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“Factors Affecting Customer Satisfaction with Pharmacy Franchises”
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Factors Affecting Customer Satisfaction with Pharmacy Franchises

This study seeks to identify key factors affecting the development of pharmacy franchises by analyzing consumption behavior and the impact of consumers on pharmacy franchise management. It also aims to determine key factors affecting customer satisfaction and loyalty toward pharmacy franchises.

Independent research variables included store image, pharmacy service, and pharmacist specialty. Customer loyalty was adopted as a dependent variable, and customer satisfaction was a mediating variable. The results indicate that pharmacy service is an important factor related to customer satisfaction, followed by pharmacist specialty. Contrary to expectations, the image of store cleanliness was unrelated to customer satisfaction. Such findings indicate that consumers perceive drugstores as unique spaces, as opposed to health and beauty stores.

Keyword: Pharmacy Franchise, Store Image, Pharmacy Service, Pharmacist Specialty, Customer Satisfaction, Customer Loyalty

A franchise business is characterized as a vertical channel between manufacturers and retailers, between manufacturers and wholesalers, and between service-supporting companies and retailers. It is a business management system designed to create a framework for franchisees to effectively sell products and services. Franchisors provide the franchisee with products and services related to the company name or brand and assist in their effective sale.

There are two types of franchise business model in Korea: drugstore and pharmacy franchises. The original drugstore model is derived from the American retailer sector and sells prescription drugs; however, in Korea, this exact model has not been adopted primarily due to Korean drug regulation. Instead, it has been developed into health and beauty stores, which supply cosmetics and health supplements. Olive Young was the first Korean drugstore managed directly from its headquarters, and its expectations for high growth within the drug industry spurred the company’s market expansion through franchise development.

A pharmacy franchise, however, is a business model for the sale of medicine and medical supplies (e.g., Onnuri pharmacy and MediPharm in Korea). A franchisor systemizes the supply and distribution of medicine and medical supplies or other products (e.g., non-medical supplies, quasi-drugs) to a franchisee. However, under the Korean Pharmaceutical Affairs Law, only a pharmacist is able to operate a pharmacy, which is an obstacle to entering the consumer market. Pharmacies are currently attempting to break away from the pharmacist-franchisee system.

This study seeks to identify key factors affecting the development of pharmacy franchises by analyzing consumption behavior and the impact of consumers on pharmacy franchise management. It also aims to determine key factors affecting customer satisfaction and customer loyalty toward pharmacy franchises.

This study contributes to the literature in two ways. First, we articulate key factors affecting customer satisfaction with regard to franchise drug stores. Although several existing studies analyze the effect of customer satisfaction on drug store loyalty, no research to date has studied customer satisfaction with franchise drug stores. Second, we investigate the mediating effect of customer satisfaction on loyalty toward franchise drug stores. Although franchise drug stores have been proliferating rapidly in Korea, research has not yet commenced in this area. The theoretical framework and research hypotheses are presented in the following section.

Pharmacy Industry

Pharmacies and Drugstores

Certain types of pharmacies focus on business function and management. The one form of pharmacy that sells prescrip-
tion drugs specializes in prescriptions, and the pharmacist’s specialty is established in the early stage of the pharmacy. Pharmacies that specialize in patent medicine sell general pharmaceuticals, over the counter drugs, and health foods rather than prescription drugs.

A pharmacy franchise has a membership system targeting existing pharmacies. The franchisor provides limited services such as store decor, business management, medical supplies, sales promotion activities, and so on. There are two representative pharmacy franchises in Korea: Onnuri Pharmacy and MediPharm; both are small-to-medium-size franchises that develop business management programs, host specialty lectures, and coach businesses.

Korean drugstores are health and beauty stores selling health foods, beauty aids, and cosmetic products rather than drugs; this model differs from American and Japanese drugstores, which are a combination of pharmacy and grocer.

Since Olive Young entered the drugstore business in 1999, W-store and GS Watsons also launched their businesses in the sector, focusing on the sale of health foods and beauty care products (as specified under the Pharmaceutical Affairs Law). In 2011, some existing over-the-counter drugs (general pharmaceuticals) were redefined as quasi-drugs (non-medical supplies) and therefore could be sold at retailers. This revision of pharmaceutical law has led to an increase in drugstore franchisee members.

