

Customer Acquisition and Retention and Its Effect on Profitability of Community Pharmacies in The Eastern Region of Ghana

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ABSTRACT

The study examined the relationship between customer acquisition and retention and their effects on the profitability of community pharmacies in the Eastern Region of Ghana. Quantitative methods based on both descriptive and inferential analysis were employed in the study. The study used a cross-sectional explanatory research design. The target population for this study comprises all employees and key stakeholders affiliated with community pharmacies operating in the Eastern Region of Ghana. A structured questionnaire was administered to collect the study data. The simple random sampling technique was adopted to recruit a sample size of 180 participants. SPSS v26 and SmartPLS v4 were used to evaluate the study hypotheses. The findings showed that service quality positively and significantly affects customer loyalty and retention in community pharmacies. Also, customer acquisition and retention positively affected the community pharmacies' profitability. Based on the findings, community pharmacies should gather, retain, and analyze customer data using current technology and software systems to get insights into preferences, behaviours, and requirements.

KEYWORDS: Customer acquisition, Customer retention, Profitability, Community Pharmacy, Customer loyalty

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INTRODUCTION

The Pharmaceuticals Group of the European Union (2019) describes the services of community pharmacies as "easily accessible medical services established to give guidance on self-care, medication adherence, disease prevention and promotion of health, and access to credible health information." The World Health Organization noted in 2019 that in many parts of the world, community pharmacies are only allowed to provide "traditional" pharmacy services and are not free to offer more comprehensive services. Community pharmacies' roles in advising patients and keeping tabs on medication treatment are expanding in primary care-focused health systems (Sepp et al., 2021). Access to primary health care is being bolstered by the increased involvement of community pharmacies in areas such as the prevention and promotion of health, education for patients, management of chronic illnesses, and immunizations (OECD, 2020).

Customer acquisition and retention are growing concerns for firms in many industries (King, 2016). Customer acquisition and retention are increasing concerns for firms in many sectors (King, 2016). Companies are making customer retention a priority so they can weather a variety of storms. Increased competition among businesses is just one example; others include developments in IT, the rise of total quality initiatives, the maturation of the network economy, the demand for individualized products, and globalization (Ashraf et al., 2015; Kangu et al.,

2017). According to studies, new customers cost 10 times as much as current ones to acquire (Baidoo et al., 2021). Consistently losing a small but significant number of clients might be fatal to the company's viability. A broad client base is not immune to the devastating effects of a slight rise in the customer loss rate. Customers are kept when they show devotion over time, buying less of a competing brand and generally sticking with the business. Expanding the definition of customer retention to include customer service, interactions, and connections is crucial (Baidoo et al., 2021).

Quality is a crucial strategic instrument for boosting corporate efficiency and productivity. Manufacturers must provide cutting-edge services and excellent customer care to keep consumers loyal in today's competitive industry. Research has shown that consumer happiness is directly correlated to service quality (Abror et al., 2020; Ali et al., 2021; Khudhair et al., 2020), which has important implications for the service industry. It is common knowledge that businesses cannot succeed without satisfied customers and dedicated brand advocates (Baidoo, 2021).

Increasing client retention rates by only 5% has resulted in a 25%-95% boost in earnings (Tripathi, 2020). This demonstrates how even a little increase in customer retention may have a profound effect on a company's ROI; hence, all firms in the modern day must prioritize keeping their current clientele and working to increase their loyalty (Lostakova, 2014). A business can at no point function without its customers, and a high customer satisfaction rating is considered to positively affect the long-term profitability of businesses (De Mendonca, 2019).

Customer loyalty and trust have become more important to many businesses, including community pharmacies, as the notion of globalization has grown (Budianto, 2019), considering how Customer loyalty poses a new challenge for companies globally (Zhou et al., 2019). A devoted customer acts as a walking billboard, spreading the word about the brand and drawing in new clients thanks to their favourable reviews and recommendations (Wirtz, 2018). That is why the top management of businesses is working so hard to increase and retain client loyalty. The questions, however, are (i) To what extent do community pharmacies ensure a satisfied customer? (ii) How successful have their efforts been in ensuring happy customers? (iii) Have these strategies impacted their ability to keep customers?

