South Africa, Lowe and Montagu (2009) concluded that pharmacy rules in these countries appears to work in contradiction of broad objectives of health systems to guarantee inexpensive access to quality pharmaceuticals.

Lowe and Montagu (2009) reported loss of pharmacy services in the rural regions as a drawback for chain pharmacies. This is in contradiction to the results of the present study as participants mentioned that it is just a matter of time before the corporate-owned pharmacies expanded their business to the rural areas as supermarkets like Shoprite already operate in those specific markets.

5.4 Summary

The feedback from the participants demonstrated that they are unable to compete with corporate-owned pharmacies on price. The emphasis was on the differentiated services that independent pharmacies offer to clients including personalised customer service, marketing, delivery of chronic medicines, clinic services and adjustment of trading hours according to the clients' needs. The results were compared with previous studies that were similar in some cases and different in others. Chapter six presents the conclusion and recommendations.

CHAPTER SIX: CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

This chapter presents the conclusion and recommendations of the study taking into consideration the findings and discussion of results.

6.2 Conclusion and Recommendations

The conclusion and recommendations are discussed with reference to the objectives of the study.

6.2.1 Objective 1

To evaluate competitive strategies instigated by independent pharmacies located in the Capricorn District of Limpopo Province against corporate-owned pharmacies

With regards to objective one, four themes emerged from the study as participants' revealed utilisation of a combination of strategies. This included differentiation (personal service and marketing), cost (pricing) and focus (front shop) strategies. Personal service strategy allows the independent pharmacies to differentiate themselves from corporate-owned pharmacies through building long-term relationships with clients and being a source of medical information to the community.

A pricing strategy is used through application of reduced dispensing fee through medical scheme networks. This allows the medical scheme members' access to affordable scheduled medication however it is also used as a strategy to get the clients into the store. A focus strategy involves the utilisation of the front shop as a way to customise service offering to the community according to demand.

6.2.1.1 Conclusion

From the findings it can be observed that independent pharmacies use a combination of strategies to achieve competitive advantage in order to compete with corporate-owned pharmacies.

6.2.1.2 Recommendations

It is thus recommended that the strategy implemented by the independent pharmacies should not neglect competition however promote operating in uncontested markets. This may be done through the identification of products that are not being sold by corporate-owned pharmacies. Exclusivity in unexploited locations by opening a new pharmacy is another way that the independent pharmacy can apply this strategy. Following, results from a due diligence when the corporate-owned pharmacy is ready to open a store to enter and compete in that market, the independent pharmacy would have benefited through established relations with clients in the community and other relevant stakeholders.

6.2.2 Objective 2

To establish whether the competitive strategies implemented by independent pharmacies located in the Capricorn District of Limpopo Province are sustainable for future competitiveness against corporate-owned pharmacies.

The participants mentioned the following external and internal factors that affected their business. The external factors included political, economic, social and technological. Some of the political factors incorporated price regulations by the government, lack of negotiation at individual pharmacy level with medical schemes and community service delivery protests. Economic factors mentioned were dispensing doctors, unemployment, inflation and interest rates. Social factors included long working hours and landlords that allow corporate-owned pharmacies to open in the same mall. With regards to technology, the cost of the dispensing program was highlighted as a main factor when choosing between the available options.

Internal factors that affect the independent pharmacies included staff friendliness and knowledge, trading hours, location of the pharmacy and relationship between the pharmacy owner, staff and local doctors. The pharmacy staff attitude towards clients was mentioned as an integral part of the business. Staff knowledge of front shop items contributed to the trust that the clients perceive as the front shop is the first department that clients meet when they enter the store. Ability to adjust trading hours was viewed as an advantage as well as the location of the pharmacy due to visibility to clients and availability of parking. A good working relationship between the pharmacy staff and the local doctors promotes unity from a client point of view and encourages trust.

6.2.2.1 Conclusion

From the above findings it can be concluded that it is imperative for independent pharmacies to have awareness of the factors that affect their business in order to continuously leverage on the positive aspects and find ways to prevent or overcome the negatives.

6.2.2.2 Recommendations

It is thus recommended that in order to limit competition with corporate-owned pharmacies a strategy that does not neglect competition however promotes operating in uncontested markets be implemented by the independent pharmacies to address the identified external and internal factors affecting future sustainability. It can be observed that the external factors would be difficult to control at individual pharmacy level however influence can be attempted through collaborative national organisations, for example the Independent Community Pharmacy Association (ICPA). It would however, be possible to influence internal factors that affect future sustainability of the independent pharmacies to a certain extent at individual pharmacy level. It is therefore recommended that independent pharmacies invest in staff training to ensure continued quality personalised service to clients. This was highlighted by the results of this study as the main differentiator of independent pharmacies.