Korean Pharmacy

As of 2012, there were 21,150 pharmacies in Korea. The pharmacy sales volume is calculated by dividing service charges by the goods sales charge. Service charges are expected by charging patients or the National Health Insurance Service a particular prescription fee. Goods sales consist of medical supplies and non-medical substances.

Medical supplies have a price limit, and pharmaceutical law prohibits pharmacists from profiting from the sale of medicine. Non-medical substances consist of cosmetics, health foods, quasi-drugs, and household items.

In 2012, the production output of domestic medicine and medical supplies totaled 15 trillion won, an increase of 0.8% from the previous year. Output increased 5.2% for 5 years (2007 to 2011). However, the growth rate is currently slowing. For example, medical industry market volume (production + imports – exports) totaled 18 trillion won in 2012 – a decline of 0.3% from the previous year. Market volume grew 2.7% for 5 years from 2008 to 2012.

In 2012, the export of medical supplies was worth 2.3 trillion won, and the import of medical supplies was worth 5.7 trillion won; this left a trade deficit of 3.4 trillion won. However, this deficit in medical supply trade volume was reduced from the previous year. Pharmacy sales volume depends largely on the sale of medicine; it is unrealistic to expect rapid results as the Korean medical market tends to change very slowly.

Franchised Pharmacies in Korea

Korean pharmacies are divided into non-franchised pharmacies (78%) and franchised pharmacies (22%), with the five leading franchises of Onnuri, MediPharm, Leadpharm, Optima, and WithPharm. The law requires only pharmacists to operate a pharmacy, effectively barring franchisees from obtaining franchisee ownership and management rights.

Although Onnuri pharmacy currently has more than 1600 franchisees, its recruitment has slowed. Onnuri proposed business solutions for individual pharmacists seeking to overcome the crisis stemming from rapid market changes.

MediPharm first promoted member-oriented medical associations and has established a systematic network of franchise pharmacies with 1300 franchisees. Optima is a study group of pharmacists interested in Chinese medicine. WithPharm concentrates on the sale of prescription drugs and has 120 franchise members and its own software for accounting. Leadpharm focuses on the sale of non-prescription drugs and has 750 franchise members.

Korean franchise pharmacies have difficulty increasing their sales volume due to a focus on medical supplies. Thus, they might benefit from increased emphasis on health foods, beauty care products, and non-medical supplies, similar to Korean-style drugstores.

Korean Health and Beauty Drugstores

The highly successful drugstore model in overseas markets encouraged Korean companies to launch Korean-style drugstores. After Olive Young established a drugstore business in 1999, W-store, GS Watsons, Lotte, Shinsegae E-mart, and Cafe Bene followed suit. The market continues to grow rapidly in Korea. However, W-store has expressed disappointment in its poor performance. While Korea-style drugstores have been increasing in number, the performance of franchise pharmacies has not been as positive as expected.

Korean-style drugstores carry a large stock of products including cosmetics, health foods, and beauty care products. The drugstore concentrates on selling non-medical supplies rather than medicines, while franchise pharmacies depend heavily on prescription drugs.

Thus, management practices vary widely between franchise pharmacies and Korean-style drugstores.

Olive Young was launched in 1999 as the first Korean-style drugstore, established as a new distribution channel carrying health foods, beauty care, supplements, and cosmetics. Their main target market is women in their 20s and 30s; therefore, the company has sought space in office and college towns. Olive Young operates a strategy of self-service and low prices.

Kolon Well Care launched a drugstore called W-store, creating an oligopoly in the Korean drugstore industry alongside Olive Young. However, W-store is distinct from Olive Young in that it resembles an American drugstore, focusing in particular on health foods, beauty care, and non-medical supplies. Pharmacists are struggling to keep pace with such sales volume and are considering item diversification. W-store aims to become a drug-centered drugstore,
which has led to the inclusion of pharmacies in all W-store franchisee branches. The W-store franchisor has renewed small- and medium-sized pharmacies and improved their management environment, thereby assisting pharmacists in managing various health care goods. These strategies have contributed to positive relationships between franchisors and pharmacists.

