“Customer satisfaction within pharmacies in a supermarket: a South African perspective”

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Customer satisfaction within pharmacies in a supermarket: a South African perspective

Abstract

South Africa is experiencing an expansion of pharmacy chains. Globalization and deregulations have increased competition within the retail pharmacy sector. In this highly competitive sector, the most important strategy for a pharmacy chain to obtain customer satisfaction and maintain market profitability is attributed to customer-focus. The aim of this paper was to investigate customer satisfaction at a pharmacy chain in South Africa. A total of 400 customers completed the survey using a questionnaire. All the service quality dimensions in the customers’ survey contain negative mean gap scores. From these findings, the pharmacy chain can identify specific gaps in the service quality dimensions and seek to close them. Service quality dimensions that are deemed to be good predictors of customer satisfaction have been related to factors relating to tangibles, reliability, responsiveness, assurance and empathy. The retail pharmacy chain should address these dimensions in its attempt to offer superior customer service. The recommendations would provide other pharmacies within a supermarket with knowledge to address possible shortcomings and improve the service levels.

Keywords: customer satisfaction, expectations of service, perceptions of service.

JEL Classification: M31, L14, L31.

Introduction

As South Africa integrates into the international market, it is essential that local businesses recognize the importance of delivering high quality service. South Africa, with its attractive exchange rate for foreign investment, fairly well established infrastructure and educated work force in the retail sector (in relation to other emerging markets), has numerous attractions for global business investment. However, shoddy customer service is a substantial risk to South Africa’s future in the retail world economy. Guzzo (2010) states that in order to achieve customer satisfaction, it is important to recognize and to anticipate customers’ needs and to be able to satisfy them. Enterprises that are able to understand and satisfy customers’ needs make greater profits than those which fail to understand and satisfy them (Molina, Consuegra and Esteban, 2009). Whilst research has been conducted on general aspects of service quality in various industries, there appear to be few studies on customer satisfaction within the South African retail pharmaceutical sector. Knowledge of customer satisfaction assessments will enable managers to track customer’s perceptions over time and to direct resources in areas which are important to them. The aim of this study was to investigate customers’ expectations and perceptions of the service offering. Mainly, this study seeks to identify gaps between the expectations and perceptions of the service offering at a retail pharmacy chain. Although the study concentrates on one pharmacy chain in South Africa, the findings are significant to other pharmacy chains, especially those in developing countries.

1. Review of literature

1.1. Retail pharmacy services in South Africa

South Africa has the largest economy and the most regulated pharmaceutical industry on the continent and is aiming to take its pharmaceutical sector to the next level (Lawrence and Ortelli, 2009). All major pharmaceutical companies are represented and the market is also attracting strong interest from Indian generics companies expanding in other countries (Lowe and Montagu, 2009). The legislative change in 2003 allows non-pharmacists to own pharmacies, provided that a registered pharmacist is employed to run them at all times (Lowe and Montagu, 2009). This has resulted in major changes occurring at the dispensing-end led by retail pharmacy chains, such as Clicks and Dis-chem. The Clicks group began opening in-store dispensaries in some of their 590 stores soon after deregulation (Clicks Pharmacy, 2013). Pick n’ Pay also have 24 clinics in their stores providing full pharmacy services (Lowe and Montagu, 2009). Shoprite Checkers Medi-Rite pharmacies have expanded to 129 branches nationwide (MediRite, 2013). Market consolidation has permitted rapid expansion of pharmacy chains. Lowe and Montagu (2009) state that in the first four years after ownership deregulation, the total number of pharmacies in South Africa has increased by 15%. Hence, customer satisfaction should be seen as paramount to gain competitive advantage in this competitive market sector.