It is also recommended that independent pharmacies invest in a centralised technology to contribute towards improvement of the quality of service. This can also be administered through collaborative associations, for example members of ICPA. A client of any of the pharmacies that belong to a particular association can access medications through the use of this technology anywhere in the country. Benefits for the pharmacies include having history readily available making it easy to dispense medication and avoid wasting time on opening a profile and taking history for allergies and previous medications administered.

6.2.3 Objective 3

To recommend improvements to the existing competitive strategies utilized by independent pharmacies to enhance competitiveness against corporate-owned pharmacies.

Participants in the study managed to survive for 14.2 average number of years utilising a combination of strategies namely: pricing, personal service, marketing and customisation of front shop products. The factors that affect future sustainability of independent pharmacies have been discussed and concluded. These include external (political, economic, social and technological) and internal factors (trading hours, relationship between the pharmacy manager, employee and local doctors, staff friendliness including knowledge).

6.2.3.1 Conclusion

The strength of independent pharmacies as compared to larger corporates was reported to be flexibility in decision making. For example, the decision to participate in the present study was made at each pharmacy level with the owner or manager of the store. Therefore the decision to change the strategic direction and model of the business can also be made by one person (owner) or including the manager if not the same person. According to the current study results it can be noted that independent pharmacies are faced with strategic decision making that affect and shape their business.

6.2.3.2 Recommendations

Due to the competitive environment that the independent pharmacies operate in, they need to be innovative and avoid entering into a price war with corporate-owned pharmacies. The recommended competitive strategy for the independent pharmacies located in the Capricorn District of Limpopo Province is the strategy that encourages operating in uncontested markets with limited or no competition with corporate-owned pharmacies. This would encourage the independent pharmacy owner to focus on factors that affect their own business through not neglecting competition but finding innovative ways to use the available resources to operate their business. In addition external and internal factors that affect the independent pharmacies should be identified and the pharmacy owner should utilise the recommended strategy to continuously capitalise on the positive aspects and develop ways to avoid or overcome the negatives.

6.3 Recommendations for Future Research

The study represented results from data collected in one district. Limpopo province has five districts. Future research should explore the competitive strategies instigated by the independent pharmacies located in the other areas to provide a complete analysis of the province.

6.4 Concluding Remarks

The results presented in this research revealed that independent pharmacies located in the Capricorn District of Limpopo Province instigated competitive strategies that safeguarded their survival for an average number of 14.2 years however the future of these independent pharmacies remains uncertain. This is due to continued regulation of dispensing fee by the government as demonstrated by previous studies and the results of the present study.

The strategies used by the participants included a combination of personal service, marketing, pricing (medical scheme networks) and focus (front shop items) however, corporate-owned pharmacies continue to be a threat through expansion resulting in intensification of

competition in the industry. It is thus recommended that these independent pharmacies improve their strategic direction through application of the strategy that does not disregard competition but focuses on creating uncontested markets with limited competition.

Stakeholder relations remain an integral part of the independent pharmacy practice. The research highlighted plans by the South African government to introduce a universal health care coverage through a NHI program that included independent pharmacies as part of collection points for the chronic medication. This presents an opportunity for independent pharmacies to expand their clientele to include consumers that obtain medications from public institutions due to lack of financial resources required by privately owned pharmacies.

The various competitive strategies implemented by independent pharmacies included in this study were described, analysed and interpreted with reference to previous studies. The recommendations of this study were developed to add value to the current competitive strategies and contribute to the future sustainability of these independent pharmacies. The addition of value and sustainability could be achieved if the recommendations of this study are carefully implemented and monitored.

