

CHAPTER I

Introduction

1.1 Rationale for the study

The study conceived at the time when the retail pharmaceutical industry in Thailand was facing the pressure of strong competition from various directions. The naturally on-going price competition among drug stores, the significance of product mix and variety of merchandise stores should offer, demand on the quality of service from pharmacists and store personnel, and the invasion of multi-national branded stores with concrete financial strength and aim to rapidly capture every strategically high traffic locations, all added up to be critical time of competition and change, especially for the small, independent, traditionally run drug stores. The domestic groups of drug stores operators, community pharmacists and store administrators had been experimenting different ideas, methods and models to compete at their best with the resource available at hands. For the pharmacist groups, a lot of attention had been paid to quality and professionalism together with cost containment for better store efficiency. In many other drug stores, pricing strategy seemed to be the magic remedy. Store image and modern design had also become the issues of interest, especially among the more advanced drug store in the urban area where the direct effect from multi-national branded stores and the changing consumer perception towards retail service could be the driving trend. The demand for convenience and the one stop shopping behavior created certain belief in the shift of people's

shopping destination towards mall and shopping centers. It was still a question to many store administrators and pharmacy managers as to which of the above mentioned attributes could really pay off at the end of the day, if properly implemented. And for those drug store managers or entrepreneurs who were on the watch to make a smart and effective move within the scope of limited resources, good guidelines for practically effective strategies could help produce efficient store productivity as well as practical allocation of resources.

1.1.1 The evolution of drug stores competition

In the rapidly changing market now-a-days, retailing had become more and more sophisticated, with complex offerings and tactics of store management (Nirmalya Kumar, 1997). Finding a good location, offering adequate variety of merchandise at good price might not be the definite success solution for today's competitive market. Drug store, although recognized by most pharmacists and the health professionals as one of the primary healthcare service nodes, inevitably required appropriate retail technique to sustain its business, survive competition and to be able to expand for bigger market share. Competition in retail drug store was not only driven by the evolution of retail techniques, but also from different forms of changes in retail drug store market, such as the globalization of established multi-national branded drug stores.(The New Retail Economy, 1999) The changing competitive situation, from domestic competition among stores with similar origin of drug store characteristics towards the battle against well established brand of drug stores, evoked the need to review and reinvent pharmacy administrative strategies as well as drug store retailing and marketing strategies. Competition, new technologies and modern retail tactics did not merely affect store performance and the shift of

consumer patronage, but also affected consumer perception, decision and satisfaction. Learning from their use experiences and the abundance of information through all channels of media, consumers were bombarded with abundant attractive alternatives and were induced to the need for higher level of demand to satisfy themselves. Simple attributes may no longer be adequate to satisfy today's consumers. It had become more critical to understand consumers' needs and buying behavior, to draw effective design of strategies and tactics for drug store management. The right set of aggregated store attributes could better satisfy consumer needs, and became a formula for successful drug store retailing.

Most drug stores in Asia were established and operated as drug store with its clear image through functionality, mainly focusing on the pharmacy fully stocked with the regularly needed variety of pharmaceuticals, topped up with other health promoting, health related and personal care products. The average of drug store in asia was significantly different both in term of size and dimension of product assortment when compared to the drug store in the USA, which normally carried wider range of products, having cross-over product lines with supermarket or grocery store. In the situation where pharmaceutical market was still not rigidly regulated as prescription market, but rather a dispensing market, where most pharmaceuticals were available through drug stores without the strict requirement for a prescription, the setting of a drug store, and the nature of competition could be different from prescription market of which prescription was the main drive to the drug store. Now-a-days drug store managers were prompted with the need to understand customers and to manage store offerings to match their need, using proper retail mix and retail strategies along with drug store professional practice. By the drug store's

unique nature of products and service, being of higher level of involvement than general food and grocery products, demanding more advice, consultation and counseling, it would be worthwhile to know how consumers response to a drug store and make decision in choosing a drug store. Such knowledge should enable marketers and drug store administrators to effectively compete in the crowded market with good competitive advantage. Although various area of retail attributes related research in retail had been done, literature search reviewed that most of them were based on supermarket, mall and grocery stores in the western setting. As mentioned earlier that drug store was a different profile of retail by the nature of its product and requirement for human interactive service, it was interesting to see whether the role of attributes that created positive consumers' response and influence drug store choice decision, especially in the Asian settings, would be different from early findings on general retailers in western environment.

