

Dyadic Business Relationships Within B2B Services in Developing Countries Lessons from the Pharmaceutical Distribution Sector in Vietnam

Purpose of the paper

The purpose of this study is to explore the real nature and peculiarities of dyadic business relationships within the B2B services network context of a developing economy (Awan, 2008; Biggemann and Fam, 2011; Dang and Cliquet, 2012; Dinh and Pickler, 2012; Lee and Dawes, 2005; Liu et al., 2008).

We selected the pharmaceutical distribution sector in Vietnam as our main field of investigation –taking into consideration the complex structure of relationships within the sector, the involving nature of exchanges that have a direct impact on human health, and the cultural dimensions of the service business context (Håkansson et al., 2004; Lee and Dawes, 2005; Liu et al., 2008).

Expectations of retailers (pharmacists) towards their suppliers were investigated in order to identify the main drivers of their satisfaction, and in order to analyze the current nature of buyer-seller relationships in a developing country (Andersen et al., 2008; Churchill and Surprenant, 1982; Parasuraman et al., 1985; Parasuraman et al., 1988; Seiders et al., 2005).

Keywords

Customer satisfaction, Supplier-retailer relationships, B2B service networks analysis, Pharmaceutical distribution, Vietnam

Introduction

Both practitioners and academics agree that customer satisfaction results in customer behavioral patterns that positively affect business performance (Dinh and Pickler, 2012; Keiningham et al., 2003).

Increased customer satisfaction usually results in higher customer retention, strengthens customer loyalty, increases customer repeated purchase behavior, and leads to higher sales and higher profitability levels (Anderson, 1996; Bearden and Teel, 1983; Bernhardt et al., 2000; Fornell et al., 2006; Heskett et al., 1994).

Customer satisfaction also results in cost savings in promotion, an upgraded reputation and differentiation of the firm, and increases employee motivation and retention (Hansemark and Albinson, 2004; Luo and Homburg, 2007; Reichheld, 2001).

This being said, customer satisfaction in B2B services still needs to be further investigated – especially in the spreading research field of business marketing in the BRICS and other emerging markets.

In our current research, we take advantage of privileged access to information on the Vietnamese pharmaceutical distribution sector to emphasize some interesting results related to the B2B service marketing field - taking into consideration the complex structure of relationships within the sector, the involving nature of exchanges that have a direct impact on human health, and the cultural dimensions of the business context (Håkansson et al., 2004; Lee and Dawes, 2005; Liu et al., 2008).

Structure of the pharmaceutical business-related value chain in Vietnam

Vietnam is a very interesting country to study in many respects. Vietnam's population is already very large but still growing fast. From 89 million in 2011, the whole country population has almost reached the 100 million mark today (World Bank Report, 2022). As a developing economy in Southeast Asia, the nation has been rising as a leading agricultural exporter and an attractive foreign investment destination. This being said, manufacturing, information technology and high-tech industries constitute a fast growing part of the economy. Vietnam is also one of the largest oil producers in the region. Vietnam GDP growth rate Vietnam GDP growth rate averaged almost 6.5% from 2000 until 2023, reaching an all-time high of 13.7% in the third quarter of 2022 (Trading Economics, 2023).

In the specific context of the pharmaceutical industry, Vietnam has recently been ranked as the most attractive and highest growing market within a pool of 17 emerging countries. The Vietnamese pharmaceutical market is indeed not only experiencing rapid but also stable growth, rising from \$2 billion to nearly \$7 billion in market value from 2012 to 2022 and is further anticipated to grow at 8.2% per year until 2028.

Vietnam has made considerable progress in improving its healthcare system. The country's investments in healthcare institutions, hospitals, clinics, and medical centers have increased access to healthcare services throughout the country. This improved access to healthcare has had a positive effect on the pharmaceutical market, as patients are now able to seek medical advice and get prescriptions more easily (TechSci Research, 2023).

The government has made several initiatives and policies, which provide a roadmap for the growth and development of the pharmaceutical sector. It has also taken steps to promote domestic drug production, decrease dependency on imports, and support research and development, which have created the right conditions for pharmaceutical companies to flourish.

The Vietnam Drug Administration (VDA) on behalf of the Ministry of Health controls all the drugs selling process at a national level but regional health bodies are in charge at a city or province level. Health Insurers usually refund 80% of the total drug final cost for people who are covered by an insurance company. In order to limit the amount to be paid, health insurers issue a limited list of reimbursed drugs.

In this context, retailers (pharmacists) are among the most important service players within the industry value chain –where many stakeholders take part in the whole production-supply-distribution-retail economic system (*see figure 1 hereafter*)- providing access, information and services to the Vietnamese customers and patients (Pham, 2008).

Please, insert figure 1 here

Research objectives

In the peculiar national, legal, socio-cultural and structural context of the Vietnamese pharmaceutical distribution sector, the aims of our study are threefold:

1. Explore the main drivers of retailers (pharmacists) expectations towards their suppliers.

2. Define the factors shaping their satisfaction and measure correlations between these key drivers and their overall satisfaction.
3. Measure the current satisfaction level of retailers towards their suppliers in the specific Vietnamese B2B pharmaceutical context and explore the peculiarities of business relationships within B2B markets in a developing country.

