

MANAGING LONG TERM RELATIONSHIP WITH CUSTOMERS IN PHARMA SECTOR: AN EMPIRICAL SURVEY ON SELECT PHARMACIES IN ANDHRA REGION

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Abstract

As firms seek ways to manage customer relationships over the long term, understanding the dynamics of the service provider-customer relationship becomes a key priority. The purpose of investigation is to examine the relationship(s) among service quality, customer satisfaction and customer commitment in the community pharmacy. The study was conducted in five different community pharmacies, all located in the city of Vijayawada, Andhra Pradesh. The study population consisted of the customers of those five pharmacies. The researcher chose a convenience sample of the customers, who visited those pharmacies during the period of the study, which consists of 250 respondents. The Statistical Package for Social Sciences (SPSS) program was used to examine the hypotheses.

Keywords: community pharmacies, service quality, customer satisfaction, customer commitment.

1. Introduction

The dynamic nature of customer relationships is especially important in industries that offer continuously provided services, such as public utilities, health care, financial services, computing services, insurance, and other professional, membership, or subscription services. In these industries, customers choose future service usage levels based on their evaluations of their current service experiences, and these usage levels have a substantial impact on the long-term profitability of the organization.

Customer satisfaction is also considered a fundamental requirement for building a competitive advantage in any organization, which has arisen as a result of the hypercompetitive business environment that companies face;

therefore, an enhanced customer satisfaction is believed to be significantly associated with greater customer commitment, increased sales and productivity, high new-product success and innovation leading to a more sustainable competitive advantage. Many studies have tried to highlight the importance of customer satisfaction of the service provided by community pharmacies (Kucukarslan and Schommer, 2002; Panvelkar et al., 2009; White and Klinner, 2011) Therefore, pharmacies must try to differentiate their pharmaceutical care and try to cater for patients' needs. They also have to focus on building long-term relations with the patients by building trust and loyalty.

In order to retain current customers and acquire new ones, the focus should be on the quality of service provided, as service quality is essential in enabling the organizations to achieve competitiveness. Whether the organization is a service or a manufacturing one, it should direct its attention to applying service quality into its products or services. Studies have discussed the importance of service quality and emphasized its direct positive relationship with customer satisfaction. (Levesque & McDougall, 1996; Dahiyat et al., 2011;).

Oliver (1996) defined satisfaction as a judgment that a product or service provides “a pleasurable level of consumption-related fulfilment.” In other words, the consumer makes a judgment as to how well a service was provided, and if the consumer judges the service to have been pleasurable, he or she will feel satisfied; if the judgment is displeasure, he or she will feel dissatisfied (Oliver, 1996; Kucukarslan and Schommer, 2002).

Recently, researchers have argued that there is a distinction between customer satisfaction as related to tangible products and as related to service experiences. This distinction is due to the inherent intangibility and perishability of services, as well as the inability to separate production and consumption. Hence, customer satisfaction with services and with goods may derive from, and may be influenced by, different factors and therefore should be treated as separate and distinct.

1.1 Service Quality

Service quality is a measure of how well the service level delivered matches customer expectations. Delivering quality service means conforming to customer expectations on a consistent basis. Gronroos (1982) developed a model in which he contends that consumers compare the service they expect with perceptions of the service they receive in evaluating service quality. Overall service quality has been regarded as being similar to an attitude because it was thought to be an overall evaluation of the service based on its perceived goodness. Attitudes are summary evaluations of objects on a positive to negative continuum, which direct intentions and behaviour. Service quality as the degree of difference between the customers' perceptions and expectations of the services. Most services are intangible. Because they are performances rather than objects, precise manufacturing specifications concerning uniform quality can rarely be set. When purchasing goods, the consumer employs many tangible cues to judge quality: style, hardness, colour, label, feel, package, fit. When purchasing services, fewer tangible cues exist. In most cases, tangible evidence is limited to the service provider's physical facilities, equipment, and personnel.

