THE SWEDISH PHARMACY INDUSTRY

CROSS-PROMOTIONAL EFFECTS ON PURCHASE BEHAVIOUR & CUSTOMER SATISFACTION

ABSTRACT

Since the de-regulation in 2009, the Swedish pharmacy industry is a fiercely competitive landscape characterized by low profitability and market saturation. Certain actors have exited the market while others have merged, and the trend is pointing towards a progressive market consolidation. Financial performance is lower than expected. Consequently, several pharmacies are spurring into a commercial direction and becoming more campaign driven than before. This paper aims at shredding light on how the retail industry, with the pharmacy sector in particular, can increase its revenue streams derived from cross-promoting non-prescription pharmaceuticals. A field experiment is carried out in order to assess the impact of cross-promotions of private label products on customer satisfaction and purchase behaviour. Different levels of congruity are taken into consideration as well as the Moderate Incongruity Effect. Overall findings suggest that cross-promotions have a positive and significant impact on both sales and customer satisfaction. It is also found that a more frequently purchased product A can drive the sales of a less frequently purchased product B in a category. Decision makers may benefit from these findings by being able to reinforce consumers' intentions to cross-buy targeted products in order to increase store profitability.

KEY WORDS: pharmacy retail, non-prescription pharmaceuticals, cross-promotion, customer satisfaction, Moderate Incongruity Effect.

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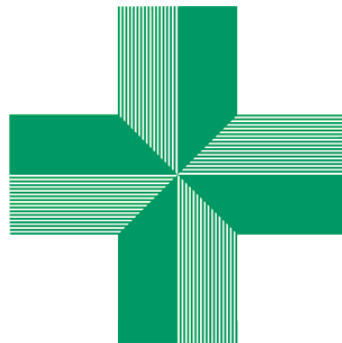
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1.1 THE SWEDISH PHARMACY INDUSTRY 2.0

The estimated value of the Swedish pharmacy industry was 33,4 billion SEK in 2012. Market liberalization and re-regulation took place in July 2009, in which pharmacies were privatized and sold, giving rise to a free competitive market. 28 new actors have entered the Swedish market since then. The amount of pharmacies have increased with 37 %; 74 % of the population is less than 5 minutes away from the nearest pharmacy and product variety has increased. The average consumer visits a pharmacy 10 times a year, an annual increase of 10 %.[1] Since 2009, more jobs within the sector have been created. Consumers have been able to benefit from longer opening hours and average waiting time per consumer has decreased (Swedish Pharmacy Association, 2012).

Pharmacy products comprise prescription and non-prescription pharmaceuticals. Prescription pharmaceuticals account for 80 % of aggregate pharmacy store sales. Marketing and pricing is strictly regulated by TLV[2]. Consumer demand is therefor affected by government regulations and industry performance is not as heavily impacted by fluctuations in the economy. Non-prescription pharmaceuticals have however shown highest significant growth, with sales of 7,5 billion SEK in 2012. Legislative changes in 2010 allowed for certain non-prescription pharmaceuticals to be sold over-the-counter (OTC). Nevertheless, a vast majority, 78 %, is still sold in pharmacies, which makes it the strongest distribution channel for these types of products. This proportion of sales is an area in which pharmacy operators have the possibility to improve their margins. Consequently, some actors have launched own private labels. With higher product margins they have thus become a vital source and an alternative revenue stream within the industry (Apoteket Hjärtat Annual Report 2011).

1.1.1 MARKET TRENDS: SPURRING INTO A COMMERCIAL DIRECTION

During recent years, consumer demand for products within the health segment have increased significantly. Certain overlaps between traditional retail store concepts and pharmacies are taking place, as several actors are moving away from the brand mission of "curing sickness" and towards the promotion of a "life full of health" with the focus on the Swedish population living a more healthier life by selling health-related DIY consumer

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[1] Tandvårds- och läkemedelsförmånsverket

products. Consequently, the pharmacy industry is spurring into a commercial direction and the industry has become more campaign driven.

Increased competition has augmented the need for differentiation within the industry, which calls for certain marketing incentives. In the world of retailing, decision makers can choose to market their product offerings a) outside and/or b) inside the store environment. Although more than two thirds of purchase decisions are taken in-store in traditional retail environments (Nordfält, 2007), pharmacies are an exception. It should, however, be argued that there lies an opportunity in increasing revenue streams derived from non-planned purchase decisions i.e. decisions made in-store for non-prescription pharmaceuticals. Since sales derived from the prescription assortment is heavily dependant on healthcare professionals who prescribe them, the opportunity to increase turnover from non prescription product categories would thus make turnover less dependant on other actors in the healthcare industry.

In light of the above, the author found it intriguing to examine the opportunities of in-store marketing incentives within the non-pharmaceutical department of the pharmacy retail industry. *How can the pharmacy retail industry work with in-store marketing incentives in a cost efficient manner ?*

1.2 WHAT IS THE PROBLEM?

Exploring the opportunities above is not entirely straightforward, as certain problems within the industry subsist. The overall dilemma is financial performance. Since the de-regulation of the industry in 2009, market concentration and competition has increased fiercely, resulting in a slight but significant downward pressure on prices. Profit margins are lower than expected and do not compensate for the higher costs associated with the creation of greater access for the consumers. The market is saturated; certain actors have not survived and thus exited the market, while others have merged. The trend is pointing towards a progressive market consolidation.

Four possible, underlying reasons to the financial dilemma have been identified: First, access to pharmacies may have increased, but brand awareness is still low and most consumers are unaware of the difference between competitors' product offerings. Since pharmacies do not evoke a sense of differentiation in consumers' mindsets, they simply visit the pharmacy that lies closest them for the moment. Due to regulations, pharmacies cannot compete on price on the prescription pharmaceuticals. Moreover, narrowing down target groups would be admittedly difficult as most pharmacies have the overall vision to serve the entire population regardless sex, age or health condition.