Research methods and findings

Extent literature review on B2B customer satisfaction

We first conducted an extent literature review on factors influencing customer satisfaction on B2B markets emphasizing several important dimensions that were purely transactional on one side and mainly relational on the other (Anderson, 1998; Andreasen and Best, 1977; Awan, 2008; Bontis et al. 2007; Carter, 2000; Churchill and Surprenant, 1982; Conklin et al., 2004; Forza and Filippini, 1998; Gaiardelli et al., 2007; Han and Chen, 2007; Homburg and Rudolph, 2001; Jones and Suh, 2000; Juga et al., 2012; Kano et al., 1984; Leelakulthanit and Hongcharu, 2011; Oakley, 2012; Oliver, 1993a, 1993b; Parasuraman et al., 1988; Sudaraman et al., 1998; Tang, 2010; Yi, 1990; Zairi et al., 1994).

Qualitative research

A qualitative study was then conducted in order to determine -among all the identified factors in our literature review- the ones that were significantly affecting the satisfaction of retailers towards their pharmaceutical suppliers.

Two focus groups and six in-depth interviews led us to identify 23 key attributes (*see table 1 hereafter*) as the main factors shaping retailers' satisfaction towards their suppliers in Vietnam.

Please, insert table 1 here

Quantitative research

In the next stage of our research, we conducted a quantitative survey in order to identify the significance of each of these 23 key attributes and to assess the average satisfaction level of retailers for each of them.

Questionnaires were collected among 130 retail pharmacies selected on a convenience basis in Ho Chi Minh City. Ho Chi Minh City is the biggest social and economic center of Vietnam with over 9 million inhabitants, accounting for more than 40% of the total number of pharmacies in Vietnam (Ho Chi Minh City Health Service Report, 2022). Today, independent pharmacies dominate the pharmacy channel landscape in Vietnam. This channel remains highly fragmented and traditional, with more than 22,000 licensed pharmacies throughout the country.

With high waiting time in public hospitals, pharmacies are very often the first point of service and care to obtain information on treatment options and to buy medications.

Our factor analysis indicated that the satisfaction score of pharmacists towards pharmaceutical distributors in Ho Chi Minh City was a rather "poor" average of 5.6/10.00. We also took advantage of our research at that stage to emphasize the five most important gaps between the pharmacists' expectations and the actual level of services provided by their suppliers that should be filled in:

1. Price levels,
2. On-time delivery of information and marketing support,
3. Medical representative's regular visits,
4. Medical representatives with good technical knowledge of their products,
5. Various attractive promotional tools and CRM techniques offered by the suppliers.

Derived from our empirical dataset, a factor analysis then encapsulated the above-mentioned 23 key attributes into five main dimensions:

1. Suppliers' response and commitment to retailers' requests,
2. Product quality,
3. Price levels,
4. Service quality and supplier's reputation,
5. Promotional / customer-oriented relationship management activities.

Our factor analysis also indicated that all five factors have a significant impact on the retailers' satisfaction. When presented in rank order, factors that impact the retailers' satisfaction in Vietnam are nevertheless mainly transactional.

For the moment at least, relational dimensions (supplier's commitment and response to the retailers' requests for example) are not given the priority over pure transactional elements (reasonable price levels for example) among Vietnamese pharmacists.

Managerial implications

On a managerial level, our research may help pharmaceutical suppliers in Vietnam to focus on the main satisfaction drivers for their customers. They can then try to narrow the identified gaps between expected and provided services for establishing privileged and trustworthy long-term customer-oriented relationships and exchanges leading to improved retailer satisfaction, trust and loyalty (Bitner and Zeithaml, 2001; Cater, 2007). Vietnamese pharmaceutical suppliers may not have the financial and technical means to improve all the requested drivers of the retailers' satisfaction at the same time.

As a consequence, our research clearly prioritizes efforts that can be managed among the identified drivers of satisfaction.

According to the results of our factor analysis, professional (transactional) management of price levels is the most important driver of retailer's satisfaction in the country. Aside from a purely transactional form of B2B exchanges (service affordability and guaranteed price levels), a more relational-grounded orientation would be welcome since retailers seem to be willing to pay more for a faster, more reliable delivery process of supply - especially in the case of medical urgency.

Promptness and reliability left aside, service quality is another important driver of retailers' satisfaction. As a consequence, suppliers should put a greater emphasis on:

- Improving their medical representatives' communication skills (relational),
- Increasing the frequency of customer visits (relational),
- Providing more scientific information on molecules and a better marketing support for their customers (relational),
- Improving after-sales services and merchandizing activities such as lighted boards, counters management techniques, banners, etc. (relational).

Academic contribution and conclusions

Our study explored expectations of pharmacists in Vietnam and identified factors shaping their satisfaction towards their suppliers. It also determined the respective levels of these identified factors. The research measured the current satisfaction level of pharmacists in Ho Chi Minh City towards pharmaceutical suppliers. 23 key attributes were found, which were then synthesized in five main dimensions: product quality, price levels, service quality, reputation of the firms and brands, promotional activities.

