

南華大學管理學院企業管理學系管理科學碩士班

碩士論文

Master Program in Management Sciences

Department of Business Administration

College of Management

Nanhua University

Master Thesis

探討服務品質對於顧客滿意度及行為意向的影響：以蒙古 Monos Pharma 商品為例

The Influence of Service Quality on Customer Satisfaction  
and Customer Loyalty in a Pharmacy Store  
(In Case of Monos Pharma Mongolia)

岱婕

Enkhtaiwan Delgermaa

指導教授：范惟翔

Advisor: Wei-Shang Fan, Ph.D.

中華民國 109 年 1 月

January 2020

# 南 華 大 學

企業管理學系管理科學碩士班

碩士學位論文

探討服務品質對於顧客滿意度及行為意向的影響：以蒙古 Monos  
Pharma 商品為例

The influence of Service Quality on Customer Satisfaction and Customer  
Loyalty in a Pharmacy Store (in case of Monos Pharma Mongolia)

研究生：邵文婁

經考試合格特此證明

口試委員：范維翔

郭東昇

蔡進發

指導教授：范維翔

系主任(所長)：郭東昇

口試日期：中華民國 108 年 12 月 27 日

## MBA recommendation letter

I believe that Delgermaa has already received full formative education of NHU Master Program for Business Management and is qualified to apply for Master's Degree Examination. Therefore, I hereby recommend his/her preliminary paper, "The influence of Service quality on Customer Satisfaction and Customer Loyalty in a Pharmacy store (in case of Monos Pharma Mongolia)", for the oral defense.

Academic Advisor:

*Wei-shang*

Date: 108/12/06

## **ACKNOWLEDGEMENT**

Firstly, I would like to thank and express my deeply gratitude to my Advisor-Professor Fan, Wei-Shang, Ph. D, for his great guidance, kindness, patience and support.

Second, I would like to show my great gratitude to my family for their love and support. I could never be where I am today without them. For everything they done for me, I'm truly thank you.

Finally, I would like to my friends who give me support, love and motivation to get master degree. I also want to say thank you to respondent's who's help me fill the questionnaire.



南華大學管理學院企業管理學系管理科學碩士班

108 學年度第 1 學期碩士論文摘要

論文題目：探討服務品質對於顧客滿意度及行為意向的影響：以蒙古  
Monos Pharma 商品為例

研究生：岱婕

指導教師：范惟翔 博士

論文摘要內容：

蒙古正在擴大藥房連鎖店。近年來，零售藥房鏈的競爭一直在加劇。在這個競爭激烈的行業中，我們將客戶集中在最重要的策略上，以提高客戶滿意度並保持市場盈利能力。藥房是零售業務的一部分，提供藥品，化妝品，保健品和嬰兒產品。藥房連鎖店需要確保客戶仍然是其業務戰略的基石，並能夠使客戶滿意。必須支持和維持卓越的服務質量和客戶滿意度，以便藥房連鎖店成為首選藥房。

這項研究的目的是衡量蒙古內選定藥房連鎖店的顧客滿意度水平。SERVQUAL 問卷是評估客戶對客戶滿意度的看法的指標。結果，便利店必須找到保持現有顧客來吸引新顧客的便利方法。這項研究旨在為這種新進入者尋找博弈可持續競爭優勢的方法。

過去的研究人員認為，高質量的服務質量會通過提高客戶滿意度來吸引新客戶，忠誠度和利潤。因此，本研究的重點是利用 Monos Pharmacy 案例研究服務質量，客戶滿意度和客戶忠誠度之間的關係以及客戶滿意度在服務質量和客戶忠誠度之間的中介效應。

這些質量維度包括有形，可靠性，響應能力，保證和同理心。通過 SERVQUAL 問卷，對烏蘭巴托市蒙古的 200 位 Monos 客戶進行了調查，

並使用 SPSS 23 統計軟件進行了分析。這項研究的重要意義是在競爭日益激烈的情況下提供推薦並幫助提供優質的客戶服務。而且，這項研究的重要性在於提供建議並幫助為藥房經理和員工提供戰略解決案。

**關鍵詞：服務質量、客戶滿意度、客戶忠誠度**



Title of Thesis: The Influence of Service Quality on Customer Satisfaction and Customer Loyalty in a Pharmacy Store (In Case of Monos Pharma Mongolia)

Department: Master Program in Management Sciences, Department of Business Administration, Nanhua University

Graduate Date: January 2020

Degree Conferred: M.B. A

Name of Student: Delgermaa.E

Advisor: Fan, Wei-Shang, Ph. D.

## **Abstract**

Mongolia is experiencing an expansion of pharmacy chains. Competition in the retail pharmacy chain has been increasing in recent years. In this competitive sector, we focus our customers on the most important strategy of gaining customer satisfaction and maintaining market profitability. A pharmacy store is one part of the retail business that provides medicine, cosmetic, health and baby's product. The pharmacy chain should remain the keystone of their business strategy and able to happy the customer. Highest service quality and customer satisfaction must be supported and maintained in order for the pharmacy chain to be the pharmacy of choice.

The purpose of this study was to measure the level of customer satisfaction in a selected pharmacy network in Mongolia. The indicator to evaluate the customer's perceptions of customer satisfaction is the SERVQUAL questionnaire. As a result, the convenience stores have to find convenient ways to attract new customers by keeping current customers. This study intends to find the way of gaming sustainable competitive advantage for this new entrant.

Past researchers defined that high service quality positive effects on attracting new customers, customer loyalty, profit by increasing customer satisfaction. Therefore, this study focuses to investigate relationship of service quality, consumer satisfaction and consumer loyalty as well as the mediating

effect of customer satisfaction among service quality and consumer loyalty using service quality scale model using the case of Monos Pharmacy.

These include quality scales tangibles, reliability, responsiveness, assurance and empathy. Through the SERVQUAL questionnaire, 200 Monos customers of Mongolia in the city of Ulaanbaatar were surveyed and SPSS 23 statistical software is used to analyses. The significance of the research is to help and offer superior customer service in the face of growing competition. As well as, the importance of the study is to provide suggestions and help to produce a strategic solution for pharmacy store managers and staffs.

**Keywords: Service Quality, Customer Satisfaction, Customer Loyalty**





# TABLE OF CONTENTS

MBA recommendation letter.....	i
ACKNOWLEDGEMENT .....	ii
摘要.....	iii
Abstract.....	v
TABLE OF CONTENTS.....	vii
LIST OF FIGURES.....	ix
LIST OF TABLES.....	x
CHAPTER ONE.....	1
INTRODUCTION.....	1
1.1 Research Background and Research Motivation.....	1
1.2 Research Objective.....	4
1.3 Research Flow.....	4
1.4 The Procedure and Research Structure.....	6
CHAPTER TWO.....	7
LITERATURE REVIEW.....	7
2.1 Service Quality.....	7
2.2 Customer Satisfaction.....	10
2.3 Customer Loyalty .....	11
2.4 Relationship between Service quality and Customer satisfaction.....	12
2.5 Relationship between Customer satisfaction and Customer loyalty ...	13
CHAPTER THREE.....	15
RESEARCH METHODOLOGY .....	15
3.1 Hypothesis Development.....	15
3.1.1 Tangibles.....	15
3.1.2 Reliability.....	16
3.1.3 Responsiveness.....	17

3.1.4 Assurance.....	18
3.1.5 Empathy.....	19
3.2 Research framework of the study .....	20
3.3 Areas of the Study and Data Sources .....	21
3.4 Sampling Technique and Data Collection.....	21
3.4.1 Research sampling.....	22
3.4.2 Data collection procedure.....	22
3.5 Questionnaire design and Measurement.....	23
3.6 Data analysis .....	26
3.6.1 Description Statistic.....	26
3.6.2 Anova test.....	27
3.6.3 Regression analysis.....	27
3.6.4 Reliability Test.....	28
CHAPTER FOUR.....	30
ANALYSIS AND RESULT.....	30
4.1 Descriptive analysis.....	30
4.1.1 Characteristics of respondents.....	30
4.1.2 Measurement Result of Relevant Variables.....	31
4.2 Factor Analysis and Reliability Test.....	34
4.2.1 Service Quality.....	34
4.3 Anova test.....	38
4.4 Regression Analysis.....	40
CHAPTER FIVE.....	43
CONCLUSION.....	43
5.1 Research conclusion .....	43
5.2 Suggestion.....	44
5.3 Research Limitation.....	45
REFERENCES .....	46

## LIST OF FIGURES

Figure 1. 1 Research Process .....	5
Figure 3. 1 Research Model .....	20
Figure 3. 2 The process of research .....	22



## LIST OF TABLES

Table 3.1 Providers a short description of each dimension discussed.....	16
Table 3.2 Define of research hypothesis.....	23
Table 3.3 Five dimensions of study.....	24
Table 3.4 Questionnaire items.....	25
Table 4.1 Profiles of samples.....	30
Table 4.2 Descriptive analysis for service quality questionnaire items.....	32
Table 4.3 Descriptive analysis for Customer satisfaction questionnaire items.....	33
Table 4.4 Descriptive analysis for Customer Loyalty questionnaire items....	34
Table 4.5 Results of factor analysis and reliability test on Service Quality ...	35
Table 4.6 Results of factor analysis and reliability test on Customer Satisfaction.....	37
Table 4.7 Results of factor analysis and reliability test on Customer Loyalty	38
Table 4.8 Results of the different level of demographic among group of “Customer satisfaction”.....	38
Table 4.9 Result of the influence of Service quality on Customer satisfaction.....	40
Table 4.10 Result of the influence of Customer satisfaction on Customer loyalty.....	42
Table 5.1 Results.....	44

# CHAPTER ONE

## INTRODUCTION

### 1.1 Research Background and Research Motivation

The 21<sup>st</sup> century, the modern competition of business has related more with external environment which is always changing high service quality become a key factor to successfully conduct a business operation in the retail market. Because consumer satisfaction depends on the quality of service and a key indicator of the quality.