Secondly, even though customer satisfaction levels for the industry remain high, statistics from Nöjd Kund Index (NKI) and Svenskt Kvalitetsindex (SKI) verify that overall product evaluations, customer satisfaction and customer loyalty have decreased for the actors within the industry since privatization took place. Since marketing theory proclaims satisfaction as a key performance indicator for firms, this is an area that cannot be ignored. Third, a problem correlated to increased product variety, as consumers are finding it more difficult to find their products in the pharmacy. As previous research has identified the above as an important driver for customer satisfaction, nor is this an area that the pharmacy industry can afford to ignore.

Last but not least is a problem related to the ongoing sector overlaps mentioned above. Consumer purchase behaviour in the pharmacy retail industry differs from traditional retail stores, and so applying the same marketing incentives to pharmacies may not succeed. Impulse buying is for example less frequent in pharmacies and more purchase decisions take place prior to the store visit (Nordfält 2007) In light of the above, the author has thus identified a need to prevent customer satisfaction from decreasing further, as well as the need for renewal, progression and further development of in-store marketing incentives in the pharmacy retail store environments.This problem area has subsequently led to the author's interest in determining the impact of cross-promotions as an in-store incentives on customer satisfaction and purchase behaviour, in order to further gain understanding of how to increase profitability within the industry.

1.3 WHAT IS THE PURPOSE?

With regards to the market trend of becoming a more campaign driven industry and the opportunity to increase sales derived from private label brands, this paper aims to shred more light on the in-store marketing possibilities for pharmacy retail environments.

An underlying purpose of this thesis is to further define and conceptualize the concept of congruence, as opposed to the traditional measure, the level of perceived fit.
There seems to be a discrepancy in research in regards to whether using different levels of congruency into promotion has a negative or positive effect on customer evaluations and behaviour. As congruency levels have not yet been examined in regards to cross-promotion of private label brands within the pharmacy retail industry, the author has thus chosen to access its impact on purchase and post-purchase evaluations as well as behaviour in terms of sales, product evaluations and customer satisfaction. For theoretical purposes, a conceptual model that adds congruence as a dimension to traditional customer satisfaction theory is also initiated in this paper.

In this paper then, the author examines the effects of cross-promotions of cross-buying for private labels on the variables sales, product evaluations and customer satisfaction. Given the introduction and background above, the following research questions can thus be derived:

→ What impact do cross-promotions have on product purchases, given the retail environment in which they are exposed?
→ What impact do cross-promotions have on product evaluations and customer satisfaction, given the retail environment in which they are exposed?
→ How do different levels of congruity between the products in the cross-promotion influence purchases, post-purchase evaluations and behaviour?

1.4 PREVIOUS RESEARCH

Despite requirements for increased profitability, an increasingly campaign driven market as well as demand for non-prescription pharmaceuticals, research within this field is rather limited. With regards to cross-buying, previous research has illustrated for example the drivers of cross-buying (Ngobo 2004), the relationship between consumers' cross-buying behaviour and loyalty (Reinartz 2008) and the effects of cross-selling on sales and customer satisfaction (Söderlund forthcoming). The effects that such a cross-promotion may have on purchases, post-purchase evaluations or behaviour, have however not yet been investigated.

Furthermore, the effects of congruence between products on purchases, post-purchase evaluations or behaviour have not yet been examined in the pharmacy retail industry. Traditional research uses levels of perceived fit as an estimate and often concerns brand extensions (e.g. Keller & Aaker 1992). Moreover, research covering the relationship between congruity and cross-promotions is scarce. Recent studies include the investigation of consumer attitudes and purchase intentions on cross-selling for different congruity levels (Söderlund forthcoming). No such study has however been found on cross-promotions, thus signalling that empirical research within this area is short in supply.

1.5 EXPECTED CONTRIBUTION TO THE RETAIL PHARMACY WORLD

The author's intention is to make a contribution to the retail industry in general and to pharmacy retail sector in particular. Notwithstanding that pharmacies differ from traditional retail stores in several ways, the products included in this experimental study

have certain general characteristics that can be applied to other product categories as well. The hope is therefor that certain decision makers within the retail industry will benefit from reading this paper. Brand and category managers may gain insight in how to strengthen their products' position on the market; how to maximize profits within product categories. Pharmacists and pharmacy store owners can broaden their understanding in how to promote their private-label brands with in-store marketing incentives in an easy, yet creative and cost-efficient manner. Marketing communication agencies will benefit from the statistically provided data which can be useful when planning for future in-store marketing solutions.

The expected contribution of this paper is thus to generate useful insights to the area of in-store marketing in an industry suffering from low profitability, market saturation and promotional restrictions; an industry in need for cost-efficiency and creative renewal.
By identifying easy, innovative and cost-efficient ways in which to delight the customer by creating favourable opinions in the customer's mindset and thereby increasing sales, the author thereby attempts to reach this level of contribution.

1.6 DEFINITIONS & ABBREVIATIONS

The following definitions and abbreviations will be further explained below in order to clarify central aspects within the chosen framework for this paper:

OTC – Over the counter
PL – Private Label
TLV (Tandvårds- & Läkemedelsförmånsverket)– Dental & Pharmaceutical Benefits Agency

Cross-promotion: When products are exposed, not only on their typical location on the store shelf, but also in a different place in the retail environment, such as an aisle or at the cash desk (Nordfält, 2007)

Customer Satisfaction – A post-purchase evaluation construct implying that a product or service feature, or the product or service itself, provides a pleasurable level of consumption-related fulfilment

Non-prescription pharmaceuticals – Medicines or products sold directly to the consumer. Requires no prescription from a healthcare professional. Products are located on pharmacy store shelves like any other packaged product.

Prescription pharmaceuticals – Medicines sold only to consumers that possess a valid prescription. Products are distributed over a counter by a pharmacist.

Pharmacy retail: Includes all the non-prescription pharmaceuticals that consumers can buy in the retail store environment.

The Moderate Incongruity Effect: Theory proclaiming that a moderate discrepancy between two items may generate a more favourable affective judgment than either a) highly congruent or b) extremely congruent information, as it can lead to mental arousal and cognitive elaboration (Mandler, 1982).

