PERCEIVED QUALITY SERVICE DELIVERY AND PERFORMANCE OF PHARMACEUTICAL RETAIL BUSINESSES IN CBD OF NAIROBI CITY COUNTY KENYA

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MSC ENTREPRENEURSHIP AND INNOVATIONS MANAGEMENT OF THE UNIVERSITY OF NAIROBI

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DECLARATION

I Rael Kanjira Irungu, hereby declare that this Research Project entitled Perceived Quality Service Delivery and Performance of Pharmaceutical Retail Businesses in CBD of Nairobi City County, Kenya is my original work and has not been submitted for examination in any other university.

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SUPERVISOR'S APPROVAL

This Msc Research Project prepared by Rael Kanjira Irungu titled Perceived Quality Service Delivery and Performance of Pharmaceutical Retail Businesses in CBD of Nairobi City County, Kenya has been submitted for examination with my approval as the university Supervisor.

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DEDICATION

I dedicate this work to my family for their endless support throughout my studies.

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ACRONYMS

BSC	:	Balanced Score Card
CBD	:	Central Business District
CDT	:	Cognitive Dissonance Theory
COMESA	:	Common Market of Eastern and Central Africa
EDT	:	Expectancy Disconfirmancy Theory
FBO	:	Faith Based Organisation
KEMSA	:	Kenya Medical Supply Agency
MEDS	:	Mission of Essential Drugs and Supply
NGO	:	Non-governmental Organisation
NQCL	:	national Quality control Laboratory
PPB	:	Pharmacy and Poisons Boards
UNIDO	:	United Nations Industrial Development Organization
WHO	:	World Health Organisation

ABSTRACT

The objective of the study was to establish the influence of quality service delivery on performance of pharmaceutical retail firms in CBD of Nairobi City County, Kenya. The study adopted a descriptive cross sectional survey targeting customers and entrepreneurs in pharmaceutical retail firms in the CBD of Nairobi City County. A total of 257 customers and 41 entrepreneurs were selected as the respondents to the questionnaire. The questionnaires were separated for customers and entrepreneurs. Descriptive and inferential statistics were used to analyse the data collected. Statistical package for social science (SPSS) software was used to carry data analysis. The findings revealed that quality service delivery significantly influence performance of pharmaceutical retail outlets under the study. The performance measures were aligned to balanced score card and classified as non-financial and financial performance. Multiple regression mode used indicated that the predictors which were dimensions of quality service delivery has significant influence on non-financial performance. Regression of coefficient results shown insignificant relationship of quality service delivery and financial performance. The study however found that there were significant relationship between quality service delivery and general profitability and cash flow excluding investments dimensions of firm performance. The study concluded that pharmaceutical firms need to understand the dimensions of quality service which have higher influence on performance. The study recommends further research on quality service delivery influence on performance in other sectors of the economy.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

World Health Organization six system strengthening blocks includes; service delivery, health workforce, health information systems, access to essential medicines, financing, leadership and governance (WHO, 2010). Service delivery is the only factor which permeates through all the other factors because its concerned with satisfaction of health end user. Access to essential drugs health system identifies pharmaceutical retail outlets as a contact point between health providers and health end users or customers. Delivery of quality service at pharmaceutical retail outlets ensures that health end users are satisfied with the health systems.

Pambel (2013) posits that pharmaceutical retail outlets are located close to each other and have similar roadside and pedestrian accessibility factors. Swoboda et al.(2013) describes road side and pedestral accessibilities as tendency by business offering similar products to be located on one side of the road and to congregate in one locality and to offer homogenous products. Competitive environment and location factors of roadside and pedestrian accessibility makes quality service delivery a strategic tool.

The study was anchored on theoretical framework of Cognitive Dissonance Theory (Leon, 1957) and Expectancy Disconfirmacy Theory (Oliver, 1997). The theories are based on the prism that quality of a service is the convergence of quality expectations and perceived reality of a service by the customer. Cognitive Dissonance Theory (CDT) uses the term dissonance to explain discomfort on service experience. Dissonance is the difference between expectation on quality and perception after quality experience. Expectancy Disconfirmacy Theory (EDT) applies the term disconfirmation to explain low quality service. Disconfirmation is deduced by customer through comparison of service expectations and service reality. Dissonance is associated with modification of expectations and behaviour while disconfirmation leads to a continued relationship or switching to competitors.

Pharmaceutical entrepreneurial companies engaged in manufacturing, distribution and retailing businesses. Pharmaceutical retailing business is simply referred to as pharmacy business. Pharmaceutical entrepreneurship is a highly regulated sector by the government through the Pharmacy and Poison's Board Act CAP 2004. The boardlicences pharmaceutical retail outlets and undertakes continuous monitoring to enforce compliances. Nairobi City County report 2015 indicates that there are 45 retail pharmaceutical outlets in Central Business District (CBD). 80% of the pharmacy outlets are concentrated in the low end market of the CBD. The locational concentration requires that the outlets differentiate themselves through quality service delivery.

1.1.1 Quality Service Delivery

Customer satisfaction is used to measure and describe quality service delivery. Quality service is a broad term which encompasses satisfaction derived from tangible and intangible interaction with customers. A service is described to be quality if it meets or exceed the customer's quality expectations (Zeithmal et al., 2006). Delivery of quality service starts with entrepreneur having a customer mind-set in all the business activities (Akomea et al.,2011).Quality service delivery is a process concerned with understanding the expectations of the consumer, modifying organisational processes to suit customer's expectations and organising the human element which directly interacts with the customer. Mellat et Al. (2008) posits that quality service delivery is the totality of an organisation process which directly or indirectly influences quality of a service.

Customer satisfaction is attained when the expectations on quality of a service are more after the service delivery. Kiragu (2015) speaks of ex-ante and ex-post expectations whereby; ex-ante expectations are anticipations about a service before encounter and ex-post perception is the reality after experiencing the service. Ex-ante expectations are created after an initial encounter with a service or is acquired through promises in advertisement, advocacy, word of mouth or references. Ex-post perception is the reality about the service and occurs after using the service atleast more than once. Quality service delivery occurs through keeping of promise and maintaining consistence in service delivery. Consistency in quality service delivery leads to positioning of the service in customer's mind and loyalty to the brand (Kinoti et al., 2013).

Grounross (1990) segments quality service delivery into functional, technical and image. Grounross posits that delivery of quality service is effectively and efficiently attained when the organisation focuses on one of the identified quality segments. Technical quality service segments are the attributes which the consumer associates with a service. Functional quality service segment refers to methods, systems, technology and the human element involved in delivery of a service. Image is the association interpreted by the consumer on the class of persons or users of a service. Zeithmal (2006) provides framework of quality service measurement by using service dimensions of; tangibility, reliability, responsiveness, assurance and empathy.

Tangibility represents the physical evidence of a service which includes appearance of; physical facilities, tools and equipment, staff. In pharmaceutical retail context, tangible service includes; physical appearance of the outlet, pharmacy staff, brochures, cleanliness and display (Otemba, 2012). Reliability is the ability to consistently give quality service and leads to credibility, dependability and predictability of a service. Reliability comprises of timely service delivery, absence of errors in service accuracy, and absence of repeated works which irritates the customer. (Sureshchandar et al., 2002)

Responsiveness is willingness by employees to help customers by providing prompt services. Proactive staff who are committed to providing solutions to customers are described to be responsive. Responsive aspect in pharmaceutical retail business includes; correct response to customers' enquiries, prompt delivery of service, willingness to help customers and showing interest on customers (Otemba, 2012). Assurance is employers' ability to display trust and confidence through knowledge, courtesy and competence at the time of service delivery (Zeithmal, 2006). Assurance is displayed in being articulate in answering questions, qualification and experience of employees in the pharmacy. Empathy is attending to customer's emotions, individualised attention, understanding customer's needs and holding customers close to heart (Yavas et al., 2003).

1.1.2 Organizational Performance

Performance of an organization depicts efficiency and effectiveness of seizing and utilising opportunities to achieve organizational goals (Namada, 2017). Highly performing organisations exhibit an instinct of recognising business opportunities, agility in calculating opportunity risk and diligence in transforming the opportunity into successful businesses. Organisational performance is characterised by continuous growth, intrapreneurship through introduction of innovative products and services and diversification. Benefits arising from performing organisations are firm and society based; profitability, quality goods and services, growth in entrepreneurs' wealth, motivated employees and participation in society beneficial activities.

Kaplan & Norton (1992) balance score card model of organisational performance is largely used to measure organisational performance. Balance scorecard departs from the traditional financial model of organizational performance to include non-financial performance indicators. Balanced score card provides the perspectives of financial, customer, internal business process, learning and growth in evaluating performance. Financial performance perspective is depicted by total revenue, cost reduction percentage, Return on Investment (ROI) and Return on Assets (ROA). Customer perspective relates to customer satisfaction, cross selling and customer retention rate. Internal business process is concerned with intrapreneurship, quality service delivery and internal organisational functionalism. Learning and growth perspective focuses on knowledge, technology and skills development which promotes learning organisations. Evaluation of organisational performance is done against financial and non-financial criteria to enable entrepreneurs determine direction and rate of business growth.

