Analysis of Factors Influencing Customer Satisfaction and Purchase Intention at Pharmacy in Batam City

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Abstract—Healthcare business in Indonesia continues to grow rapidly and remains attractive for local and global investors. Numerous healthcare providers offer a wide range of service and give their best service to customers to gain profit, win the market competition and also to be sustainable, including pharmacy as the largest number of healthcare provider in Indonesia. However, there were some pharmacies in Batam City that ended their business and unable to win the highly competitive marketing inspite of their good brand name. This research was conducted to analyse factors influencing customer satisfaction at pharmacy in Batam City. Samples were collected by distributing 300 questionnaires at Vitka Farma Pharmacy and Kimia Farma Pharmacy. The data was analysed by using Smart PLS 3.0 program. Based on hypothesis testing, it was found out that customer satisfaction was significantly influenced by brand image, purchase intention was significantly influenced by price and brand image. The pharmacies should address the findings to improve the service level so they can offer the best customer service to obtain business success in the long run.

Keywords—pharmacy, customer satisfaction, sustainable business

I. INTRODUCTION

The rapid development of health sector nowadays requires many health facilities to support the availability and affordability of healthcare to the community. The growth of healthcare businesses in Indonesia such as the pharmaceutical industry, hospitals, pharmacies, clinics and laboratories showed quite good results. Indonesian healthcare market is well-developed and very promising that it is expected to gain profit US $21 billion in 2019 [1]. The growth in the pharmaceutical industry experienced a growth of 3.91% (year-on-year) in the third quarter of 2018 [2]. In the same year, there was also an increase in the number of hospitals in Indonesia, as many as 2,805 hospitals [3], compared with the year 2017 i.e. 2,776 hospitals [4]. Meanwhile, the number of pharmacies nationwide also experienced a fairly good development. In 2018 there were 26,658 pharmacies, which had been increased from 2017 (26,418 pharmacies) and 2016 (25,339 pharmacies) [3].

The growing number of pharmacies have made customers are faced with various choices of product quality, service quality and also competitive prices, so customers can easily make comparisons between similar products and will choose the best pharmacy that can meet their needs and desires. Highly competitive business can negatively affect revenue and profit margins [5] and also lead to unfair price war. One of the strategies that can be applied by pharmacies in facing highly competitive market is attributed to customer-oriented business to obtain customer satisfaction which will also positively influence customer loyalty, purchase intentions, and word-of-mouth (WOM) [6-9]. This is include paying attention to product quality, service quality, price, and brand image of the pharmacy [7,9,10].

According to the pharmacy data in Batam City, there was a decrease in the number of pharmacies in 2018 compared with the year 2017 and 2016. In 2018 there were 101 pharmacies [3], while in 2017 there were 138 pharmacies [4] and in 2016 there were 151 pharmacies [11]. This is of course attracting attention because in contrast to the marketing concept considering that good brand image is one of the business advantage that can be used in winning the market competition [12]. Some research results conducted on pharmacies also showed that there was still difference between service quality received with what is expected, hence customers were still not satisfied with the service quality [6,13,14]. It is therefore necessary to conduct research to identify factors influencing customer satisfaction at pharmacies in Batam City that should be addressed by the pharmacies for the improvement to gain success.

II. LITERATURE REVIEW

Customer satisfaction is defined as customer’s general attitude towards the service [6,15]. If the service provided does not meet the customer's expectation level, the customer becomes dissatisfied. Similarly, if the services provided can meet or exceed customer expectations it will create customer satisfaction [6,15]. Customer satisfaction has 3 dimensions, i.e. product quality, service quality, and price [15]. Product quality is widely researched for its influence on customer satisfaction [7,16-19]. Pharmacy product quality is categorized based on: 1. Product viewpoint: performance (therapeutic influence of the drug), secondary features (additional drug function) and
durability (expiration period). 2. Patient viewpoint: aesthetic (the appearance of packaging and taste of the drug), perceived quality (authenticity and efficacy of the drug), and service (drug availability and ease of use). 3. Process viewpoint: conformance (accuracy of the contents of the drug in the drug label with the actual content of the drug), and reliability (drug safety level) [20]. Customer satisfaction is significantly influenced by factors as evidenced by previous researchers, such as product quality [7,8,18], service quality [6,21-23], price [18,21], and brand image [9,10,21].

Therefore, it was proposed that:

H1: Product quality has significant positive influence on customer satisfaction.

H2: Service quality has significant positive influence on customer satisfaction.

H3: Price has significant positive influence on customer satisfaction.

H4: Brand image has significant positive influence on customer satisfaction.

Purchase Intention is defined as the condition when the customer is attracted to a particular product and willing to buy it after obtaining information about a product/service from his/her own learning and experience [24]. After gaining knowledge on a positive level, customers will begin to account for the methods and procedures to purchase product [24]. Purchase intention is an initial indicator of the final product sale [25]. Customer behaviour when buying a product begins with finding information about the product that the customer wants to buy, then choosing the best alternative product that can meet the needs before deciding to purchase the right product. Then the customer will evaluate whether the purchased product is in accordance with the expectation or not. This will affect the next purchase intention whether to buy back the same product or even switch to another product [26].