Delivering quality service is considered an essential strategy for success and survival in today's competitive environment (Dawkins and Reichheld 1990; Parasuraman, Zeithami, and Berry 1985; Reichheld and Sasser 1990; Zeithaml, Parasuraman, and Berry 1990). Service quality is known as one of the effective ways to achieve strategic benefits such as customer retention rate, increasing efficiency and achieving operating profit.

1.2 Customer Commitment

One of the central concepts in the relationship-marketing paradigm is that of customer commitment. There have been many definitions of the commitment concept appearing in the fields of psychology, organizational behaviour, and marketing. These definitions all reflect that commitment to a relationship involves both a psychological state (e.g. a binding force; a link; a pledge; or a dedication) and a motivational phenomenon (e.g. to maintain a relationship; to repurchase; or to remain with an organization). Much of what is currently understood about

commitment stems from research in psychology and organizational behaviour. Affective commitment is positively related to repurchase intentions. Affective, normative, and habitual commitment exhibit stronger positive effects on repurchase intentions for goods than for services; the opposite pattern is found for economic commitment. The calculative component consists of two dimensions – negative and positive. The negative dimension means locked-in values, such as the committed person being aware that relationship specific investments already made in time, effort, money, knowledge etc. may be lost, that new costs may arise and that new relationship specific investments must be made (‘switching costs’) if the relationship concerned comes to an end. The positive dimension relates to future values, such as anticipating future gains in terms of time, effort, money, knowledge etc. These two dimensions are closely linked to past and present investment and returns. Empirical studies in both organizational and market research indicate that if the committed person feels that there are locked-in and future values or that there is a lack of alternative relationship partners, this gives rise to calculative commitment.

2. Objectives

- To outline the importance of service quality, customer satisfaction over pharma sector.
- To assess the level of customers' satisfaction on select pharmacies and also establish a relationship between service quality and customer satisfaction.
- To know the perception of customers towards service quality, level of satisfaction in select pharmacies.

2.1 Methodology

The quantitative data was collected with the handing out of questionnaires to customers of five pharmacies located in one particular area, in the city of Vijayawada, located in Andhra Pradesh. Customers were randomly asked to fill out a questionnaire and bring it back to the pharmacy. Out of five hundred only two hundred and fifty 250 questionnaires were filled out. The type of survey method chosen for this paper is the self-administered survey. This type of survey can be e-mailed, mailed, faxed or simply handed to the respondent. In the self-administered interview method, no interviewer is involved. Using a self-administered survey consists of identifying and locating potential study participants, deciding on the best way to get the questionnaire to those participants, and waiting for completed questionnaires to be returned.

The collection of quantitative data was conducted with the help of a questionnaire, which was adjusted for the needs of the present survey. The final questionnaire consisted of 68 questions (items) and was divided into two sections. The first section named “Demographic Characteristics” included personal data (gender, age, education, monthly income, visit frequency to one’s community pharmacy). The second section named “Questions” included four scales, measuring: customer commitment, customer satisfaction, service quality and customer-oriented organizational citizenship behaviour. The design of the questionnaire was based on multiple-item measurement scales that have been validated and found to be reliable in previous research. All items, in this section, were measured in seven-point Likert scales ranging from completely disagree to completely agree (1 – 7).

2.2 Hypothesis

- There is no significant positive relationship between service quality and customer satisfaction.
- There is no positive relationship between customer satisfaction and customer commitment.

3. Literature Review

Recently new developments have caused services to improve with a high speed. In fact, today, service sector has the highest share in the economy of society. Customer satisfaction is a complex construct and has been defined in various ways. Customer satisfaction is the feeling or attitude towards a particular product or service after using it. Satisfaction and service quality are often considered as functions of customer perceptions and expectations. Customer satisfaction is determined by the customer's perception of quality and his/her expectations and preferences. "Satisfaction is the consumer's fulfilment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfilment, including levels of under- or overfulfill" (Oliver 2010). Customer satisfaction is defined as a customer's overall evaluation of the performance of an offering to date. This overall satisfaction has a strong positive effect on customer loyalty intentions across a wide range of product and service categories. A clear decision on the fundamental nature of the satisfaction construct is needed. In accordance with the majority of research being done on the satisfaction construct, we opt for the latter view and define a purchasing manager's satisfaction with a supplier as an affective state of mind resulting from the appraisal of all relevant aspects of the business relationship.

