

# THE MODEL OF PHARMACIES CUSTOMER LOYALTY IN CHEMICAL FARMA

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# THE MODEL OF PHARMACIES CUSTOMER LOYALTY IN CHEMICAL FARMA

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## ABSTRACT

This study aimed to determine the effect of product differentiation and distribution channels on customer loyalty in Kimia Farma Pharmacies in Bandung. The population in this study was a regular customer Pharmacies in Kimia Farma Bandung 262 regulars. The sampling technique in this study using a saturated sample. Thus, the amount of sample used is 262 regulars. Data were analyzed using multiple linear regression analysis methods. The results show that the product differentiation have positive and significant impact on customer loyalty of Pharmacies in Kimia Farma Bandung. Distribution channel have significant and positive effect on customer loyalty of Pharmacies in Kimia Farma Bandung.

**Keywords:** Pharmaceutical, Product Differentiation, Distribution Channel, Customer Loyalty

## 1) INTRODUCTION

Companies that want to survive must have a value that makes the company different from other companies. Value is offered this will further strengthen the selection of potential customers to transact or encourage existing customers to transact back. Companies that can increase customer loyalty on an ongoing basis will be able to survive on tight business competition because customer loyalty is a very important factor in the survival of the company. In today's age, medical business is progressing very rapidly. This is caused by the increasing number of outbreaks of disease, the increased number of accidents both occupational accidents and traffic accidents, and which is now being widely discussed is the number of disease outbreaks that occur in the world. In COVID19 modern society, there are two ways to get the drug, ie to buy medicine at the drug store and buy the drugs at the pharmacy. When viewed at a glance, it looks like drugstores and pharmacies look the same. If we observe there are some differences between drugstores and pharmacies(Mas'ud, 2009),

In general, people choose pharmacy as a solution to get the drug. That's because people judge the drugs bought from pharmacies safer than drugs purchased from drugstores. The sense of security because the person responsible at the pharmacy was a pharmacist who has the skills and education in the fields of pharmaceuticals and pharmacies have special

permission from the Board of Health. That's what causes the doctors to advise patients to buy drugs they wrote in a prescription to a pharmacy(Nujanah, Maramis & Engkeng, 2016),

Pharmacy as the top choice in getting the drug, resulting in pharmacy prospects and competition is more pronounced in the business world of drugs when compared to the drug store. Competition pharmacies feel very tight because of the diversity of products sold in every pharmacy is almost the same. Similarly, the price, the price range on sale medication that is not much different. Given the fact that every pharmacy trying to have the completeness of the drug to win the competition. But that is not enough, because a pharmacy must be able to highlight its advantages compared to other pharmacies to win the competition(Nujanah et al., 2016),

Every consumer who will buy the drug must have special considerations in choosing a pharmacy where he will visit. Usually, people will consider the issue at an affordable price, the strategic location of the pharmacy, the drug owned completeness, quality of services provided by a pharmacy, and public perceptions of certain pharmacies(Narendra, Skarayadi Duda & Adirestuti, 2017),

Based on the analysis or recognition of the need and desire, the search for information and resources assessment, assessment and selection of the alternate purchase, the decision to buy, and behavior after purchase(Permatasari, 2015), For Kimia Farma feelings and behavior after the purchase is very important. Their behavior can affect customer satisfaction about the excellence of the products and services Kimia Farma spoken from the mouth to the other.

Customer satisfaction on the excellence of products and services Kimia Farma will affect loyalty. Loyalty is a combination of intellectual and emotional processes between customers and companies(Wijoyo, 2014), People who make purchases regularly to buy or shuttle services product line, refer to others show resistance to a competing product called customer loyalty(Ashley, Noble, Donthu, & Lemon, 2011), Their loyalty is proof of the success of Kimia Farma in establishing a good relationship with the customer.

A good relationship with the customer can be created through the brand. (Buhalis & Amaranggana, 2015) quoted from American Marketing Association which defines a brand as a name, term, sign, symbol, or design, or a combination of these things, which are intended to identify the goods, services, company name or anything that could have a brand of a person or group of sellers and to differentiate them from competing brands.

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## 2. Literature review

### 2.1. Customer loyalty

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According to (Ashley et al., 2011)"Customer loyalty is a behavior associated with the brand of a product including the possibility to renew the contract brand in the future and how many customers are likely to enhance the positive image of a product". According to(Huang & Shyu, 2009)"Loyalty is a behavior indicated by routine purchases, based on a decision-making unit". According to(Kassim, nautical, Kassim, Ramli and Abdul, 2009)"Customer loyalty is the most important management challenge facing top executives around the world". According to Single (2012: 6), "Loyalty is a customer attachment to a brand, manufacturer,

service provider, or other entity based on a favorable attitude and a good response, such as repeat purchases."