Importance of service quality and customer satisfaction has been confirmed significant to increase the whole performance of companies. Retailers and researchers have allowed the relevance of distributing a highly standardized service to customers Orel (2015). The quality means a measurement of how well a provided service fulfills the customer's perceptions. If service quality met with the customer expectation, customer will be satisfied. The satisfaction is emotional status and a customer high satisfaction becomes loyal customer further they make repurchasing and deliver positive word-of-mouth advertising for familiar people Davis & Jaggard (1990).

Customer satisfaction is generally defined as a feeling or judgment toward product or services after use it. Jamal and Naser (2003). It means if service quality met with customer expectation, customer will be satisfied. Consumer satisfaction has a significant impact on future purchasing and repurchases behavior Kim (2002).

Customer loyalty defines probability which customers to perform a specific behavior related with purchasing and non-purchasing. Most examined topics related to customer loyalty are purchasing intention and word-of-mouth Theodorakis & Alexadnris, (2008); Ozdemir & Hewett (2010).

Bhattacharjee (2001) stated that the satisfaction is a key factor for repurchase intention. It means customer satisfaction has a positive relationship with the repurchase intention, and furthermore, it is vital to factor to transform customers into loyal customers.

One of the important aspects to provide the attention of the consumers is to ensure the best and the most attractive products at this competing market. If a consumer's satisfaction is earned, then customer loyalty comes with it. In addition, in the absence of consumer, there is no business organization. Developing customer satisfaction is crucial to increasing your number of customers. These two terms are crucial in order to achieve your business goals. Therefore, customer and business relationships or market relations are important.

Pharmacy is an important sector within the integrated health system. Efforts to improve public health can be made by a pharmacist at the pharmacy. Villako and Raal (2007).

Mongolian retail and consumer market in an essential part of the economy, the markets are developing towards international retail standard same as pharmacy. The Mongolian retail market has developed in recent years. This situation requires the pharmacies to provide better service and satisfaction for customers compared to competitors and they can't survive in the market unless to create service quality differentiation.

Pharmacy chain sells prescription drugs, cosmetic products, health foods, vitamins and cosmetics and therapeutic products. The ability to create the highest value of a business entity is the starting point for customer satisfaction.

Competition in the market has been intensifying and other retail giants like Khurmen pharmacy, Mongol em impex, Asia pharm and Anungoo pharmacy becomes more potent.

The Monos Pharmacy is chosen the subject of the research on customer satisfaction, based on the fact that Monos pharma is growing and successful since its first pharmacy in 1991. Monos currently has the largest retail pharmacy network in Mongolia with more than 65 stores. (Monos Pharmacy, 2018). It means Mongolia has the higher barrier to entry into the retail market for new players.

Additionally, Shin and Thai (2017) stated that customers who have high-level satisfaction more like to deliver positive word-of-mouth into familiar range and it helps to increase profitability and marketing efficiency.

Generally, the statement of previous researcher approves that customer satisfaction positively affects all of the behavioral intentions. In addition, past research has been found the service quality affected on the behavioral intentions and Taylor and Croning (1992) stated a positive relationship between purchase intention and service quality. Li, (2011) determined relationship of service quality on Word-Of-Mouth, repurchase intention, brand image using random selected 400 respondents. The results supported a positive relationship between service quality and Word-Of-Mouth.

Previous research studies express service quality, customer satisfaction, and customer loyalty was integrally related to each other and the quality is a fundamental factor of sustainable business. In contrast, there are multiple types of research related to service quality and customer satisfaction of retail stores internationally. Even though, it is not popular in the case of Mongolia Therefore, this study will help to fulfill this literature gap, and study focus on investigating the influences of service quality, customer satisfaction, on customer loyalty in the case of pharmacy retail store Monos pharmacy in Mongolia.

First, this study offers an idea of what are the factors effecting the consumer satisfaction of the pharmacy's services in Mongolia. As a result, better strategy to further develop service for customer. Secondly, The Mongolian retail market

has developed in recent years. This situation requires the pharmacies to provide better consumer service and better satisfaction for consumers compared to competitors and they can't survive in the market unless to create service quality differentiation. Survey results can help identify clients' understanding of the selected pharmacy management, ensure customer satisfaction and maintain their competitiveness.

## **1.2 Research Objective**

This study gives opportunity the researcher to determine consumer satisfaction according to customers in the selected pharmacy store. Survey results can help identify clients' understanding of the selected pharmacy management, ensure customer satisfaction and maintain their competitiveness. Furthermore, this survey creates knowledge of the quality of services and consumer service in the retail industry of Mongolia.

The purpose of study is to measure levels of consumer satisfaction at a selected Monos pharmacy chain in the Mongolia.

The objectives of this study are:

- Determine factors of service quality on consumer satisfaction
- Determine relationship between service quality and consumer satisfaction
- Determine relationship between consumer satisfaction and customer loyalty
- To produce a conclusion and suggestion for pharmacy chain store Monos using the results.

## **1.3 Research Flow**

This study will be examining and analyze the impact of consumer satisfaction and customer loyalty in a pharmacy store in Mongolia reason for their influence.



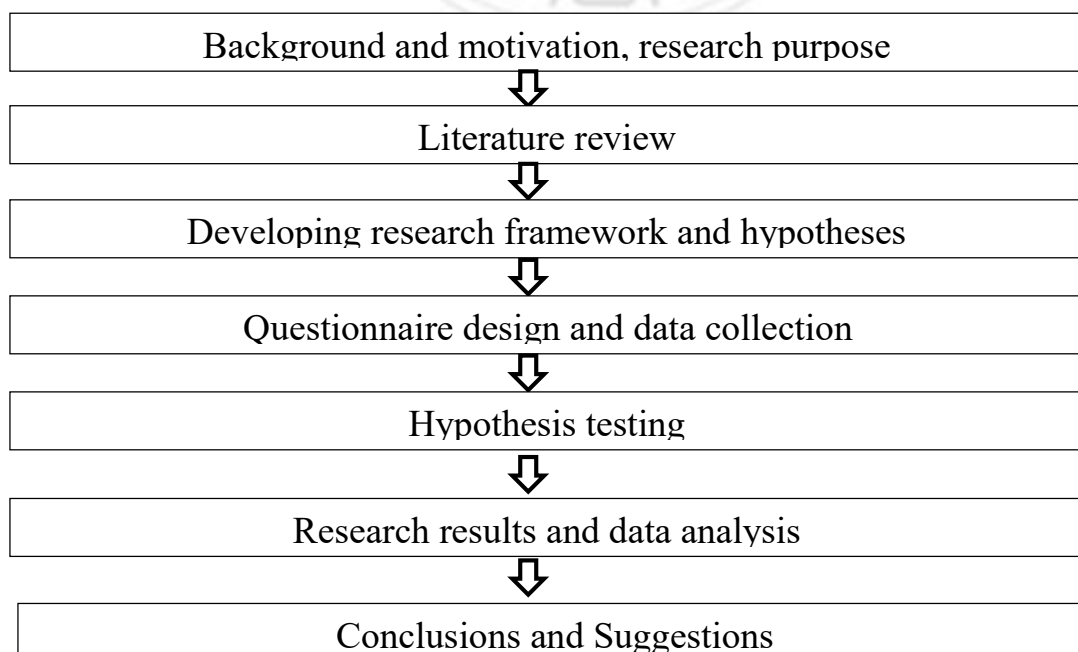
Research methodology is mainly used numerically. A questionnaire survey of this study is used to customers. Survey area in Ulaanbaatar capital of Mongolia. The respondents are the customer who above 18 years old and living and working in Ulaanbaatar. They were surveyed online-based.

Data analysis and assumptions are tested in the following ways:

1. Description analysis
2. Anova (F-test)
3. Regression
4. Reliability test

Figure 1.1 The general course of the research, which consists of 7 steps, is shown. The basics of research motivation and baseline should be first described in the study. The purpose of research is to define the research issue clearly. Then follow the conclusions of the literature review. The next step is to collect the questionnaire from the sample. Afterwards, the completed questionnaire will be developed for the data analysis. Finally, two steps are to discuss results and give conclusions and recommendations about future study.

Following the analysis of the data, the results from this study will be offered on future research. The diagram is shown in Figure 1.1



Source: Original Study

## **1.4 The Procedure and Research Structure**

The research study consists 5 different chapters:

Chapter One (Introduction): This chapter introduces the research topic, research rationale, motivation, research objective, and research progress.

Chapter Two (Literature Review): This chapter explains the definitions and gives a more in-depth explanation of the theory related to the subject. Each subsection of the second chapter covers customer service quality, customer satisfaction and customer loyalty, service quality and customer satisfaction, customer satisfaction and customer relationships.

Chapter Three (Research Methodology): This chapter introduces research on measurement methods, and examines sampling plans, data collection processes, hypotheses, questionnaires, and data analysis techniques.

Chapter Four (Results and Data Analysis) This group includes data collection and data analysis, study participants' main characteristics, study item statistics, reliability tests, factor analysis, and multiple regression analyzes.

Chapter Five (Summary and Suggestion): This chapter presents research summaries and conclusions. Also, summarize the impact of research content and its impact on management, contributing to the study, limiting the research, and focusing on further research.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

This chapter contains the fundamental understanding of customer satisfaction. It consists 5 sections and each section express detailed theoretical definition and relationship between independent and dependent variables. The theoretical foundations based on research objectives and help to achieve study purpose.

#### **2.1 Service Quality**

The service is an unphysical or intangible transaction it is transferred from the supplier to the consumer. The value of specific service is expressed by buyer's willingness to make the exchange. Hoffman and Bateson (2011) noted that service quality is the level of meet the specific service performance with the customer expectations or the difference service perceptions and customer expectations. According to Bouranta (2009) Service quality is the capability of the organization to provide reliable, appositely and precisely services for consumers.

