



Original Research

The missing path to gain customers loyalty in pharmacy retail: The role of the store in developing satisfaction and trust

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Abstract

Background: An evolution led to community pharmacies experiencing increased competition both between themselves and with new entrants in the sector, for example, grocery retailers. Applying certain retail marketing strategies aimed at developing store loyalty may be an appropriate strategic path for pharmacies wanting to compete in this new arena.

Objectives: This study aimed to develop and test a two-step model to identify the determinants of store loyalty for community pharmacies in Italy.

Methods: Based on the retail literature, qualitative research was conducted to identify key variables determining loyalty to community pharmacies. The model was then tested by means of a phone survey. A total of 735 usable questionnaires was collected.

Results: The study highlights the key role of the relationship between pharmacists and their customers in the loyalty-building path; trust in pharmacists is the first driver of satisfaction and a direct and indirect (through satisfaction) driver of trust in pharmacies, which leads to store loyalty. Retail-level levers, such as the store environment, assortment, and communication, influence trust in pharmacies.

Conclusions: This model is a first step toward investigating loyalty-building by applying the retail management literature's concepts to the community pharmacy sector.

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Keywords: Customer loyalty; Trust; Satisfaction; Pharmacy retail mix

Introduction

The European community pharmacy sector has undergone significant changes over the past few years. Many aspects of this industry have been

progressively harmonized by means of EU legislation, which changed the sector drastically within the individual EU countries, which had, until that time, managed the sector autonomously. The

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most important change was increased liberalization, which introduced a new competitive dimension in previously protected environments such as in Italy.¹ Before EU liberalization, Italian regulation of community pharmacies rigorously determined the number that could be opened so as to minimize competition. Italy has a total of 18,201 community pharmacies (Federfarma data, 2014) and the pharmacy: to:inhabitants ratio – one pharmacy serving 3374 inhabitants – is slightly above the European average (one pharmacy per 3323 inhabitants), but significantly greater than in comparable countries such as Spain (one pharmacy per 2159 inhabitants).²

The sector liberalization allowed new players to enter this protected environment. First of all, foreign community pharmacy chains started a process of globalization, which drove them to enter European countries' local markets. Italy was specifically a key target of their focus. Second, retailers traditionally operating in the grocery sector were subsequently also allowed to sell over-the-counter (OTC) drugs. This market is worth EUR 2429 million in Italy (IMS Health data, 2014), representing around 14% of the pharmaceutical market. The grocery channel accounts for 14.1% of OTC sales in the country (IMS Health, 2014). Where local legislation allows this, groceries can even establish their shop-in-a-shop pharmacy, not just for OTC sales, but also for prescription drugs. Although this is not yet allowed in Italy, where only stores belonging to the community pharmacy sector can supply OTC drugs, new regulations allow surgeries to dispense prescription drugs, which means their patients can circumvent community pharmacies. Furthermore, Internet pharmacies, such as quick-pharma.de or budgetmedicines.com, are also challenging traditional physical community pharmacies. These new market players are increasingly pressurizing traditional community pharmacies' revenues, forcing them to rethink their strategic position in the health sector supply chain.³ This is possible, as Italian pharmacies, unlike those in the US, are not “protected” by insurance that may restrict access for some patients. In Italy, the use of insurance for pharmaceutical products is very low, as the state refunds most prescription drug costs, regardless of the store in which they have been purchased. Many traditional community pharmacies have thus sought ways to improve their strategic position.² In this respect, community pharmacies have various options.

On the one hand, pharmacies can exploit the sector's liberalization and focus on augmenting their offer with health care value-added services¹ (e.g. in-home care of the elderly, primary care, blood analyses, blood pressure checks, etc.). Traditionally, pharmacies' primary business emphasis was on drug distribution, but this has recently changed in several countries, resulting in the pharmacy profession becoming more “patient centered.”⁴ In these countries, like the US, pharmacies have started viewing themselves as health service centers and not mere medical dispensaries.³ In Italy, as well as in other European countries, there is currently a broad discussion on this topic at the government level, but community pharmacies have not received any guidelines to transform themselves into health care service providers. Although this option appears to be a possible long-term strategy, community pharmacists are not currently investing in such a transformation.

On the other hand, sector liberalization allows pharmacies to compete with their new retail competitors by adopting their business logic. In some countries, the pharmacy business has indeed evolved toward the retail industry with increasingly similar organizational and offer structures.^{1,2}

A retail company is defined as a firm whose main activity is the buying and selling of goods, creating value for its customers through the provision of services.⁵ This definition also applies to community pharmacies, which are not merely drug dispensers, and even covers their possible health service offer extension, although they might not create true health service centers. Pharmacies in several European countries have already adopted this strategy in reaction to the increased competitive pressure. They have enlarged their offer by not just selling drugs or OTC products, but also health-care-related products, such as cosmetics, baby care products, anti-allergenic foods, etc., and certain health-care-related services. In Italy, non-drug products comprise 32.9% of pharmacies' turnover (IMS Health, 2014).

In keeping with this trend in Europe, the authors suggest that, with a few adaptations, retail relationship management development's key theories can also be applied to the pharmaceutical retail context. This paper thus takes the similarities between pharmacies and their key new competitors – other retailers – into account in order to propose a model, based on retail strategies, which will strengthen the relationship between pharmacies and their customers. Store loyalty – an outcome

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