Service quality is frequently conceptualized and measured as an overall, evaluative attitude-like construct (Brady and Cronin, 2001; Taylor, 1994; Taylor and Baker, 1994), regardless of the number of distinct antecedent evaluations formally leading to the overall evaluation. Even though the service quality as attitude proposition has not been subjected to much empirical and conceptual debate, the conventional wisdom is that the overall evaluative nature of service quality makes it an attitude or attitude-like construct (Cronin and Taylor, 1992). It measures quality by counting the incidence of "internal" failures (those observed before a product leaves the factory) and "external" failures (those incurred in the field after a unit has been installed). The traditional SERVQUAL or "gap analysis model" was developed by Parasuraman, Zeithaml and Berry in the early 1980s, which is based on the view that customers assess service quality by comparing expectations of services provided with perceptions of the actual service received from a particular service provider. A set of five service quality dimensions (namely: tangibles, reliability, responsiveness, assurance, and empathy) across a broad spectrum of service industries is identified. Even though currently there is a lack of consensus in the literature, the SERVQUAL model has been the most extensively and successfully used service quality measurement in the twenty-first century. Cronin and Taylor (1992) stated that perception-only scores (as in the SERVPERF model) are superior to the perception-minus-expectation difference scores (as in the SERVQUAL model) in terms of reliability and convergent validity; according to these authors, there is little (if any) theoretical or empirical evidence to support the expectation-perception gap as the basis for measuring service quality. Cronin and Taylor (1992) also noted that using perception-only scores reduces the required number of items in the questionnaire from 44 to 22. Brady et al. (2002) replicated and extended Cronin and Taylor's (1992) research and confirmed their belief in the superiority of SERVPERF over SERVQUAL as an appropriate methodology for measuring service quality.

Rehman (2012) aimed to investigate the relationship between customer satisfaction and service quality in Islamic banks of Pakistan, the United Kingdom and United Arab Emirates. The researcher used (CARTER model) that defines six dimensions of service quality, i.e. compliance, assurance, responsiveness, tangible, empathy, and reliability. The findings revealed that customers in Pakistan and UK Islamic banks consider assurance, reliability and empathy as significant factors for customer satisfaction, whereas in UAE customers consider assurance and tangibility as significant dimensions of satisfaction. The factors affecting customer's experience were analysed using weighted SERVQUAL methodology. In addition, the gap between Turkish Airline's current service quality and 5-star service quality defined by SKYTRAX (an accepted airline quality rating organization) was measured. In determining the factors affecting customer's experience, SKYTRAX customer satisfaction criteria were considered. Factor analysis grouped the questions included in the survey into six factors (dimensions): ground handling, employees, in-flight services, e-commerce, image and empathy. The results suggested that image dimension has the highest customer satisfaction level; employees and empathy dimensions followed the image. E-commerce has the lowest satisfaction level; in-flight services and ground handling service followed that. Another result is that meals and passenger transferring services have the highest impact on customer satisfaction.

Malik (2012) aimed to find out the perceived service quality using SERVQUAL and then the role of perceived value as a mediating variable in the service sector of Pakistan, Perceived value was found strongly correlated with satisfaction. Results suggested that perceived value is an important factor in customers' evaluation of satisfaction. Kucukarslan and Schommer (2002) tried to identify whether prior experiences, ideal referents, or market-based expectations (e.g. wait time, personality of pharmacist, pharmacist's skill, pharmacist's willingness to help) affect patients' satisfaction with pharmacy services. In the disconfirmation of expectations paradigm, patients use their expectations for a given service as the basis for judging that service in the present. How, their present experience compared with their expectations, yields a measure of satisfaction. The results show the viability of using these expectations to evaluate the quality of pharmacy services and explain patient satisfaction with experience at the pharmacy.