According to Carrillat, Jaramillo & Mulki (2009) Quality of service is one of the most important and widely studied topics. The search the quality of service is the most important trend in the use of new era. Consumers are in unprecedented demand for products and services. Competition and growing competition have led many businesses in the service industry to find profitable ways and compete. Ensuring higher quality of service is a best strategy for businesses to successful entrepreneurs. Quality has been recognized as a strategic tool for efficiency and business performance. This means that it will attract more new customers.

Greenfield (2014) defined that service quality is main factor to strong compete and survive in the market of quality. By way of instance, Ketchen (2008) mention that service quality is the most essential competition weapon and name organization's blood of life-giving.

In the past, many researchers and business experts have mentioned metaphors in a situation. It means if service quality is low, customers begin to avoid purchase or repurchase making and the negative effect influences on financial operation of an organization. Also, a commercial organization without customers is no possibility to stay in the market. Mudie & Cottam (2010) stated that the service's intangibility creates more difficult problems to estimate quality for a customer than a tangible product. Because it is difficult to evaluate products that are not accessible to humans.

According to Cronin & Taylor (2002) Quality of service is an attitude that reflects the overall long-term value. At a certain level, maintaining the quality of service and improving the quality of service should be life-time the best efforts of companies that want long-lasting prosperity in the hearts of consumers.

According to Kumar (2009) mention that the demand for service quality directs both customers and employees and changes the business environment. Furth more, the unsatisfied customer will deliver negative Word-Of-Mouth to friends and their relatives. For this reason, Customers who are possible to get service in future will escape or avoid taking service from certain organizations as well as they will lose loyal customers. Zahir Osman & Sentosa (2013) stated the service quality has a direct positive relationship with customer satisfaction and trust. Quality of service is the most important factor in customer satisfaction in the banking industry. (Ananda & Sonal 2017). Therefore, organizations need to measure the quality of services to care for creating negative situations.

At the end of the 20<sup>th</sup> century, Service quality measurement or SERVQUAL model which has ten dimensions was introduced by Parasuraman. These ten dimensions were summed up across the five dimensions of tangibles, reliability, responsiveness, assurance and empathy. Javady (2011).

According to Carrillat, Jaramillo & Mulki (2009) emphasize that The highest quality service provides customer satisfaction. Therefore, the quality of service provided by SERVQUAL cannot be separated from customer satisfaction analysis.

This model measures the difference between customer service expectations of service performance and consumer perceptions. Other researchers Akabab (2006) decreased the dimensions and items until 5 dimension and 22 items. Each item relates with seven points likers scale and is used on a questionnaire. According to the SERVQUAL structure, service quality can measure by 5 dimensions: tangibles, reliability, responsiveness, assurance and empathy (Parasuraman 1988).

The tangibles dimension consists of the 4 items (Appearance of body equipment, personnel, equipment, communication materials).

Responsiveness includes 4 items to assess prompt service. Reliability consists of five items to measure dependably and accurately of service.

Assurance has four things that can inspire: kindness, knowledge, confidence, and trust in employees. In the end empathy dimension consists 5 items related to individualized attention customer and provision of care.

## 2.2 Customer Satisfaction

Customer satisfaction is the basis of marketing insights and meeting customer needs is the key to customer satisfaction. For the last several decades, research and development in the area of modeling, measuring and measuring customer satisfaction have been of great interest and importance.

According to Chin (2010) Measurement of customer satisfaction provides better information about your company's future activities.

Customers are happy when the results of their service meet customer expectations. When the quality of service exceeds expectations, the provider has acquired a satisfied customer Zenouzi & Albadvi (2012) In general, the quality of services will not be satisfied if they do not meet expectations. Sometimes customer expectations are met but customers are disappointed This happens when expectations are low (Buttle 2014).

According to Zeithal & Bitner (2003) Customer satisfaction affects the quality and characteristics of a particular product or service. Satisfaction refers to the emotional response of the client and the sense of defense caused by their attitudes. Increasing customer satisfaction and expanding customer purchasing lifelines, extending customer purchasing lifestyles, expanding positive customer commitments, and expanding customer life cycles. When the customer is satisfied with the product or service of the company, they can buy back and offer the product or service to potential customers. If a company ignores or ignores the requirements of its customers, a business entity cannot develop. (Tao 2014).

Customer satisfaction in retail pharmacies is influenced by the concept of quality of service, the cost of the drug, the effectiveness of the staff, the level of awareness and customer mood. (Laschinger 2006). Customer satisfaction is a variable rating based on an individual's experience with the characteristics of the product or service they receive. Therefore, service providers should

consider measuring customer satisfaction as an important dimension of development.

## **2.3 Customer Loyalty**

Heskett (2011) mention that customer loyalty is another important factor in customer satisfaction. The effect of satisfaction on loyalty has become the most popular topic in marketing theory. Therefore, several studies have shown that satisfaction and loyalty are directly related to one another. Satisfied customers are loyal and dissatisfied customers are sellers.

Quality of service is crucial to customer satisfaction, which directly affects customer loyalty. Therefore, retailers need to focus on these factors in order to increase customer satisfaction and loyalty in this competitive retail market.

According to Knox & Denison (2000) customer loyalty refers to repeated buying behavior specific to a company's service, and store loyalty is an attitude to prefer a specific store or frequently buying from a specific retailer. Thomas & Tobe (2013) mention that "consumer loyalty is more beneficial." The cost of finding a new customer is much higher than it is now. Loyalty consumers will think twice before changing your mind about purchasing other services to encourage them to buy from you. Customer loyalty is not obtained by accident; they are created by source and design solutions. Customer loyalty services require an attitude that recognizes the client's interests and interests. Consumer loyalty is built up over time through multiple transactions. Therefore, customer loyalty is a key factor in a company's profit and attract new customers.

Griffin (2002) mentioned that customer loyalty illustrates the strength of the relationship between the person's relative attitude and his or her re-protection. Customer satisfaction is an important part of business, but customer satisfaction alone cannot bring the business to the top. Customer satisfaction also produces positive financial results, especially with frequent purchases. Building and maintaining customer loyalty has been a trickier market over the

years. This is due to the technological advances and the widespread use of the internet. Creating honesty requires that the company focus on the value of the product or service and show interest in pursuing a passion or in establishing relationships with customers.

According to Alavi (2016) defined that consumer satisfaction is an assessment of expertise about with product or product. Therefore, Organizations attempt to keep loyal customers who became a reason for sustainable profitability. The main advantage of a loyalty customer is to make purchase consistently company's service and products over their competitors. In case of the customer is loyal to the one company, they don't give important for price sensitivity and service availability. In the restaurant industry, competition is stronger compared to other industry.

## **2.4 Relationship between Service quality and Customer satisfaction**

In the theory of marketing, customer satisfaction is central. Benefits are based on the process that satisfies the needs of consumers. (Dubrovski 2011). In the following discussion, we considered whether the quality of service is a cause for increasing customer satisfaction. (Cronin & Taylor 2002). This will help identify the link between the builds of both.

Munusamy (2010) analyzed and quality of service, which resulted in a positive relationship between variables.

In addition, Naik (2010) checked the impact of the quality on satisfaction and result was same. It means the quality directly positive influence on the satisfaction. In the banking sector, Ravichandran (2010) approved high service quality helps to remain and increase the satisfaction that keeps valuable consumers. Also, Kazi (2011) determined the key influencing factors of the



satisfaction in the service sector, the quality they create is positively correlated with satisfaction, and satisfaction increases customer loyalty.

Therefore, the previous liter has proven that the quality of service has a positive relationship with satisfaction. Kuo (2009) made by researching the service industry, the result is the desire to buy back customer satisfaction and the service offers a familiar range.

In addition, in the case of high customer satisfaction, you need to have the intent to buy. This means that the quality of service has a direct or indirect effect on customer satisfaction. They concluded that improving the quality of services that were not based on customer demand could not improve customer satisfaction and that improving all was not important.

This is a key factor in improving customer satisfaction, with the right definition of quality (Kim & Yang 2004).

## **2.5 Relationship between Customer satisfaction and Customer loyalty**

In the marketing is the most popular topic and directly relate with behavioral intentions. It is used to suppose the repurchase intentions in the research. Kuo (2009) mention that customers with a higher satisfaction have more willingness to repurchase products or services and distribute positive word-of-mouth within a familiar range. In addition, various research studies on consumer satisfaction have approved a positive relationship among the satisfaction and the loyalty (Prasad & Batra 2017).

"Satisfaction" refers to attitudes and loyalties as behavior. Chen & Wang (2019) suggested that customer satisfaction as a type of conformity assessment between past expectations and performance of accepted services. Therefore, a positive evaluation of the products or services you have acquired is a key to

maintaining a liaison with the company's products and services. Satisfied customers are more likely to make a purchase, lower price sense, give positive feedback, and become more loyal customers.

Arantola (2019) mention that customer satisfaction and loyalty are the company's success and profit. Satisfaction does not automatically lead to loyalty, but it is a step-by-step process. It is interpreted as a client going through different stages of awareness, search, expansion, commitment, and dissolution. Customer loyalty can be viewed as a by-product of customer satisfaction.

According to Chi (2005) If the satisfaction level reaches a level, the customer's loyalty is significantly increased and the satisfaction level falls to a certain level, the loyalty of the user automatically diminishes. Moreover, satisfied customers tend to be more loyal than only satisfied customers. In general, there is a significant positive relationship between customer satisfaction and customer loyalty.

Consumer loyalty leads to an increase in both sales and profits.

# **CHAPTER THREE**

## **RESEARCH METHODOLOGY**

This chapter describes the different stages and phases that were followed in accomplishing the study. Discussed the procedures and methods used for data collection, processing and analysis. Specifically, the study design, target population, data collection tools, data collection procedures and data analysis.

### **3.1 Hypothesis Development**

#### **3.1.1 Tangibles**

These are the physical representations of the service. It refers to body cuts that are part of the serving process. O'Neill (2003). Tangibles is a visual representation of the facilities and equipment used to interact with a customer about the service that can be expected Perez and Abad (2007). It means consumer feeling about the layout and pharmacy of the store. Such as, cleanliness, lighting and good interior design make a feeling of comfort and pharmacy store.