1.7 DELIMITATIONS

This paper comes with certain limitations that the reader should be aware of. The experimental study was performed in one pharmacy, implying that the obtained results in Stockholm may not be applicable in other geographical areas. Focus lies within the non-prescription pharmaceutical category. Results are therefor not applicable on prescription pharmaceuticals. A higher amount of respondents on the survey would also have been preferable in order to make generalizable statements for the whole population.

This paper focuses on a private label brand, signifying that certain implications may not be relevant to or valid for non-store brands. To exemplify, private label brands are often positioned as more price worthy than competing brands, which can have an impact on purchase decisions. The reason for choosing a private label brand was because profit margins are higher within this category. Additionally, pharmacists have the power to influence the proportion of sales derived from this product category. In-store marketing restrictions are also not as extensive for non-prescriptions as for prescriptions. There is thus more potential to increase in-store purchase decisions for prescription pharmaceuticals.

1.8 DISPOSITION

As can be depicted below, the outline of this thesis comprises seven parts: introduction, theory, methodology, results, discussion, implications, future research conclusion. The introduction above covered a background presentation to the industry, current market trends and illustrated the marketing opportunities for the pharmacy retail industry. Readers have also just been informed with the purpose, previous research, useful definitions, potential contributions as well as the limitations of this paper.
In the following Chapter (2), a theoretical approach and conceptual framework will be presented as to gain further strength for the generation of hypothesises. Following is a methodology Chapter 3, which will motivate and explain the applied experimental design,

pre-test and survey as well as determine the validity and reliability of the data. Subsequently, the results and empirical findings of the experimental study will be presented in Chapter 4, where the author also reveals whether or not the hypotheses are supported. Thereupon, a discussion takes place in Chapter 5, where the results will be taken to a deeper level and further analysed. Finally, the author will present her managerial implications and raise questions for future research within the field of the chosen phenomenon.
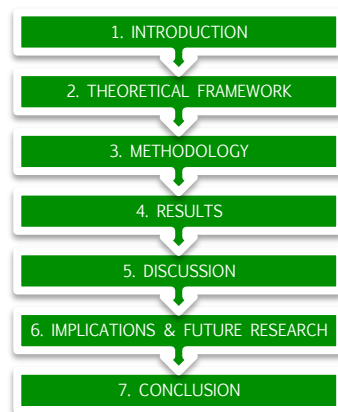
Figure 1: Thesis Disposition

2.0 THEORETICAL FRAMEWORK & LITERATURE

2.1. BUSINESS DRIVERS FOR PHARMACY RETAIL

2.1.1 CROSS-BUYING

Cross-buying, the customer's practice of buying additional products in addition to the ones s/he currently has from the firm (Butera 2000), has several benefits for the consumer. Many consumers wish to consolidate their purchases because it is easier, faster and cheaper. An advantage of cross-buying is thus the convenience of having various products offered under one single roof (Seiders et al., 2000, Hall, 1999). One-stop shopping reduces times, cost as well as effort for the consumer, and previous research shows that it is one of the main and most important drivers of customers cross-buying intentions (Ngobo 2004). Secondly, the associated risk with purchasing an additional item will be lower for the consumer, since the s/he already has an existing relationship with the firm (Reinartz and Kumar, 2003). Customers will thus be likely to believe in the store's ability to provide high quality on similar product offerings and rely on the existing satisfaction attitude toward the previously purchased product and infer these attributes to other products offered by the firm (Lei et al. 2004).

2.1.2 CROSS-PROMOTION

When products are exposed, not only on their typical location on the store shelf, but also in a different place in the retail environment, such as an aisle or at the cash desk, they are cross-promoted (Nordfält, 2007). Cross-promotion lies in the interest of many firms as it implies several advantages (Butera, 2000). First, it reduces the time and cost associated with customer acquisition, such as advertising expenditures (Reichheld and Sasser, 1990). Second, according to transaction cost theory, consumers build up higher switching costs in terms of multiple product ownership, implying that the more products a consumer buys from the firm, the longer s/he is willing to stay with it. In this way, the actual purchase of a cross-promotion enhances the firm's relationship to its customers as it reduces their switching behaviour and increases customer retention. Third, customer share of wallet increases, meaning that the percentage of a customer's expenses for a certain product becomes higher (Jones et al., 2000; Burnhamn et al., 2003).

Many retailers are starting to acknowledge the positive impacts of cross-promotions on store sales (Bezawada 2009). On average, cross-promotions generate sales increases of +250- 300% and are often more efficient as a sales tool than trying to improve shelf space management. They often do not have significant effects on aggregate store sales, but can highly increase the sales of the exposed product categories. (Nordfält, 2007). It is thus important to expose the right products, meaning products that generate high value to the firm, such as high profit margins. Cross-promotions can take the form of a product constellation, such as the offering of two complementary products. By bundling two products together, one can essentially obtain a new product (Guiltinan, 1987), but in order for their attributes to have a spill-over effect on each other, it is important that they are exposed in direct proximity to each other (Nordfält, 2007).

Cross-promotions can serve as a reminder advertising for a brand, a product category and or other product categories related to that product in a consumer's categorization schema (Sujan and Dekleva, 1987). Furthermore, they reduce information search complexity by making assortment assembly easier. They reduce acquisition efforts and enhance consumer's shopping convenience and provide in-store cueing of forgotten needs. Moreover, cross-promotions facilitate variety seeking and new product choice for the consumer (Ratneshwar et al.,1996).

The implementation of cross-promotions in retail environments is an efficient way to increase sales of new or relatively unknown products or brands, although their elasticity is lower than for established brands. Previous studies show that retailers focus on selling more of the products s/he is already selling, since these products often have higher

elasticity. High traffic areas, for example near the cash desk, typically generate higher sales than sales stands in proximity to where the products are normally exposed on the shelf. Additionally, according to the mere exposure effect, there is a positive relationship between the amount of times a consumer is exposed to an object and how positively it is evaluated (Nordfält, 2007). This theory suggests that, a consumer who is exposed to a product several times during the store visit, will positively evaluate and thus have higher purchase intentions to this product than for other products.