4. Analysis

Table-1 Correlations for customer commitment

		CC_MEAN	Cust.Sat._MEA N	SQ_MEAN
Pearson Correlation	CC_MEAN	1	0.431	0.611
	Cust.Sat._MEAN	0.531	1	0.504
	SQ_MEAN	0.511	0.504	1
Sig. (1-tailed)	CC_MEAN	.	0	0
	Cust.Sat._MEAN	0	.	0
	SQ_MEAN	0	0	.
N	CC_MEAN	250	250	250
	Cust.Sat._MEAN	250	250	250
	SQ_MEAN	250	250	250

Table 2 Correlations for customer satisfaction

		C_SAT_MEAN	CC MEAN	SQ_MEAN
Pearson Correlation	C_SAT_MEAN	1	0.489	0.603
	CC-MEAN	0.689	1	0.612
	SQ_MEAN	0.501	0.304	1
Sig. (1-tailed)	C_SAT_MEAN	.	0	0
	CC MEAN	0	.	0
	SQ_MEAN	0	0	.
N	C_SAT_MEAN	250	250	250
	CC MEAN	250	250	250

	SQ_MEAN	250	250	250
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Table 3 Model summary for customer commitment

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	0.652	0.425	0.42	0.97344	0.425	91.221	2	247	0	1.642

Table 4 Model summary for customer satisfaction

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	0.665	0.442	0.438	0.64346	0.442	98	2	247	0	1.689

The values of Pearson's correlation coefficient between every pair of variables are shown in Table 3 and Table 4. The one-tailed significance of each correlation is displayed (all correlations are significant, $p < 0.001$). One way of identifying multicollinearity is to scan the correlation matrix of the predictor variables and see if any correlate very highly. If there is no multicollinearity in the data then there should be no substantial correlations ($r > 0.9$) between predictors. Our data does not have high correlations.

In the column labelled R are the values of the multiple correlation coefficient between the predictors and the outcome (Table 3 and Table 4). The next column gives us a value of R^2 , (R square) which is a measure of how much of the variability in the outcome is accounted for by the predictors. For customer commitment, its value is 0.425, which means the predictors account for 42.5% of the variation in customer commitment. For customer satisfaction, its value is 0.442, which means the predictors account for 44.2% of the variation in customer satisfaction.

The adjusted R^2 gives us some idea of how well our model generalizes and ideally, we would like its value to be the same as, or very close to, the value of R^2 . In our case the difference for the final model is small (in fact the difference between the values is $0.425 - 0.420 = 0.005$ or 0.5% for customer commitment and $0.442 - 0.438 = 0.004$ or 0.4% for customer satisfaction). This shrinkage means that if the models were derived from the population rather than a sample it would account for approximately 0.5% and 0.4% respectively less variance in the outcome.

The assumption that errors are independent is likely to be met if the Durbin-Watson statistic is close to 2 (and between 1 and 3). The closer to 2 the value is, the better, and for this data the value is 1.642 and 1.689, which is so close to 2 that the assumption has almost certainly been met.

5. Conclusion

Specifically, professionals in the pharmaceutical sector, will have more satisfied and committed clients if they demonstrate altruism by helping other members of the organization in their tasks (e.g. voluntarily helping less skilled or new employees, and assisting co-workers who are overloaded or absent and sharing sales strategies);

courtesy by preventing problems deriving from the work relationship (e.g. encouraging other co-workers when they are discouraged about their professional development); sportsmanship by accepting less than ideal circumstances (e.g. petty grievances, real or imagined slights); civic virtue by responsibly participating in the life of the firm (e.g. attending meetings/functions that are not required but that help the firm, keeping up with changes in the organization, taking the initiative to recommend how procedures can be improved); and conscientiousness by showing dedication to the job and desire to exceed formal requirements in aspects such as punctuality or conservation of resources (e.g. working long days, voluntarily doing things besides duties, keeping the organization's rules and never wasting work time). Build strategies to facilitate and accelerate the delivery of relational benefits.

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