Previous researches showed that purchase intention is significantly influenced by product quality [27,28], service quality [29,30], price [27-29], brand image [27,31], and customer satisfaction [23,30].

Therefore, it was proposed that:

H5: Product quality has significant positive influence on purchase intention.

H6: Service quality has significant positive influence on purchase intention.

H7: Price has significant positive influence on customer purchase intention.

H8: Brand image has significant positive influence on purchase intention.

H9: Customer satisfaction has significant positive influence on purchase intention.

III. METHODS

Data were collected by distributing 300 questionnaires at Vitka Farma Pharmacy and Kimia Farma Pharmacy in Batam City started from November 2018 to January 2019 and based on convenience sampling. Customers who eligible for this study were: age ≥ 17 years old and agreed to participate in this study. They were asked to fill in questionnaire during their attendance in the pharmacy so it was hoped that they would have better recording of their experience with the respective pharmacy [6].

Questionnaire consists of 4 demographic questions and 45 research questions adopted from previous validated and reliable researches and measured by 5 point Likert scale. Product quality consists of 4 items [17,19,32], service quality consists of 22 items [6], price consists of 3 items [22], brand image consists of 9 items [33], customer satisfaction consists of 3 items [6], and purchase intention consists of 4 items [34]. The data was analysed by using Smart PLS 3.0 program for Structural Equation Modeling (SEM) that is well suited to investigate complex relationships among multiple constructs and also can be used for non-normally distributed data [35].

IV. RESULTS AND DISCUSSION

A. Results

A total of 300 completed questionnaires were collected from VitkaFarma Pharmacy and Kimia Farma Pharmacy (150 questionnaires from each pharmacy). The majority of respondents were female (64%) and the others were male (36%). Based on age, the majority of respondents were between 36–40 years old (26%) and the minority were between 17–20 years old (1%). Meanwhile based on occupation, the majority of the respondents were private employee (61%), and the minority were students (4%).

Measurement model analysis was performed to test the validity and reliability of instruments. Outer loading and AVE values were acceptable and valid if the value > 0.5 [36]. There was 1 eliminated item on customer satisfaction questionnaire since the outer loading value was < 0.5 and recalculation was done so that all outer loading and AVE value were acceptable for all instruments (> 0.5) hence all instruments were valid. Cronbach’s Alpha coefficients were also demonstrated acceptable internal reliability for all instruments, i.e. 0.769–0.944 [37].

Structural model analysis was performed to test the proposed hypotheses. Evaluation of structural models was done on the research model by looking at model fit index, coefficient of determination (R²), and path coefficient [38]. This research model was acceptable with the requirements of model fit, i.e. Standardized Root Mean Square Residual (SRMR) = 0.060 and Normed Fit Index (NFI) = 0.731 [39]. The R² value indicates the size of the variance of the endogenous variable caused by all the exogenous variables linked to it. The R² value is at a range of 0 to 1, where a value close to 1 indicates greater prediction accuracy [37]. The results of the R² calculations for
each endogenous variable indicate that $R^2$ customer satisfaction is 0.605 and $R^2$ purchase intention is 0.650.

The path analysis was used to examine the direct influence of each path relationship. The path coefficient indicates the relationship between variables expressed in hypotheses and is said to have a significant value if the T-statistical value is greater than 1.96 at 95% confidence level [37].

<table>
<thead>
<tr>
<th>Path</th>
<th>Coefficient T-value</th>
<th>Result</th>
</tr>
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<tbody>
<tr>
<td>H1: Product quality $\rightarrow$ customer satisfaction</td>
<td>0.004 0.104</td>
<td>Not significant</td>
</tr>
<tr>
<td>H2: Service quality $\rightarrow$ customer satisfaction</td>
<td>0.080 1.264</td>
<td>Not significant</td>
</tr>
<tr>
<td>H3: Price $\rightarrow$ customer satisfaction</td>
<td>0.042 0.548</td>
<td>Not significant</td>
</tr>
<tr>
<td>H4: Brand image $\rightarrow$ customer satisfaction</td>
<td>0.692 10.477</td>
<td>Significant positive</td>
</tr>
<tr>
<td>H5: Product quality $\rightarrow$ purchase intention</td>
<td>0.646 10.624</td>
<td>Not significant</td>
</tr>
<tr>
<td>H6: Service quality $\rightarrow$ purchase intention</td>
<td>0.004 1.515</td>
<td>Not significant</td>
</tr>
<tr>
<td>H7: Price $\rightarrow$ purchase intention</td>
<td>0.080 5.791</td>
<td>Significant positive</td>
</tr>
<tr>
<td>H8: Brand image $\rightarrow$ purchase intention</td>
<td>0.042 6.206</td>
<td>Significant positive</td>
</tr>
<tr>
<td>H9: Customer satisfaction $\rightarrow$ purchase intention</td>
<td>0.692 1.642</td>
<td>Not significant</td>
</tr>
</tbody>
</table>

Based on Table 1 above, results showed support for H4 (brand image $\rightarrow$ customer satisfaction), H7 (price $\rightarrow$ purchase intention), and H8 (brand image $\rightarrow$ purchase intention).