Previous research also shows that certain exposures and placement of displays for a product can affect the sales of another product (Bezawada 2009). This is linked to the spreading of activation in the consumer's mindset. Certain memories or associations are clustered closer to each other than others. A consumer who, for example, purchases bread will activate thoughts regarding how it will be consumed and what it will be consumed with (e.g. cheese). Consequently, the percentage of unplanned purchases of bread is lower than the percentage of unplanned purchases of cheese. The purchase of bread thus activates the purchase of cheese since the two products exist in the same association network in this occasion, however not necessarily vice versa. The association network of a certain product category will thus differ for different purchase and usage occasions (Nordfält 2007).

Additionally, previous research suggests that a highly frequent purchased product A (e.g. toothpaste) can drag attention to and increase the sales of a less frequently purchased product B (e.g. toothbrushes), given that they are complementary (Nordfält 2007). (Bezawada et al. 2009) for example, show how aisle placements can have significant and asymmetric effects on cross-category sales. Above all, the size of these effects match and sometimes even exceeded those of traditional marketing-mix variables such as price reductions, features and displays. This suggests that placing complementary products in proximity to each other can have a significant impact on sales, without requiring heavy investments, time or effort from the retailer.

Certain product categories are more elastic than others, implying that they have a higher demand attraction, given for example a change in price. Hygiene and pharmaceutical products are in studies relatively inelastic (Kotzan and Evanson 1969). Additionally, private-label brands and impulse products are most sensitive to space allocations changes (Nordfält 2007). Most firms seek to increase their customers' life time value, as it is known for generating higher revenue in terms of increased consumer loyalty and average transactions. Traditional marketing theory often depicts customer satisfaction as an ascendant for increasing customer duration. The relationship between customer

satisfaction and cross-promotions should therefor be at an equally high interest to firms, wherefore an attempt to outline it theoretically follows below.

Existing literature on this subject seems to be somewhat contradictory. On the one hand, research shows that customer satisfaction is one of the most significant contributors of cross-buying (Li et al. 2004). Studies have found that buying more often and for more money over time leads to buying a greater number of articles in a greater number of categories as well as more balanced spending across categories. This suggests that cross-buying is a consequence and not an ascendant to behavioural loyalty (Reinartz 2008).
On the other hand, some researchers argue that, the causal relationship exists, but that buying across different categories leads to spending more often and for more money over time. Contrarily, this suggests that cross-buying drives satisfaction and loyalty and not the other way around.

Given the importance of customer satisfaction and its potential to generate more value to the firm, understanding its relationship with cross-promotion can enable firms to allocate marketing expenditures more efficiently. Given the theoretical discussion above, the following hypothesis have been formulated in a non-directional way:

HYPOTHESIS 1A: A cross-promotion will have an impact on consumer product evaluations, given the retail environment in which the promotion is exposed.

HYPOTHESIS 1B: A cross-promotion will have an impact on customer satisfaction, given the retail environment in which the promotion is exposed.

2.2 CONGRUITY & INCONGRUITY

Most research on cross-promotion is devoted toward measuring immediate effects on sales, such as for the product(s) or category in question. Overlooked are the variables that might have an impact on post-purchase evaluations and behaviours. An example of such a variable is congruity.

Congruity is defined as "The extent to which structural correspondence is achieved between the entire configuration of attribute relations associated with an object, such as a product, and the configuration specified by the schema" (Meyers 1989). This suggests a complete match between the stimuli and the activated schemas. A traditional measure of congruity is the level of perceived fit between two objects. If the content is both relevant and expected in the consumer's existing associative scheme, the perceived fit will be high and

thus result in the perception of congruity (Heckler & Childers 1992).

Despite the lack of extensive research within this field, the multifaceted aspects of congruity are underpinned in a few studies. The level of perceived fit is further developed. Congruity is measured as of how novel a product constellation is perceived and how well it matches consumer expectations. Consumers are asked to classify or categorize the suggested product and see if they agree or strongly disagree. Consumer preferences for the norm are also evaluated, by asking if they prefer something normal in the suggested situation or be interested in trying a novel product. Additionally, usage information and purchase intentions define the concept further. Brand experience is also considered, since stimuli perceived as incongruent in the eye of a novice may be considered congruent for an expert. Besides measuring the perceived fit, studies also measure consumers' perception of how typical, expectant, common, consistent, novel, unusual and/or matching the brand extension or product constellation is (Campbell & Goodstein (2001).

Relevance and expectancy may also play an important role in assessing congruity levels. While relevance refers to material that has a direct connection to the meaning of the theme and reflects how information in the stimuli contributes to or detracts from the identification of the theme, expectancy refers to the degree to which an item or piece of information falls into a predetermined pattern structure evoked by the theme. The more relevant and expected the stimuli is in the consumer's mindset, the higher the level of perceived congruity (Heckler & Childers 1992).

The level of risk associated with the purchase can also effect how the congruity level is perceived and thus the purchase decision. Erdem (1998) suggests that when consumers perceive the risk of purchasing a new product to be high, they are more likely to choose a known brand than a new brand. This research thus suggests that, the higher the risk, the higher the probability that the consumer will have preferences for the norm, i.e. prefer a familiar option to an unfamiliar one. However, when there was no risk associated with the evaluated product, the moderately incongruent product offering was evaluated more positively than the congruent one (Campbell, Margaret C. & Goodstein, Ronald C 2001).

Studies show that consumers' purchasing behaviours in regards to cross promotions are influenced by the image conflicts between two products (Ngobo 2004). Examples of low level of perceived fit between the original brand and a brand extension for example, have had negative impacts on the customer's evaluation of the extension (Aaker and Keller, 1990). On the one hand then, perceived incongruity between two products would have a negative impact on such purchasing behaviour.

On the other hand, admittedly there is a demand for renewal, variation and innovation within the industry and some researchers suggest that renewal is a prerequisite to fully be able to capitalize on a brand. In order to sustain a competitive advantage on the market, it may therefor be necessary for marketers to go against the norm. Incongruity could suggestively make a brand more multifaceted, allowing for the product to differentiate itself from other products and stimulate, arouse, even surprise the consumer. It may therefor be so that a spill-over effect of attributes to the product that were previously not associated with this product takes place in the consumer's mindset. Furthermore, if the products are moderately incongruent, the consumer would devote more cognitive processing towards it, which will increase the likelihood of the consumer being able to recall the product. In this situation then, it could be expected that moderate levels of incongruity could have a positive impact on sales, product evaluations, purchase as well as post-purchase behaviour.