Furthermore, higher pharmacy higher convenience feeling produces higher customer satisfaction. Past studies approved that physical aspect positively effects on customer satisfaction (Das & Kumar, 2010).

According to Hoffman and Bateson (2006), The quality of the retail pharmacy service includes the actual items that make up the retail space that customers use: retail, accommodation, consulting room, used equipment, advertising materials, and employee appearance.

Table 3. 1 Providers a short description of each dimension discussed

<b>Dimension</b>	<b>Definition</b>
Tangibles	The appearance of the physical facilities, equipment, personnel, and the writing materials
Reliability	Ability to perform the promised service dependably and accurately
Responsiveness	Willingness to help customers and provide prompt service
Assurance	Employees' knowledge, respect and their ability to inspire trust and confidence
Empathy	Caring, good communication, customer understanding and personalized attention

Source: Adapted from Zeithaml, Bitner and Gremler (2006)

H1: Tangibles of the pharmacy store have a positive effect on customer satisfaction.

### 3.1.2 Reliability

Vibha and Ravichandran (2011) defined reliability is the most important factor in satisfaction. It is the ability of the organization to fulfill the promised service quality and provide accurate customer service. It means doing what is right and keeping his promise.

Reliability decrease risk and doubt of customers about the company as well as the yet the hopeful feeling when making purchase. Therefore, the higher confidential feeling gives higher satisfaction for customers.

Chowdhary and Prakash (2007) mention that in the retail pharmacy network, this is due to the availability of prescriptions for collection, timely clinical care and the availability of medicines at all times. Reliability is considered the most important metric of service quality.

According to Kumar (2014), the service or product quality is not just quality as well as other impacts such as proper service, capacity to deliver in short time. Other studies (Hou Xngqi, 2008; Das, 2010) approved the reliability has a significant positive relationship with customer satisfaction.

The dimension is same with reliability dimension of SERVQUAL model which means accurately and dependably of service, doing things well and products availability (Parasuraman, 1988). In addition, Main difference between 'Reliability' dimension of SERVQUAL and RSQS is problem solving capacity and availability of products. Malhotra (1994), found that stores in developing countries need to focus product plenty, high technology and competition.

Thus, proposed following hypothesis:

H2: Reliability on pharmacy store has a positive effect on customer satisfaction.

### **3.1.3 Responsiveness**

According to Chowdhary and Prakash (2007), Responsibility is about being ready to help. This means that the service provider is ready to provide customer support. This metric not only takes care of the client's questions, concerns, requests and concerns, but also carefully It reflects the ability of clients to develop customized solutions (Zeithaml and Bitner 2006).

Dale (2003), mention that responsiveness means being ready to provide ongoing support and customer service. Expecting a customer can lead to customer dissatisfaction and a negative quality of service, especially for no good reason.

Retail pharmacy chains include physician consultation and prompt care.

Furthermore, clients do not wait in line for service and need timely consultation on other matters related to medical care and services. Pharmacies also respond to changing customer demands, such as extending shopping hours on request.

Retailers need to solve the problems in the short time to avoid losing customers. If the capability of problem solving is higher, customer satisfaction

will be higher. Some studies indicate that useful solving problems at the short time and certain positively increase customer perception and satisfaction (Lewis, 2001).

H3: Responsiveness in a pharmacy store has a positive effect on customer satisfaction.

### **3.1.4 Assurance**

Mention that Chowdhary and Prakash (2007), Assurance is an inspiring believe and confidence. The measure of service quality assurance is the ability of retail employees to build trust with customers. Assurance is called the level of customer service that you can trust. (Parasuraman, Zeithaml and Berry, 1988).

The store workers are friendly, helpful and interact consumers with respect. Sellers directly connect with customers, and therefore, they play an essential role in the pharmacy store. Because customers need to communicate with sellers when purchasing and their personal communication skill lead to consumer repurchasing (Zabkar & Vesel, 2010). Dabholker (2008), stated the interaction means how employee of store communicate with customers and includes helpfulness, kindly and confidence sub-dimensions.

In the SERVQUAL, the dimension consists of ability to provide trust and helpfulness of store workers. In addition, the dimension means communication between customers and employees which includes confident comfortable feeling when purchasing a pharmacy store.

Furthermore, Dehghan, Zenouzi and Albadvi (2012), emphasize the knowledge and ability to validate clients as a decisive factor.

The main source of approval for a retail pharmacy chain is a pharmacist, nurse or pharmacist. The way they communicate with their knowledge and the way they communicate with the client is to inspire confidence in the organization.

Therefore, because of limited knowledge of the pharmacological properties and generic drugs in the pharmacy chain, assurance is important for the client.

H4: Assurance in the pharmacy store has a positive effect on customer satisfaction.

### **3.1.5 Empathy**

According to Zeithaml, Bitner and Gremler (2006), empathy compassion is about treating clients as an individual. Here the client seems to be important to the organization and their needs are important to the organization. Consumers are caring, individual and deserve special attention (Javadi and Gol, 2011).

For the selected retail pharmacy, this is the relationship between the organization and the customer, and the essence of this interaction.

Mention that Perez, Abad, Carillo and Fernandez (2007) define empathy the care and personal care that the organization renders to its customers. To show empathy, providers need to show that each client understands that he or she is a unique individual with their individual needs. The service should be tailored to the unique needs of the customers, as far as possible. The selected pharmacy network records the personal health details and prescriptions of each client in the database, and also records the purchases made.

This emphasizes the responsibility of the selected pharmacy network to provide its clients with the most personal care and personal support.

H5: Empathy in the pharmacy store has a positive effect on customer satisfaction.

### 3.2 Research framework of the study

The literature review defined the research scope as shown in Figure 3.1, with 5 main variables. The following is a list of five hypotheses.

**Hypotheses 1:** Tangibles of the pharmacy store has a positive effect on customer satisfaction

**Hypotheses 2:** Reliability of the pharmacy store has a positive effect on customer satisfaction

**Hypotheses 3:** Responsiveness of the pharmacy store has a positive effect on customer satisfaction

**Hypotheses 4:** Assurance of the pharmacy store has a positive effect on customer satisfaction

**Hypotheses 5:** Empathy of the pharmacy store has a positive effect on customer satisfaction

**Hypotheses 6:** Customer satisfaction with the pharmacy store has a positive effect on customer loyalty

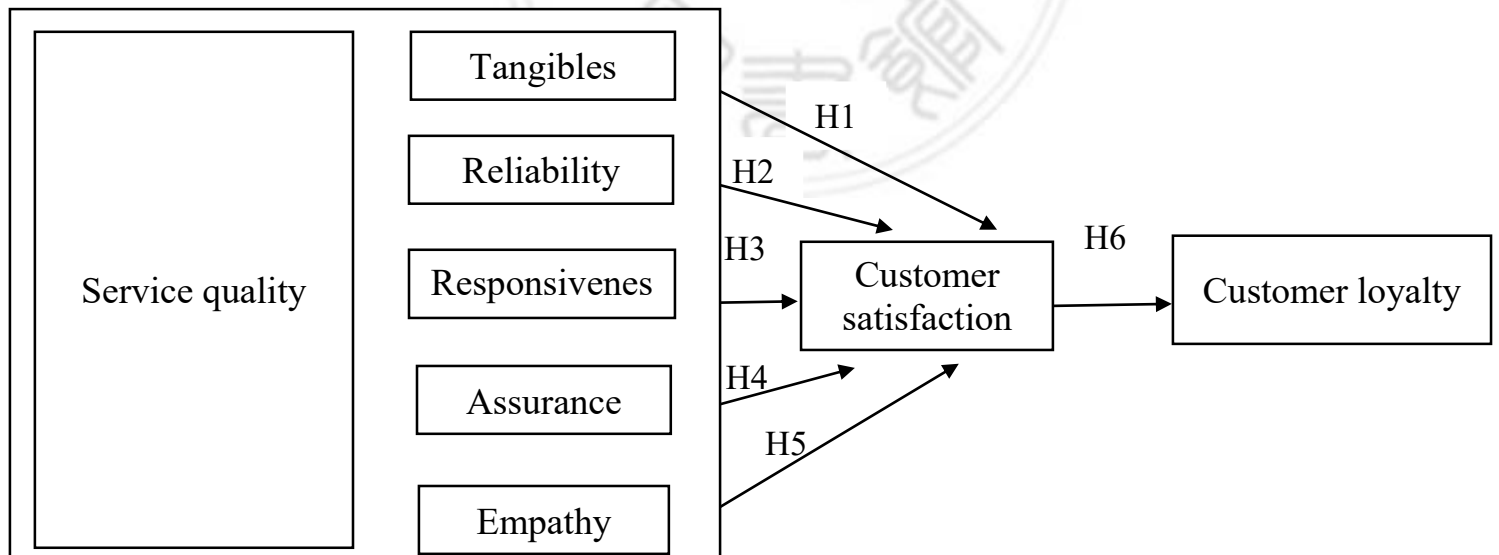


Figure 3. 1 Research Model

Source: Original Study



### **3.3 Areas of the Study and Data Sources**

According to a research study, Monos planned to use a primary source of information based on shoppers in a pharmacy. Research studies have shown that sample size and collection methods are important for accurate results. The design of the study included a questionnaire regarding the quality of service, customer satisfaction and customer loyalty of Monos pharma stores. Once the primary information has been collected, it can be used to quantify the results of the research. In addition, the survey will be able to verify the original data using Excel and Spss software. Questionnaire should be Mongolian because this research will be collected from Mongolian then translate to English.

### **3.4 Sampling Technique and Data Collection**

Lewis and Thornhill (2016) mention that sampling technique ensures a way in which a researcher scientifically selects the elements to be studied. They said it is a process where you summarize results by selecting representative elements from total population.