1.1.3 Pharmaceutical Industry in Kenya

Pharmaceutical industry represents one of the health systems outlined by World Health Organisation (WHO). Pharmaceutical sector of health aims to achieve availability, delivery and accessibility of quality and affordable medicine to end users. Pharmaceutical systems are highly regulated by WHO, Government agencies and professional bodies. United Nations Industrial Development Organisation (UNIDO), (2010) provides that pharmaceutical industry is demand and supply driven. The demand side is influenced by

prevalence of pandemic diseases at national or global scale such as malaria, tuberculosis (TB), HIV/AIDs and other communicable diseases such as measles and cholera. Supply side comprises the chain of acquisition and distribution of drugs and medicine. Kenya Medical Supply Agency (KEMSA) is the main procurement arm of Kenya Government, accounting for 30% of all prescription drugs in the market. Other procurement agencies of large scale includes; Mission for Essential Drugs and Supplies (MEDs)which procures for faith based organisations and consortiums of Non-Governmental Organisations (NGOs)which tap global fund donations.

Legal framework and regulatory environment of pharmaceutical Industry in Kenya indicates a high level of control. Pharmacy and Poison Act, CAP 244 is the main statute which controls pharmaceutical industry in Kenya. Its main purpose is to regulate the profession of pharmacy and control trade in manufacturing and distribution of pharmaceutical products through wholesalers and retailers. Other regulatory institutions and bodies includes; Industrial Property Act, 2001, aimed at promotion of inventions to facilitate technology protection of intellectual property in pharmacy; Anti-counterfeit Act, 2008, aimed at prohibiting counterfeit pharmaceutical products; Kenya public Procurement and disposal Act, for guiding on procedures for pharmaceutical procurement; and National Quality Control Laboratory (NQCL) a technical arm of PPB which focuses on quality control. The heavy regulatory environment is aimed at ensuring compliance to global standards and safety of end users.

Pharmaceutical industry in Kenya is structured into; manufacturing, distribution and retailing. Manufacturing segment produces pharmaceutical products for domestic use and for export. Kenya Pharmaceutical Industry Report (2005) indicates that Kenya is the largest pharmaceutical producer and exporter in Common Market of Eastern and Central Africa (COMESA). The distribution segment is largely done by Ministry of Health (MOH), private distributors, Faith Based Organization (FBO) and NGO bodies which have adopted a decentralisation model in line with devolution as enshrined in the constitution of Kenya, 2010. Retail segment comprises of pharmaceutical entrepreneurs who have opted to establish pharmaceutical business outlets in urban and rural areas instead of employment. The retail segment of pharmacy has of late come under scrutiny

from PPB to ensure compliance and professionalism due to abuse by non-professionals (Macharia, 2016). Retail segment of pharmaceutical industry requires a mix of professional, entrepreneurial care skills and application of retail strategy (Varatharajan et al, 2002).

1.2 Research Problem

Health is everybody's business which operates through global health systems, national government institutional frameworks, NGO initiates and private entrepreneurs mind. Regardless of operational level, health systems always focus on the end user who is a customer. Quality service delivery has therefore gained prominence in health management and is used to evaluate efficacy in health systems (WHO, 2010). Pharmaceutical sector has gained uniqueness out of the entrepreneurial opportunities that it offers to pharmaceutical professionals globally. The dilemma on whether to treat pharmacist as professionals or entrepreneurs has elicited heated debate and has opened a new avenue for researchers (Inegbenebor, 2007).

Pharmaceutical retail business in Nairobi City County, CBD operates in an environment of intense competition. NCC report 2015 on business permits indicate that 36 out of 45 pharmacy outlets in the CBD are located in the low end market of the CBD. With such a skewed locational concentration, quality service delivery to customers becomes a strategic tool of differentiating pharmaceutical retail outlets. Pharmaceutical retail entrepreneurial businesses have similar road side and pedestrian accessibility. They are out of necessity required to create a brand for their retail outlets through delivery of quality services (Pambel, 2013). Branding and positioning using quality service delivery will add value to retail pharmaceutical entrepreneurs who operate chain outlets located at various streets in Nairobi CBD. Customers will patronise the chain outlets because they have positively branded and positioned them and expect to receive similar level of quality service (Kinoti, 2013).

Several studies on pharmaceutical retail entrepreneurial businesses have been undertaken by researchers and scholars. Inegbenebor (2007) studied on locus of control in influencing pharmacist professionals to becoming entrepreneurs or employees. The study was carried out in Nigeria cities of Benin and Asamba. It involved 40 professional pharmaceutical entrepreneurs and 40 professional pharmaceutical employees. Roters I-E scale of measuring locus of control was used to analyse data collected from the two groups. The findings were that professional pharmacist with more locus of control internally are more likely to choose pharmaceutical entrepreneurship as opposed to employment. Miller and Goodman (2016) carried out an empirical review on performance of retail pharmacies. The context of the study was low end markets in Asia. The objectives of the study were to establish the structure of the retail outlets in the industry and the factors affecting their performance. Their systematic review identified quality gaps which were critical in retail pharmacy performance. The gaps include; clients request dispensation, filling of prescriptions, clients' attention and physical appropriateness.

Simba & Nyadoro (2016) researched on application of strategic management practices in retail pharmaceutical outlets. The study was carried in Harare, capital of Zimbabwe. 90 retail pharmaceutical outlets were involved all which had pharmaceutical registered professionals. The objective of the study was to establish application of strategic management in pharmaceutical retails. The study observed that pharmaceutical business environment in Harare had a high concentration of pharmaceutical retail outlets which were highly regulated. The operating environment was highly competitive with most retail pharmacies having similar roadside and pedestrian accessibility or concentration in a locality. The researchers concluded that use of strategic management practices was imperative for pharmaceutical retails due to the high competitive environment. Strategic management practices found to be applied by the retail outlets were; strategic planning, strategic decisions and customer service.

Kinoti et al (2013) investigated on market positioning strategies of pharmaceutical firms in Nairobi. The study focused on 45 local manufacturing firms. The findings of the study were that the firms in the pharmaceutical industry including retail outlets practice positioning in order to gain competitive advantage and improve on their performance. Branding and customer service were cited as factors contributing to improved performance. Macharia (2016) studied on entrepreneurial orientation and performance of pharmaceutical firms in Nairobi. The study which included distributors, wholesalers and retailers focused on influence of innovation and risk taking to firms' performance. 139 firms involved in the study were selected from different categories of manufacturers, wholesalers and distributors. The findings of the study were that innovativeness and risk taking predicts performance of pharmaceutical firms.

To the best of researchers knowledge, no known studies have been undertaken on quality service delivery and performance of retail pharmaceutical firms in Nairobi City County, CBD. The study wish to fill this gap by answering the following research questions; What is the influence of quality service delivery on performance of retail pharmaceutical firms in CBD of Nairobi City County, Kenya?

1.3 Objective

The objective of the policy was to determine the influence of quality service delivery on performance of pharmaceutical retail firms in CBD of Nairobi City County, Kenya.

1.4 Value of the Study

The study will add new knowledge to the existing one by answering the research questions. The outcomes of objectives of the study will be used to strengthen the theoretical frameworks used. This will lead to generalisation in application of the theories. Researchers and scholars will use the findings of the study as basis of further research and advancement of knowledge on pharmaceutical retail entrepreneurial business. Consultants will apply knowledge gained from the study to train entrepreneurs in the pharmaceutical retails business on quality service delivery.

Entrepreneurs in retail pharmaceutical business will find the study to be practical for application in their businesses. The findings will be implemented with modifications in their retail business to enhance level of quality service delivery and business performance. Enhanced quality service delivery will lead to increase in number of customers and improved business performance. Entrepreneurs will use the study to establish quality service delivery charter which will be a promise to the customers on quality of service they should expect from entrepreneur's business.

Pharmaceutical industry and government regulatory institutions as such as PPB will find the study to be important for development of policy to pharmaceutical retailers on quality service delivery. The policy will be a compliance requirement to be adhered by retail pharmaceuticals in delivery of quality service and protection of end consumers against unscrupulous practitioners. The policy will focus on following areas of quality service delivery; pharmacy lay out, specialisation of pharmaceutical retailers, prescription administration process, registration of pharmacist and management of quality drugs. A quality service delivery code of practice to be observed by the retail pharmaceutical retail in the industry will be developed for retailers in pharmacy. The code of conduct will regulate the behaviour of practitioners and improve quality service delivery.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature on quality service delivery and performance of entrepreneurial pharmaceutical retail businesses. Theoretical framework on quality service delivery was also included. A conceptual framework showing relationship between quality service delivery and performance of quality retail firms was also included.

2.2 Theoretical Foundation

Quality service delivery theories largely use dissonance or discrepancy paradigms which explain customer satisfaction and level of quality service delivery. The study used cognitive dissonance theory and expectance disconfirmation theory.

2.2.1 Cognitive Dissonance Theory

Festiger (1957) formulated Cognitive Dissonance Theory (CDT) to explain customer satisfaction and moderated behaviour. Cognitive is the view held about a service before using or experiencing it. Dissonance is the bad feeling or discomfort which arises after comparison of cognitive and actual reality after using service. CDT views dissonance to be flexible and a person can reduce the dissonance through change of cognition. Change of cognition leads to a new or adjusted cognition referred to as consonant cognitive, which makes the person to be satisfied even where there existed initial dissatisfaction.