The idea that different levels of congruity can have an indirect impact on customer satisfaction by for example influencing product evaluations, has given rise to the initialization of the following model:
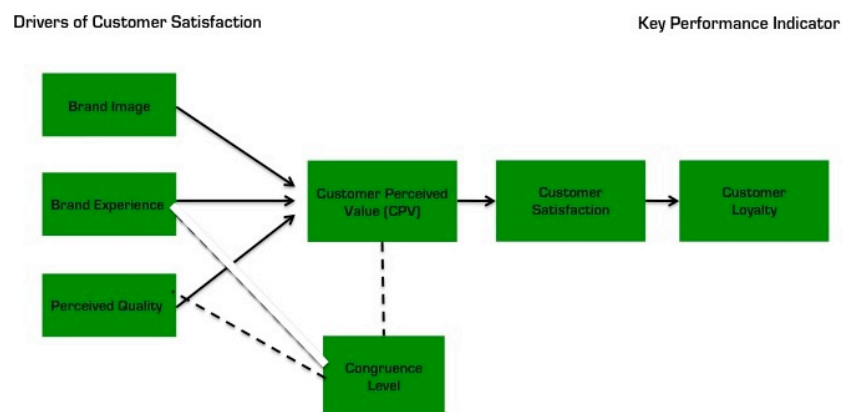
Figure 2: "Lundh's Congruity Model for Post-Purchase Evaluations & Behaviours"
Suggests that different levels of congruity between stimuli can affect consumer's product evaluations and thereby customer satisfaction

2.2.1 THE MODERATE INCONGRUITY EFFECT

According to traditional literature, favourable responses will be generated if two pieces of stimuli are perceived as congruent, since consumers acknowledge objects that allow predictability and confirm their expectations. These options are however not very noteworthy and do not require extensive cognitive elaboration. In an incongruent situation, all of the products' attributes contradict its claimed membership. Although it may require greater cognitive elaboration, a certain degree of incongruity can be successfully revolved

and the novelty of the object can increase arousal. If the stimuli are extremely incongruent however, a fundamental change in the consumer's existing cognitive structure takes place, which will lead to frustration rather than resolution in the consumer's mindset (Meyers 1989). Given the theoretical conceptualization above, the author presumes that moderate incongruity is preferable to extreme incongruity, wherefore only the former level is tested in the experimental study below.

The Moderate Incongruity Effect suggests that a moderate discrepancy between stimuli can lead to the generation of more favourable affective judgement than either highly congruent or extremely incongruent information. Four conditions are necessary for the Moderate Incongruity Effect to occur. Consumers must (1) find the moderate incongruity to be arousing, (2) be motivated to process the incongruity, (3) be able to resolve the incongruity, and (4) enjoy or positively value the stimulation provided by the novelty (Mandler 1982). The preceding pages thus suggest that incongruity is a multidimensional concept and that it can have both positive and negative effects on product evaluations, purchases as well as post purchase behaviour. Given the recognized yet undetermined relationship between incongruity and cross-promotions, Hypotheses 2 has been constructed in a non-directional way:

HYPOTHESIS 2A: A moderately incongruent cross-promotion will have an impact on customers product evaluations, given the retail environment in which the promotion is exposed.

HYPOTHESIS 2B: A moderately incongruent cross-promotion will have an impact on customer satisfaction, given the retail environment in which the promotion is exposed.

3. METHODOLOGY

3.1. RESEARCH DESIGN AND APPROACH

This paper takes an experimental approach and the applied methodology is quantitative. (Jacobsen, 2002). The author has chosen this approach as she wishes to analyse the causal relationship between variables and to test the generalization of hypotheses. The chosen phenomena has thus been fragmented and delimitated in order to obtain such results. Furthermore, the thesis takes an explanatory approach, as the objective is to elaborate and enrich the explanation of the chosen theories. The intention is thus to recognize and clarify a causal association. A combination of inductive and deductive reasoning, also known as abductive reasoning, has been applied within the framework for this paper and comprises the systematic collection of empirically quantitative data from

generally accepted theories. Hypothesises have been generated to and tested in the light of existing literature. 120 respondents have answered the survey and 32 variables have been measured.

3.2. DATA COLLECTION

The data collected for this paper comprises both primary and secondary data.

3.2.1 PRIMARY DATA

The primary data has been collected by the author and is strictly related to the problem formulation. Considering the quantitative approach of this paper, the primary data comprise the results of the field experiment. The obtained data will be used to investigate if the results are generally applicable on the whole population.

3.2.2 SECONDARY DATA

Secondary data has been selected in order to complement the primary data (Bell, 2006). This data has been collected in the form of annual reports, news articles and academic literature that treats the chosen phenomena. Deliberate discretion has been taken to fact that previous theoretical research applies to the retail industry in general and thus not to the pharmacy industry. In regards to the above depicted trends and commercialization of the industry, the author would however like to argue that the theoretical framework at least to a certain extent is applicable to the non-prescription pharmaceutical product assortment within the pharmacy industry. Secondary data has nonetheless been used as a complement to the primary data listed above.

3.3 EXPERIMENT DESIGN

3.3.1 THE PRE-TEST

A pre-test laid the foundation for the main experiment and was carried out in order to measure the sample distribution's perceived level of incongruity. The objective was to identify a congruent and a moderately incongruent non-prescription pharmaceutical that could be cross-promoted together in a pharmacy retail environment. Respondents were exposed to 8 different pairs of products. All pairs were more or less complementary products. Since the level of risk could have an impact on respondents' perception and preference for the norm, products that carried low levels of economic risk were chosen. Focus lied on Apoteket Hjärtat's non-prescription assortment, since the chances of being able to influence the consumer's in-store decision is higher than for prescription pharmaceuticals, as the decision within the latter category already has been taken prior to

the store visit. Several product categories were included in order to avoid the usage of one and make the main experiment more multifaceted.

