

Building Customer Relationship for Gaining Customer Loyalty in the Pharmaceutical Industry

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Abstract—As the competition in the pharmaceutical industry becoming more intense, building collaborative relationships with patients, physicians, and other stakeholders are the key to sustain demand for pharmacy services on a long-term basis. Thus, the purpose of this study is to identify and understand the importance of key dimension used to assess the success of customer relationship and how it affects customer loyalty in the pharmaceutical industry. Data was collected from 325 customers who purchase their needs from pharmacies throughout Kuching. A reliability and validity analysis suggests that Trust have a significant relationship to customer loyalty and a subsequent multiple regression analysis revealed that Conflict Handling is the most important dimensions of relationship marketing to customer loyalty. This study finding is to gain better understanding of the dimension of relationship marketing as perceived by the customers in pharmaceutical industry.

Index Terms—relationship marketing, customer loyalty, pharmaceutical industry

I. INTRODUCTION

According to [1], the main objective of relationship marketing is to achieve customer loyalty by forming long term and mutually beneficial relationships between the organization and its customers. The purpose of relationship marketing is to build customer loyalty in order to obtain customer values through building long-term relationships [2]. It is the understanding, explanation and management of the ongoing collaborative business relationship between suppliers and customers [3]. It involves establishing, maintaining and enhancing relationships with customers and other parties at a profit so that the objectives of the parties involved are met. This is done by mutual exchange and fulfillment of promises [4].

Ideally, a network of mutually rewarding relationships should form the foundation of the marketing plan for a patient care service [5]. Additionally, adopting relationship marketing effectively tends to give an organization distinctive or comparative advantage over competitors, because it will enable them to communicate effectively with the customers, to know what they need and want, understand why they continue to patronize the

organization's products and services or why some leave the organization, and to develop the strategies to use to manage such relationships effectively [6] [7]. All the business organization including pharmaceutical industry must adapt to the changing business environment in order to survive and competitive. Relationship marketing is one of marketing strategy employed in both developed and developing economies.

Relationship marketing is believed to work most effectively when customers are highly involved in the good or service, there is an element of personal interaction, and customers are willing to engage in relationship building activities [8]. Pharmaceutical industry need to have a good understanding of their customer behaviour so that appropriate marketing strategies directed towards relationship building and customer retention can be developed. As a result, a great deal of research attention has focused on the identification of effective methods of actively enhancing loyalty, including loyalty programs such as point reward schemes.

Ref. [9] has highlighted the need to identify the variables which can be used to assess the success of a relationship. The importance of dimensions to customers may impact on the strength of the relationship that developed between organization and the customers. The study will focus on the dimensions that affect customer loyalty in pharmaceutical industry.

Even though literature has shown that relationship marketing leads to performance, in practice firms struggle to adapt models to their business contexts. Firms look for ways to make accountable all marketing relationship strategy. Customer loyalty refers to the tendency of customers to select one company or product over another so as to satisfy a particular need. Ref. [10] conceptualized customer loyalty as including both psychological and behavior dimensions.

Thus, this study aims to identify the dimension of relationship marketing that affect customer loyalty in pharmacies and the focus of study are customers who regularly come to the pharmacies to fulfill their needs and wants. The study is important in the research on the relationship marketing and to gain a better knowledge and understanding of dimension relationship marketing concept as perceived by the customers in pharmaceutical industry. This study also focuses on the important

dimensions such as trust, commitment, conflict handling and communication.

II. METHODOLOGY

The target population of this study is defined as customers of various types of pharmacies in Kuching, Sarawak. Data was collected using the personal contact approach as suggested by [11] whereby respondents were approached personally by the researcher and the questionnaire was explained in detail. A total of 325 questionnaires were distributed to customers who purchase their needs from over 15 pharmacies throughout Kuching. A response rate of 100% was achieved from the questionnaire distribution, with 325 questionnaires being completed (usable).

III. FINDINGS AND DISCUSSIONS

A. Reliability Analysis

Table I below shows the result of reliability test for this study.

TABLE I. RELIABILITY FOR RELATIONSHIP MARKETING DIMENSIONS

Dimensions	Cronbach Alpha (α)
Trust	0.792
Commitment	0.723
Communication	0.630
Conflict Handling	0.687
Overall Dimensions	0.802

Based on the table above, Trust has the highest reliability score of 0.792. Second and third highest score goes to Commitment and Conflict Handling with the score of 0.723 and 0.687 respectively. The lowest score among these dimensions is Communication which is 0.630. Therefore, total average score of this Reliability Test is 0.802. All the Cronbach's Alpha for all the dimensions is above 0.5 therefore all the variables were reliable and valid.

B. Validity Test

The term of validity refers to whether or not a test measures what it intends to measure. On a test with high validity the items will be closely linked to the test's intended focus. For many certification and licensure tests this means that the items will be highly related to a specific job or occupation. If a test has poor validity then it does not measure the job-related content and competencies it ought to. There are several ways to estimate the validity of a test, including content validity, construct validity, criterion-related validity (concurrent & predictive), convergent validity, discriminant validity and face validity. For this study, only criterion validity and convergent validity were used.