Resistance to change is related to the level of dissonance with high dissonance resulting to high resistance and low dissonance resulting to low resistance. A person experiencing high dissonance will find no need to change or adjust the dissonance to accommodate the service. A person with low dissonance will adjust the dissonance and accept the product as an alternative or substitute which gives an almost equal level of satisfaction. CDT theory view quality service delivery as a range whereby the customer is either somehow satisfied, dissatisfied or very dissatisfied. Flexibility in adjustment decreases with level of dissatisfaction.

2.2.2 Expectancy Disconfirmation Theory

Oliver (1997) expectancy disconfirmation theory (EDT) explains consumer's behaviour and their interpretation of quality service delivery. EDT postulate that consumers when making purchase decision hold a conviction about a product or service which they use as a yardstick of measuring level of quality service delivered. The conviction is referred to as expectancy and is compared with perceived reality, to derive the difference or discrepancy. The discrepancy is described as disconfirmation and is used to measure the quality service level and customer satisfaction. High discrepancy is associated with customer dissatisfaction which implies that customer's expectations have not been met. Low discrepancy implies that customer's expectations are almost being met and the customer is therefore satisfied.

Parasuraman et al (1985) applied expectance – disconfirmation model to identify quality service gaps. Gap one occurs where there is discrepancy between consumer expectation and management perception gap. The gap implies that the management has failed to understand customer's expectations and hence produces a service that doesn't meet the expectations of the consumer. Gap two indicates management perception and service quality specification. The gap shows discrepancy on manager's perception on consumer expectation and the quality specification on a product or service. Gap three is discrepancy between service quality specifications and service delivery gap. The discrepancy occurs where there is service performance gap. Gap four indicates the difference between service delivery and external communication. The discrepancy occurs where promises fail to match quality service delivery. Gap five is between expected service and perceived service gap. The gap is the quality of service and is influenced by the other four gaps.

2.3 Pharmaceutical Retail Business

Pharmaceutical retails business occupies the end position in pharmaceutical chain. The other players in the chain are the manufacturers and distributors or the wholesalers. The end position on the distribution chain provides pharmacies a dual role of technical and customer care management. Retail business in pharmaceutical health sector have the

following unique requirements which the entrepreneur should pay attention to; location, customer care, statutory and professional compliances and entrepreneurial role.

Outlet location is important in pharmaceutical retail because it influences customers' accessibility. Wafula et al. (2012) posits that location of pharmacy shop have a strong influence on customers accessibility, dispensing practices and business performance. Locational dimensions influencing customers' accessibility in retail pharmaceutical business have been described as roadside accessibility and pedestrian accessibility (Pampel, 2013). Roadside accessibility is ease of reaching a store in terms of footfall accessibility and time economy. Roadside accessibility builds to customer loyalty and performance of pharmacy outlet (Swoboda et al., 2013).

Pedestrian accessibility is the different shopping development; specialised or focused store, shopping mall, retail park and speciality store. Speciality store is usually situated on the side of the road and specialises on one type of good. Speciality store is more appropriate for this study compared to the other pedestrian accessibilities. Retail pharmaceutical businesses at Nairobi CBD have a roadside accessibility characterised by pharmacy shops located next to each other and concentrated in particular one side of a street. There is high concentration of pharmacies at the low end market segment of CBD. Roadside and pedestrian locational factors increases level of competition making it imperative for pharmacies to deploy quality service delivery as a strategy of differentiation.

Customer care involves offering solutions to customers' problems and offering it to the delight and satisfaction of the customers (Zeithmal, 2006). Customer care is a prerequisite in pharmaceutical retail business due to the nature of competition arising from roadside and pedestrian locational factors. The products offered by pharmacy are undifferentiated making repeat buying or customer loyalty a strategic tool of ensuring business sustainability. Sureshchandar et al. (2002) emphasise on following factors of customer care which lead to customer satisfaction; service delivery, human element, and service scape. Service or product refers to availability of the product and how it functions; service delivery is how the organisation coordinates its functions to ensure meeting of customers' expectations; human element is ability or skills to deliver the

service consistently without errors while service scapes are the physical facilities which assist in quality service delivery. Pharmacy and Poison Board (2006) provides guidelines for good retail practice which would ensure customer satisfaction. The guidelines specify on; premises, operations, dispensing and recording.

Statutory and professional compliances are a landmark in pharmaceutical retail environment. Wafula et al. (2012) observes that high regulation serves to ensure; quality in service delivery, deter unqualified practitioners; ensures quality medicine availability, provides standards to dispensation; and compels adherence to professional code of conduct. Regular monitoring on compliance is carried out by statutory and professional bodies for retail pharmacy who recommend accreditation (Ruta et al., 2015). Entrepreneurial role involves provision of vision, leadership and strategic direction to the business. The entrepreneur ensures compliance to statutory and professional regulations as prescribed by law. Internal business practices of staff motivation, quality service delivery and customer satisfaction are influenced by a entrepreneurs and management commitment (Michael et al., 2010).

2.4 Quality Service Delivery and Organizational Performance

Quality service delivery influences the level of customer satisfaction thereby determining customer's behaviour of repeated patronage on a service, switching to competitors or advocacy for a service (Grouross, 1990). Repeated patronage to a service by customers leads to improved sales or revenue. Customer loyalty to a quality service or brand ensures that the customer is unlikely to switch to competitors products and will readily buy new products introduced by the organisation. Consistence growth of sales leads to improved organisational profitability and ability to finance operational cost and expenses incurred by the organization (Ngari, 2014).

Growth of an organization which is depicted by increased geographic spread of branches is influenced by loyal customers' readiness to patronise new branches. Branding plays a significant role in ensuring that customers will recognise quality service to be consistent across the branch network (Kinoti et al., 2013). Customers who are brand loyal will buy from the same organisational respective branches where they expect to experience similar

level of quality service. New product lines introduced by organisations are supported by loyal customers who have quality delivery experience on organizational products (Mosahab et al., 2010). Customer and brand loyalty assure the entrepreneur of a consistent stream of customers in branch network and a high certainty of success when introducing new innovative product lines (Chickwecheet a., 2011).

Market share controlled by the business increases with delivery of quality services (Akomea et al., 2011).Image of entrepreneurs' business is built on quality of service delivered. Image enables business to have competitive advantage over other firms producing similar goods and services. Customers from the competitors will switch to buying entrepreneurs goods and services leading to an increase in entrepreneurs' market share (Ndubai, 2003). Market share increase leads to increase in sales, profitability and increase of entrepreneur wealth (Miller et al., 2016).

2.5 Conceptual Frame Work

The independent variable or predictors are the dimensions of quality service delivery which influence organisational performance. They include; tangibility, reliability, responsiveness, assurance and empathy. Dependent variables are the performance indicators which includes; financial performance, customer satisfaction, market share, growth and employee satisfaction.

Conceptual Model

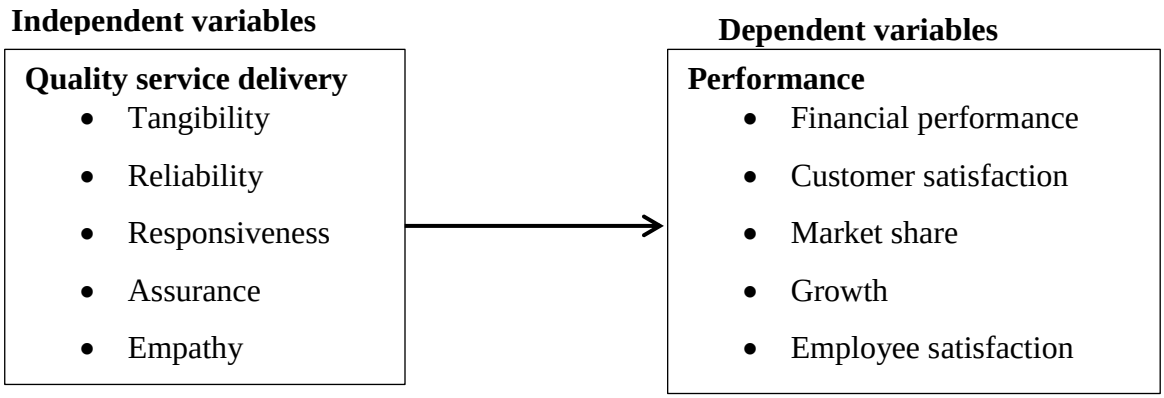


Figure 2.1: Conceptual Model

Source: Researcher (2017)

2.6 Summary of Empirical Studies and Knowledge Gaps

Study	Focus	Research Methodology	Findings of the Study	Research Gap
Amon Simba and Zivinayi Nyandoro (2016)	Strategic management in retail pharmacy: The case of Zimbabwean companies	Explanatory survey focus on retail pharmacies. Data collected from 90 retail outlets. Regression method was use for data analysis	Most of the retail pharmacies in Harare were concerns of the environmental uncertainty and applied strategic management	The influence of strategic management to retail pharmacies
Graham Pambel(2013)	Factors affecting the profitability of pharmacies	Quantitative research. Convenient sampling was used. Regression analysis used to analyse data.	Inventory holding, in the pharmacy and location influence pharmacy retail pharmacy. Service quality had low influence	Quality service delivery and influence of performance of pharmaceutical outlets
Francis N. Wafula, Eric Miriti & Catherine Goodman	Characteristics, knowledge and regulatory practices of specialised drug shops in Sub-Saharan Africa: A systematic review of literature	Exploratory research that relied largely on existing secondary information	Characteristics and practices of specialised drug shops differ across retail and urban areas, with consumer demand playing more influence than regulations	Regulatory practices and their influence on pharmaceutical practices
S.Y. Akomea & J. R.G. Yeboah	Marketing orientation and firm performance in Ghana pharmaceutical industry		Significant relationship with pharmaceutical firms performance was established	Influence of non-marketing factors to performance of pharmaceutical firms

Source: Researcher (2017)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design and methodology which will be used in the study. The chapter described specific procedures to be used in the study. The chapter was organised as; research design, target population, sampling and sample design, data collection and data analysis.