Questions measured how familiar participants were with different products, if they had experienced or purchased them before as well as the perceived fit between different product combinations. A group of 30 respondents were asked to rate how congruent they experienced the relationship between 8 product pairs. The internal consistency was then assessed and a congruity index created (Cronbach's Alpha = 0,86). The variance between different congruity levels for each product pair then allowed for the choice of the product pair with the highest and fourth lowest congruity level respectively to be included in the main experiment. Since the lowest pair was considered being extremely incongruent, the fourth lowest was thus considered moderately incongruent.

The arrhythmic means show that fake tanning lotion and after sun gel were perceived as extremely incongruent; as was foot cream and vitamin supplements. Hand soap and hand cream were perceived as congruent; as was shampoo and conditioner. For the moderately incongruent option, sanitary pads and intimate shower gel were chosen. Toothpaste and mouthwash were chosen as the congruent cross-promotion (Appendix 1).

3.3.2 STIMULI DEVELOPMENT AND DATA COLLECTION

The experiment took place in a field setting and lasted for three weeks at Apoteket Hjärtat, Skanstull in Sweden. Participants were customers who visited the pharmacy. The experiment included three groups. Respondents were exposed to either a) no cross-promotion b) a congruent cross-promotion or a c) moderately incongruent cross-promotion. The products were exposed at the end of the customer circuit, at the cash desk and the length of each stimuli lasted for one week. A sign communicating the price and the words "our favourite!" was placed behind the products. The price was kept constant, i.e. both cross-promotions cost the same. The products were exposed closely next to each other. Note also that the products were displayed also on their ordinary shelf place in the pharmacy retail area; consumers were thus exposed to the products twice, should they follow the traditional customer circuit in the pharmacy.

A questionnaire was constructed and used as a process of measurement and a sample of numerical data has been extracted from the population, in order to answer the research question. A paper-based survey was conducted at the pharmacy during each scenario. Participants (N= 120; gender distribution: 41 males and 79 females, mean age: 47) were asked to answer the questionnaire immediately after they had left the store and thus been exposed to the cross-promotion. Both survey versions were used an equal amount of times.

Closed questions were used in order to obtain less variation in the answers. Respondents' purchases, product evaluations and satisfaction levels were recorded on likert scales ranging from 1 to 7. 1 corresponded to "I strongly disagree" and 7 to " I strongly agree".

An uneven scale number was chosen in order to avoid neutral answers. Each step on the scale was equally large. Respondents were then asked if they bought the one or two, if any of the products, whether or not they could recall which products were exposed at the cash desks, how many times per year they visit a pharmacy, how many products they had bought in total and for how much. If the consumer had been able to recall the products that had been exposed at the cash desk, he/she was asked to evaluate the level of congruence between the two products and how often this type of product was purchased. Based on the internal consistency of the results, a congruity index was created. Controlling the respondents' perceived congruity enabled for the reassurance that the manipulation, with referral to congruity, had succeeded. Respondents were also asked how many products they had purchased (M = 1,22) as well as how much money they spent in total during the specific visit at the pharmacy (M = 107 SEK).

Finally, gender and age of each consumer were registered. The last questions were asked in order to assess the randomness of the distribution under the three different conditions. No such difference was however significant.

3.3.3 LATIN SQUARE DESIGN

A common applied methodology when conducting in-store experiments is Latin Square Design (Nordfält, 2007). This method implies that several stores are involved and that the manipulation is rotated in order to minimize the risk of obtaining inaccurate results due to different geographical areas and time periods of the study. The experiment is thereby activated in store A during time period 1 (in which there is no manipulation in store B), only to switch during time period 2. In this paper, a latin square design has not been applied; partly due to time constraints, partly because the author assessed the purchasing behaviour of most items in the experiment not to be abundant of place or time. To exemplify, the opinion is that the typical Swedish consumer will have a demand for toothpaste, regardless which city they live in, how far/close to receiving their monthly salary they are, what type of weather it is etc. Additionally, there was no other promotional activity for the items in question in the pharmacy at the time of the experiment, which further decreases the need for Latin Square.

3.4 VARIABLES OF RESEARCH

Independent variables were manipulated in order to measure the effects of dependent variables. The dependent variables were customer satisfaction and sales, while the independent variable was incongruity. The statistics tool SPSS was used to analyse the data and to find connections between the quantitative relationship and the empirical observation. Significance levels of 5 % were accepted. The internal consistency between questions were measured by conducting reliability tests. Separate questions were merged into an index, if Cronbach's alpha > 0,7.

3.4.1. SALES

Product purchases and category sales as well as average transactions per shopper were measured and compared on a weekly basis at Apoteket Hjärtat in Skanstull.

3.4.2 PRODUCT EVALUATIONS

Product evaluations were measured by asking respondents to agree or disagree on a 7 point likert scale in the survey: *"Apoteket Hjärtat's products have a high quality".* Secondly, respondents were asked to rate their perceived quality of the specially exposed products and if the price of the products correlated to their expectations.

3.4.3 CUSTOMER SATISFACTION

Customer satisfaction levels were measured in the survey by asking respondents: "*How do you evaluate Apoteket Hjärtat on the following measures?*": Negative/Positive, Unfavourable/Favourable and Bad/Good. Secondly, customers were asked: "*Compared with other pharmacies in Sweden, Apoteket Hjärtat is an ideal pharmacy".* Thirdly: *"My experience with Apoteket Hjärtat has been satisfactory".* Fourth, *"I am satisfied with Apoteket Hjärtat's products"* and fifth *"I would visit Apoteket Hjärtat again"* and fifth The options provided were on a likert scale ranging from 1-7 (1 = strongly disagree and 7 = strongly agree). Questions 2, 3, 4b and 4e in the survey were merged into a customer satisfaction index (Cronbach's Alpha = 0,745)

3.4.4 CONGRUITY

Respondents were asked if they could recall the product placement in-store of the product category which was specially exposed. If they answered yes, congruity levels were measured through the following questions *"How would you evaluate the exposure of the products? Consider the following options:".* Options were as follows:

Unusual/Usual
Innovative/Uninventive
Logical/Incomprehensible
Typical/Atypical
Predictable/Unpredictable
Arousing/Boring
Expected/Unexpected
Relevant to me/Irrelevant to me

With a Cronbach's Alpha of 0,89, the questions above were merged into a congruity index.