The target population for this study was defined as all Mongolian consumers. There were about 2 million customers in Mongolia. There are two types of sample modeling: probability and probability.

As researchers have limited time to gather information from participants, it may take longer to gather data using probability sampling.

Therefore, non-probability sampling was selected for this study to save time and costs. The target populations of this study are all of the customers of Mongolian Monos pharmacy stores, Mongolian citizens aged 18 years and older who have performed transaction in customers. This study collected from 10-November to 30-November.

The SERVQUAL questionnaire was used to determine the level of customer satisfaction through selected stores in the Mongolian pharmacy chain.

### 3.4.1 Research sampling

This study will take from customers who are in drug chain. Otherwise, pharmacy chain is special sector, don't be collect the customer who are in supermarket or another place. Therefore, primary data will be collected by paper-based survey and sampling size is over 200. Survey directly with respondents lives in Ulaanbaatar city in Mongolia. This study used is nonprobability sampling, therefore, 200 sampling is enough.

### 3.4.2 Data collection procedure

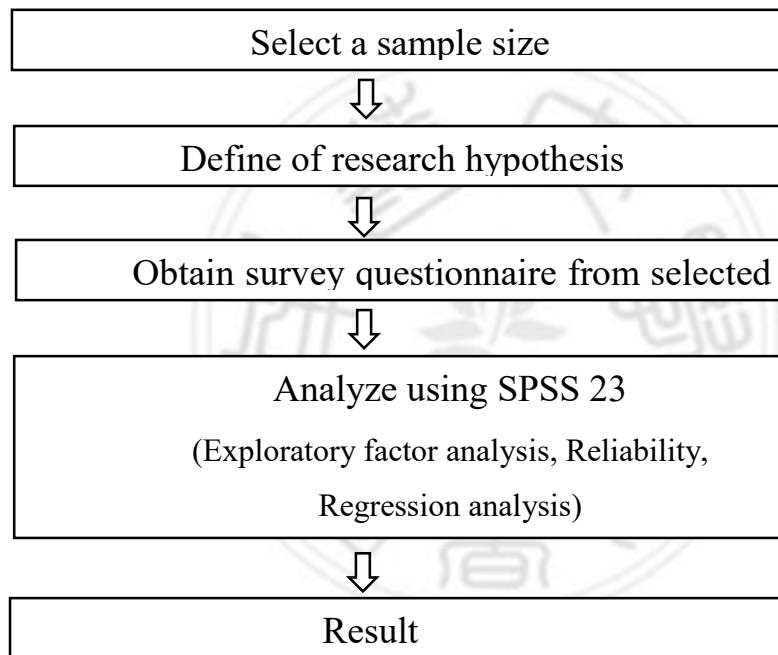


Figure 3. 2 The process of research

Source: Original Study

Table 3. 2 Define of research hypothesis

<b>Nº</b>	<b>Hypothesis</b>	<b>Variable</b>
<b>H1</b>	Tangibles influences on the customer satisfaction	T
<b>H2</b>	Reliability influences on the customer satisfaction	R
<b>H3</b>	Responsiveness influences on the customer satisfaction	R
<b>H4</b>	Assurance influences on the customer satisfaction	A
<b>H5</b>	Empathy influences on the customer satisfaction	E
<b>H6</b>	Customer satisfaction influences on the customer loyalty	

Source: Original Study

### 3.5 Questionnaire design and Measurement

The questionnaire was developed based on a previous study by Prabaharn, Arulraj and Rajagopal (2008) who used the study tool and Parasuraman theory.

The questionnaire was divided into three parts:

- Demographics, the questionnaire item reporter on the client's gender, age, and salary, the reason by in Monos pharma.
- The level of perception of the customer about Monos pharma store service: Related items are the Five Dimensions of Retail Store Services, which include Tangibles, Reliability Responsiveness Assurance and Empathy. Likert-type scale rate ranged from strongly disagree, disagree, neutral, agree and strongly agree.

Respondents were asked to rate their satisfaction as total satisfaction.

- General questions about customer satisfaction and suggestions for improving the quality of Monos pharma services.

The SERVQUAL implement was developed by Parasuraman, Zeithaml and Berry can be used as a tool to collect information about the quality of services. Twenty questions were used to seriously evaluate clients' perceptions of the five levels of service quality: tangibles, reliability, responsiveness,

assurance and empathy. A five-point Likert scale was used to measure the attitudinal variables with 1 (strongly disagree) to 5 (strongly agree).

Table 3. 3 Five dimensions of study

<b>Dimensions</b>	<b>Feature</b>	<b>Statements</b>
Tangibles	Physical aspects	Statements 1-4
Reliability	Delivering on service	Statements 5-8
Responsiveness	Willingness to help	Statements 9-12
Assurance	Inspiring trust and confidence	Statements 13-16
Empathy	Caring, individualized	Statements 17-20

Source: Original Study

The questionnaire included demographic questions such as age, gender, income and education.

The questionnaire contained of the following sections:

Section 1: Services quality;

Section 2: Customer satisfaction

Section 3: Customer loyalty

Section 4: Demographic Information.

Table 3. 4 Questionnaire items

<b>Items</b>	
<b>TANGIBLES</b>	
1	I think that store equipment and fixtures are modern
2	I think that the physical facilities are charming
3	The pharmacy store layout at this store market it easy for customers to move around in the store
4	I think that pharmacy's employees have a tidy in appearance
<b>RELIABILITY</b>	
5	This pharmacy promises to do something by a certain time, they do it
6	This pharmacy does not sell finished expiry products
7	This pharmacy delivers its services at the times it promises to do so
8	When you have a problem, this pharmacy shows a candid interest in solving it
<b>RESPONSIVENESS</b>	
9	Employees of this pharmacy gives your prompt service to customers
10	Employees of this pharmacy never busy to respond to customer requests
11	Employees of this pharmacy always willing to help you
12	This pharmacy has a service flexibility
<b>ASSURANCE</b>	
13	Employees of this pharmacy store instils confidence in you
14	I feel safe in your transactions with this pharmacy store
15	Employees of this pharmacy store have professional knowledge to answer your questions
16	Employees of this pharmacy store are consistently courteous to the customers
<b>EMPATHY</b>	
17	Staff at the pharmacy understand customers' specific needs
18	Employees of this pharmacy store gives your personal attention
19	This pharmacy store has a convenient business hour
20	This pharmacy store has the customer best interests at heart
<b>CUSTOMER SATISFACTION</b>	
21	How satisfied are you with Monos pharma store?
22	How would you rate the quality of service and product?
23	Is the product price cheaper than other pharmacies?

<b>CUSTOMER LOYALTY</b>	
24	If I need to purchase products, I will go directly Monos pharmacy store
25	If Monos pharma is near my location, I will go to purchase directly from Monos pharma
26	Will you recommend Monos to your family, friends, neighbors or work associates?

Source: Original Study

### **3.6 Data analysis**

The data collected were quantitative. Quantitative data was analyzed using (SPSS). Quantitative data are analyzed using statistics such as mean and standard deviations, such as frequency, center-of-measure measures and distribution. The basis for the use of descriptive methods is to establish the basis for determining the weight of variables under the study. The information will be presented graphically and graphically, with details of the findings.

#### **3.6.1 Description Statistic**

Description analysis uses two basic statistical methods. It uses a statistical method that summarizes the sample from the indices using an average or standard deviation and indexes. For example, observation errors and sampling variants.

Description statistic relate to the two sets of common species (sample or populations). When a centralized approach (or location) seeks to define a distribution center or a conventional value, the distribution (or variability) differs from the central and the distribution of members. In mathematical statistics, the conclusions are considered in the theory of probability oriented to the analysis of random events.

The mean value is defined as the average of all instantaneous values at one shift. Otherwise, the ratio of a single instantaneous value is the ratio of the instantaneous value to the one shift.

The standard deviation of random variables, the statistical population, the set of data or probabilities, is the square root of its variance. It is easy to algebra, but in relatively small compared to the absolute difference. The usefulness of the standard deviation is that unlike the variance expressed in the same unit of data. In add. To estimate confidence in statistical conclusions, standard deviations are used in addition to the population variables.

### **3.6.2 Anova test**

The Analysis (ANOVA) is a statistical tool used to test whether two or more groups of instruments are significantly different from one another.

ANOVA examines the effect of one or more factors by comparing different samples.

This module will continue the discussion of the hypothesis test. This hypothesis has a positive or negative effect on consumer behavior. The assumption of zero in ANOVA is always that there is no difference in means. Research or another hypothesis always says that not all tools are the same. So, they can be seen as a large part of the population. On the other hand, the rest of the sample method is assumed to have predicted assumption that the rest of the sample method is different. The following applies to any two models: all the samples that are subject to testing. Otherwise, null hypotheses that all sampling methods are equal or that the factor does not have an important effect on the results. Another assumption is that at least one of the samples is different from the other.

### **3.6.3 Regression analysis**

Regression analysis is a powerful statistical tool that allows you to study the relationship between two or more interesting variables. Although there are many regressions analyzes, each one examines the effects of one or more independent variables on individual variables specifically, this analysis helps

us understand how the relative value of a dependent variable changes to one of the independent variables. Regression analyzes determine the quality of drug services and client satisfaction, as well as the assumptions of a previous group. Multiple factor regression analysis is based on the following variables: Tangibles, Reliability, Responsiveness, Assurance, Empathy, Customer Satisfaction and customer loyalty. The criteria to measure of regression analysis include:

$$R^2 > 0$$

$$F\text{-value} \geq 4$$

$$T\text{-value} > 1.96, P < 0.05$$

$$\text{Durbin-Watson between } 1.5\text{-}2.5$$

$$\text{Tolerance} > 0.5$$

$$\text{VIF} < 2$$

#### **3.6.4 Reliability Test**

Exploration factor analysis is used to study the information structure and to ensure the size and reliability of the research facility.