3.2 Research Design

The study used descriptive cross sectional survey research design to collect data. A correlation qualitative research design was used to compare two or more characteristics and explained how one of the factors predicts the other. The researcher sought to establish the relationship between quality service delivery and performance of pharmaceutical retail entrepreneurial business in Nairobi City County, CBD.

3.3 Target Population

The target population of the study were the customers of 45 retail pharmacies operating in Nairobi City County, CBD. The customers provided data on quality service delivery at the pharmacies while the entrepreneurs provided data on performance of the business. Target population in research has been defined by Cooper &Schindler (2008) as the phenomena which the researcher wants to base the study on and which provide the data useful to carry out the analysis. Customers have different backgrounds and hence the population had diverse characteristics.

3.4 Sample Design

Sample is a representative of the total population on which the researcher collects the data from. The population and survey of customers was expected to be over 10,000 hence Fisher model was used to determine samples from large population (Fisher et al, 1998).

Fisher Model Equation

$$n = \frac{\varepsilon^2 pq^D}{e^2}$$

Where;

ε	=	the corresponding standard score with probability of error at 0.05 and confidence level of 95%, which is 1.96.
p	=	the occurrence level of the phenomenon under the study and is equalto0.05where the occurrence level is not known.
Q	=	the absence of phenomenon under consideration and is equal to 0.5 where the value is not known.
D	=	the design effect and is equal to the number of groups to be compared in This case.
e	=	the selected probability of error of the study corresponding with 95% confidence level in this case 0.05.

The alpha level in determining sample size was 0.5 or 01 for most educational research (Ary et al., 1996). The acceptable margins of error generally acceptable in educational and social research is as follows; for categorical data, 5% margin of error is acceptable; for continuous data 3% of margin of error is acceptable (Krejcie and Morgan, 1997). In this study, data was categorical, hence margin of error was 5%.

Substituting the value to derive the sample size;

$$n = \frac{1.96^2 \; x \; (0.5) \;\; x \; (0.5) \; x \; 1}{0.05^2} = 384$$Approximately 390

The sampleof390 customers was derived equally from the 45pharmacy outlets at Nairobi CBD. Each of the outletshad8 customers as the sample.

3.5 Data Collection

Primary data was collected from the respondents through use of questionnaires. Questionnaires as instrument of data collection provided flexibility to the researcher in designing research questions which directly addressed the research questions. Leading et al (2001) posits that questionnaire enables the researcher to focus on important areas related to research. Open ended questions and unstructured questions were used in the questionnaire. Structural questions reduced data collection time because they entailed use of predetermined choices on the questionnaire. Unstructured questions had no choices and allowed in-depth response from the respondent thereby enhancing quality of data collected.

Two sets of questionnaires were used in the study; customer and entrepreneur questionnaires. Customer's questionnaire had section A and B. Section A collected data on the general information. Section B collected data on quality service delivery. Quality service delivery dimensions of; tangibility, reliability, responsiveness, dependability and empathy were incorporated in the questionnaire to get customers response on quality service from respective pharmacy. Entrepreneurs' questionnaire had sections A and B. Section A collected data on general information. Section B collected data on performance of the pharmacy based on performance dimensions of customer satisfaction, growth, market share, employee satisfaction and financial performance. A likert scale ranging from 1 to 5 was used in both questionnaires to indicate respondents view.

Customers' questionnaire were administered to customers by appointed front office service providers in the pharmacy. The researcher trained the appointed front office staff on the questionnaire. The questionnaires were administered after securing consent of the customer. Entrepreneurs' questionnaires were administered by the researcher directly to the entrepreneur or to a senior management appointed by the entrepreneur. Online administration of questionnaire to the entrepreneur was undertaken on request.

3.6 Data Analysis

Descriptive and inferential statistics was used in data analysis. Mean scores and frequencies were the specific statistics that were used. Nature and magnitude of the relationship of the variables in the study was tested by use of multiple regression analysis. The independent variables were tested to determine their influence on the dependent variables. The independent variables in the study were the quality service dimensions of tangibility, dependability, reliability, responsiveness, assurance and empathy. The dependent variable was the performance of pharmaceutical retail outlets

The model to be used in the analysis is expressed as follows:

$$\gamma = a + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \beta_5 x_5 + \cdots .. \mu$$

Where;

γ = Performance – customer satisfaction, growth, market share, employee satisfaction and financial performance.

$x_1 - x_5$ = Quality service delivery – tangibility, reliability, responsiveness, assurance, empathy.

β = Co-efficient which measure sensitivity of variable (Y) to the independent variables

μ = error term

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

The chapter presents analysis, findings and discussions of the study who objective was to determine the influence of quality service delivery on performance of pharmaceutical retail business in CBD of Nairobi City County, Kenya. The chapter also includes discussions based on the findings of the study.

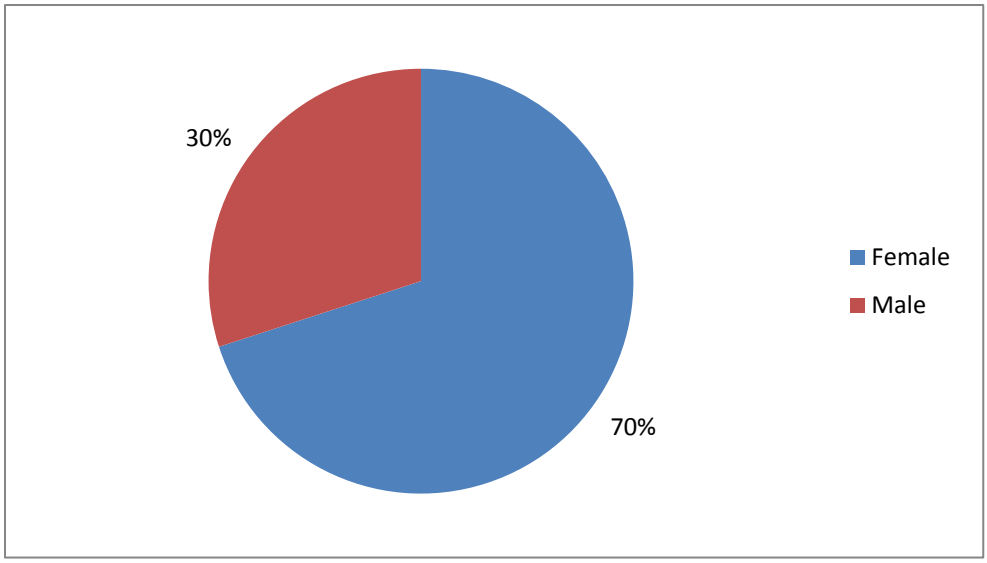
4.2 Social – Demographic Profile

Analysis of the profile was done for response rate, gender, age and education qualification for customers and entrepreneurs.

4.2.1 Response rate for customers

Questionnaires were distributed to 45 retail pharmaceutical firm at Nairobi CBD which formed the population of the study. The respondents were customers visiting the pharmaceutical outlets. Targeted respondents or the customers were determined to be 390 using Fischer's model where the population was over 10,000. Customer response rate was 257 representing 65% of the targeted respondents. The response rate was considered to be good based on Mugenda (1999) assertion that a response of 70% is excellent.

4.2.2 Gender for customers

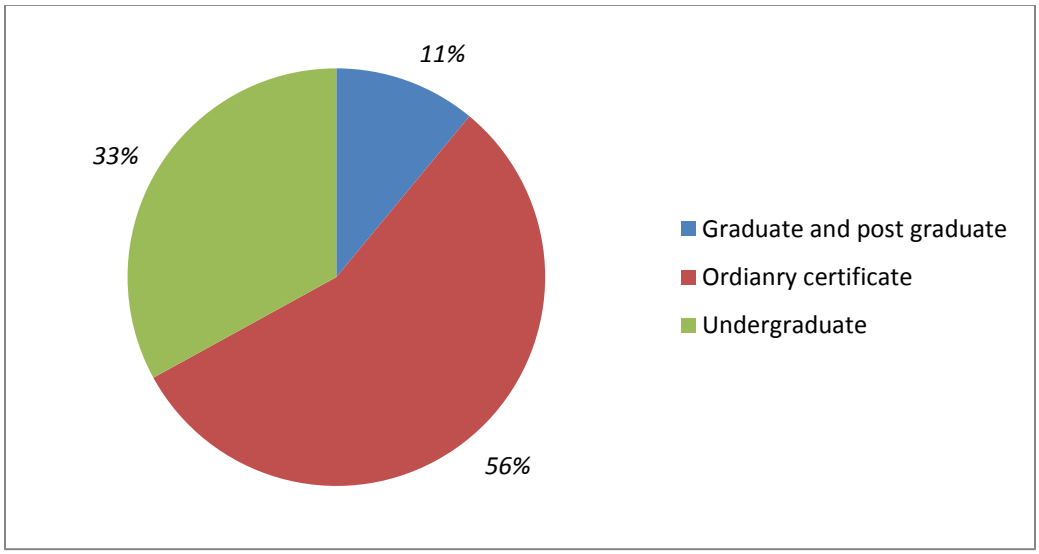


Source: Research Data (2017)

Figure4.1: Gender

Figure 4.1 presents gender for customers who were 180 females and 77 males. This indicates that 70% of the respondents were female while 30% were male.