1.2. Customer expectations and perceptions of service

According to Chin (2010), customer expectations serve as a benchmark against which present and future service encounters are compared. Hence, customer expectations are critical to service marketers and will deeply influence customer
behavior. Kotler & Armstrong (2008) believe that, for ultimate customer satisfaction, today’s marketers must be good at creating customer value and managing customer relationships. Marketers must attract customers with strong value propositions, which are critical to the success of every organization. Javadi and Gol (2011) state that customer-centrism is the very core of an organization and it is important that managers better understand how a marketing perspective can assist them to operate effectively within the market environment. However, customer expectations are not stable and are human preconceptions based on verbal information, personal needs, experience and commercial information (Zeithaml, Bitner and Gremler, 2006). Harris (2010) is of the opinion that every customer walks into a known or unknown, with a set of expectations. These expectations constitute what customers think they will receive in terms of service delivery, and serve as standards against which performance is judged. The concept of expectations plays an important role in assessing customer satisfaction (Coye, 2004). As such, pharmacy chains need to ensure their competitiveness by implementing strategies to satisfy customer expectations. Being able to create value for customers as well as communicating unique selling propositions of the pharmacy chain will help to ensure customer satisfaction. According to Kotler and Armstrong (2008), where a business enterprise’s value proposition meets or exceeds consumer expectations, customer satisfaction is high, impacting positively on the performance of the business.

The understanding of perception also is an essential guide to marketing. The customer’s perception of service quality has attracted quite extensive attention from researchers and practitioners. Ladhar (2009) characterizes perceived service quality as the degree and direction of discrepancy between customers’ perceptions and expectations. Customers do not perceive quality in a one-dimensional way, but rather judge quality on multiple factors relevant to the context (Zeithaml, Bitner and Gremler, 2006). Perceptions are frequently developed over a period of time and reflect the ways that one has been treated and his/her values, priorities, prejudices, and sensitivity to others (Harris, 2010). Customers may not remember every detail of an experience, but, if left with a positive feeling in combination with other experiences, their perception of the organization will be retained (Armstrong and Keller, 2006). According to Vibha, Ravichandran and Jain (2011), perception is based on a customer’s cognitive and affective evaluation of their personal experience across all service within the relationship. This definition views the “individual” element as a powerful force to create satisfaction. As such, everyone’s perception of a situation will be at least slightly different. Therefore, businesses need to ensure that the customer perceptions of service quality are consistently higher than their expectations so that customers remain satisfied. Based on the SERVQUAL model, customer expectations and perceptions are measured based on five dimensions and are briefly explained below.

1.3. Service quality dimensions. 1.3.1. Tangibility. According to Javadi and Gol (2011), the quality dimension of tangibles is related to the appearance of physical facilities, equipment, personnel and the communication devices existing in service organizations. Bateson and Hoffman (2011) observe that customers utilize tangibles in evaluating services and that service organizations can use them to enhance their image and signal quality to customers. In a firm’s quest to attain customer satisfaction, this tangibility dimension is also combined with other dimensions, including reliability, responsiveness, assurance and empathy.

1.3.2. Reliability. Dehghan, Zenouzi and Albadvi (2012) define reliability as the ability to perform the promised service dependably and accurately. This refers to the extent to which the service provider delivers on the promises made to the customer. According to Javadi and Gol (2011), reliability is the ability to do and provide the promised services in an appropriate, accurate and reliable manner, doing what is expected by the customer. Reliability has been found to be the most critical factor impacting customer satisfaction.

1.3.3. Responsiveness. Responsiveness refers to the willingness on the part of the service provider to deliver assistance to the customer (Chowdhary and Prakash, 2007). Zeithaml, Bitner and Gremler (2006) state that this dimension emphasizes attentiveness as well as promptness in handling customer questions, complaints, requests and problems. It also refers to the ability to develop customized solutions for customers. As such, the responsiveness dimension reflects a service firm’s commitment to provide its services in a timely manner.

1.3.4. Assurance. Ramsaran-Fowdar (2008) defines assurance as the level of service delivered to customers that is believable and can be trusted. Furthermore, Dehghan, Zenouzi and Albadvi (2012) highlight the knowledge and competence of staff in assuring customers as a critical factor. This dimension is considered particularly important for services that may be perceived to be associated with high levels of risk. Hence, in a pharmacy chain context, assurance is seen as critical to the customer, given their limited knowledge of medicinal properties and generic medicines available.