Exploration factor analysis is used to study the information structure and to ensure the size and reliability of the research facility.

Internal correlation and total consistency analysis after factor analysis (Cronch's alpha) to verify the reliability of each research factor.

The object of the factor analysis is to identify the difference in the set of coefficients of the relationship. Factor analysis can be used not only for aggregation and reduction of data but also for exploration and approval.

The Item-to-total correlation and coefficient alpha were evaluated to determine the internal consistency and reliability of the constructs.

The total dependence on an item measures the dependence of the remaining items on each item.



This approach assumes that the total score is valid, so the magnitude of the item's comparison with the total score is a sign of the validity of the item's convergence. In this study, measures with a factor of more than 0.5 were chosen as members for specific factors, such as Eigen value > 1, cumulative explained variable > 0.6, item-to-total correlation > 0.5, and coefficient alpha ( $\alpha$ ) > 0.6.



# CHAPTER FOUR

## ANALYSIS AND RESULT

Chapter 4 presents formal research findings. The purpose of this chapter is to evaluate the official scale and test the suitability of the study design, as well as to test the hypothesis of the study. The contents of this chapter include the following sections:

1. Descriptive analysis of the respondents
2. Evaluate the scales
3. Testing conceptual framework and hypotheses

### 4.1 Descriptive analysis

#### 4.1.1 Characteristics of respondents

Table 4. 1 Profiles of samples

Classification	Respondents	
	Frequency	Percentage (%)
<b>Gender</b>		
Female	110	55
Male	90	45
<b>Age</b>		
18-25 years old	34	17.0
26-35 years old	76	38.0
36-45 years old	52	26.0
46-55 years old	31	15.5
56-65 years old	7	3.5
<b>Income</b>		
Less than 500.0mnt	22	11.0
501.0-1.000.0mnt	47	23.5
1.001.0-1.500.0mnt	75	37.5
1.501.0-2.000.0mnt	32	16.0
2.000.1-2.500.0mnt	16	8.0
More than 2.500.0mnt	8	4.0

<b>Education</b>		
Secondary	15	7.5
Undergraduate	97	48.5
Graduate	58	29.0
Occupational training diploma	30	15.0
<b>Job</b>		
Public organization	62	31.0
Private organization	76	38.0
Self-employed	39	19.5
Un-employed	23	11.5

Source: Original Study

Tale 4.1 show gender of respondents and 38% of total participants are people who have 26-35 ages, Also, participants with 36-45 ages answered more actively than another group of ages and lower than 56-65 years old also have a percentage 3.5%.

According to below table shows the respondent's education degree and 48.5% of participants has an undergraduate, 29% graduate. It means people who have bachelor and master degree more actively participated in the survey. Shows job of respondents and 38% of total participants has private organization, 31.0% public organization. Shows income of respondents and 37.5% 1,001,000-1,500,000mnt income as well as 23.5% 501,000-1,000,000mnt. Also, people who have the lowest income cover 4.0% and their monthly income was lower than 2,500,000mnt

#### **4.1.2 Measurement Result of Relevant Variables**

This section shows the descriptive statistics of questionnaire variables including of Tangibles, Reliability, Responsiveness, Assurance, and Empathy twenty items of service quality, six items customer satisfaction, customer loyalty.

As shown in Table 4-2, for Service Quality, the sample cases show a range from 3.77 to 4.27 in the 5-point Likert scales.

Table 4. 2 Descriptive analysis for service quality questionnaire items

Service quality		Total	
		Mean	Std. Deviation
<b>1. Tangibles</b>			
TA1	I think that store equipment and fixtures are modern	4.01	.802
TA2	I think that the physical facilities are charming	4.09	.681
TA3	The pharmacy store layout at this store market it easy for customers to move around in the store	4.00	.712
TA4	I think that pharmacy's employees have a tidy in appearance	4.09	.696
<b>2. Reliability</b>			
Re1	This pharmacy promises to do something by a certain time, they do it	3.77	.796
Re2	This pharmacy does not sell finished expiry products	3.77	.721
Re3	This pharmacy delivers its services at the times it promises to do so	3.88	.767
Re4	When you have a problem, this pharmacy shows a candid interest in solving it	3.78	.823
<b>3. Responsiveness</b>			
Res1	Employees of this pharmacy gives you prompt service to customers	3.95	.728
Res2	Employees of this pharmacy never busy to respond to customer requests	3.89	.765
Res3	Employees of this pharmacy always willing to help you	3.92	.749
Res4	This pharmacy has a service flexibility	3.90	.814

<b>4. Assurance</b>			
As1	Employees of this pharmacy store instils confidence in you	3.91	.828
As2	I feel safe in your transactions with this pharmacy store	3.92	.721
As3	Employees of this pharmacy store have professional knowledge to answer your questions	3.86	.829
As4	Employees of this pharmacy store are consistently courteous to the customers	4.06	.681
<b>5. Empathy</b>			
Em1	Staff at the pharmacy understand customers' specific needs	4.12	.745
Em2	Employees of this pharmacy store gives you personal attention	4.24	.644
Em3	This pharmacy store has a convenient business hours	4.22	.724
Em4	This pharmacy store has the customer best interests at heart	4.27	.467

Source: Original Study

As shown in Table 4-3, for Customer Satisfaction, the sample cases show range 4.11 to 4.37 in the 5-point Likert scales.

Table 4. 3 Descriptive analysis for Customer satisfaction questionnaire items

<b>Customer Satisfaction</b>		<b>Total</b>	
		<b>Mean</b>	<b>Std. Deviation</b>
<b>1. Customer satisfaction</b>			
CS1	How satisfied are you with Monos pharma store?	4.13	.718
CS2	How would you rate the quality of service and product?	4.37	.636
CS3	Is the product price cheaper than other pharmacies?	4.11	.804

Source: Original Study

As shown in Table 4-4, for Customer Loyalty, the sample cases show range from 3.93 to 4.14 in the 5 point-Likert scales.

Table 4. 4 Descriptive analysis for Customer Loyalty questionnaire items

Customer Loyalty		Total	
		Mean	Std. Deviation
<b>1. Customer loyalty</b>			
CL1	If I need to purchase products, I will go directly Monos pharmacy store	3.93	.754
CL2	If Monos pharma is near my location, I will go to purchase directly from Monos pharma	4.14	.714
CL3	Will you recommend Monos to your family, friends, neighbors or work associates?	4.04	.850

Source: Original Study

## 4.2 Factor Analysis and Reliability Test

### 4.2.1 Service Quality

The analysis is used in many different areas, especially in social science. In the statistics, reliability statistics define the overall internal consistency of data. In other words, reliability is the degree to which an assessment tool produces stable and consistent results. The reliability result is expressed by Cronbach's value which locates among 0 and 1. If the Cronbach's is near to 1, it means the data high internal consistency. Most of the researchers approve that Cronbach's alpha needs to be higher than 0.6. If the value will match with the requirement, collected data is comfortable on analysis such as correlation, regression.

Table 4. 5 Results of factor analysis and reliability test on Service Quality

<b>Research constructs</b>	<b>Research items</b>	<b>Factor loading</b>	<b>Eigen value</b>	<b>Cumulative Explained</b>	<b>Item-to-total correlation</b>	<b>Cronbach's Alpha (a)</b>
<b>Service quality</b>	<b>Tangibles</b>		<b>2.279</b>	<b>76.97%</b>		<b>0.747</b>
	TA1_Envoirnment	0.936			.503	
	TA2_Design	0.694			.526	
	TA3_Layout	0.949			.608	
	TA4_Tidy	0.954			.526	
	<b>Reliability</b>		<b>2.274</b>	<b>66.87%</b>		<b>0.743</b>
	Re1_Promise	0.890			.462	
	Re2_Mistake	0.747			.557	
	Re3_Time	0.952			.619	
	Re4_Solve	0.952			.517	
	<b>Responsivene ss</b>		<b>2.372</b>	<b>79.29%</b>		<b>0.771</b>
	Res1_Prompt	0.924			.577	
	Res2_Request	0.633			.579	
	Res3_Help	0.926			.607	
	Res4_Flex	0.955			.522	
	<b>Assurance</b>		<b>2.16</b>	<b>74.00%</b>		<b>0.713</b>
	As1_Confidence	0.919			.541	
As2_Safe	0.862			.564		

As3_Knowledge	0.659			.516	
As4_Kindly	0.939			.391	
<b>Empathy</b>		<b>2.178</b>	<b>64.44%</b>		<b>0.716</b>
Em1_Understand	0.884			.570	
Em2_Attention	0.786			.590	
Em3_Hours	0.940			.512	
Em4_Interest	0.968			.376	

Source: Original Study

In this construct, all the variables have factor loadings higher than 0.6. Item EM4 “This pharmacy store has the customer best interests at heart” had the highest factor loading of 0.968, indicating this item had the highest relation to Empathy factor 4. Service quality of this factor is represented by all item to total correlation are greater than 0.5.

Factor 1 has the item to total correlations are above 0.5, Cronbach’s  $\alpha=0.747$  and eigen value=2.279.

Factor 2 has the item to correlations are above 0.5, and Cronbach’s  $\alpha=0.743$  and eigen value=2.274.

Factor 3 has the item to correlations are above 0.5, and Cronbach’s  $\alpha=0.771$  and eigen value=2.372.

Factor 4 has the item to correlations are above 0.5, and Cronbach’s  $\alpha=0.713$  and eigen value=2.16.

Factor 5 has the item to correlations are above 0.5, and Cronbach’s  $\alpha=0.716$  and eigen value=2.178.



The five components had accumulated a total 72.31% of explained variance which show these are important underlying factors for this construct. Based on all criteria, we can conclude that the reliability and internal consistency of this factor are acceptable.