Results of the quantitative analysis showed that the five most important drivers of pharmacists' satisfaction are (in rank order):

1. Products matching high quality standards (transactional),
2. Reasonable price (transactional),
3. Highly efficient products (transactional),
4. On-time delivery as committed (relational),
5. Delivery accuracy in terms of dosage forms and quantities (relational).

Aside from these satisfaction drivers, there may be gaps to be managed between the pharmacists' expectations and the proven performance of their suppliers. The five widest identified gaps are (in rank order):

1. Reasonable price (transactional),
2. Suppliers providing accurate information and support (relational),
3. Medical representatives' regular visits to pharmacists (relational),
4. Medical representatives' product knowledge and professional expertise (relational),
5. Suppliers supporting attractive customer-oriented promotional programs (relational).

After conducting a factor analysis, our results indicated that all five factors have statistically significant impact on the pharmacists' overall satisfaction ($p < 0.01$).

At an academic level, our results contribute to the knowledge of customer satisfaction in general and the understanding of B2B retailer's satisfaction in the Vietnamese pharmaceutical sector in particular.

Our findings should help pharmaceutical suppliers in Vietnam to focus on the identified key satisfaction drivers and narrow the gaps vis-à-vis their customers' expectations -thus improving the satisfaction level of retailers (pharmacists).

These results contribute to the general knowledge of customer satisfaction in developing countries and, more specifically, to the understanding of retailer satisfaction in a Vietnamese B2B service context.

Most of our knowledge of building and managing relationships in B2B networks is built on studies conducted in Western economies in times of relative prosperity.

Our paper aims at identifying and analyzing the challenges and necessary capabilities for building and managing customer satisfaction and complex B2B service relationships in today's developing countries -taking the Vietnamese pharmaceutical distribution sector as our main field of investigation.

In doing so, we clearly demonstrate that -in the current Vietnamese pharmaceutical distribution context at least- the dyadic exchanges between pharmaceutical retailers and their suppliers mainly remain transactional by nature. Besides, t

Our conclusion is that there may be room for suppliers' service improvements and a more sophisticated, cooperative B2B relationships integration that is slowly emerging as a major business trend in Vietnam (Dang and Cliquet, 2012; Dinh and Pickler, 2012; Yang, 2011). faces several key challenges. They include poor compliance to regulatory and intellectual property standards, the consequences of counterfeit and illegally-imported drugs, a lack of pharmacists available on-site, poorly equipped premises, as well as a high number of the retail pharmacy sector non-licensed outlets selling drugs in rural areas.

Figure 1: Structure of the pharmaceutical industry in Vietnam
(adapted from Pham, 2008)

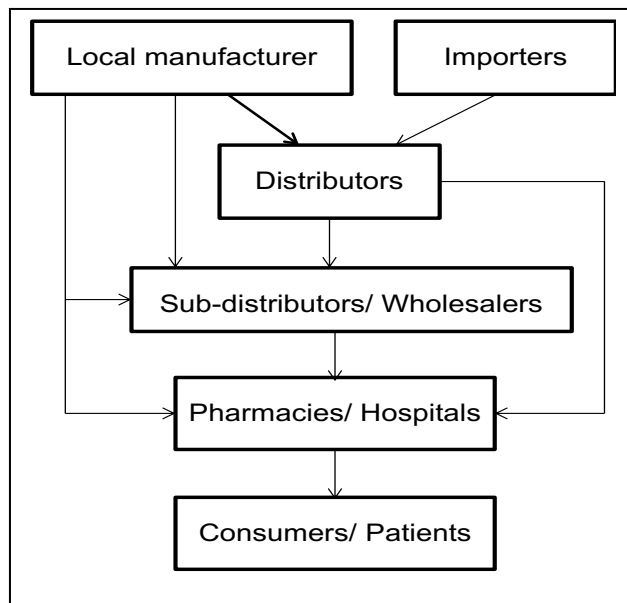


Table 1: Factors shaping retailers' satisfaction towards their suppliers

1. Product quality
V1 Products matching high quality standards
V2 Highly efficient products
V3 Attractive packaging and presentation
V4 Product offered under different dosage forms and presentations
2. Reputation of the firm / reputation of the brand
V5 From reputed manufacturers
V6 Reputable brands
3. Price
V7 Reasonable pricing
4. Promotion
V8 Having various trade promotion programs
V14 With merchandizing support (banner, exhibition shelves, brochure/leaflet...)
5. Quality of service
V9 Fast, on-time delivery as committed
V10 Accuracy in delivery in terms of dosage forms and quantities
V11 Products delivered in sealed bags
V12 Invoice issuance free of errors
V13 Convenient flexible mode of payment
V15 Medical representatives regular visit
V16 Medical representatives have good knowledge of the products
V17 Medical representatives with fair communication skills

V18 Medical representatives have smart appearance
V19 Medical representatives are ready to respond to queries
V20 Medical representatives fulfill their commitments
V21 Company always provide on-time products' information and support
V22 Company always provide explanations and answers to customers' queries
V23 Good customer care and service (gifts, workshops etc.)