3.5 QUALITY OF RESEARCH

3.5.1 VALIDITY

The quality of research consists of two parts: validity and reliability. The validity of the study can be viewed internally and externally. Internal validity determines how relevant the study is and if it measures what it is intended to measure. In this study, the survey questions determine the internal validity of the research since this is a quantitative paper. External validity requires internal validity and measures how truthful the survey results are. Significant for testing validity is to ensure whether or not the results are replicable and/or repeatable. External validity is thus high if the results are generalizable for the whole population (Jacobsen 2002). With regards to the fact that this is a quantitative study and that interest lies in generating generalizable results, measuring validity is essential when designing the questionnaire.

The external validity would have been higher in this paper, if the experiment had been performed at more pharmacies than one and in different geographical areas, as results may vary du to certain demographic variables. By coincidence, a majority of the respondents were women (N = 68 %). This made the study narrower than intended. With regards to the narrow sample distribution, admittedly the results are not entirely applicable on the whole population. Results have therefor been communicated as indications and have thus not been taken for granted to be generalizable.
The survey respondent group was however very heterogeneous in terms of age as well as health condition and questionnaires were handed out on different times during the day. Nevertheless, a larger group of survey respondents would have increased the external validity significantly. Survey answers were measured on interval scales in the survey, which increases the internal validity. The author's intention is that the obtained results are applicable on other product categories and retail formats. By asking respondents

questions regarding purchase frequency, usage situations and if the product in question was a substitution or a complement, this probability is higher, which strengthens the quality of research.

3.5.2. RELIABILITY

Reliability is a necessary prerequisite for validity and measures the trustworthiness of the study. This implies the extent to which results are reliable when confronted with reality in a systematic manner and if they are consistent over time (Jacobsen 2002). Since this paper is quantitative, reliability is measured on the actual experiment conducted. High internal consistency between questions in the survey have generated a high reliability for this study. However, due to the changing landscape and constant development of the Swedish pharmacy industry with regards to the de-regulation, it is difficult to guarantee identical results, should the experiment be repeated a numerous amount of times.

4.0 RESULTS

4.1 HYPOTHESIS 1 – CROSS-PROMOTIONAL EFFECTS ON PRODUCT EVALUATIONS AND CUSTOMER SATISFACTION

The amount of purchased products in each scenario is summarized in table 1 below. As can be depicted from the bold figures in the table, the products reached highest levels of sales when cross-promoted at the cash desk.

SALES*	S1**	S2**	S3**
Toothpaste + mouth wash	**59**	27	23
Sanitary pads + intimate shower gel	13	**25**	10

Table 1: Amount of products purchased in each scenario
*Sales measure in volume, ** S1 = congruent cross promotion, S2 = moderately incongruent cross promotion, S3 = no cross promotion

In regards to product sales during the same time period the previous year, total purchases of toothpaste and mouthwash increased with +157 %. Toothpaste purchases increased with +147 % and mouthwash with +183 % during the week of cross-promotion. Sales of mouthwash increased +36 % more than sales of toothpaste, thus implying that the latter less frequently purchased product, benefited more from the cross-promotion than the

former. Category sales increased with +6,1 % compared to the previous year and thus contributed to category growth. Risk for cannibalization effects can thus be disclaimed.

Purchases for the moderately incongruent product constellation increased with +150 % for sanitary pads and +150% for intimate shower gel compared to the previous year. In this case, then, the less frequently purchased product in the constellation, intimate shower gel, did not benefit more from the cross-promotion. Both products increased equally in sales percentage wise. Sales for the less frequently purchased moderately incongruent product (intimate shower gel) did thus not increase as much as sales for the congruent one (mouthwash). Moreover, category sales decreased with − 10,3 % compared to the previous year.

One way ANOVAs were employed to assess the effects of the cross-promotion on product evaluations. Product evaluations was used as dependent. Results showed a significant effect on both quality (F = 3.08, p = .05) and price (F = 3.64, p = .03). The control group who were not exposed to a cross-promotion obtained the highest levels of quality (M = 4,87) compared to the congruent (M = 4,55) and incongruent cross-promotion (M = 4,43). In terms of matching respondents' expectations on price, the congruent cross-promotion produced highest levels (M = 5,25) compared to the incongruent cross-promotion (M = 4,90) and in the case with no promotion (M = 4,68) (Appendix 4). Hypothesis 1A is thus supported on a 5 % significance level, as the exposures had an impact on product evaluations, given the pharmacy retail environment in which the stimuli was exposed:

HYPOTHESIS 1A: A cross-promotion will have an impact on the consumer's product evaluations, given the retail environment in which the promotion is exposed →**SUPPORTED**

Means were then compared to assess the impact of the cross-promotion on customer satisfaction. Customer satisfaction was used as dependent variable. The table below illustrates the mean for each condition. As a main observation, cross-promotions had a significant impact on customer satisfaction. The congruent (M = 5,11) and incongruent (M = 4,71) cross-promotion produced higher levels of satisfaction than in the case of no such special display (M = 4,47). This indicates then, that respondents are more satisfied with, as well as willing to repurchase Apoteket Hjärtat's products in the case of a cross-promotion as opposed to when there is no such special display. Given the pharmacy retail environment in which the product constellations were exposed, hypothesis 1B is thus supported on a 3 % significance level:

HYPOTHESIS 1B: A cross-promotion will have an impact on customer satisfaction, given the retail environment in which the promotion is exposed → **SUPPORTED**

Variable	No Cross-promotion Scenario	Congruent Cross-promotion	Incongruent Cross-promotion	Significance
Customer Satisfaction	4,47	5,11	4,71	0,03