References

- Abdullah, M. and Shamsher, R., 2011. A Study on the Impact of PEST Analysis on the Pharmaceutical Sector: The Bangladesh Context. *Journal of Modern Accounting and Auditing*, 7(12), pp. 1446-1456.
- Adams, E., 2011. *Independent Community Pharmacy: Quo Vadis?*. [Online] Available at: <http://scholar.sun.ac.za/handle/10019.1/14640> [Accessed 18 March 2016].
- Ahlquist, G., Javanmardian, M., Kaura, A. & Bilokrynytsky, I., 2010. *The Pharmacy Solution An Expanding Role for Pharmacies in Healthcare Delivery*. [Online] Available at: [http://www.strategyand.pwc.com/media/file/The Pharmacy Solution.pdf](http://www.strategyand.pwc.com/media/file/The%20Pharmacy%20Solution.pdf) [Accessed 26 October 2016].
- Azhar, S; Hassali, MA; Ibrahim, MIM; Ahmad, M; Masood, I; Shafie, AA., 2009. *The Role of Pharmacists in Developing Countries: The Current Scenario in Pakistan*. [Online] Available at: <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2714831/> [Accessed 09 June 2016].
- Babar, Z. and Scahill, S., 2014. Barriers to Effective Pharmacy Practice in Low and Middle Income Countries. *Integrated Pharmacy Research and Practice*, 3(9), pp. 25-27.
- Baroto, M., Abdullah, M. & Wan, H., 2012. Hybrid Strategy: A New Strategy for Competitive Advantage. *International Journal of Business and Management*, 7(20), pp. 120-133.
- Clicks Group Limited, 2016. *Clicks Group Limited*. [Online] Available at: <http://www.clicksgroup.co.za/> [Accessed 4 November 2016].
- Council for Medical Schemes, 2016. *About us*. [Online] Available at: <https://www.medicalschemes.com/Content.aspx?1> [Accessed 22 June 2016].
- Creswell, J., 2014. *Research Design*. 4th ed. London: Sage.
- Dalken, F., 2014. *Are Porter's Five Competitive Forces still Applicable? A Critical Examination concerning the Relevance for Today's Business*. [Online] Available at: http://essay.utwente.nl/65339/1/D%C3%A4lken_BA_MB.pdf [Accessed 15 October 2016].

Deloitte, 2016. *2016 Global Healthcare Outlook Battling Costs While Improving Care*. [Online]

Available at: <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Life-Sciences-Health-Care/gx-lshc-2016-health-care-outlook.pdf> [Accessed 4 November 2016].

Etikan, I., Sulaiman, A. and Sunusi, A., 2015. Comparison of Convenience Sampling and Purposive Sampling. *American Journal of Theoretical and Applied Statistics*, 5(1), pp. 1-4.

Ghazal, RM; Hassan, AG; Ghaleb, O; Ahdab, AI; Saliem, II., 2014. Barriers to the implementation of Pharmaceutical Care into the UAE community pharmacies. *IOSR Journal of Pharmacy*, 4(5), pp. 68-74.

Goundrey-Smith, S., 2014. *Examining the Role of Technology in Pharmacy: Now and in the Future*. [Online]

Available at: <http://www.pharmaceutical-journal.com/publications/supplements/focus-community-pharmacy/examining-the-role-of-new-technology-in-pharmacy-now-and-in-the-future/11134174.article>

[Accessed 16 July 2016].

Gulati, R., 2015. *Client-centricity*. [Online]

Available at: <http://www.mmiholdings.co.za/wps/wcm/connect/mmiholdings-za/295bd535-a6ad-409b-ab94-d18139e88097/mmi-client-centric-journey.pdf?MOD=AJPERES>

[Accessed 18 June 2016].

Hough, J., Thompson, A. S. A. and Gamble, J., 2011. *Crafting and Executing Strategy*. 2nd ed. Glasgow: McGrawHill.

ICPA, 2016. *About*. [Online] Available at: <http://www.icpa.co.za/about/> [Accessed 26 June 2016].

Kessel, M., 2014. *Changing Attitudes of Stakeholders*. [Online]

Available at: http://www.nature.com/nbt/journal/v32/n10/box/nbt.3036_BX1.html

[Accessed 15 June 2016].

Kim, W. and Mauborgne, R., 2015. *Blue Ocean Strategy*. [Online] Available at:

<http://centres.insead.edu/blue-ocean-strategy/documents/e-ibosi2015.pdf> [Accessed 25 October 2016].

Krueger, J. and Hermansen-Kobulnicky, C., 2011. Patient Perspective of Medication Information Desired and Barriers to Asking Pharmacists Questions. *Journal of the American Pharmacists Association*, 51(4), pp. 510-519.

Lowe, R. and Montagu, D., 2009. Legislation, Regulation and Consolidation in the Retail Pharmacy Sector in Low-Income Countries. *Southern Medical Review*, 2(2), pp. 35-44.

Magwaza, N., 2014. *Dis-chem continues expansion*. [Online]

Available at: www.iol.co.za/business/news/dis-chem-continues-expansion-1668977

[Accessed 16 October 2016].

McGee, J. and Rubach, M., 2011. Responding to Increased Environmental Hostility: A Study of the Competitive Behavior of Small Reailers. *Journal of Applied Business Research*, 13(1), pp. 83-93.

Mueller, K., 2007. *Rural Pharmacy Research Findings: What we Know*. [Online]

Available at:

http://cph.uiowa.edu/rupri/presentations/Rural%20Pharmacy%20Research%20Findings%209_27_07.pdf

[Accessed 21 June 2016].