B. Discussion

The results showed that brand image has significant positive influence directly on customer satisfaction. This suggests that pharmacies that have a good brand image are considered to provide satisfactory service to customers among others, such as: the availability of more diverse products, better service, longer opening hours, innovations in service, high expertise employee, the ease of transaction, the pharmacy cares about the needs of the workers, and the pharmacy cares about the community and also the environment. Pharmacies with a good brand image are mostly have a better marketing system and service compared with other pharmacies and will also be preferred by customer [12]. Moreover, customers will choose the type of store that has an entire image that corresponds to the image that the customer wants. For example, if a customer considers that quality is an important factor, then they will choose a store with good quality. If the customer considers himself to be a modern person, then the customer will visit the store with a modern twist. Customers will form a positive or negative image of a store based on their experience in visiting the store. If a customer feels that a store has a positive brand image, customers will be more likely to revisit the store to buy the product [21].

Kimia Farma and Vitka Farma are famous pharmacy chains, have good reputation, innovative, and also can be easily found in many locations in Batam City. They offer integrated health facilities and services, such as clinic, retail store (pharmacy/non-pharmacy product and medical device), pharmaceutical healthcare (drugs consultation by pharmacist), rapid diagnostic test, and online service. Their business has been running for years and they have a lot of customers who seem satisfied with the service provided. Customers are more likely to visit the famous pharmacy in hopes of getting satisfactory service from the pharmacy such as obtaining good quality of medicines, rational prices, the availability of various medicinal products, good service quality as well as the after-sales service of the pharmacy [12]. So it is no surprise that their business can last a long time. It certainly takes hard effort to keep good brand image, however this can be done with good commitment and team work of all stakeholders. Hence, the business strategies implemented by Kimia Farma and Vitka Farma pharmacy as discussed above are supposed to be followed by other pharmacy in order to win the market competition. Local pharmacies can create strategies to compete with national pharmacies or chain pharmacies by improving their competency and sincerity in serving customers to gain customer satisfaction. This will form a unique pharmacy image and benefit the pharmacy itself [12].

Based on this research result, it is showed that product quality, service quality, and price have no significant influence on customer satisfaction. This might be caused by the customer prioritizes other factors to get satisfaction, such as product availability or product diversity [40]. Another possibility is that customer needs to get the perceived value first (customer general appraisal to the benefits of something received compared with the sacrifices that customer issued) [41] to generate customer satisfaction. So the higher value perceived by the customer from the quality/service/price of the product, the higher the level of customer satisfaction [40,41].

The results of this study are consistent with some researches which evidenced that product quality has no significant influence to customer satisfaction [42,43], service quality has no significant influence to customer satisfaction [40,44,45], and price has no significant influence on customer satisfaction [9,10,22].

This finding is in accordance to previous research which stated that price can help customers to decide how their buying power is placed on different types of goods and services [29]. In addition, rational price and general appearance of good products can increase customer satisfaction and customer confidence to buy such products [26]. Manufacturers establish a rational and affordable selling price, so customers are expected to make a sustainable purchase. The more interesting/competitive price offered, the higher the desire of customers to buy. Product promotion and attractive price will also attract customers to visit and buy the product, also retain customers to do transaction with the pharmacy [21,46]. A good brand image is considered to be able to deliver what the
customer needs, which increase the customer's desire to buy a product [21].

The results of this study showed that product quality and service quality have no significant influence on purchase intention. This might be caused that customer needs to get the perceived value first to generate purchase intention. So the higher value perceived by the customer from the quality and service of the product, the higher the level of purchase intention [47,48]. The result also showed that customer satisfaction has no significant influence on purchase intention. This is likely caused by the customer will buy the product elsewhere even if the customer is satisfied or customer satisfaction significantly influence purchase intention through the brand preference first [40]. This results are consistent with some researches which evidenced that product quality has no significant influence on purchase intention [49,50], service quality has no significant influence on purchase intention [49,51], and customer satisfaction has no significant influence on purchase intention [40.51]. Based on this findings, pharmacy management has to focus on creating positive band image, offer attractive price, and also improve product quality, service quality, and customer satisfaction, so customers will be willing to do transaction in the pharmacy.

V. CONCLUSION

The pharmacy management should pay more attention on this research finding to improve their service level to customer as one of the business strategies to win the highly market competition, gain profit, and also to be sustainable in the long run. There are limitations on this research such as research samples were taken from 2 pharmacies only, hence the results of this research might not be generalized for all pharmacies. It is also noted that there were too many research questions on the questionnaire, so the respondents might not pay attention when filling out the questionnaires. It is suggested also that further research can be done by using more pharmacies (or conducted on different area), use simple questionnaire, use other variables that have not been captured in this research, and also use online survey method to collect data.

REFERENCES