GS Retail, a Korean retail giant, launched A.S. Watsons, which sells various items such as cosmetics, plants and animals, health foods, fashion accessories, upmarket items and unusual and innovative items. The inclusion of more than 100 private brand items has enabled GS Watsons to increase their price competitiveness and secure customer loyalty.

**Franchise Drug Stores in the US**

Tera was the first American drugstore, launched in Kentucky in 1879. Early American drugstores performed five functions: pharmacy, convenience store, fast food retailer, coffee shop, and meeting place. The current style of drugstore has developed through fierce competition with other businesses and comprises 7% of all American retail sales.

General stores sell all types of customized drugs, although most do not sell prescription drugs. Drugstores differ from pharmacies in that pharmacies deal with prescription drugs as well as other general utilities.

Small local pharmacies do not exist within the United States outside of areas such as Korea town, where they are required for first-generation immigrants with limited understanding of the English language. Such customers are in need of pharmacists to explain difficult drug terms and usage instructions.

A pharmacy is not only a drugstore, but also a market for prescription drugs. Examples of American franchise pharmacies include CVS, Walgreens, and Rite Aid. Walgreens maintains more than 7,000 franchise stores that are directly managed by the company headquarters. They carry a large stock of health care goods such as drug and vitamin drinks, as well as other goods such as cigarettes, magazines, cosmetics, bath supplies, snacks, candy, and stationery. Walgreen’s sales volume ranks sixth among all franchise businesses in the U.S.

**Franchise Drug Stores in Japan**

As of 2013, there were 15,000 drugstores in Japan, with a combined total of 3.8 trillion yen in sales volume. While Japan drugstore business sales volume has been increasing every year, the number of drugstores has been decreasing. Japanese drugstores have been enlarging their store size and increasing the number of employees; however, the number of drugstores has been declining due to a tendency of focusing grocery lines of goods from medical supplies of drugs and cosmetics.

Japanese drugstores supply various goods, obtaining high profit margins from medical supplies and cosmetics. They handle low-priced goods such as general utilities and groceries in order to attract regular customers.

Major companies have been entering into the drugstore business. Two types of medical retail stores operate in Japan: drugstores that supply non-prescription medicines and those that sell prescription drugs. The blending of non-prescription medicine drugstores with those selling prescription drugs in order to enlarge the drug market is a growing trend.

A business model featuring a drugstore attached to a prescription pharmacy has already appeared in the U.S. and Europe. Drugstores within this model sell cosmetics, utilities, medical supplies, and medicines, and pharmacists in the attached drugstore are expected to make full use of their medical knowledge. A focus on recruiting excellent pharmacists and employees able to provide various services is expected to enhance the competitiveness of such drugstores in the market.

**Theoretical Backgrounds and Hypotheses**

Consumers identified and evaluated several factors that influence their selection of pharmacy. The greater the number of positive factors perceived by consumers, the more they are to visit the store.

Customers compare and evaluate these factors when selecting stores to visit. This study introduced several key factors in this selection process: store image, pharmacist specialty, pharmacy service, customer satisfaction, and customer loyalty.

**Customer Satisfaction**

Customer satisfaction is generally defined as a feeling or judgment toward products or services after use (Jamal and Naser 2003). Customer satisfaction has a significant influence on future purchasing or repurchasing behavior (Kim 2002). The relationship between customer satisfaction score and corporate sales volume is scientifically articulated by identifying a positive relationship between customer satisfaction and financial performance (Kim and Hwang 2006).

Customers compare their expectations of goods and services with their actual experiences using them, and this comparison helps to determine their level of satisfaction. That is, customer satisfaction is based on not only current experience, but also all past, future or anticipated experiences (Anderson, Fornell, and Lehmann 1994). This satisfaction is a key predictor of consumer buying behavior. Customer satisfaction creates positive attitudes among consumers, which in turn have a positive influence on repurchasing intent (Oliver 1977).

There are several determinants of customer satisfaction in the marketing field. Giese and Cote (2000) performed a review of satisfaction literature and suggest three general components that constitute consumer satisfaction. Customer satisfaction is a summary affective response that varies in intensity and pertains to a particular focus purchase or consumption; it occurs at a particular time but is generally limited (Caruana 2002).
Franchise Store Image
Consumer behavior is affected not only by simple knowledge or information. Image is a key factor in consumer behavior and can play the important role of determining the selection of goods or stores (Song, Sung, and Kim 2006).