4.2.3 Education qualification for customers



Source: Research Data (2017)

Figure 4.2 : Education qualification

Figure 4.2 presents education qualification of customers. The findings were that 145 of the respondents had ordinary level certificates (KCSE), 85 had a first degree while 27 had graduate and post graduate qualifications. Respondents with ordinary certificates represented 56%, first degree represent 33%, while graduate and post graduate represented 11% of the total respondents.

4.2.4 Response rate for entrepreneurs

Questionnaires were distributed to entrepreneurs in the 45 pharmaceutical retail outlets in CBO of Nairobi County. 41 entrepreneurs representing 90% responded to the questionnaire. The response rate was considered excellent base on Mugenda (1999) assertion that a response rate of 70% is excellent.

4.2.5 Length of time the business in operation

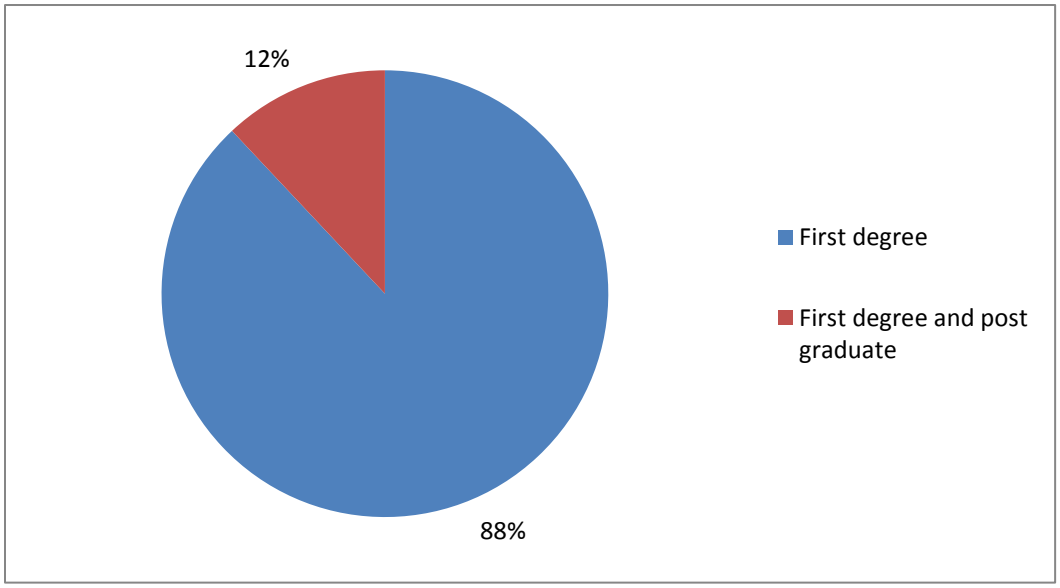
Table 4.1: Length of time in business

Length of time	Number of business	Percentage of total responses
0-5 years	6	15
6-10 years	16	39
11-15 years	10	24
Over 15 years	9	22
Total	**41**	**100**

Source: Research Data (2017)

Table 4.1 presents length of time the business has been in existence. The findings of length of time the business in operation indicated that; 0 – 5 years had 6 businesses, 6-10 years had 16 businesses, 11-15 years had 10 businesses while over 15 years had a business. The totals represent; 15%, 39%, 24% and 22% respectively.

4.2.6 Education qualifications



Source: Research Data (2017)

Figure 4.3: Education qualifications

Figure 4.3 presents education qualification. The findings were that 36 respondents had a first degree in pharmacy only, 5 respondents had a graduate and postgraduate qualification in pharmacy or business. All the respondents had a first degree in pharmacy which is a basic requirement by regulatory authorities. Respondents with first degree only represented 88% of respondents while those with first degree and post graduate qualification represented 12% of the respondents.

Table 4.2: Quality service delivery – expectation, perception and gaps score

Dimension	Statement from customers	Expectations Score (E)		Perception scores (P)		Gap scores (P-E)	
Tangibility	• Sufficient space	4.0547		4.6766		0.6219	
	• Exclusive pharmacy business	3.9801		4.5124		0.5323	
	• Clean and neat equipments	4.1294	4.0545	4.5622	4.1174	0.4328	0.0629
	• Reading material current	4.1020		4.6766		0.5744	
	• Display of licensing	4.007		4.3211		0.3141	
Reliability	• Timely delivery of service	3.8259		4.8808		1.0149	
	• First time service delivery	3.7537		4.7662		1.0124	
	• Solutions to problems	3.7388	3.8313	4.5149	4.7562	0.7761	0.9249
	• Information on quality service	3.9900		4.6781		0.8881	
	• Royal customers	3.8483		4.7811		0.9328	
Responsiveness	• Proactive in service delivery	3.8433		4.7438		0.9005	
	• Willingness to help, friendly	3.7786		4.7811		1.0025	
	• Time to listen and attend customer	3.9726	3.834	4.5787	4.6876	0.7861	0.8536
	• Welcoming and warm	3.7488		4.6866		0.9378	
	• Prompt in service delivery	3.8261		4.4681		0.6420	
Assurance	• Display of knowledge	3.9677		4.7438		0.7761	
	• Customer feel safe and secure	4.0224		4.6990		0.6766	
	• Display of necessary regulations	3.9428	3.9738			0.6020	0.5755
	• Display of confidence in work	4.0473		4.5448	4.5493	0.6965	
	• Tools and equipment	3.6029		4.0154		0.4125	
Empathy	• Dedication to customers	3.9328		4.7015		0.7687	
	• Individual attention	3.8383		4.5547		0.7164	
	• Tailor made solutions	3.9154	3.8900	4.3731	4.5841	0.4577	0.6940
	• Convenient time to customers	3.9428		4.6095		0.6667	
	• Focused attention to customers	3.8209		4.6816		0.8607	

Source: Research Data (2017)

Table 4.2 presents quality of service delivery or customer satisfaction. Customer satisfaction is the difference between perception on quality service received and expectations of the service before encounter. The difference or gap can either be positive or negative. Positive gap indicates satisfaction since the expectations are exceeded while negative gaps indicate dissatisfaction since expectations are not met. The findings of the study were that the gaps were positive. This indicates that there is quality service delivery in pharmaceutical retail outlets in CBD of Nairobi City County.

Reliability and responsiveness had the highest satisfaction with a positive gap of 0.9249 and 0.8536 respectively. Tangibility had the lowest positive gap at 0.4951 while assurance and empathy had moderate gaps of 0.5755 and 0.6940 respectively. The highest experience or perception was recorded at timely delivery of service (4.8808) and

willingness by pharmacy staff to help (4.7811). Timely delivery of services and first time delivery of service without error were the areas found to have exceeded customers' expectations and had highest positive gap in quality service delivery (1.0149l and 1.0124 respectively).

Table 4.3: Performance of pharmaceutical retails

Customer satisfaction		**Mean**	**Standard deviation**
1.	Customer increase in numbers for the pharmacy business	4.224	0.8724
2.	Existing customers buying newly introduced products from our pharmaceutical outlet	4.042	0.8551
3.	Customers referring new clients to newly introduced Pharmacy outlets	3.726	1.0571
4.	Customer satisfaction increase as indicated by reduction of customer complaints	3.513	1.0674
5.	Loyalty of existing customers by not switching to competing pharmaceutical outlets	3.627	0.524
Innovations			
6.	Introduction of new quality drugs in the market.	3.857	0.973
7.	Enhancement of existing service delivery methods in the pharmacy	3.874	0.8742
8.	Technological incorporation in delivery of service in the pharmacy	3.862	0.8762
9.	Introduction of new strategic partners to enhance organizational learning	3.000	1.2609
10.	Improvement of new methods and procedures in the pharmacy	3.413	0.652
Employee satisfaction			
11.	Reduced staff turnover	4.052	1.113
12.	Improved staff development and training	4.000	0.752
13.	Improved employee commitment	4.561	0.874
14.	Improved performance by employees	4.446	1.231
15.	Reduction of staff grievances	3.574	1.261
Organizational growth			
16.	Increase in number of branches	4.405	0.652
17.	Acquisition of business units from competitors	4.314	0.613
18.	Increase in number of business assets	4.157	0.652

19.	Increase in number of employees	3.828	1.271
20.	Introduction of new products	3.641	0.947
Market share			
21.	Growth in market share	4.686	0.872
22.	Increase in distribution channels	4.017	0.907
23.	Opening of new market territories	3.285	0.733
24.	New agency business from manufacturers or distributors	3.174	0.844
25.	New product lines growth	3.145	0.775
Financial performance			
26.	Return on sales (Profit / total sales)	3.754	0.724
27.	Return on assets (Profit / Total Assets)	3.621	0.625
28.	General profitability of the firm / sales growth	4.262	0.921
29.	Cash flow excluding investments	3.722	0.722
30.	Financial risk position	3.007	0.471

Source: Research Data (2017)

Table 4.3 presents that pharmaceutical retail outlets experienced a high increase in number of customers which is attributed to customer satisfaction (M=4.224). This can also be explained by existing customers buying newly introduced products by pharmaceutical outlets (M=4.042). Customer introducing new customers is moderately high (M=3.726). Customer satisfaction and customer loyalty are moderately high (M=3.513; and 3.627). Customer satisfaction has a high standard deviation because of inconsistent behavioural tendency on satisfaction by customers. Low standard deviation on loyalty (s.d = 0.524) reflects steady state attained by customers once satisfied with a service.