1.3.5. Empathy. Empathy relates to treating customers in such a way that they feel important to
the organization, and that their needs are seen as important to the organization (Zeithaml, Bitner and Gremler, 2006). Perez, Abad, Carillo and Fernandez (2007) define empathy as the care and individualized attention that an organization provides its customers. As such, service providers need to ensure that service provision is customized to customers’ unique needs.

2. Methodology

2.1. Study type. The research constituted a quantitative and descriptive study measuring levels of customer satisfaction at a selected pharmacy chain. McDaniel and Gates (2010) define descriptive research as a type of study that tries to find out what, why, who and where. The study used a cross-sectional methodology. Cross-sectional designs involve the collection of information from any given sample of population elements at approximately the same time (Welman, Kruger and Mitchell, 2009).

2.2. Population and sampling. Researchers usually draw conclusions about large groups of customers by studying a small sample of the total customer population. Sampling refers to the process of obtaining information from a subset (a sample) of a larger group (the population) (McDaniel and Gates, 2010). The population comprised consumers of the selected pharmacy chain. To this end, a sample of 400 consumers was considered appropriate. The sample size was guided by Sekaran and Bougie (2010) who suggest that for a population in excess of 1 million, a sample of 384 respondents was adequate to draw inferences. Non-probability sampling was used. According to Kent (2007), non-probability sampling refers to a sampling technique in which units of the sample are selected on the basis of convenience (Kent, 2007). Four stores of the selected pharmacy chain were chosen using convenience sampling. All four stores are within a shopping mall and the layout is identical with the in-store pharmacy positioned at the back of the supermarket. This was done with a view to attempting to ensure a fair representation of the demographic profile of consumers. 100 respondents were chosen at each store on the basis of convenience sampling.

2.3. Data collection and analysis. An adapted SERVQUAL questionnaire was used covering respondents’ expectations and perceptions of services provided as well as demographic data of respondents. The SERVQUAL instrument is a pre-existing, validated instrument by virtue of its extensive use in a variety of service quality settings (Bruhn and Georgi, 2006). Measurement consisted of the use of a five-point Likert scale (strongly disagree = 1; strongly agree = 5). The data were analyzed using the latest Statistical Package for the Social Sciences (SPSS) version 20.0. Frequency tables were used to contribute to the accuracy and efficiency of data processing. The data were analyzed both at a descriptive and inferential level.

3. Results and discussion

3.1. Reliability. Reliability is computed by taking several measurements on the same subjects. A reliability coefficient of 0.70 or higher is considered “acceptable” (Kent, 2007). The overall reliability scores for each dimension were high (0.973 for expectations and 0.977 for perceptions, respectively). This finding indicates that the research instrument has internal consistency and reliability. Specific details are presented in Table 1.

Table 1. Reliability statistics for expectations and perceptions

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Expectations</td>
</tr>
<tr>
<td>Tangibles</td>
<td>.887</td>
</tr>
<tr>
<td>Reliability</td>
<td>.913</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>.935</td>
</tr>
<tr>
<td>Assurance</td>
<td>.922</td>
</tr>
<tr>
<td>Empathy</td>
<td>.940</td>
</tr>
<tr>
<td>Overall</td>
<td>.973</td>
</tr>
</tbody>
</table>