Store image refers to the mixed features of various store components, as well as a customer’s perceived features of the store (Mazursky, David, and Jacoby 1986). However, store image is more than the sum of its parts, with all the features interacting to form the overall customer perception about a specific store (Louvire and Johnson 1990; Steen and Wedel 1991).

Symbolic store image is the customer’s stereotypical impression of, for example, a “traditional” or “modern” store. The combination of this symbolic image with the store’s self-image leads customers to choose a specific store and arouses positive or negative emotions. This emotional response to image influences store evaluations and shopping behavior. Customers’ emotional responses meaningfully affect their revisit intentions (Yoo, Park, and Maclnms 1998). Image has a great deal of influence on customers’ store preferences (Bloemer and Ruyter 1998). In this manner, store image is perceived as a significant factor affecting store selection and is used as an important positioning strategy (Lee and Kim 2007). Thus, we conclude that the image of franchise stores will affect customer satisfaction through a positive evaluation of the store. In this regard, we propose the following hypothesis:

H1: The image of franchise pharmacies positively affects customer satisfaction.

Pharmacist Specialty
Customers visit pharmacies in order to benefit from pharmacists’ specialties, as prescriptions and medications often require specialist knowledge (Kim and Choi 2012). A pharmacist’s specialty has a positive influence on customers’ intentions of revisiting a store.

Disease exposes patients to both physical and psychological risks. Patients attempt to reduce such risks by seeking out information such as hospital reputation, doctor specialty or kindness, high tech equipment, safe environment, and patient lectures. In this manner, perceived risk among patients has a direct influence on customer satisfaction (Lim and Lee 2011). The lower is an outpatient’s perceived risk, the higher is the customer satisfaction. A pharmacy customer’s risk is very high compared with those of other store types since medical services directly impact people’s lives and health status (Yoo and Suh 2010).

Since a pharmacist’s specialty is linked to the reduction of consumer risk, specialty regarding prescriptions and medications would affect their evaluation by customers. In this regard, we propose the following hypothesis:

H2: The specialty of franchise pharmacists will positively affect customer satisfaction.

Franchise Pharmacy Service
Services are the intangible goods intended to satisfy customer wants without a transfer of ownership (Back 1998). Service, as a term, is used to describe activities performed by sellers and others that accompany the sale of a product and aid in its exchange. The perception of service quality is affected by the differences between expected service and executed service (Gronroos 1982).

A sales person has critical influence over a customer’s service image. The personal service of a sales person can persuade customers to buy goods or services, thereby promoting sales volume (Lindquist 1974). In the pharmacy context, the role of a sales person falls to the pharmacist, who examines a patient and provides appropriate measures. Thus, perceived service quality including personal service, material service, and systematic service has a positive influence on customer attitude and satisfaction (Choi 2003). In the new context of the automated banking environment, the relationship between customer perception of service quality and a bank’s financial performance produced positive results (Al-Hawari and Ward 2006).

Since a positive experience in a pharmacy improves the customer’s evaluation of the pharmacy, a high level of service provided by a franchise pharmacy would likewise increase customer satisfaction. In this regard, we propose the following hypothesis:

H3: The service of a franchise pharmacy will positively affect customer satisfaction.

Customer Loyalty
In the past, loyalty toward tangible goods was largely associated with particular brands (Cunningham 1956); this spectrum then broadened to include store context (Cunningham 1961). The term “loyalty” is similar to the degree of favor one places on something or someone. Customer loyalty refers to repeated buying behavior specific to a company’s service, and store loyalty is a tendency to prefer a specific store or repeatedly buying from a specific retailer (Knox and Denision 2000).

Customer loyalty is a favorable attitude and repeated tendency to buy from a specific store (Dick and Basu 1994). Customers with high loyalty are found to have a relatively high favorable attitude and high purchase frequency. In accordance with individual behavior, customers of similar loyalty group are also shown high frequency of buying though they are relatively low favorable attitude than loyalty group. A high-loyalty customer will revisit a particular store, demonstrate repeated buying behavior, and recommend the corporation or store to others. Thus, customer loyalty is a key factor in creating corporate profit and attracting new customers.