Innovation was found to have moderately high performance. Pharmaceutical outlets were found to introduce new pharmaceutical products and were continuously improving service delivery methods (M=3.857; and M=3.874 respectively). Technological incorporations in pharmaceutical retails was moderately high (M=3.862). The outlets were found to have adopted e-commerce, online selling and social media to advertise their products. Strategic alliances were found to be low (M=3.000) with most of the outlets working as stand-alone business models. The alliance were however noted with suppliers, distributors and regulatory authorities. The standard deviation for strategic alliances is high (Sd=1.2609) indicating instability with strategic partners.

Pharmaceutical outlets were found to be continuously improving their methods and procedures (M=3.413).

Employee satisfaction elements of high: reduced staff turnover, training and development, employee commitment; and performance were noted to have a high performance (M=4.052; M=4.000; M=4.0561; M=4.446 respectively).This indicates that pharmaceutical retail outlets attach high value to human resource capital. Employee grievance were noted to be moderately high (M=3.574). Organisational growth in perspectives of; number of branches, acquisitions and, business assets were found to have a high performance (M=4.405; M=4.314; M=4.157 respectively). The standard deviations were noted to be low which can be explained by their fixed nature (Sd=0.652; Sd=-.613; Sd=0.652 respectively). Number of employee and introduction of new products were moderately high and high standard deviation (M=3.828; and 3.641 respectively; Sd=1.271; and 0.947).

Market share components of; growth and increase in distribution channels were found to have a high performance (M=4.686; and 4.107 respectively) Standard deviations are moderately high owing to unpredictable behaviour of competitors (Sd=0.872; and Sd=0.907 respectively). New market territories, new agency business and new products line growth had moderately low performance (M=3.285; M=3.174; and 3.145 respectively). Financial performance was high with elements of ROI, ROA and general profitability and cash flow indicating high performance (M=3.754; M=3.621; M=4.262; M=4.262 respectively) financial risk was low (M=3.007).

4.5 Regression equation

The multiple regression equation that was used in the study was:

$$\gamma = a + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \beta_5 x_5 + \ldots\ldots\ldots\mu$$

Pharmaceutical retail outlets performance had components of non-financial and financial performance. Balance score card model (Kaplan and Norton, 1992) was applied for non-financial predictors which included; customer satisfaction, innovations, employee

satisfaction, organisation growth and market share. Performance analysis was separately done for non-financial and financial performance.

The following table provides coefficients which helps in establishing regression or relationship between non-financial performance and customer service delivery.

Table 4.4: Coefficients

Model	**Unstandardized coefficients**		**Standardised coefficients**		
	β	**Std – error**	**Beta**	**t**	**Sig.**
(Constant)	0.187	0.239		0.773	000
Tangibility	0.674	0.143	0.470	4.266	0.003
Reliability	0.784	0.140	0.682	4.593	0.004
Responsiveness	0.726	0.143	0.519	4.764	0.002
Assurance	0.571	0.113	0.467	4.320	0.003
Empathy	0.605	0.155	0.596	3.991	0.001

Source: Research Data (2017)

Table 4.4 presents the established regression equation which was;

$\gamma = 0.187 + 0.674x_1 + 0.784x_2 + 0.726x_3 + 0.571x_4 + 0.605x_5$

The analysis was taken at 5% significance level. The predictors were determined to be significant because their value was less than α value of 0.05. From the established multiple regression equation reliability and assurance had more influence (β = 0.784; and β = 0.726 respectively). Tangibility and empathy had responsiveness moderately high influence (β = 0.674; and 0.605 respectively) while responsiveness had least influence on non-financial performance (β = 0.571).

Financial performance analysis involved regression of financial measures against service delivery.

Table 4.5: Quality service delivery and ROI

Model summary						
R	**R square**	**Adjusted R square**	**Standard error of estimate**	**Change statistics**		
				R-square change	**F change**	**Sig. change**
0.28	**0.07**	**-0.57**	**0.64**	**0.07**	**0.612**	**0.619**
a – predictors – tangibility, reliability, responsiveness, assurance, empathy b – Dependent variable – Return on Investments (ROI)						

Coefficients							
Model	**Unstandardized coefficients**		**Standardised coefficients**			**Collinearity statistics**	
	β	**Std – error**	**Beta**	**t**	**Sig.**	**Tolerance**	**VIF**
Constant	0.045	0.137		0.361	0.723		
Tangibility	-0.056	0.131	-0.066	-0.251	0.813	0.624	1.591
Reliability	-0.242	0.228	-0.322	-1.059	0.321	0.327	3.059
Responsiveness	-0.057	0.267	-0.321	-0.133	0.342	0.314	3.112
Assurance	0.242	0.331	-0.102	-0.221	0.192	0.331	2.871
Empathy	-0.272	0.212	-0.113	-1.35	0.017	0.422	3.114
Dependent variable: Return on Investment							

Source: Research Data (2017)

Table 4.5 presents the coefficient of determination (R^2) of quality service delivery and ROI was 0.07. This means that 7% of variations in ROI is explained by quality service delivery. The coefficients or β of components of quality service delivery were insignificant, meaning that none of the independent variable explains variation in ROI.

Table 4.6: Quality service delivery and Return on Assets

Model summary						
R	**R square**	**Adjusted R square**	**Standard error of estimate**	**Change statistics**		
				R-square change	**F change**	**Sig. change**
0.192	0.053	-0.03	0.521	0.053	0.606	0.003
a – predictors – tangibility, reliability, responsiveness, assurance, empathy b – Dependent variable – Return on Assets (ROA)						

Coefficients							
Model	**Unstandardized coefficients**		**Standardised coefficients**			**Collinearity statistics**	
	β	**Std – error**	**Beta**	**t**	**Sig.**	**Tolerance**	**VIF**
Constant	-0.032	-0.072		0.422	0.526		
Tangibility	-0.287	0.122	-0.061	-0.944	0.083	0.624	1.591
Reliability	-0.56	0.187	-0.311	-0.923	0.75	0.327	3.059
Responsiveness	-0.049	0.200	-0.291	-0.292	0.302	0.314	3.112
Assurance	0.044	0.211	-0.009	-0.211	0.827	0.331	2.871
Empathy	-0.213	0.197	-0.222	-0.222	0.421	0.422	3.114
Dependent variable: Return on Assets (ROA)							

Source: Research Data (2017)

Table 4.6 presents the coefficient of determination (R^2) of quality service delivery and ROA was 0.053. This means that 5.3% of variations in ROA are explained by quality service delivery. The coefficients of quality service delivery except for assurance (0.044) were insignificant in explaining variations in ROA.

Table 4.7: Quality service delivery and general profitability

Model summary						
R	**R square**	**Adjusted R square**	**Standard error of estimate**	**Change statistics**		
				R-square change	**F change**	**Sig. change**
0.485	0.290	0.124	0.4234	0.290	0.260	0.003
a – predictors – tangibility, reliability, responsiveness, assurance, empathy b – Dependent variable – General profitability						

Coefficients							
Model	**Unstandardized coefficients**		**Standardised coefficients**			**Collinearity statistics**	
	β	**Std – error**	**Beta**	**t**	**Sig.**	**Tolerance**	**VIF**
Constant	-0.084	0.091		-0.942	0.359		
Tangibility	-0.086	-0.743	-0.864	-0.024	0.324	0.627	1.591
Reliability	0.296	0.091	0.163	1.244	0.041	0.327	3.059
Responsiveness	-0.060	-0.691	-0.813	-0.423	0.083	0.321	3.112
Assurance	-0.075	-0.700	-0.860	-0.264	0.754	0.337	2.811
Empathy	-0.196	0.161	0.194	1.841	0.083	0.426	3.114
Dependent variable: General profitability							

Source: Research Data (2017)

Table 4.7 presents the coefficient of determination (R^2) of quality service delivery and general profitability was 0.29. This implies that 29% of the general profitability is explained by quality service delivery. The coefficients of reliability and empathy are positive (β= 0.296; and β = 0.196 respectively). Other components of quality service delivery were insignificant in explaining general profitability.