3.2. Dimensions. Figures 1-5 indicate the mean scores for each service quality dimension viz. tangibles, reliability, responsiveness, assurance and empathy.
According to Javadi and Gol (2011), the tangibles dimension is related to the appearance of physical facilities, equipment, personnel and the communication devices existing in service organizations. As presented in Figure 1, the expectation mean score of 4.40 is attributed to “employees should be neat in appearance”, while “physical facilities should be visually appealing” and “materials should be visually appealing” for expectation achieved similar mean scores of 4.28 and 4.27, respectively. The lowest mean score of 4.13 was for “modern looking equipment”. It is evident that the mean score of 4.09 relating to perception for “modern looking equipment” was the lowest. The largest mean score of 4.26 was for “employees are neat in appearance”. A comparison of the mean expectation and perception indicated a small difference between the dimensions. The largest gap 0.15 was found in service quality statement “physical facilities are visually appealing”. This was indicative of the importance of information that is presented in an attractive manner. The smallest gap 0.04 was for “modern looking equipment”. Hoffman and Bateson (2006) observe that customers utilize tangibles in evaluating services and that service organizations can use them to enhance their image and signal quality to customers. Most companies also combine tangibles with another dimension to create a service quality strategy for the firm (Zeithaml, Bitner and Gremler, 2006).

As indicated in Figure 2, the statement which had the highest expectation mean score of 4.49 was “staff should show a sincere interest in solving problems”. The two statements “staff should get things right the first time” and “when staff promise to do something by a certain time” had the same mean score of 4.47. The largest perception mean score of 4.31 was attributed to “staff get things right the first time” whilst the mean score of 4.27 relating to perception for “when staff promise to do something by a certain time” was the lowest. It is evident in this group that the gaps scores were high in comparison to the other groups. The highest gap score of 0.20 was attributed to “staffs provide their services at the time they promise to do so” as well as “staff should show a sincere interest in solving problems”. The gap scores for the two stores with the shorter trading hours are the highest and customers indicate less satisfaction for this statement relating to the pharmacy having more convenient business hours. This can be attributed to fewer staff and less counters available to deal with customer requests. The pharmacy chain needs to reevaluate the possibility of extended business hours at the other two stores. The lowest gap score of 0.16 was for “staff should get things right the first time”. Chowdhary and Prakash (2007) state that reliability is considered the most significant aspect in providing customers with service quality, and, as such, the retail pharmacy chain needs to emphasize reliability as the cornerstone of superior service delivery.
For the statements primarily describing the willingness of the pharmacy chain to help customers and providing prompt service, as well as the employees’ skills and abilities to interact with people, as evidenced in Figure 3, the expectation scores ranged from between 4.53 and 4.44, while the perception scores ranged between 4.29 and 4.24. The largest gap was 0.24 and the lowest gap was 0.20. The average gap score was 0.22 which was the largest of the five service quality dimensions. It was noted that “staff always willing to help customers” had the largest gap amongst all stores and needs to be investigated for further improvements. Javadi and Gol (2011) suggest that service providers should be active and volunteer to help their customers and to provide prompt service. This dimension demands that the service provider should be more flexible in solving their customers’ problems and requests. Firms should have a capacity to customize services for dealing with their customers’ special needs.

The assurance dimension of service quality refers to the ability of retail staff to provide trust and confidence to customers (Chowdhary and Prakash, 2007). The results in Figure 4 show that the highest expectation mean score of 4.57 was attributed to “staff should have professional knowledge to answer questions”, while “staff should instil confidence in you” and “staff should consistently be courteous to customers” for expectation both achieved a mean score of 4.53. The lowest mean score of 4.52 was for “customers feeling safe with transactions”. The statements which had the lowest perception mean scores of 4.31 were: “staff should instil confidence in you” and “staff are consistently courteous to customers”. The largest mean score of 4.38 was for “customers feeling safe with transactions”. The largest gap 0.22 was found in service quality statements “staff should instil confidence in you” and “staff should consistently be courteous to customers”. The smallest gap 0.14 was for “customers feeling safe with transactions”. The largest gap 0.22 was found in service quality statements “staff should instil confidence in you” and “staff should consistently be courteous to customers”. The smallest gap 0.14 was for “customers feeling safe with transactions”. The largest gap 0.22 was found in service quality statements “staff should instil confidence in you” and “staff should consistently be courteous to customers”. The smallest gap 0.14 was for “customers feeling safe with transactions”. The largest gap 0.22 was found in service quality statements “staff should instil confidence in you” and “staff should consistently be courteous to customers”. The smallest gap 0.14 was for “customers feeling safe with transactions”. The largest gap 0.22 was found in service quality statements “staff should instil confidence in you” and “staff should consistently be courteous to customers”. The smallest gap 0.14 was for “customers feeling safe with transactions”. Dehghan, Zenouzi and Albadvi (2012) highlight the knowledge of staff in assuring customers as a critical factor as these attributes form part of the evaluation of service quality. Service providers should have employees with a capacity to solve customers’ problems and be consistently courteous.