Pampel, G., 2013. *Factors Affecting the Profitability of Pharmacies*. [Online]

Available at:

<http://wiredspace.wits.ac.za/bitstream/handle/10539/14078/Factors%20Affecting%20the%20Profitability%20of%20Pharmacies%20v7%206.pdf?sequence=1>

[Accessed 17 June 2016].

Porter, M., 2008. *The Five Competitive Forces that Shape Strategy*. [Online]

Available at: http://users.jyu.fi/~juanla/READINGS/HBR_on_Strategy_23_41.pdf

[Accessed 26 October 2016].

Pretorius, D., 2011. *The Impact of Implementation of Single Exit Pricing for Pharmaceuticals in South Africa*. [Online] Available at:

<http://ipasa.co.za/Downloads/Policy%20and%20Reports%20-%20Medicines/Single%20Exit%20Price/Impact%20of%20implementation%20of%20SEP%20for%20pharmaceuticals%20SA.%20D%20Pretorius%202011.pdf> [Accessed 26 October

2016].

Republic of South Africa Government Gazette , 2016. *Regulations Relating to a Transparent Pricing System for Medicines and Schedules Substances: Dispensing Fee for Pharmacists.*

[Online] Available at: http://www.gov.za/sites/www.gov.za/files/39658_gon153.pdf

[Accessed 27 June 2016].

Sekaran, U. and Bougie, R., 2013. *Research Methods for Business*. 6th ed. United Kingdom: Wiley .

Smith, F., 2009. The Quality of Private Pharmacy Services in low and Middle Income Countries: A Sytematic Review. *Pharmacy World & Science*, 31(3), pp. 351-361.

Solomons, C., 2014. *Factors Determining Competitiveness in Urban Independent Pharmacies: A Descriptive Analysis*. [Online]

Available at: <http://scholar.sun.ac.za/handle/10019.1/96193> [Accessed 16 February 2016].

South African Pharmacy Council, 2016. *Organizations by Sector*. [Online]

Available at: http://www.pharmcouncil.co.za/B_Statistics.asp [Accessed November 4 2016].

South African Reserve Bank, 2016. *Repo Rate*. [Online]

Available at: <http://www.resbank.co.za/Research/Rates/Pages/Repo%20Rate.aspx>

[Accessed 26 June 2016].

Statistics South Africa, 2011. *Census in Brief*. [Online]

Available at:

http://www.statssa.gov.za/census/census_2011/census_products/Census_2011_Census_in_brief.pdf [Accessed 5 June 2016].

Statistics South Africa, 2016. *Key findings: P0141 - Consumer Price Index (CPI), May 2016*.

[Online] Available at: http://www.statssa.gov.za/?page_id=1856&PPN=P0141&SCH=6487

[Accessed 26 June 2016].

Statistics South Africa, 2016. *Media Release-Quarterly Labour Force Survey*. [Online]

Available at: http://www.statssa.gov.za/?page_id=1854&PPN=P0211 [Accessed 26 June 2016].

Sultan, S., 2007. *The Competitive Advantage of Small and Medium Sized Enterprises: The case of Jordan's Natural Stone Industry*. [Online]

Available at: www.merit.unu.edu/training/theses/SSultan.pdf [Accessed 23 October 2016].

Tanwar, R., 2013. Porter's Generic Competitive Strategies. *Journal of Business and Management*, 15(1), pp. 11-17.

The Department of Trade and Industry, 1996. *NO. 102 OF 1996: NATIONAL SMALL BUSINESS ACT, 1996*. [Online]

Available at: https://www.thedti.gov.za/sme_development/docs/act.pdf [Accessed 4 November 2016].

The Local Government Handbook, 2016. *Capricorn District Municipality (DC35)*. [Online]

Available at: <http://www.localgovernment.co.za/districts/view/26/Capricorn-District-Municipality#demographic> [Accessed 26 June 2016].

Wessels, M. & Luiz, J., 2003. The Future of the South African Retail Pharmacy Industry in the Light of International Experience and the Changing Healthcare Market. *South African Journal of Economic and Management Sciences*, 6(3), pp. 612-626.