Table 4.8: Quality service delivery and cash flow excluding investment

Model summary						
R	**R square**	**Adjusted R square**	**Standard error of estimate**	**Change statistics**		
				R-square change	**F change**	**Sig. change**
0.274	0.367	0.242	0.446			
a – predictors – tangibility, reliability, responsiveness, assurance, empathy b – Dependent variable – Cash flow excluding investment						

Coefficients							
Model	**Unstandardized coefficients**		**Standardised coefficients**			**Collinearity statistics**	
	β	**Std – error**	**Beta**	**t**	**Sig.**	**Tolerance**	**VIF**
Constant	0.341	0.092		0.647	0.024		
Tangibility	0.469	0.072	0.543	0.514	0.027	0.624	1.591
Reliability	0.427	0.124	0.611	0.622	0.032	0.327	3.059
Responsiveness	0.274	0.188	0.841	0.321	0.021	0.314	3.112
Assurance	0.383	0.200	0.362	0.343	0.0316	0.331	2.871
Empathy	0.372	0.164	0.422	0.321	0.033	0.422	3.114
Dependent variable: cash flow excluding investment							

Source: Research Data (2017)

Table 4.8 presents the coefficient of determination (R^2) of quality service delivery and cash flow excluding investment is 0.367. This implies that 36.7% of variations in cash flow excluding investment is explained by quality service delivery. The coefficients of the predictors are positive indicating a strong positive relationship between quality service delivery and cash flow excluding investments.

Table 4.9: Quality service delivery and financial risk

Model summary						
R	**R square**	**Adjusted R square**	**Standard error of estimate**	**Change statistics**		
				R-square change	**F change**	**Sig. change**
0.165	0.031	0.09	0.421	0.031	0.324	1.621
a – predictors – tangibility, reliability, responsiveness, assurance, empathy b – Dependent variable – Financial risk						

Coefficients							
Model	**Unstandardized coefficients**		**Standardised coefficients**			**Collinearity statistics**	
	β	**Std – error**	**Beta**	**t**	**Sig.**	**Tolerance**	**VIF**
Constant	-0.074	0.087		0.684	0.031		
Tangibility	-0.060	-0.742	-0.162	-0.424	0.327	0.624	1.591
Reliability	-0.074	-0.697	-0.091	-0.083	0.083	0.327	3.059
Responsiveness	-0.196	-0.091	-0.117	-0.086	0.075	0.314	3.112
Assurance	-0.199	-0.760	-0.181	-0.194	0.084	0.331	2.871
Empathy	-0.075	-0.841	-0.221	-0.172	0.092	0.422	3.114
Dependent variable: Financial risk							

Source: Research Data (2017)

Table 4.9 presents the coefficient of determination (R^2) of quality service delivery and financial risk is 0.031. This was that 3.1% of financial risk is explained by quality service delivery have insignificant relationship with financial risk and their $\beta > 0.05$.

4.6 Discussion of Results

The study's objective was to determine the influence of quality service delivery on performance of pharmaceutical retail businesses in CBD of Nairobi City County, Kenya. From the findings, quality service delivery dimensions were found to have significance influence on pharmaceutical outlets performance based on their mean score, analysis through multi-regression and inferential statistics. Kaplan & Norton (1992) model which incorporates both non-financial and financial measure provided the framework of performance of the targeted pharmacies.

A significant relationship was found to exist between quality service delivery dimensions of; tangibility, reliability, responsiveness, assurance and empathy, and non-financial dimensions of; customer satisfaction, innovations, employee satisfaction, organisational growth and market share. Quality service delivery was determined through gap scores derived from the difference between quality perception and quality expectations. Reliability and responsiveness dimensions of quality service delivery were found to have the highest satisfaction from the respondents, since they had the highest positive quality gaps. This is explained by customer's expectations of pharmaceutical to consistently offer same or improved level of quality service. Responsiveness provides satisfaction to customers who look forward for care, empathy and attention from pharmaceutical out lets. The gaps for tangibility and empathy are moderately indicating that customers are satisfied with outlets which are spacious, clean and exclusively deals with pharmaceutical works. Empathising makes the customer feel wanted and cared hence satisfaction

Relationship between quality service delivery and financial performance was found to be weak. Quality service delivery was found to have low explanatory power to variations of ROI, ROA and financial risk. However, it was found to exhibit strong explanatory power on cash flow excluding investment and moderate explanatory power on general profitability. This can be explained by the direct impact which satisfied customers have on sales and hence cash flow.

The study was found to have significant relationship with theoretical foundations used. Cognitive dissonance theory (CDT) and Expectance disinformation theory (EDT) were found to be appropriate in the establishment of customer service delivery. Both theories use expectation and perception in arriving at satisfaction level. This is similar to quality service gaps in table 4.2in the study. The study found relevance of roadside and pedestal concepts cite by Pambel (2013) whereby location was found to play a critical role in increasing customers' footfall.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter presents summary, conclusion and recommendations regarding the study's findings. Limitations of the study and implications for practice and policy also form part of the chapter. The chapter is aligned to the objectives of the study which is to establish the influence of quality service delivery on performance of pharmaceutical retail businesses in CBD of Nairobi City County.

5.2 Summary of the Study

The findings of the study were that pharmaceutical retail outlets in CBD of Nairobi City County, Kenya, adopt quality service delivery as a strategy of differentiation and improving business performance. Roadside accessibility and pedestral accessibility factors identified in the study leads to congregation of pharmaceutical firms in defined locations to increase footfall. Roadside and pedestral factors contribute to direct competition of pharmaceutical outlets which are located adjustment to each other. Quality service delivery therefore becomes an effective strategy of growing, attracting and maintaining long term relationship with customers, leading to competitive advantage and improved performance.

The study adopted balanced score card (Kaplan & Norton, 1992) to measure performance. Balance score card allows for non-financial and financial measures. Financial performance indicators emphasises on the bottom line of the organisation at the expense of processes and systems followed in arriving at the bottom line. Non-finance performance indicators offer more insight on performance by recognising stakeholders, process and systems. Non-financial performance indicators indirectly contribute to the bottom line. Quality service delivery which has strong influence on non-financial performance would therefore be described to influence performance of pharmaceutical retail outlets in Nairobi City County, CBD.

5.3 Conclusion of the Study

From the findings of the study, it can be concluded that pharmaceutical retail business in Nairobi City County CBD need to adopt quality service delivery for enhancing business performance and survival. Quality service delivery dimensions need to be put into considerations because they have different influence on performance and yield different levels of customer satisfaction through service gap analysis. Reliability and responsiveness were found to be key areas of quality service close to the hearts of the customers. Entrepreneurs also need to enhance other dimension of quality service delivery to ensure that customers get maximum satisfaction from the pharmacies.

Pharmaceutical retail outlets need to observe compliance with regulatory, professional bodies and global standards in their operations. The various regulatory bodies are formed by Acts of parliament to ensure protection of end consumers and smooth operations of pharmaceutical sector. The Acts include; Pharmacy and Poisons Act; Industrial Property Act; Anti-counterfeit Act and Kenya Public Procurement and Disposal Act. Network collaboration with stakeholders is required for seamless operations and profitability. The stakeholders includes; manufactures, suppliers, distributors and customers.

5.4 Limitations of the Study

The study on quality service delivery focused only on pharmaceutical retail outlet in CBD of Nairobi City County. Findings of the study may lack generality to other similar businesses outside the area of study. The respondents who were visiting pharmacies at the time of answering the questionnaire had emotional imbalance out of illness that required purchase of medicine. This explains the large number of unanswered questionnaires. The businesses ate privately owned with entrepreneurs being the sole proprietors. Entrepreneurs had difficult in providing financial performance information on their business despite the assurance given by the researcher than its purely for academic work.

The study was carried out in Kenya which is classified by WHO (2010) to be in the lower bracket where medical infrastructure is not well developed. Similar studies need to be undertaken in countries with well-developed medical infrastructure for purpose of benchmarking. Time constraints was a limiting factor to the researcher and respondents. The researcher who was an employee was forced to balance between demands of that

study and those of the employer. Equally entrepreneurs with constrained time were forced to delegate the task of answering the questionnaire to their senior managers who were over-cautious when providing information.

5.5 Implication on Policy and Practice

Implications of the findings are wide to practitioners and policy developers. Entrepreneurs will operationalize the findings in context of their businesses in order to enhance performance. Practitioners need to compare the findings with other ones done globally and establish applicable benchmarks. Quality service delivery need to be embraced by practitioners in pharmacies for them to stem negative implications arising from roadside and pedestral accessibility factors. Policies developers will use the findings of the study to develop a guiding framework on customer service delivery in pharmaceutical outlets.

The framework will provide expected service standards to be observed by all practitioners in the industry. The framework will be used by the pharmacists in developing best practices in pharmaceutical retail. Pharmacy and Poisons Board (PPB) will develop policies on quality service delivery in addition to the technical policies to ensure that the end user gets quality service in line with WHO policy.

5.6 Suggestions for Further Research

Further research is recommended by replicating the research in other areas outside Kenya and in other sectors of the economy like manufacturing, banking and agriculture. Replicating the research will reduce biasness and errors associated with cross sectional research. Generalisation on the influence of quality service delivery on performance would henceforth be assumed once the study is replicated in all sectors.