1.1.2 Patronage and Consumer buying decision

Social changes, education, and lifestyles induced effect on the significance of each attributes a store offered (Adam Finn and Jordan Louviere, 1996; Michael Levy and Barton Weitz, 2004). At the same time consumer decision-making process varies with situation. In some situation, consumers spent considerable time and effort selecting retailer and evaluating the merchandise, while in other situations, buying decisions were made automatically with little thought (Markman & Medin). Consumer's preference towards a drug store was an integration of perceived value on store attributes, experience and intrinsic purpose of use. Global trading, and the intrusion of international products, operation, and drug stores or chain drug store with known store brands (name), into domestic market, led to a different scenario of

competition and obviously elevated the awareness of the presence of drug store brand (name) in the consumers' mind through various components of marketing mix and marketing communication tools. Well-defined strategies that matched the profile of consumer segment, with the right attributes and value that enhanced consumer interest and expectation could more precisely satisfy the consumer demand and became more and more important for drug store operators in order to survive increasing competition, keep their loyal consumers and continue to grow for bigger market share (Lockshin, Spawton, Macintosh, 1997). In order to be able to develop such strategies, one had to be able to understand how consumers perceive the value each attributes offered by drug stores and also the combination effect that each attributes had on each other. Many questions arises, such as, the understanding of which attributes affected the consumer response towards drug store, response on the choice of drug store, the effect of different buying purpose, different types or profiles of customers and the psychological values attached to lifestyles, upon the significance of each attributes. Such knowledge could be of additional value for retail drug store management, both independent drug store and chain drug stores, helping drug store administrators to develop effective strategic plan and retail marketing plan

1.1.3 Brand Age

It was not merely the product that consumers were attracted towards, but also the brand. In the brand era, a product, service or store as a whole, were presented to the consumer in terms of actual tangible offerings, and also of the intangible value attached to the product, service or store, that signified certain level of impression, satisfaction, desirability and sense of belonging in the consumer's mind. Marketers created brand as a symbol, or name that signaled to the customer the source of the

product, and protected both the customers and the owner of the products from competitors (David A.Aaker, 1991). Brand gave the identity of the product and its characteristics, and became a valuable asset which was expected to last longer than the actual product itself. An extension of the retailer's brand strategy was to exploit strong retail name recognition. There were also certain difficulties in making distinction between a brand and the store. Some people might view a store as a store itself, while a brand was the name attached to product or service. Even though we could put up a clear definition of brand, the core knowledge was still on the perceived benefits and values that the brand promised. Retailer brands, while in another word could be identified as store-brand (brand of the store), as a type of brands, were sufficiently different from product brands that the actual application of those branding principles could vary. There were difference between store-brand carrying the same brand of products, such as GAP, Starbuck, versus store-brand carrying variety products and brands such as grocery stores like Tesco or department store like Nordstorm, Robinson. Retailer brand, such as a brand (name) of drug store, were typically more multi-sensory in nature than a product brands and could rely on rich consumer experiences to impact their equity (Ailawadi and Keller, 2004). Retailers also created their brand images in different ways, e.g., by attaching unique associations to the quality of their service, their product assortment and merchandising, pricing and credit policy. The ability to understand consumers' perceived value of store attributes could help drug store managers to have a better guide in planning store positioning, developing brand equity and the creation of branding strategy for better competitive advantage.

1.1.4 Grocery stores vs Drug stores

Consumer behavior, consumer decision process, consumer patronage, choice decision and consumer segmentation were studied in the setting of grocery, supermarket or general merchandise store model (V.W.Mitchell, 1999, Popkowski, Sinha, Timmermans, 2000). Different store formats were invented and designed to attract specific groups of people who shopped at outlets other than the one closest to their homes, by offering and promoting attributes mixes targeted directly to these consumers. While competition went on, the retail industries put their future success mainly on the ability to segment the market effectively and to provide the right attributes for the target segment. But consumers' buying of medicine and health products could be different from general consumer packaged goods. The decision to buy drugs was not merely an action of taking product from the shelves with clear understanding of how, when and for what purposes to consume, but the buying of drugs was combined with the need for advise to go along with the use of drug, and advise on health practice to enhance the effective drug use. It was also triggered by the need to use, which may not be by the user's own pleasure. As medicine and other health care products were products that could do something physiologically to the body, and could directly affect one's feeling of well being, one's ability to perform or even to live, they were not merely a low involvement product like toothpaste or shampoo, but rather on the upper list towards more involvement in buying. In the buying of drugs and prescription filling, there was always a need for professional service or advises attached to the buying process of medicine and health products (Amsler, Murray, Tierney, 2001). Some people even kept going back to the same drug store with the expectation to meet and get advises from the same

pharmacists. It was observed that trust in the quality of advises received might also be another factors affecting consumers' response towards the store and also affected decision to choose a drug store to go to. For the purpose of effective drug store management, it would be useful to understand the consumers' response towards drug store, and those factors to be considered when they choose a drug store. Proper attributes could be made available to target consumers, or on the other hand, a most suitable profile of consumers could be targeted for store brand building action, capitalizing on existing strengths of the store attributes.