Table 4. 6 Results of factor analysis and reliability test on Customer Satisfaction

<b>Research constructs</b>	<b>Research items</b>	<b>Factor loading</b>	<b>Eigen value</b>	<b>Cumulative Explained</b>	<b>Item-to-total correlation</b>	<b>Cronbach's Alpha (a)</b>
Customer Satisfaction	<b>Customer Satisfaction</b>		<b>2.011</b>	<b>77.03%</b>		<b>0.753</b>
	CS_Satisfied	0.953			.534	
	CS_Rate	0.939			.590	
	CS_Cheap	0.928			.626	

Source: Original Study

All items have factor loading greater than 0.6 and highest is CS\_Satisfied with factor loading of 0.953 indicating this item had highest relation to is customer satisfaction. All of the items to total correlation are greater than 0.5. Cronbach's  $\alpha$  greater than 0.6 and eigen value greater than 1 as shown below,  $F=0.753$ . Three components had accumulated a total 77.03% of explained variance which show these are important underlying factors for this construct.

Based on all criteria, we can conclude that the reliability and internal consistency of this factor are acceptable.

Table 4. 7 Results of factor analysis and reliability test on Customer Loyalty

Research constructs	Research items	Factor loading	Eigen value	Cumulative Explained	Item-to-total correlations	Cronbach's Alpha (a)
Customer Loyalty	<b>Customer Loyalty</b>		<b>2.072</b>	<b>69.07%</b>		<b>0.776</b>
	CS_Purchase	0.944			.601	
	CS_Location	0.937			.576	
	CS_Recommend	0.916			.666	

Source: Original Study

Table 4.7 show the reliability result of each independent and dependent variables. Customer loyalty Cronbach's  $\alpha$  higher than 0.6 and this result 0.776. It is impact in satisfaction. Eigen value = 2.072. It is higher than 1.0 which factors higher than impact CL\_purchase satisfied (0.944).

### 4.3 Anova test

The one-way ANOVA procedure unilaterally analyzes the numerically dependent variables for a single factor (independent) variable. Variance analysis is used to test the assumption that several methods are equal. This technique is an experimental extension of two samples.

Table 4. 8 Results of the different level of demographic among group of "Customer satisfaction"

Variables	F-value	p-value	Difference between group
<b>Age</b>			
Tangibles	0.180	0.949	
Reliability	1.202	0.311	
Responsiveness	1.521	0.198	
Assurance	0.624	0.646	

Empathy	1.647	0.164	
Customer satisfaction	0.302	0.876	
Customer loyalty	0.778	0.541	
<b>Education</b>			
Tangibles	2.784	0.042*	1<2
Reliability	3.771	0.012*	1<2
Responsiveness	2.566	0.056	
Assurance	1.274	0.284	
Empathy	0.779	0.509	
Customer satisfaction	0.274	0.844	
Customer loyalty	1.584	0.195	
<b>Income</b>			
Tangibles	2.249	0.037	differences between tangible and income checked with Scheffe no significant
Reliability	4.349	0.001***	2<3
Responsiveness	1.18	0.32	
Assurance	0.359	0.876	
Empathy	1.618	0.157	
Customer satisfaction	0.618	0.688	
Customer loyalty	2.618	0.026	differences between customer loyalty and income checked with Scheffe no significant
<b>Job</b>			
Tangibles	0.790	0.501	
Reliability	2.097	0.102	
Responsiveness	1.799	0.149	
Assurance	1.039	0.377	
Empathy	3.178	0.025	differences between cl and income checked with Scheffe no significant
Customer satisfaction	0.606	0.612	
Customer loyalty	1.027	0.382	

Note: \*\*\* p < 0.001, \*\* p < 0.01, \* p < 0.05, +p < 0.1

Source: Original Study

There was a statistically significant difference between groups as determined by one-way ANOVA.

In these results, education level between tangibles and education level between reliability are significantly  $F(3,196) = 2.784, P = 0.042$ . It means People who have a post graduate prefer than have a secondary on Tangibles.

$F(3,196) = 3.771, P = 0.012$  It means People who have a post graduate prefer than have a secondary on Reliability. This means there is a significant difference between the means of different levels of education variable.

$F(5,194) = 2.429, P = 0.037$  (which is less than the .05 alpha level) This means People who have a 1,000,001-1,500,000MNT income prefer than have a 500,001-1,000,000 MNT income on Reliability.

#### 4.4 Regression Analysis

Table 4. 9 Result of the influence of Service quality on Customer satisfaction

Independent Factors “Service Qualitive”	Dependent Factor— CS				
	Model 1	Model 2	Model 3	Model 4	Model 5
	Beta ( $\beta$ )	Beta ( $\beta$ )	Beta ( $\beta$ )	Beta ( $\beta$ )	Beta ( $\beta$ )
<i>Tangibles</i>	<b>0.457*</b>				
<i>Reliability</i>		<b>0.532**</b>			
<i>Responsiveness</i>			<b>0.530***</b>		
<i>Assurance</i>				<b>0.489**</b>	
<i>Empathy</i>					<b>0.520***</b>
<b>R<sup>2</sup></b>	<b>0.284</b>	<b>0.241</b>	<b>0.399</b>	<b>0.297</b>	<b>0.391</b>
<b>Adj-R<sup>2</sup></b>	<b>0.280</b>	<b>0.236</b>	<b>0.396</b>	<b>0.293</b>	<b>0.388</b>
<b>F-value</b>	<b>76.78</b>	<b>61.55</b>	<b>57.04</b>	<b>36.65</b>	<b>55.33</b>
<b>P-value</b>	<b>0.048</b>	<b>0.006</b>	<b>0.000</b>	<b>0.008</b>	<b>0.000</b>
<b>D-W</b>	<b>2.07</b>	<b>2.063</b>	<b>2.07</b>	<b>2.067</b>	<b>2.076</b>
<b>VIF Range</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>

Note: \*\*\*  $p < 0.001$ , \*\*  $p < 0.01$ , \*  $p < 0.5$ , +  $p < 0.1$

Source: Original Study

The Model 1 in table 4.9 shows that the multiple correlation coefficient (R), using all the predictor simultaneously, is  $R^2=0.284$  and the adjusted  $R^2$  is 0.280, Note that  $F= 76.779$  and is significant, it is a significant predictor of *Customer Satisfaction*  $p < 0.001$ .

The Model 2 in table 4.9 shows that the multiple correlation coefficient (R), using all the predictor simultaneously, is  $R^2=0.241$  and the adjusted  $R^2$  is 0.236, Note that  $F= 61.548$  and is significant., it is a significant predictor of *Customer Satisfaction*  $p < 0.001$ .

The Model 3 in table 4.9 shows that the multiple correlation coefficient (R), using all the predictor simultaneously, is  $R^2=.399$  and the adjusted  $R^2$  is 0.396, Note that  $F= 57.042$  and is significant, it is a significant predictor of *Customer Satisfaction*  $p < 0.001$ .

The Model 4 in table 4.9 shows that the multiple correlation coefficient (R), using all the predictor simultaneously, is  $R^2=.297$  and the adjusted  $R^2$  is 0.293, Note that  $F= 36.650$  and is significant, it is a significant predictor of *Customer Satisfaction*  $p < 0.001$ .

The Model 5 in table 4.9 shows that the multiple correlation coefficient (R), using all the predictor simultaneously, is  $R^2=.391$  and the adjusted  $R^2$  is 0.388, Note that  $F= 55.334$  and is significant, it is a significant predictor of *Customer Satisfaction*  $p < 0.001$ .

Table 4. 10 Result of the influence of Customer satisfaction on Customer loyalty

Independent Factors “Customer Satisfaction”	Dependent Factor— CL of “Customer Loyalty” Model 1
	Beta ( $\beta$ )
<i>Customer satisfaction</i>	<b>0.420</b>
<b>R<sup>2</sup></b>	<b>0.567</b>
<b>Adj-R<sup>2</sup></b>	<b>0.562</b>
<b>F-value</b>	<b>74.918</b>
<b>P-value</b>	<b>0.000</b>
<b>D-W</b>	<b>2.305</b>
<b>VIF Range</b>	<b>1.000</b>

Note: \*\*\*  $p < 0.001$ , \*\*  $p < 0.01$ , \*  $p < 0.5$ , +  $p < 0.1$

Source: Original Study

The Model 1 in table 4.10 shows that the multiple correlation coefficient (R), using all the predictor simultaneously, is  $R^2 = .567$  and the adjusted  $R^2$  is 0.562, Note that  $F = 74.918$  and is significant, it is a significant predictor of *Customer Loyalty*  $p < 0.001$ .

## **CHAPTER FIVE**

### **CONCLUSION**

#### **5.1 Research conclusion**

The Mongolian retail industries are relatively young in comparison to the development of the retail sector in the world. In 1990, Mongolian society moved from socialist to democratic society. The situation becomes fundamental reason to develop retail sector. Today, Khurmen pharmacy, Asia pharma are dominant players in the retail market. In the recent 5 years, Mongolian retail industries are more competing with each other to increase customer satisfaction and purchasing. Customer satisfaction is integral part of sustainable income in the retail sector. To retain the loyal customers, service quality is essential factor which increase customer satisfaction furthermore becomes main reason of customer loyalty. The research collected survey of 200 consumers of Monos pharmacy and analyzing result confirmed that service quality has positive impact on customer satisfaction and customer loyalty in case of Monos pharmacy. According to retail SERVQUAL model, Tangibles, Reliability, Responsiveness, Assurance and Empathy. The result found that Reliability, Responsiveness, Empathy of service are strong factor on Mongolian customer satisfaction in pharmacy retail sector. In the business, Financial resources are limited and high-level managers always face issues to decide financial expenditure for beneficial activities which can support to business expansion.

Therefore, Monos pharmacy need to spend more money to Reliability /physical aspects/, Responsiveness, Empathy of service to effectively increase customer satisfaction. For more detailed explanation, The Monos pharmacy have to give more attention to improve interior/ design in pharmacy store, printed advertisement material about products, reducing the waiting period of

the service, to increase numbers of cashier and to involve employees in regular communication training. These activities will help to give highest service satisfaction for Monos pharmacy customers and increase purchase intention long term. Based on the analysis discussed in chapter 4, the results of hypotheses testing are summarized in Table 5-1: H1, H2, H3, H4, H5 and H6 are supported.