The insignificant relationship between quality service delivery and financial performance requires further research. Since quality service delivery indirectly contributes to the bottom line, the weak relationship is a paradox which requires further enquiry. Entrepreneurs as proprietors of business needs to be researched on their perception of quality service delivery largely success in an organisation largely depends on support of senior management.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

UNIVERSITY OF NAIROBI
COLLEGE OF HUMANITIES & SOCIAL SCIENCES
SCHOOL OF BUSINESS

Telephone: 4184160-5 Ext 215
Telegrams: "Varsity" Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, KENYA

24 October 2017

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

INTRODUCTORY LETTER FOR RESEARCH
RAEL IRUNGU– REGISTRATION NO. D66/81265/2015

This is to confirm that the above named is a bona fide student in the Master of Science in Entrepreneurship and Innovations Management (Msc. Entrepreneurship & Innovations Management) option degree program in this University. She is conducting research on ***"Perceived Quality Service Delivery and Performance of Pharmaceutical Retail Business in CBD of Nairobi City County, Kenya".***

The purpose of this letter is to kindly request you to assist and facilitate the student with necessary data which forms an integral part of the research project. The information and data required is needed for academic purposes only and will be treated in **Strict-Confidence**.

Your co-operation will be highly appreciated.

Thank you.

Graduate Studies Office
P.O. Box 30197
NAIROBI

Jane Muturi
For: Msc. Entrepreneurship and Innovations Management Co-Ordinator,
School of Business

JK/nwk

APPENDIX II: CUSTOMERS' QUESTIONNAIRE

Dear participant,

I am currently undertaking an academic research project on quality service delivery and performance of pharmaceutical retail business in Nairobi City County, CBD. Your response is requested to make the research project a success. Information from this questionnaire will be accorded utmost confidentiality and will solely be used for the purposes of this study.

Section A: Profile of the respondent

1. Gender

   Male [ ] Female [ ]

2. Age

   8 – 25 years [ ] 35 –50 years [ ]

   26 – 35 years [ ] Over 50 years [ ]

3. Education qualification

   Ordinary level (KCSE) [ ] Graduate [ ]

   Under graduate [ ] Post graduate [ ]

   Others (specify)_____

Section B: Customer expectation and perception on quality service delivery

On a scale of 1 – 5 please indicate in the table provided the degree to which each of the following statements on expectation and perception on quality service delivery from this pharmacy clearly fits you.

Expectation on quality service delivery is the service you anticipated before visiting the pharmacy. Perception is the real quality service you have received and experienced after visiting the pharmacy.

Tick (√) as appropriate where represent is as follows;

(1) Very dissatisfied, (2) Dissatisfied, (3) Somehow satisfied, (4) Satisfied (5) Very satisfied.

Dimensions of service		**EXPECTATIONS (before visit) What is your satisfaction with this quality dimension**					**PERCEPTION (after visit) What is your satisfaction with this quality dimension**				
Tangibility		**1**	**2**	**3**	**4**	**5**	**1**	**2**	**3**	**4**	**5**
1	The premises have sufficient space and there is no overcrowding by customers										
2	The premises is exclusively for pharmacy Work and doesn't house other non-pharmaceutical business										
3	There are clean and neat equipment which are used in medicine dispensing										
4	Brochures and other reading materials for customers are clean, current, well arranged and relevant to pharmaceutical field										
5	The pharmacy clearly and openly display the licensing to give confidence to the customers regarding statutory compliance										

Reliability												
6	The pharmacy timely delivers services without delays											
7	The pharmacy service are offered at a first time without errors or confusion											
8	The pharmacy offers solutions to customers' problems by displaying focus and interest on their needs											
9	Customers are informed in advance about the quality of services they expect from the pharmacy											
10	The pharmacy is reliable and has loyal or repeat customers											
Responsiveness												
11	Pharmacy employees are pro-active in delivering the services											
12	Pharmacy employees display willingness to help and are friendly											
13	The pharmacy staff create time to listen and attend customer questions and enquiries											
14	The pharmacy staff are welcoming and makes customers feel wanted											
15	The pharmacy staff are prompt in delivery of services											
Assurance												
16	Pharmacy staff display adequate and in-depth knowledge when answering customers questions											
17	Customers feel safe and secure in the hands of staff delivering service in the pharmacy											

18	Pharmacy displays openly registrations with government and professional bodies as a way of giving assurance										
19	The pharmacy staff displays confidence in their work thereby creating assurance to customers										
20	The pharmacy has tools and equipment which make customers have assurance on its ability.										
Empathy											
21	The pharmacy employees are dedicated to their work and have Customers interest at heart										
22	The pharmacy staff offer Individualised attention and focus when attending customers										
23	The pharmacy staff discern individual specific needs and offers tailor made solutions										
24	The pharmacy created convenient hours which accommodates different time schedules for customers										
25	The pharmacy staff provides focus and Attention to customers in order to understand their needs										

APPENDIX III: ENTREPRENEUR'S QUESTIONNAIRE

Dear participant,

I am currently undertaking an academic research project on quality service delivery and performance of pharmaceutical retail business in Nairobi City County, CBD. Your response is requested to make the research project a success. Information from this questionnaire will be accorded utmost confidentiality and will strictly be used for the purposes of this study only.

Section A: Profile of the respondent

1. Gender

   Male [ ] Female [ ]

2. How long has your business in operations?

   0 – 5 years [ ] 11 – 15 years [ ]

   6 – 10 years [ ] Over 15 years [ ]

3. Indicate the highest level of education and training attained_____

   On a scale of 1 – 5 please indicate in the level of achievement on the following levels of performance or success indicators in your organisation for the last three years compared to previous years.

   Tick (√) as appropriate where represent is as follows;

   (1) Not at all successful, (2) To a small extent successful, (3) To some extent successful, (4) To a large extent successful and (5) To a very large extent successful

NON-FINANCIAL PERFORMANCE		1	2	3	4	5
Customer satisfaction						
1.	Customer increase in numbers for the pharmacy business					
2.	Existing customers buying newly introduced products from our pharmaceutical outlet					
3.	Customers referring new clients to newly introduced Pharmacy outlets					
4.	Customer satisfaction increase as indicated by reduction of customer complaints.					
5.	Loyalty of existing customers by not switching to competing pharmaceutical outlets					
Innovations						
6.	Introduction of new quality drugs in the market.					
7.	Enhancement of existing service delivery methods in the pharmacy					
8.	Technological incorporation in delivery of service in the pharmacy					
9.	Introduction of new strategic partners to enhance organizational learning					
10.	Improvement of new methods and procedures in the pharmacy					
Employee satisfaction						
11.	Reduced staff turnover					
12.	Improved staff development and training					
13.	Improved employee commitment					
14.	Improved performance by employees					
15.	Reduction of staff grievances					
Organizational growth						
16.	Increase in number of branches					

17.	Acquisition of business units from competitors					
18.	Increase in number of business assets					
19.	Increase in number of employees					
20.	Introduction of new products					
Market share						
21.	Growth in market share					
22.	Increase in distribution channels					
23.	Opening of new market territories					
24.	New agency business from manufacturers or distributors					
25.	New product lines growth					
Financial performance						
26.	Return on sales (Profit / total sales)					
27.	Return on assets (Profit / Total Assets)					
28.	General profitability of the firm / sales growth					
29.	Cash flow excluding investments					
30.	Financial risk position					

APPENDIX IV: LIST OF REGISTERED RETAIL PHARMACEUTICAL BUSINESSES IN CBD NAIROBI CITY COUNTY, KENYA

1.	Dischem Pharmacie
2.	The New Lemuma
3.	Maubu Pharmacy
4.	KAM Pharmacy
5.	Lytons Pharmacy
6.	Haripharm Pharmacy
7.	Kavakava Pharmacy Ltd
8.	Eltons Pharmacy EC Ltd
9.	Transchem Pharmacy
10.	Easton Pharmacy
11.	Maendeleo Pharmacy
12.	Mumbi House Chemist
13.	Salama Pharmaceuticals
14.	Northern Pharmacy
15.	Krishna Chemist
16.	Nila Pharmacy Ltd
17.	Inkamed Pharmaceuticals
18.	Portal Pharmacy
19.	Theluji Chemist
20.	Range Chem Pharmaceuticals
21.	Rosegate Pharmacy
22.	Haltons Pharmacy
23.	Goodlife
24.	City Square Pharmacy
25.	Alfajiri Chemist
26.	Jacaranda Chemists
27.	Cedar Pharma Care Ltd
28.	Pentapham Ltd
29.	Wellmep Pharmaceuticals
30.	Pharmatrade Pharmacy
31.	Superdrug Pharmacy
32.	Damco Pharmacier Ltd
33.	Nickpharm Ltd
34.	Pentapharm Ltd
35.	Belea Pharmacy Ltd
36.	Flame Tree Pharmacy Ltd
37.	Lens Pharmacy
38.	Racmes Pharmacy Ltd
39.	Weston Pharmacy Ltd
40.	Zenamed Pharmaceuticals Ltd
41.	Southlands Pharmaceuticals
42.	Danchem Pharmacy Ltd
43.	Dapco Pharmaceuticals Ltd
44.	Vidonge Pharmacy
45.	Mzima Pharmacy

Source: Pharmacy and Poisons Board, 2017