The retention of current consumers is even more crucial and complex than the acquisition of new ones. Existing clients are more valuable to a company than new ones due to the lower overhead associated with keeping them around (Kong & Rahman, 2022). Customer loyalty not only translates to consistent income but also has the potential to generate positive word-of-mouth (WoM). New customers may be attracted to pharmacies if they receive positive WoM from existing clients. Customer loyalty, defined as "an action that combines repeat purchase, word-of-mouth, and constructive feedback," is essential to a company's success in maintaining its current clientele (Nitadpakorn et al., 2017). Customer loyalty has been a critical factor in the sustained success of a wide range of business models. Marketing studies (Almohaimmeed, 2019; Hegner-Kakar et al., 2018; Jacob et al., 2014; Orel & Kara, 2014; Segoro, 2013; Verhoef & Lemon, 2013) find a correlation between customer loyalty, engagement, and revenue from sales across multiple industries. In addition, a global study spanning eight nations in the telecommunications industry found that customer involvement and loyalty benefit long-term profitability (Aksoy et al., 2013). However, there is scant evidence in community pharmacies to validate and establish the association (see Baidoo et al., 2021; Ehidiamen Oamen & Moshood Lawal, 2023; Wongleedee, 2020). This study, as a result, seeks to investigate the relationship between customer acquisition and customer retention and

RESEARCH OBJECTIVES

This study sought to examine the relationship between customer acquisition and retention and their effects on the profitability of community pharmacies in the Eastern Region of Ghana.

METHODOLOGY

Research Philosophy and Design

This study adopts a postpositivist research paradigm, combining an objectivist epistemology with a critical realist ontology (De Mendonca & Zhou, 2019). A cross-sectional survey data collection was selected because it allows researchers to examine associations between variables by gathering information at a single moment.

Population of the Study

The target population for this study comprised all employees and key stakeholders affiliated with community pharmacies operating in the Eastern Region of Ghana. These encompassed individuals spanning various hierarchical levels and functional areas within these pharmacies, such as customer service, marketing, operations, and other pivotal segments that significantly contribute to customer acquisition and retention processes. Personnel at different organizational strata, including frontline staff, middle managers, and senior executives, were a focal point of this research.

Inclusion and exclusion Criteria

Pharmacy owners and managers were the target participants due to their pivotal role in implementing pharmaceutical care services. Exclusions included individuals who did not hold a leadership role within their pharmacy, those with limited experience or knowledge of pharmaceutical care services, and individuals who did not own or manage a pharmacy in the Eastern Region.

Sampling

The optimal sample size was computed utilizing a pertinent statistical formula for sample size estimation based on the population size. The study focused on the target population of community pharmacies in the Eastern Region, with an approximate count of 500 pharmacies (Danquah *et al.*, 2023). Using a 95% confidence interval, a 5% margin of error, and a 50% response rate, Krejcie and Morgan (1970) formula was used to determine the sample size 217. Thus, 217 structured questionnaires with questions informed by the work done on customer loyalty and business performance by Budianto (2019) and Abror *et al.* (2020) were administered using the simple random sampling approach. A total of 180 complete responses (response rate of 82.9%) were received.

Data Analysis

The collected data in this study were subjected to a comprehensive analysis utilizing descriptive statistics (mean and standard deviation) and Structural Equation Modeling (SEM) with the support of SPSS and Amos software. Cronbach's alpha was used to measure the internal consistency and reliability of the measuring scale (Casteel & Bridier, 2021) to ensure that the questionnaire items effectively capture the intended content of the constructs, thereby contributing to the overall validity of the measurement scales.

Ethical Considerations

Comprehensive information detailing the study's purpose, procedures, and potential risks was provided, allowing participants to make an informed decision regarding their participation.

RESULTS

Table 1.0 Demographic Classification of Respondents

Variable	Categories	Frequency	Percentage
Gender	Male	70	38.90%
	Female	110	61.10%
Age	55 and above	47	26.20%
	46 - 55	35	19.50%
	36 - 45	42	23.30%
	25 - 35	34	18.90%
	less than 25	22	12.10%
Educational qualifications	Secondary	17	9%
	Post-Secondary	34	19%
	Tertiary	101	56%
	Other	28	16%
Working experience	Under 1 year	21	12%
	1 - 3 years	47	26%
	3 - 5 years	52	29%
	5 - 7 years	29	16%
	Over 7 years	31	17%