One method of examining convergent validity is to correlate the four dimensions with each other. The correlation coefficient values range from 0.174 to 0.439 (Table II). This indicates the higher positive value of

validity number is the higher the connection between the variables which means being compared is both high.

TABLE II. CONVERGENT VALIDITY

Dimensions	Trust	Commitment	Communication	Conflict Handling
Trust	1.000			
Commitment	0.174	1.000		
Communication	0.309	0.439	1.000	
Conflict Handling	0.177	0.290	0.429	1.000

Table III indicates that all the dimensions have significant positive correlation with customer's loyalty except for commitment that have a negative relationship with customer's loyalty. Meaning to say, among all the dimensions the factor Trust have a significant relationship to customer's loyalty.

TABLE III. CRITERION VALIDITY

Dimensions	Customer Loyalty
Trust	0.673
Commitment	-0.192
Communication	0.418
Conflict Handling	0.142

C. Multiple Regression Analysis

Multiple regression analysis was used to investigate the relationship between the relationship-marketing practices and customer loyalty. Customer loyalty was used as the dependent variable while the dimensions of relationship marketing (Trust, Commitment, Communication and Conflict Handling) were used as the independent variables.

The multiple regression model with all four predictors produced $R = 0.376$, $R^2 = 0.141$, $F(4, 320) = 13.132$, $p = 0.000$. The multiple correlation coefficients of 0.376 indicate that approximately 14% of the variance of customer loyalty in the sample can be accounted for the linear combination of the four dimensions. The results from Table IV indicate that the dimensions of relationship marketing are positively associated to customer loyalty. From the regression test, Conflict Handling is the most important dimensions of relationship marketing that affects customer loyalty.

TABLE IV. REGRESSION RESULTS

Dimensions	β	Rank
Trust	0.006	3
Commitment	-0.111	4
Communication	0.081	2
Conflict Handling	0.357	1

IV. CONCLUSIONS

The target population of this study is defined as customers of various types of pharmacies in Kuching, Sarawak. Data was collected using the personal contact approach as suggested by [11] whereby respondents were

approached personally by the researcher and the questionnaire was explained in detail. A total of 325 questionnaires were distributed to customers who purchase their needs from over 15 pharmacies throughout Kuching. A response rate of 100% was achieved from the questionnaire distribution, with 325 questionnaires being completed (usable).

“Relationship marketing can work if it delivers on the principles that created the concept in the first place. It’s amazing how wide off the mark we have been in understanding what it takes to cultivate intimate relationships with our most important customers. It’s even more frightening how easily we can accidentally and thoughtlessly damage or destroy these fragile assets through the inconsistent and insensitive behaviors we exhibit. In the light of the channels of personal communication that are being opened to our customers, it’s clearly time that we seriously ponder and take action toward becoming a real partner and what that really means.” [12]

Relationship marketing has recently emerged as a defensive marketing strategy aimed at maintaining long-term relationship with customers with the aim of understanding their needs in order to satisfy them with the view to achieving customer loyalty and subsequently higher business performance [13]. Customer loyalty has long been postulated as the future of hospitality marketing [14].

The study found that Trust is ranked first in the rank order of relationship marketing. From the reliability test, Trust has the highest Cronbach Alpha of 0.792. The result shows that the pharmacy can create and strengthen the trust as much as these pharmacies try and applying effort to understand the need of the employees and pharmacists to have more loyal customers. Managers must also put in place measures that will lead to winning customer trust and confidence. Managers must thus make an effort to keep promises made to customers as well as protect customers’ information to ensure customers’ confidentiality. This can easily reduce huge efforts and cost for creating loyalty among the customers. By building trust among the customers will lead to customers’ loyalty. This finding is consistent with that of [15] [16] [17] who argued that trust is a major determinant of customer loyalty.

Loyalty can also be nurtured by providing timely and reliable information. In contrast, customer loyalty is not significantly contributed by the commitment and conflict handling in the relationship marketing in this study. But both dimensions are the important predictor variables to predict the customer loyalty [18].

From the multiple regression tests, the finding revealed that Conflict Handling is the most important dimension of relationship marketing that affects customer’s loyalty. This is because the employees and pharmacists know how to handle the customers well. Ref. [19] postulate that

complaint satisfaction has a strong effect on customer loyalty and that successful resolution of customer’s complaint can lead to satisfaction and loyalty. The study reveals that the way the pharmacy handle conflicts and proactively prevent potential conflicts could also be critical in building and sustaining customer loyalty. This confirms the work of [20] and [21], who found a strong link between effective conflict handling and customer loyalty.

Relationship marketing requires thoughtful use of market segmentation and niche marketing techniques to identify selected groups of patients who are most likely to benefit from selected pharmacy services. Each interaction with these patients should be deliberate, with the dual purpose of improving health and creating a mutually rewarding relationship. By developing pharmacy services that meet patients’ needs and deliver on promises, pharmacists can build long lasting relationships that are the foundation of a successful professional practice.

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