In the hospital context, research on inpatients indicates that customer satisfaction affects customer loyalty (Kim...
and Song 2003; Yom and Lee 2010). Higher customer satisfaction encourages customers to not only use the hospital regularly, but also to recommend the hospital to others.

Several studies have postulated a strong link between customer satisfaction and loyalty (Anderson and Sullivan 1993; Bloemer and Ruyter 1998; Boulding et al. 1993). Customer satisfaction with a store environment (determined through information gathering and choice of goods in the store) strengthens positive store image and the possibility of return, factors that produce store loyalty. That is, customer satisfaction will mediate the relationship between determinants of customer satisfaction and customer loyalty (Al-Hawari and Ward 2006). In this regard, we propose the following hypothesis:

H4: Customer satisfaction with a franchise pharmacy will positively affect customer loyalty toward that pharmacy.

Research Methodology

This study adopted an online field survey using a self-administered questionnaire. Target respondents were consumers who visit franchise pharmacy stores. The study data are based on completed questionnaires from 502 customers. A seven-point Likert scale was used to rate each question. A proposed research model (FIGURE 1) will be tested in this study.

Measurement Analysis

The data analyses in this paper were conducted using the SPSS statistics package. Internal consistency reliability is a statement of the stability of individual measurement items across replications from the same source of information. Internal consistency reliability was assessed by Cronbach’s alpha, the most commonly used reliability measure. As reported in TABLE 1, Cronbach’s alpha exceeded the recommended minimum level in both samples. Estimates of .70 or higher indicate validity of a construct measure.

As shown in the factor analysis, the KMO sampling adequacy test showed a result of 0.929 and the Bartlett test of sphericity showed a significance level of 0.00, thereby affirming the statistical feasibility of the factor analysis (TABLE 2).

A total of 13 variables were factor analyzed with a varimax rotation method in order to ensure zero interdependence among the factors (TABLE 3). Three factors with eigenvalues greater than one were extracted and demonstrated an acceptable variance of 52.94% of variance.

Hypotheses Tests

In order to test the hypotheses, a general liner model was analyzed using customer satisfaction as the dependent variable. Independent variables included store attribution. The

<table>
<thead>
<tr>
<th>TABLE1 Reliability</th>
<th>Construct</th>
<th>Item number</th>
<th>Cronbach's alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Store Image</td>
<td>5</td>
<td>0.885</td>
</tr>
<tr>
<td></td>
<td>Pharmacist Service</td>
<td>8</td>
<td>0.864</td>
</tr>
<tr>
<td></td>
<td>Pharmacist Specialty</td>
<td>10</td>
<td>0.900</td>
</tr>
<tr>
<td></td>
<td>Customer Satisfaction</td>
<td>4</td>
<td>0.926</td>
</tr>
<tr>
<td></td>
<td>Customer Loyalty</td>
<td>2</td>
<td>0.870</td>
</tr>
</tbody>
</table>
The effect of store image was not significant ($t=1.434$, $p>.05$); thus, H1 is not supported. The results indicate support for H2: Store service is positively related to customer satisfaction ($t=9.336$, $p<.05$). The higher was the store service, the higher was the customer satisfaction. The effect of pharmacist specialty was significant ($t=4.668$, $p<.05$), and specialty is positively related to customer satisfaction; thus, H3 is supported.

The effect of store attribution on customer loyalty shows beta value as 0.396 and 0.505 (TABLE 5). On the other hand, the effect of store attribution and customer satisfaction on customer loyalty shows beta (0.157, 0.317) decrease compare than before (TABLE 6). When entered as an indirect mediator, the effect of the independent variable on the dependent variable decreases by a nontrivial amount, but not to zero, and partial mediation is said to have occurred (Baron and Kenny, 1986). A necessary component of mediation is a statistically and practically significant indirect effect (Preacher and Hayes, 2004). Thus, customer satisfaction has a partial mediation effect between store image and customer loyalty. These results support H4.