Table 2.0 Customer Acquisition Practices in Community Pharmacies

Questions	SA	A	N	D	SD
1. Community Pharmacy views customer relations as communication to describe its objectives.	102(57)	67(37)	2(1)	4(2)	5(3)
2. Customer relations is an important way to establish a successful customer relationship.	76(42)	89(49)	4(2)	5(3)	6(3)
3. The company uses any basic information and needs about the customers in order to attract them.	75(42)	91(51)	3(2)	4(2)	7(4)
4. Serving a new customer is important to the attraction.	94(52)	78(43)	1(1)	4(2)	3(2)
5. The company employs advertising to acquire new customers	112(62)	49(27)	3(1)	8(4)	8(4)
6. The company adopts certain techniques for acquiring new customers	91(51)	76(42)	4(2)	4(2)	5(3)
7. Marketing communication tools are used for acquiring new customers	71(39)	95(53)	4(2)	7(4)	3(2)
8. The company uses customer profiling to attract new customers.	73(41)	85(47)	2(1)	12(7)	8(4)

Table 3.0 Customer Retention Practices in Community Pharmacies

Questions	SA	A	N	D	SD
1. The company has customer retention strategies	91(51)	75(41)	3(2)	5(3)	6(4)
2. Top management is involved in the formulation of customer retention strategies.	79(44)	73(40)	5(3)	10(6)	14(8)
3. We have a budget for retention activities	78(43)	84(47)	2(1)	7(4)	9(5)
4. The company exceeds customer retention expectations.	92(51)	85(47)	0	2(1)	2(1)
5. We have a documented customer complaint process.	81(45)	88(49)	1(1)	4(2)	6(3)
6. We have a person/team in charge of customer retention	82(46)	76(42)	4(2)	11(6)	6(3)
7. We look for clues/signals of defection	74(41)	80(45)	6(3)	12(7)	7(4)

Table 4.0 Reliability and Validity

Constructs	Items	Loadings	CA	CR	AVE	VIF
Assurance	Assur1	0.803	0.846	0.890	0.620	1.773
	Assur2	0.830				2.165
	Assur3	0.817				1.943
	Assur4	0.773				1.706
	Assur5	0.708				1.572
Customer Acquisition	CA4	0.875	0.885	0.916	0.687	2.858
	CA5	0.890				2.931
	CA6	0.716				1.622
	CA7	0.826				2.124
	CA8	0.824				2.185
Customer Loyalty	CL10	0.711	0.924	0.937	0.624	1.880
	CL2	0.739				2.217
	CL3	0.747				2.268
	CL4	0.827				2.952
	CL5	0.856				3.414
	CL6	0.791				2.850
	CL7	0.781				2.438
	CL8	0.839				3.362
	CL9	0.804				2.834
Customer Retention	CR1	0.760	0.907	0.926	0.643	2.146
	CR2	0.833				2.619
	CR3	0.821				2.276
	CR4	0.829				2.821
	CR5	0.747				1.860
	CR6	0.824				2.837
	CR7	0.795				2.326
Empathy	Emp1	0.824	0.895	0.922	0.703	1.937
	Emp2	0.811				2.194
	Emp3	0.879				2.993
	Emp4	0.828				2.212
	Emp5	0.849				2.442
Profitability	Prof2	0.788	0.740	0.852	0.658	1.362
	Prof4	0.827				1.568
	Prof5	0.818				1.540
Reliability	Rel1	0.798	0.790	0.863	0.612	1.560
	Rel3	0.791				1.531
	Rel4	0.743				1.595
	Rel5	0.795				1.807
Responsiveness	Res1	0.757	0.864	0.901	0.645	1.894
	Res2	0.785				1.943
	Res3	0.800				1.859
	Res4	0.841				2.264

	Res5	0.830				1.921
Tangibility	Tan1	0.816	0.774	0.855	0.598	1.771
	Tan2	0.766				1.517
	Tan3	0.804				1.652
	Tan5	0.701				1.301

Table 5.0 Fornell-Larcker Criterion

Constructs	1.000	2.000	3.000	4.000	5.000	6.000	7.000	8.000	9.000
Assurance	0.787								
Customer Acquisition	0.569	0.829							
Customer Loyalty	0.747	0.693	0.790						
Customer Retention	0.673	0.789	0.746	0.802					
Empathy	0.783	0.462	0.704	0.568	0.838				
Profitability	0.548	0.534	0.556	0.674	0.491	0.811			
Reliability	0.707	0.537	0.649	0.587	0.694	0.481	0.782		
Responsiveness	0.767	0.523	0.678	0.577	0.818	0.453	0.747	0.803	
Tangibility	0.714	0.625	0.688	0.649	0.715	0.534	0.697	0.716	0.773