Zeithaml, Bitner and Gremler (2006) state that the essence of empathy refers to customers being treated in such a way that they feel important to the organization, and that their needs are seen as important to the organization. As depicted in Figure 5, the expectation scores ranged from between 4.50 and 4.48, while the perception scores ranged between 4.35 and 4.29. The largest gap of 0.20 was attributed to “staff giving personal attention to customers” and the lowest gap score of 0.13 was for “staff should understand customers’ specific needs”. The average gap score was 0.16 indicative of one of the smallest service quality dimension gaps. According to Dehghan, Zenouzi and Albadvi (2012), service provision needs to, as far as possible, be customized to customers’ unique needs. The findings reveal that the respondents at all stores are in agreement that the pharmacy chain should have high levels of empathy. Overall, there is negligible evidence of one store being masked by others.
3.3. Factor analysis. Factor analysis is a statistical technique whose main goal is data reduction. A typical use of factor analysis is in survey research, where a researcher wishes to represent a number of questions with a small number of hypothetical factors (Kent, 2007). In this study, the five dimensions were the independent variables and the statements that constitute them were the dependent variables. With reference to Table 2, the principle component analysis was used as the extraction method, and the rotation method was Varimax with Kaiser Normalization. Factor analysis/loading show inter-correlations between variables; and an examination of the content of items loading at or above 0.5 effectively measured along a similar theme for the five dimensions. It is noted that for expectations three of the five factors (statements) loaded perfectly along a single dimension each. The dimensions that loaded perfectly for expectations include tangibles, responsiveness and empathy. This implies that these dimensions perfectly measured what they set out to measure. For perceptions, four out of the five dimensions also loaded perfectly. These include tangibles, reliability, assurance and empathy, respectively. These results are very positive indicating that the questions (variables) that constituted these dimensions perfectly measured the dimensions. Table 2 presents the results of the factor analysis.