This study assumes that the key factors related to satisfaction are store image and pharmacist service and specialty. The results indicate that an important factor related to customer satisfaction is pharmacist service, followed by pharmacist specialty. Contrary to expectations, the image of the store was not related to customer satisfaction. These findings indicate that consumers perceived drugstores to be unique spaces compared with health and beauty stores. In the case of Walgreens, consumers prioritized pharmacist

### TABLE 2
KMO and Bartlett Tests

| Kaiser-Meyer-Olkin measurement | .929 |
| Chai square | 7489.190 |
| Bartlett test of sphericity $df$ | 253 |
| p-value | .000 |

### TABLE 3
Factor Analysis

<table>
<thead>
<tr>
<th>Factor</th>
<th>Factor Attributes</th>
<th>Factor Loading</th>
<th>Community</th>
<th>% of variance</th>
<th>Eigenvalue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service 1</td>
<td></td>
<td>0.655</td>
<td>0.820</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service 2</td>
<td></td>
<td>0.546</td>
<td>0.694</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service 3</td>
<td>1</td>
<td>0.617</td>
<td>0.689</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service 4</td>
<td></td>
<td>0.720</td>
<td>0.753</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service 5</td>
<td></td>
<td>0.800</td>
<td>0.659</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pharmacist Specialty 6</td>
<td></td>
<td>0.849</td>
<td>0.684</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pharmacist Specialty 8</td>
<td>2</td>
<td>0.817</td>
<td>0.791</td>
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<td>Pharmacist Specialty 9</td>
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<td>0.767</td>
<td></td>
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<td>0.809</td>
<td>0.806</td>
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<tr>
<td>Image 2</td>
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<td>0.694</td>
<td>0.820</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Image 3</td>
<td></td>
<td>0.689</td>
<td>0.694</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Image 4</td>
<td>3</td>
<td>0.753</td>
<td>0.689</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Image 5</td>
<td></td>
<td>0.659</td>
<td>0.753</td>
<td></td>
<td></td>
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</tbody>
</table>

### TABLE 4
Multiple Regression on Customer Satisfaction

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Path</th>
<th>Beta</th>
<th>t-value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Store Image → Customer Satisfaction</td>
<td>-.044</td>
<td>-1.434</td>
<td>X</td>
</tr>
<tr>
<td>H2</td>
<td>Pharmacist Service → Customer Satisfaction</td>
<td>.324</td>
<td>9.336*</td>
<td>O</td>
</tr>
<tr>
<td>H3</td>
<td>Pharmacist Specialty → Customer Satisfaction</td>
<td>.188</td>
<td>4.668*</td>
<td>O</td>
</tr>
</tbody>
</table>

* $p<0.05$
specialty. The findings of this study support the enhancement of store image-related customer satisfaction and customer loyalty.

Discussion

A high dependence on sales volume for specialty medical drugs and non-prescription drugs has decreased growth in the Korean drug market. The drugstore market has encountered stagnation in spite of its high potential growth. In order to maintain and stimulate drug market growth, strategies are required such as creating easy accessibility, reflecting consumer needs, providing various goods, and resolving the problems behind drugstore stagnation.

Large corporate competitors such as health and beauty shops are appearing in the drug market industry, and customer needs have changed. The medical community and pharmacy law must adhere to international standards in order to internationalize the Korean economy. Key tasks in these efforts include expanding the scale and performing systematization on the basis of pharmacist specialty.

The strategy of pharmacist specialty differentiation, based on the sale of medical supplies and lessons learned from drugstore stagnation, suggests a new business model. The development of a new business model to provide customer-focused integrated services is essential for the expansion of the pharmacy franchise market in Korea.

Theoretical Implications

This research confirmed that pharmacist service and specialty have a positive influence on customer satisfaction, which is positively related to with customer loyalty. These results contribute to the current body of knowledge by improving understanding of customer satisfaction and consumer loyalty, as well as the mediating role of satisfaction in the pharmacy franchise context.