Table 6.0 R-Square and Q² Predict

Endogenous Constructs	R-square	Q ² predict
Customer Loyalty	0.626	0.617
Customer Retention	0.517	0.505
Profitability	0.454	0.449

Table 7.0 Model Fit Summary

Constructs	Saturated model	Estimated model
SRMR	0.078	0.099
d_ ULS	6.870	11.006
d_ G	4.085	4.340
Chi-square	3964.964	4104.459
NFI	0.600	0.586

Table 8.0 Structural Model

Hypotheses	Beta	STDEV	T statistics	P values
Service Quality -> Customer Loyalty	0.784	0.023	34.036	0.000
Service Quality -> Customer Retention	0.682	0.035	19.264	0.000
Customer Acquisition -> Profitability	0.323	0.080	4.039	0.000
Customer Retention -> Profitability	0.477	0.077	6.223	0.000

DISCUSSION

Customer Acquisition and Retention Practices in Community Pharmacies

The findings indicated that among the eight customer acquisition practices examined, strong communication between community pharmacies and their potential customer tends to invite more buyers. Advertising was also one of the most used methods of acquiring customers. Likewise, providing good services to new customers was also identified as a practice often used by companies to acquire new customers. Regarding the retention strategies or practices used by the companies, good customer retention strategies, such as designating a person or team to focus mainly on retaining new customers, were also mostly practiced. Likewise, the management of these pharmacies is also engaged in formulating customer retention approaches. This corroborates the findings of Macon (2020) and Arnold, Fang, and Palmatier (2011).

Service Quality on Customer Loyalty and Retention

The results also show that service quality significantly and favourably affects customer loyalty. The results indicate that increasing one unit in service quality will result in more customer loyalty and retention. The findings suggest that when firms regularly provide high-quality services, consumers are more likely to be satisfied and establish brand loyalty. Customer turnover is reduced because of this loyalty, which results in recurring business and long-term connections. The SERVQUAL model presented in seminal research by Magasi et al. (2022) corroborates these findings. According to their research, customer perceptions of outstanding service quality contribute to enhanced trust, dedication to the business relationship, and favourable word-of-mouth recommendations, which are significant drivers of customer retention (Tseng, 2021).

Customer Acquisition and Retention and Profitability

Both client acquisition and retention positively and significantly impacted profitability. This provides support for the hypotheses stated. The findings mean that customer acquisition and retention contribute significantly to increasing profitability in the companies; hence, an additional increase in customer acquisition and retention will increase the firms' profitability. The findings suggest that not only is obtaining new customers critical for revenue development, but maintaining current customers is also important for profitability. Companies that successfully balance these methods may enhance their financial performance by generating revenue via new consumers while capitalizing on existing customers' long-term value, resulting in increased profitability. These results are consistent with the findings of Sao et al. (2023), Hawkins & Hoon (2023) and Fasanmi (2021).

CONCLUSION

The study examined the relationship between customer acquisition and retention and their effects on the profitability of community pharmacies in the Eastern Region of Ghana. Quantitative methods and inferential analysis were employed in the study. The study used a cross-sectional explanatory research approach. The target population for this study comprises all employees and key stakeholders affiliated with community pharmacies operating in the Eastern Region of Ghana. A simple random sampling technique was adopted to select a sample size of 180 participants. SPSS v26 and SmartPLS v4 were used to evaluate the study hypotheses. The findings showed that service quality positively and significantly affects customer loyalty and retention in community pharmacies. Also, customer acquisition and retention were shown to have a significant positive effect on the profitability of community pharmacies.

Limitations and Future Research Direction

The study identifies numerous possible limits as well as future research directions. First, its cross-sectional design makes establishing causal linkages challenging. Future studies might benefit from longitudinal or experimental techniques to properly infer causation. Second, the study's concentration on Ghana's Eastern Region raises concerns about the study's generalizability to other areas or nations. External validity would be improved by increasing the geographical representation of the sample. Third, although quantitative data were used, qualitative approaches might provide deeper insights into employee attitudes and customer-centric tactics. Furthermore, addressing employees' ignorance about customer-related efforts and examining remedies to overcome this gap might be an important subject for future research.

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