Table 2. Rotated component matrix

<table>
<thead>
<tr>
<th>Component matrix</th>
<th>Expectations</th>
<th>Perceptions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Component 1</td>
<td>Component 2</td>
</tr>
<tr>
<td>Tangibles</td>
<td>2.45</td>
<td>0.208</td>
</tr>
<tr>
<td>The physical facilities at an excellent pharmacy should be visually appealing</td>
<td>0.223</td>
<td>0.258</td>
</tr>
<tr>
<td>Employees at an excellent pharmacy should be neat in appearance</td>
<td>0.259</td>
<td>0.246</td>
</tr>
<tr>
<td>Advertising material should be visually appealing at an excellent pharmacy</td>
<td>0.266</td>
<td>0.228</td>
</tr>
<tr>
<td>Reliability</td>
<td>0.296</td>
<td>0.275</td>
</tr>
<tr>
<td>When excellent pharmacies promise to do something by a certain time, they should do so</td>
<td>0.334</td>
<td>0.303</td>
</tr>
<tr>
<td>When you have a problem, excellent pharmacies should show a sincere interest in solving it</td>
<td>0.439</td>
<td>0.540</td>
</tr>
<tr>
<td>Employees at an excellent pharmacy should perform the service right the first time</td>
<td>0.359</td>
<td>0.507</td>
</tr>
<tr>
<td>Excellent pharmacies should deliver its services at the times it promises to do so</td>
<td>0.402</td>
<td>0.451</td>
</tr>
<tr>
<td>The staff should inform me about when services will be performed</td>
<td>0.373</td>
<td>0.637</td>
</tr>
<tr>
<td>Employees at an excellent pharmacy should insist on error-free records</td>
<td>0.359</td>
<td>0.762</td>
</tr>
<tr>
<td>Employees at an excellent pharmacy should give you prompt service</td>
<td>0.400</td>
<td>0.730</td>
</tr>
<tr>
<td>Employees should always be willing to help you at an excellent pharmacy</td>
<td>0.432</td>
<td>0.743</td>
</tr>
<tr>
<td>Employees at an excellent pharmacy should never be too busy to respond to customer requests</td>
<td>0.431</td>
<td>0.669</td>
</tr>
<tr>
<td>The behaviour of employees should instil confidence in you</td>
<td>0.529</td>
<td>0.461</td>
</tr>
<tr>
<td>You should feel safe in your transactions with an excellent pharmacy</td>
<td>0.651</td>
<td>0.325</td>
</tr>
<tr>
<td>Employees at an excellent pharmacy should consistently be courteous to customers</td>
<td>0.689</td>
<td>0.359</td>
</tr>
<tr>
<td>Staff should have the professional knowledge to answer your questions</td>
<td>0.743</td>
<td>0.338</td>
</tr>
<tr>
<td>Staff should give personal attention to customers</td>
<td>0.778</td>
<td>0.320</td>
</tr>
<tr>
<td>Excellent pharmacies should have the customers best interests at heart</td>
<td>0.785</td>
<td>0.326</td>
</tr>
<tr>
<td>Staff at an excellent pharmacy should understand customers’ specific needs</td>
<td>0.773</td>
<td>0.304</td>
</tr>
<tr>
<td>Employees at an excellent pharmacy should give you personal attention</td>
<td>0.734</td>
<td>0.335</td>
</tr>
</tbody>
</table>
Conclusion and recommendations

The focus of this study was to determine customer satisfaction at a selected pharmacy chain with the objective of providing management greater insight into improving service delivery. The results revealed that customers’ perceptions were lower than their expectations for all five service quality dimensions viz. tangibles, reliability, responsiveness, assurance and empathy. While the gaps were relatively small, they are significant in highlighting areas of improvement. In view of this, the following recommendations are suggested. Findings indicated that customers did not feel that staff had sufficient professional knowledge and it is imperative that regular customer service and product knowledge training be encouraged by management. The results also revealed that the overall gap for responsiveness was the largest of the five service quality dimensions. Responsiveness refers to the willingness and readiness of employees to deal with customer requests, questions, complaints and problems. Responsive managers are those who make an effort to help customers and provide a prompt response. According to this study, the largest gap in this dimension related to the failure of staff to help customers with their requests or queries. This implies that employees were viewed as ineffective service providers and generally failed to respond promptly. In order to close this gap, it is recommended that more focus be put on regular staff appraisals and inculcating a shared vision of service excellence. This can be accomplished by recognizing and rewarding superior service and sharing best practices.

Furthermore, it is crucial to entrench the concept of reliability in the interest of customer satisfaction and offering superior customer service. Reliability refers to adhering to deadlines, solving problems immediately and being faultless. In order to improve on this dimension, the pharmacy chain needs to focus on handling complaints in a professional manner with the customer’s best interest at heart. Staff should also understand the importance of keeping promises and consistently meeting customer’s expectations of value and quality. According to this study, employees’ appearance was not rated highly by customers. Personal appearance of employees is an important factor to the customer in their assessment of the service provider. It is, thus, recommended that employees present themselves in a more visually appealing professional manner in order to enhance the image of the pharmacy chain. Findings also revealed that customers did not find the pharmacy chains’ business hours convenient and management needs to re-evaluate this in terms of providing extended business hours. Overall, an enhanced customer-centric approach is encouraged which will lead to greater retention of existing customers and the acquisition of new customers within the competitive retail pharmaceutical sector.

References