From this sense, it can be concluded that customer loyalty is customer behavior in commitment, confidence, and loyalty to brand products as well as an important management challenge because it can enhance the positive image of a product. Customers are loyal to certain brands tend to be tied to the brand and would buy the same product again though there are plenty of other alternatives.

According to (Im, Kim, Elliot, & Han, 2012) "Customer loyalty impact on gethok mouth (word-of-mouth behavior) especially when consumers significant emotional experience. Loyal customers tend to be willing to share their positive experience with others ". A loyal customer is one of the important things that can help businesses to grow. To attract customers into loyal, an entrepreneur should not only have products with good quality but also must begin to pay attention to good quality services so that customers more satisfied with the company's business. Make customers loyal to a business is not easy because it takes a great effort and consistent with what has been given previously.

Customer loyalty is formed from the above factor concepts such as generic concepts, customer behavior, and repeat purchases. Companies need to look at and address all the needs, hopes or problems faced by customers. With the attention of the customers will be satisfied with the company and make transactions with companies and in the end, they will be the company's loyal customers. Increasingly, companies indicate that concern the greater the customer loyalty it appears.

## **2.2. Product differentiation**

19 According to (Malar, Krohmer, Hoyer, and Nyffenegger, 2011) "Product is everything offered in the market to satisfy the needs and desires of consumers". According to (Effendi, Thiarany, & Nursyamsiah, 2017) "The product is something that is bought and sold to benefit from the creativity of a person something, the marketing team or company". According to (Peterson, Fitzmaurice, Rasiah, and Kruup, 2010) "The product is complex, that can be touched and can not be, which includes packaging, price, prestige companies and services companies that received by the buyer to satisfy their wants and needs." From this sense, it can be concluded that the product is something that is in the form of goods or services offered for resale to benefit and satisfying customer needs.

1 According to (Eng & Spickett-Jones, 2009) "Product differentiation is designing a set of differences in terms of content, context, and infrastructure." According to (Stavins, 1999) "Differentiation is a very important and appropriate as the key to success in the enterprise. Companies in business must implement differentiation where differentiation is one of the competitive advantages that can be owned by the company ". According to (Chui et al., 2010) "Product differentiation is to modify activities to become a more attractive product. Differentiation requires pretty serious market research to be completely different, also requires knowledge of a competitor's product. " From this sense, it can be concluded that the

product differentiation strategy and the key to successful companies make or modify a product to make it look attractive and different from its competitors.

### 2.3. Distribution channel

According to (Woodward, 2000) "Channels of marketing/distribution channel is a group of interdependent organizations and is involved in the process of making a product or service that is provided for use or consumption" According (Kamat & Nichter, 1998)"Distribution channels are intermediaries, buyers, and sellers through which the movement of goods both physically and displacement since the producers belonging to the hands of consumers". According to(Silitonga, 2016), Distribution channels is a business structure that consists of organizations related to each other, starting from the point of origin of the product is made to last to move the sellers as well as proprietary products to end-users, ie private consumers or business users. All products require a network called the distribution of products in which the distribution channel is important in spreading consumer products as close as possible to the target to be achieved.

## 3. RESEARCH METHODS

The study was conducted in Pharmacies Kimia Farma in Bandung. In preparing this study, the time the study began in April 2019 till February 2020. The qualitative data in this study such as questionnaires question about product differentiation, distribution channels, and customer loyalty in the company. Quantitative data on this research such as customer data remain firm. The population in this study was a regular customer Pharmacies Kimia Farma Bandung 262 regulars. The total sample used was 262 regulars. Model analysis of the data used in this research is multiple linear regression analysis is used to determine how much influence the differentiation of products and distribution channels on customer loyalty in Pharmacies Kimia Farma Bandung

## 4. RESULTS AND DISCUSSION

### 4.1. Validity test

Validity test is done on customer 30 Pharmacies Kimia Farma Bandung. Based on the validity of the test results, indicate the overall statement for product differentiation variable (X1) has a value of *Corrected item-total Correlation* greater than the value of 0.361 rtabel so it can be concluded that all statements on product differentiation variables declared invalid. Likewise, the validity of the test results indicates the overall statement for the variable distribution channel (X2) has a value of *corrected item-total Correlation* greater than the value of 0.361 rtabel so it can be concluded that all the statements to the distribution channel variables declared invalid. The test results also demonstrate the overall validity of the statement for customer loyalty variable (Y) has a value of *corrected item-total Correlation* greater than the value of 0.361 rtabel so it can be concluded that all statements for customer loyalty variables declared invalid.