APPENDICES

Appendix 1: Letter of Introduction

UNIVERSITY OF KWAZULU-NATAL GRADUATE SCHOOL OF BUSINESS & LEADERSHIP

Dear Respondent,

MBA Research Project

Researcher: Ms Motale Madigoe (Cell number: 072 241 7056)

Supervisor: Mr Alec Bozas (Cell number: 082 334 4477)

Research Office: Ms P Ximba (Office number: 031-2603587)

I, Motale Doreen Madigoe an MBA student, at the Graduate School of Business & Leadership, of the University of KwaZulu-Natal invite you to participate in a research project entitled Competitive Strategies for Independent Pharmacies Located in the Capricorn District of Limpopo Province. The aim of this study is to evaluate strategies instigated and/or used by independent community pharmacies located in the Capricorn District of Limpopo Province to remain competitive against corporate-owned pharmacies.

Through your participation I hope to understand strategies that will ensure that pharmacies located in the Capricorn district of Limpopo province can compete with corporate-owned pharmacies. The results of the focus group are intended to contribute to inspire these independent pharmacists to join their colleagues worldwide in an effort to come up with strategies to compete and remain in business and not be forced to close down their operations due to competitive pressure from corporate-owned pharmacies. Your participation in this project is voluntary. You may refuse to participate or withdraw from the project at any time with no negative consequence.

There will be no monetary gain from participating in this survey/focus group. Confidentiality and anonymity of records identifying you as a participant will be maintained by the Graduate School of Business & Leadership, University of KwaZulu-Natal. If you have any questions or concerns about completing the questionnaire or about participating in this study, you may contact me or my supervisor at the numbers listed above. The survey should take you about **30 (thirty) minutes to complete**. I hope you will take the time to complete this survey.

Sincerely

Investigator's signature: _____ Date: _____

This page is to be retained by participant

Appendix 2: Informed Consent Form

UNIVERSITY OF KWAZULU-NATAL GRADUATE SCHOOL OF BUSINESS & LEADERSHIP

MBA Research Project

Researcher: Motale Doreen Madigoe (Cell number: 072 241 7056)

Supervisor: Mr Alec Bozas (Cell number: 082 334 4477)

Research Office: Ms P Ximba 031-2603587

CONSENT

I..... (full names of participant) hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project.

I hereby consent / do not consent to have this interview recorded.

I understand that I am at liberty to withdraw from the project at any time, should I so desire.

SIGNATURE OF PARTICIPANT

DATE

.....

.....

This page is to be retained by researcher

Appendix 3: Data Collection Form

RESPONDENT UNIQUE NUMBER:

--	--	--

A1	Age (years)		
A2	Gender	Male	Female
A3	Number of years that the pharmacy has been established		
A4	Kilometres from another independent pharmacy		
A5	Kilometres from corporate-owned pharmacy		

<p>B1. Which of the competitive strategies best describes your business and why? (Overall low cost, Broad differentiation, Focused low cost, Focused differentiation, Best cost, Other (specify).....)</p>
<p>B2. What strategies do you currently have in place to establish and maintain relations with different stakeholders that influence your business? (e.g. medical aids, customers etc.)</p>
<p>B3. What strategies do you have to adapt in an expanding and transforming health care system? (e.g. Participation in interdisciplinary teams etc.)</p>
<p>B.4 What are the external factors affecting sustainability of your pharmacy and what strategies do you have to address them? (e.g. political, economic, social and technological).</p>
<p>B5. What are the internal factors affecting sustainability of your pharmacy and what strategies do you have to address them? (e.g. strengths, weaknesses, opportunity and threats).</p>

Appendix 4: Ethical Clearance Form



04 May 2016

Ms Motale Doreen Madigoe (214583250)
Graduate School of Business & Leadership
Westville Campus

Dear Ms Madigoe,

Protocol reference number: HSS/0462/016M

Project title: Competitive strategies for Independent Pharmacies located in the Capricorn District of Limpopo Province

Full Approval – Expedited Approval

With regards to your application received on 26 April 2016. The documents submitted have been accepted by the Humanities & Social Sciences Research Ethics Committee and **FULL APPROVAL** for the protocol has been granted.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.

Please note: Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

take this opportunity of wishing you everything of the best with your study.

Yours faithfully

[Redacted Signature]

.....
D (Chair)

Cc Supervisor: Mr Alec Bozas
Cc Academic Leader Research: Dr Muhammad Hoque
Cc School Administrator: Ms Zarina Bullyraj

Humanities & Social Sciences Research Ethics Committee

Dr Shenuka Singh (Chair)

Westville Campus, Govan Mbeki Building

Postal Address: Private Bag X54001, Durban 4000

Telephone: +27 (0) 31 260 3587/8350/4557 Facsimile: +27 (0) 31 260 4609 Email: ximbap@ukzn.ac.za / smymanm@ukzn.ac.za / mohunp@ukzn.ac.za

Website: www.ukzn.ac.za

78
1910 - 2010

100 YEARS OF ACADEMIC EXCELLENCE