Extending the range of customer satisfaction effect, these results procure ecological validity as well as external validity (Wells 2001). If the role of customer satisfaction is extended to the industrial context, these generalizations of range and limitation can provide direction for further research. The relationship between store satisfaction and store loyalty has remained limited, both in actual sample number as well as in scope (Bloemer and Ruyter 1998). In the general literature, store image is shown to have a significant effect on customer satisfaction; however, there is no such effect in the pharmacy franchise context. Following the preceding explanation of the unique store image among health and beauty stores, such results indicate that the established structure and positioning of pharmacy franchises have begun to change.

Managerial Implications

This research presents five pharmacy managerial implications. First, easy accessibility is a key factor in developing a new pharmacy franchise model that reflects consumer needs (desires). A significant task in this effort is the reflection of existing drugstores’ consumer accessibility.

Second, pharmacy franchises must shift their attention to patient-focused service. Pharmacies ranked lowest on medical service satisfaction surveys for all types of medical care institutions (STATISTICS KOREA 2012). The target customers of pharmacy franchisors are in fact pharmacists, since the sale of drugs is prohibited without a pharmacist license. As mentioned above, strong dependence on sales volume of specialty medical drugs and non-prescription drugs hardly results in developing from pharmacist-patient relationship to store owner-consumer relationship. Developing a consumer-focused pharmacy franchise model is a

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Beta</th>
<th>t-value</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Store Image</td>
<td>.106</td>
<td>-1.434</td>
<td>.047</td>
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<tr>
<td>Pharmacist Service</td>
<td>.396</td>
<td>9.336*</td>
<td>.000</td>
</tr>
<tr>
<td>Pharmacist Specialty</td>
<td>.505</td>
<td>4.668*</td>
<td>.000</td>
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</tbody>
</table>

Dependent Variable: Customer Loyalty

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Beta</th>
<th>t-value</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Store Image</td>
<td>.043</td>
<td>.851</td>
<td>.395</td>
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<tr>
<td>Pharmacist Service</td>
<td>.157</td>
<td>2.303</td>
<td>.022</td>
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<tr>
<td>Pharmacist Specialty</td>
<td>.317</td>
<td>5.335</td>
<td>.000</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>.547</td>
<td>8.648</td>
<td>.000</td>
</tr>
</tbody>
</table>

Dependent Variable: Customer Loyalty
key solution to strengthening consumer loyalty.

Third, pharmacist specialty is a strengthening factor with regard to customer satisfaction, as noted in the survey results. Pharmacist specialty has increased the advantage of the pharmacy franchise (i.e., the sale of prescription drugs). The advantages of Korean drugstores include store service, store atmosphere, and lines of goods. The combination of these two advantages (prescription specialty and drugstore merit) suggests a new model for consumer-focused integrated distribution channels.

Fourth, pharmacy franchises that sell various lines of goods and employ cosmetologists (for beauty and health care) and nutritionists (for food counseling) provide a differential factor, which creates an integrated distribution channel from medical supplies to health and beauty solutions. Valuable lessons can be obtained from Japan, which has already opened prescription drug specialty pharmacies that employ cosmetologists and nutritionists.

Fifth, the provision of meeting places (as in the case of Walgreens) must be considered. The rapid growth of domestic franchise coffee brands directly reflects a customer desire for retailers to provide community meeting places. In this sense, other types of franchises such as bakeries and dessert cafes have attempted to provide such spaces. Analyzing store locations and modifying the Korean drug market will result in greater satisfaction of customer desires.

**Limitations and Future Research**
The pharmacy franchise model first must reflect the strategy of instigating pharmacy law revision. The OECD report ‘Korean health care: current status and improvement opinions’ advised that the sale of over-the-counter drugs not be restricted to a pharmacy. Most developed countries permit the sale of such drugs in retailers. The Korean government began permitting retailers (convenience stores) to sell over-the-counter drugs on November 15th 2012.

The survey tool used in this study was conducted through Google online survey polls. Of the respondents, 78% were in their 30s and 40s. A total of 78% were educated beyond the college level. A total of 44% earned more than USD$5,000 per month. A total of 85% lived in a city. High educated, high earnings, forced on 30’s~ 40’s were limited in survey scope. Further study is required in order to better represent the market.

As society as a whole ages, consumers are also aging; therefore, analysis and segmentation of consumer age groups are required. In order to suggest a long-term business model, future research must determine the market segmentation of the main consumer age group.

**REFERENCES**