1.1.5 Buying Purpose

Illness and Health behavior

People could have different purposes when visiting a drug store. The visit to a drug store could be a result of their illness level, ranging from being ill with the need for medication to remedy illness, medicine for chronice disease, and to being without illness but seeking for better health, better look or health prevention. In studies on consumers' health behavior, there were two distinctive types of behavior, Illness behavior, simply conceptualized as how individuals responded to a perceived health threat or illness (Petrie and Broadbent, 2003), and health behavior, an activity by a person who believed in self healthiness to prevent disease and detect disease. Illness behavior included all aspects of how patients cope with their illness, taking medication and seeking medical help being some of the aspects. Going to a drug store to seek for drugs or medical equipment for use to cure illness or alleviate the abnormal health situation was viewed as illness behavior, while health behavior could be seen as the search for health promoting items such as vitamins, health supplement and hygienic items such as dental hygiene, skincare and personal

hygiene products. With such definition, it would be obvious that the higher the illness level, the more obvious need for pharmaceuticals and the lower the illness level, the less need for pharmaceuticals in each store visit. It was of no doubt that if there was a need for medicine, the destination would be a drug store. But which drug store to go to could be a more complex decision process. The answer to whether the illness level or degree of illness affected role of each attributes in making store choice decision would be of great value to drug store managers and marketer in planning appropriate strategies, products offering and service to improve the store's performance. The ability to understand the nature of demand on the store attributes for different purposes of buying caused by illness level, could help drug store managers to be more specific in designing effective retail strategies as well as segmentation strategies to attract its target customers.

1.2 Objectives

The purposes of the study were separated into two parts. The first objective was to understand consumer perception on the significance of each attributes towards their response towards drug store. The second objective, relating to the first objective, was to examine the moderating effect of buying purpose, which were defined as illness purpose of buying and health purpose of buying, on the perceived significance of attributes on response towards the drug store. The attributes to be studied were based on those attributes from previous empirical studies known to be of significance for retailing and retail branding. The perception and causal relationship of the defined attributes as an aggregated feature of drug store, could enable us to make application for efficient drug store management. Finally we hoped to be able to draw a preliminary idea and provide suggestion on managerial

implication for the development of drug store management strategies in competitive situation. In summary, the objectives of the study were

1. To explain the relative importance of drug store attributes on consumers' response towards drug store.
2. To examine the effect of buying purpose on the significance of store attributes contributing to consumers' response towards drug store.

1.3 Research Questions

Research questions were defined to fulfill the objectives stated above. Research questions were posed to obtain the relevant information required which led to appropriate research design, methodology and data analysis.

1. How does the perception of store attributes affect consumer's response towards drug store?

To understand factors influencing consumer store choice decision, it was to know how importance each store attribute meant to the consumer, when they choose and use their drug store. Each consumer might value each attribute differently leading to different influence to their response and store choice decision. In this study, we measured consumer perceived importance of each store attribute on their most frequently visited drug store to understand the value of each attribute upon real and unbiased answer upon the use of drug store. Within the list of attributes defined in this study, product assortment, reasonable price, store facility, service, quality in term of effectiveness use, promotion and references, we studied the causal relationship to the degree consumers' response towards drug store. We proposed that each attribute induced some effect on consumers' response towards drug store, while some attributes could also have indirect effect, through other attributes. For such

reason, we developed several hypotheses to be studied with reference upon previous empirical studies in the related area.

2. *Is there any significant moderating effect from consumer buying purpose on the perception of store attributes affecting consumers' response towards drug store?*

This was the question that could be of value to many drug store managers in planning the drug store offerings. To go to drug store, buying purpose could be categorized into illness treatment purpose, representing the purpose to seek for solution to cure illness, or un-well feeling, which could be the seeking and buying of medicine, prescription filling or even seeking for physical aid or rehabilitation equipment. The other purpose of buying was the health purpose, meaning the purpose to maintain good health which could be observed as the purpose to seek for products like vitamins, dietary supplement, skincare products, personal care items, dental hygienic products. The findings could add to the knowledge of drug store administrators in planning retail mix strategy to serve customers and properly draw customers from the targeted segment.

1.4 Expected contribution from the study

The results from this study could contribute to the science of pharmaceutical marketing and pharmacy administration in the community drug store sector, consumer behaviors, especially in the competitively changing environment. These data added to the literature in these areas and contributed to the understanding of the integrated impact of retail concepts, social-cognition, on consumer behaviors and decision process in combination with the specific need for drugs and health related products of which professional consultation was required. The findings could fill up the link of application

between professional thinking of drug store service in term of pharmacy service, and the retail management concept. With the focus on drug stores, the study extended the scope of similar study in the area of general merchandise stores into a more specialized store and demonstrated the area of similarity as well as differences for further application of the findings. Although the model mainly focused on drug store environment, it did not ignore the basics of consumer decision process and could also be of value to other models of products. In summary, contributions of the study were:

1. To effectively develop competitive strategies for drug store management.
2. To be applicable for strategic positioning and store positioning.
3. To be a basis for further studies in the area of consumer perceived value of the store and store branding.