Table 5. 1 Results

	<b>Research Hypotheses</b>	<b>Results</b>
H1	Tangibles will be positively related to customer satisfaction	Support
H2	Reliability will be positively related to customer satisfaction	Support
H3	Responsiveness will be positively related to customer satisfaction	Support
H4	Assurance will be positively related to customer satisfaction	Support
H5	Empathy will be positively related to customer satisfaction	Support
H6	Customer satisfaction will be positively related to customer loyalty	Support

Source: Original Study

## 5.2 Suggestion

From the result, the Service quality is more critical for customer satisfaction and Customer loyalty. It will help to produce competition strategy for Monos pharmacy store, and I produced the following suggestions for them:



1. To increase customer satisfaction, The Monos pharmacy needs to offer higher service quality and comfortable price of products. Because customer give more importance to service quality.
2. Customers gave a lower rating for problem solving in Monos pharmacy. It means the store seeds to increase tangibles (physical aspect), reliability, responsiveness, assurance of service quality.
3. The result expresses the Monos pharmacy need to effectively plan budget for increasing service quality. Because the store can't give high satisfaction for customers and it means any retail pharmacy stores have higher opportunity to differentiate from competitors in this situation. Therefore, the Monos pharmacy needs to use the opportunity in this situation.

### **5.3 Research Limitation**

Our study collected data from a paper-based survey, and Participants were consumers of Monos pharmacy store. I collected data from 200 customers of 18-65 ages in Monos pharmacy and it is enough for research analysis.

Few influencing factors on customer satisfaction and customer loyalty (purchase intention). During literature reviews, I found multiple influencing factors on customer satisfaction and purchase intention but I can't possibly add them to conceptual framework because of time was limited.

Although sampling size is enough, it is not bigger. Therefore, the future study will focus to fix the above limitations and following things will be made. To increase the sampling size of respondents.

## REFERENCES

1. Arasli, H. A., Mehtap-Smadi, S, & Katircioglu, S. T. (2005), Customer Service Quality in the Greek Cypriot Banking Industry, Journal of Managing Service Quality, Vol.2, No.42, pp.25.
2. Baker, T. L, Cronin, J. J, & Hopkins, C. D. (2009), The Impact of Involvement on Key Service Relationships. Journal of Services Marketing, Vol.27, No.76, pp.46-50.
3. Baumann, C, Burton, S, Elliott, G, & Kehr, H. M. (2006), Prediction of Attitude and Behavioral Intentions in Retail Banking. International Journal of Bank Marketing, Vol.12, No.27, pp.102-116.
4. Blose, J. E, & Tankersley, W. B. (2004), Linking Dimensions of Service Quality to Original Outcomes. Journal of Marketing Service Quality, Vol.56, No.17, pp.75-89.
5. Brandon, J. A, & Silvestro, R. (2010), Measuring Internal Service Quality: Comparing the Gap-based and Perceptions-only Approaches. International Journal of Operations and Production Management, Vol.74, No.12, pp.1291-1318.
6. Bouranta, N, Chitiris, L, & Paravantis, J. (2009), The Relationship Between Internal and External Service Quality. International Journal of Contemporary Hospitality Management, Vol.21, No.3, pp.275-293.
7. Cameron, R, & Molina-Azorin, J. F. (2011), The Acceptance of Mixed Methods in Business and Management Research. International Journal of Organizational Analysis, Vol.16, No.2, pp.256-271.
8. Carman, J. M. (1990), Consumer Perceptions of Service Quality: An Assessment of the Servqual Dimensions. Journal of Retailing, Vol.17, No.4, pp.110.

9. Chin, W. M. (2010), Analyzing Structural Relationships Between Service Quality, Disconfirmation, Satisfaction and Loyalty. Asia Pacific Management Accounting Journal, Vol.36, No 7, pp.31-44.
10. Chowdhary, N. & Prakash, M. (2007), Prioritizing Service Quality Dimensions. Journal of Managing Service Quality, Vol.17, No.12, pp.493-509.
11. Cronin, J. J, & Taylor, S. A. (1992), Measuring Service Quality: A Re-Examination and Extension. Journal of Marketing, Vol.87, No.34, pp.55-68.
12. Cavana, Robert, Y, Brian, L, & Uma Sekaran. (2001), Applied Business Research: Qualitative and Quantitative Methods, Vol.53, No.4, pp.101.
13. Dehghan, A, Zenouzi, B. (2012), An Investigation on the Relationship Between Service Quality and Customer Satisfaction: In the case of CCG Company. Journal of International Business Research, Vol.93, No.14, pp.3-8.
14. Dabholkar, P. A, Shepherd, C. D, & Thorpe, D. I. (2000), A Comprehensive Framework for Service Quality: An Investigation of Critical Conceptual and Measurement Issues Through a Longitudinal Study. Journal of Retailing, Vol.76, No.2, pp.131-139.
15. Fornell, C, Rust, R. T, & Dekimpe, M. G. (2010), The Effect of Customer Satisfaction on Consumer Spending Growth. Journal of Marketing Research, Vol.47, No.1, pp.28-33.
16. Gaur, S. S, & Agrawal, R. (2006), Service Quality Measurement in a Retail Store Context: A Review of Advances Made Using Servqual and RSQS. Journal of The Marketing Review, Vol. 76, No.5, pp.317-330.
17. Gee, R. C, & Nicholson, G. M. (2008), Understanding and Profitably Managing Customer Loyalty. Journal of Marketing Intelligence Planning, Vol.65, No.8, pp.359-374.

18. George, A, & Kumar, G. S. G. (2014), Impact of Service Quality Dimensions in Internet Banking on Customer Satisfaction. Decision, Journal of Marketing, Vol.14, No.1, pp.73-85.
19. Hoffman, K. D, & Lee, S. H. (2014), A CIT Investigation of Disruptive Student Behaviors: The Students' Perspective. Journal of Marketing Education Review, Vol.24, No.2, pp.115-126.
20. Jain, S. K, & Gupta, G. (2004), Measuring Service Quality: Servqual vs Servperv Scales. Journal of Vikalpa, Vol.29, No.2, pp.25-37.
21. Jonhson, M. D, Gustaffson, A, Andreassen, T. W, Lervik, L, & Cha, J. (2001), The Evolution and Future of National Customer Satisfaction Index Models. Journal of economic psychology, Vol.22, No.2, pp.217-245.
22. Ladhari, R. (2009), A Review of Twenty Years of Servqual Research. International Journal of Quality and Service Sciences, Vol.34, No.2, pp.172-198.
23. Lee, H, Delene, L., Bunda, M, & Kim, C. (2000), Methods of Measuring Healthcare Service Quality. Journal of Business Research, Vol.56, No.3, pp. 233-246.
24. Lowe, R. F, & Montagu, D. (2009), Legislation, Regulation, and consolidation in The Retail Pharmacy Sector in Low Income Countries. Southern Med Review, Vol.26, No.2, pp.3544.
25. Molina, A., Consuegra, D, & Esteban, A. (2009), Relational Benefits and Customer Satisfaction in Retail Banking. International Journal of Marketing, Vol.27, No.4, pp.253-271.
26. Orth, K., & Green, B. (2009), Consumer Loyalty to Family Versus Non-family business: The Roles of Store Image, Trust and Satisfaction. Journal of Retail Consumer Service, Vol.16, No.2, pp.248-259.

27. Padma, P, Rajendran, C, & Sai, L. (2009), A Conceptual Framework of Service Quality in Healthcare. Benchmark: International Journal, Vol.45, No.1, pp.157-191.
28. Ramsaran-Fowdar, R. (2008), The Relative Importance of Service Dimensions in a Healthcare Setting. International Journal of Healthcare Quality Assurance, Vol.17, No.2, pp.104-124.
29. Siu, N. Y, & Cheung, J.T. (2001), A Measure of Retail Service Quality. Journal of Marketing Intelligence and Planning, Vol.18, No.3, pp.88-96.
30. Theoridis, P. & Chatzipanagiotou, K. (2009), Store Image Attributes and Customer Satisfaction Across Different Customer Profiles within the Supermarket Sector. Journal of Marketing, Vol.21, No.2, pp.708-734.
31. Tsoukatos, E. & Rand, G. K. (2006), Path Analysis of Perceived Service Quality, Satisfaction and Loyalty in Greek Insurance. Journal of Managing Service Quality, Vol.23, No.5, pp.501-519.
32. Van der Wal, R.W, Pampallis, A, & Bond, C. (2002), Service Quality in a Telecommunications Company: A South African Experience. Journal of Managing Service Quality, Vol.18, No.2, pp.323-335.
33. Vibha, A, Ravichandran, N, & Jain N. K. (2011), Dimensionality of Service Quality and its Critical Predictors to Customer Satisfaction in Indian Retail Banking. Journal of Advances in Management, Vol.18, No.2, pp.20-25.
34. Yi, Y. J, & La, S. N. (2004), What Influences the Relationship Between Customer Satisfaction and Repurchase Intention? Investigating the Effect of Adjusted Expectations and Customer Loyalty. Journal of Psychology and Marketing, Vol.22, No.3, pp.351-373.
35. Zeithaml, V.A, Bitner, M. J., & Gremler, D. (2006), Services Marketing: Integrating Customer Focus Across the Firm. Journal of Service marketing, Vol.12, No.4, pp.76

36. Zeithaml, V. A, Parasuraman, A, & Berry, L. L. (1990), Delivering Quality Service: Balancing Customer Perceptions and Expectations, Journal of Marketing, Vol.26, No.3, pp.125-130.
37. Zhao, X, Bai, C, & Hui, Y. V. (2002), An Empirical Assessment and Application of Servqual in a Mainland Chinese department Store. Journal of Total Quality Management, Vol.12, No.2 pp.241-254.