## 4.2. Reliability Test

Reliability test results indicate that the variable product differentiation in this study has value *Cronbach's Alpha* greater than 0.60, namely product differentiation by 0.906 > 0.60 variables in this study revealed reliable. Similarly, the distribution channels have value *Cronbach's Alpha* greater than 0.60 variables in this study revealed reliable. Customer loyalty has a value *Cronbach's Alpha* greater than 0.60, namely customer loyalty amounted to 0.834 > 0.60 so variables in this study revealed reliability.

## 4.3. Regression Analysis

Regression Analysis The test results are shown in Table 1.

**Table 1 Results of Multiple Regression Analysis**

Model	Unstandardized coefficients		Standardized coefficients	t	Sig.
	B	Std. Error	Beta		
1. (constant)	.102	.1186		.091	.928
Differentiation_	.249	.052	.454	4.834	.000
channel					
products_	.383	.080	.453	4.813	.000
distribution					

a. Dependent Variable : customer\_ loyalty

Source: Research Findings, 2019 (processed data)

According to table 1 above, multiple linear regression equation as follows:

Customer Loyalty Product Differentiation = 0,108+ 0.249 + 0.383 + e Distribution Channels

Explanation of multiple linear regression analysis above are:

- 1) The constant value 0.108 means that if the value of product differentiation and distribution channels 0 or does not exist, then customer loyalty in the company is worth 0.108. Research results inline with the statement(Widjaja & Nugraha, 2016)"Customer loyalty impact on gethok mouth (word-of-mouth behavior) especially when consumers significant emotional experience. Loyal customers tend to be willing to share their positive experience with others ". A loyal customer is one of the important things that can help businesses to grow. To attract customers into loyal, an entrepreneur should not only have products with good quality but also must begin to pay attention to good quality services so that customers more satisfied with the company's business. Make customers loyal to a business is not easy because it takes a great effort and consistent with what has been given previously.
- 2) X1 worth 0.249 coefficient is positive, it means that product differentiation has a

positive relationship with customer loyalty. If the product differentiation is 1, then the company's customer loyalty will increase by 0,249 units. That is, the higher the product differentiation is increasing customer loyalty to the company.

The research result is in line with research(Perepelkin & Zhang, 2011)"Product differentiation is designing a set of differences in terms of content, context, and infrastructure." According to(Perepelkin & Zhang, 2011)"Differentiation is very important and appropriate as the key to success in the enterprise. Companies in business must implement differentiation where differentiation is one of the competitive advantages that can be owned by the company ". According to(Kamat & Nichter, 1998)"Product differentiation is to modify activities to become a more attractive product. Differentiation requires pretty serious market research to be completely different, also requires knowledge of a competitor's product. " From this sense, it can be concluded that the product differentiation strategy and the key to successful companies make or modify a product to make it look attractive and different from its competitors.

- 3) X2 worth 0.383 coefficient is positive, meaning that the distribution channel has a positive relationship with customer loyalty. If the distribution channel is 1, then customer loyalty will increase by 0.383 units. That is, the higher the distribution channels is increasing customer loyalty to the company. Research results inline with research(Silitonga, 2016), Channel marketing/distribution channel is a group of interdependent organizations and is involved in the process of making a product or service that is provided for use or consumption. As well(Kamat & Nichter, 1998)"Distribution channels are intermediaries, buyers, and sellers through which the movement of goods both physically and displacement since the producers belonging to the hands of consumers". According to (Lemon & Verhoef, 2016), Distribution channels is a business structure that consists of organizations related to each other, starting from the point of origin of the product is made to last to move the sellers as well as proprietary products to end-users, ie private consumers or business users. All products require a network called the distribution of products in which the distribution channel is important in spreading consumer products as close as possible to the target to be achieved.

#### 4. CONCLUSION

The analysis showed that the product differentiation and distribution channels simultaneously have positive and significant impact on customer loyalty of Pharmacies in Kimia Farma Bandung. Product differentiation have a significant and positive effect on customer loyalty of Pharmacies in Kimia Farma Bandung. Distribution channel have significant and positive effect on customer loyalty of Pharmacies in Kimia Farma Bandung. Product differentiation and distribution channels can explain the loyalty of subscribers by 49.0% and the remaining 51.0% is influenced by other variables outside of this research such as customer satisfaction, brand, and price. Kimia Farma Pharmacies can maintain customer

loyalty when making product differentiation, as well as distribution channels, can design according to customer expectations.

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