Table 2: Customer satisfaction means for each condition

4.2. HYPOTHESIS 2 – MODERATE INCONGRUITY EFFECTS ON PRODUCT EVALUATIONS AND CUSTOMER SATISFACTION

The one way ANOVA had a significant impact on the moderately incongruent cross-promotion, given the pharmacy retail environment in which the stimuli was exposed, for quality ($F = 3.08$, $p = .05$) and price ($F = 3.64$, $p = .03$). Although results shown for quality were lowest in comparison to the congruent scenarios, thus having a negative impact on the moderately incongruent option for quality ($M = 4,42$) and price ($M = 4,90$). In light of the above, sis 2A is also supported on a 5 % significance level:

HYPOTHESIS 2A: A moderately incongruent cross-promotion will have an impact on customer's product evaluations, given the retail environment in which the promotion is exposed → **SUPPORTED**

As for the comparison of means of Hypothesis 2B, the congruent cross-promotion yielded the highest level of customer satisfaction ($M = 5,11$) compared to the moderately incongruent cross-promotion ($M = 4,71$) with a difference of 0,40. Hypothesis 2B can thus also be supported:

Variable	Congruent Promotion	Incong. Promotion	Difference	Significance
Customer Satisfaction	5,11	4,71	0,40	0,03

Table 3: Customer satisfaction means and differences
between congruent and moderately incongruent conditions

HYPOTHESIS 2B: A moderately incongruent cross-promotion will have an impact on customer satisfaction, given the retail environment in which the promotion is exposed → **SUPPORTED**

5.0 DISCUSSION

In the following chapter, dots will be connected as each research question of the paper is discussed with drawn parallels to the obtained results:

1. What impact do cross-promotions for private labels have on sales, given the pharmacy retail environment in which they are displayed?

→ The results above show that sales for each product increased significantly during the two cross-promotion scenarios. The impacts were, however, not as high as the average sales increase for a traditional retail store, which typically reach 250 – 300 % (Nordfält 2007). These findings suggest that, despite the increased campaign driven industry, purchase behaviour in the pharmacy retail industry may still differ from the retail sector in the sense that more purchase decisions are taken prior to the pharmacy visit. Impulse buying behaviour is lower and the motivation to shop primarily springs out of the need for an explicit product. If this is the case then, it raises the question of whether or not an in-store marketing incentive such as a cross-promotion really is an efficient sales tool. An argument for such incentives would however be that the more focus pharmacies put on non-prescription products, the larger the proportion of sales will be derived from these product categories. Consequently, the larger proportion of sales generated by non-prescriptions, the higher the possibility will be to positively impact the consumer's purchase decision in store.

Furthermore, it should be discussed that the amount of consumers who purchased both cross-promoted products was low. Contrarily, the cross-promotions had an impact on sales in the sense that one of the two displayed products benefited more from the cross-promotion than the other. This finding supports theoretical literature presented in Chapter 2, illustrating how a frequently purchased product A can drag attention to a less frequently purchased product B. Additionally, the complementary product in the congruent constellation, mouthwash, increased more in sales than the toothpaste. The exposure of toothpaste can thus activate the purchase of mouthwash since the two products exist in the same association network, however not necessarily vice versa, as the networks differ for different purchase and usage occasions, which these results confirm. Considering that Apoteket Hjärtat's private label is fairly new to the consumer, the cross-promotions facilitated variety seeking and new product choice for the consumer. Moreover, the promotion could have acted as an in-store cuing for forgotten needs. This result then, also supports existing theories.

→ *What impact do cross-promotions have on product evaluations and customer satisfaction, given the pharmacy retail environment in which they are displayed?*

In terms of product evaluations, the results suggest that customer perception of quality is higher in the case of no cross-promotion. This finding may be connected to the actual design of the promotion. Many products lay displayed at once at the cash desk, thus not signalling exclusivity. It may also be related to consumer perception of quality/price ratios, suggesting that if an item has a lower price consumers will often associate the quality as being lower and vice versa. Although a brand should not want to be associated with a lower level of quality than others, the mean differences were low, suggesting that consumer perception of quality did not differ radically between the different scenarios. Moreover, since Apoteket Hjärtat's private label brand is positioned as a price worthy brand, it is in a way competing on price, thus indicating that displaying its products at the cash desk in such a way would benefit more from the actual sales increase from the cross-promotion than from the small, yet existing risk that it can have an effect on consumer perception of quality.

In terms of price then, the question measuring this variable was "*The price of the products correspond to my expectations*". It seems particularly so then, that correspondence with consumer expectations on price is higher in the case of a cross-promotion. In addition to the preceding discussion regarding product quality and that the PL is competing on price, the initial idea is that consumers expect a) a private label brand to give more value for money than a non-store brand and that b) a cross-promotion displayed at the cash desk symbolizes "a good deal" to the consumer. Bearing these aspects in mind, consumer perceptions are thus met when confronted with the price.

Furthermore, the results suggested that cross-promotions yielded a higher positive impact on customer satisfaction than in the case of no such promotion, in the pharmacy retail environment in which the products were displayed. This indicates then, that respondents are more satisfied with, as well as willing to repurchase Apoteket Hjärtat's products in the case of a cross-promotion as opposed to when there is no such special display. Given the theoretical explanations, yet conflicting ideas of the relationship between cross-promotional buying behaviour and satisfaction, these findings support the idea that cross-promotions have an impact on customer satisfaction.

May it be so that an unplanned purchase of a non-prescription pharmaceutical at a pharmacy yields a higher sense of customer satisfaction than the impulse buying of say, for example clothes in a traditional retail store? Purchasing a cross-promotion may give rise to the feeling of satisfaction in the sense that the consumer feels that s/he has made "a good

deal", regardless of whether or not there is a price reduction. As marketing theory often depict customer satisfaction as an ascendant for increasing customer duration, and most firms are interested in increasing their customer life time value, this result may be beneficial for future discussions within the academic research of customer satisfaction.

Most conflicting are however the ideas concerning the causal relationship between cross-promotions and customer satisfaction. This relationship will not be discussed further as it was not an objective in the study and has thus not been examined. In this study, then, one can only speculate that buying a greater number of articles, in a greater number of categories as well as more balanced spending across categories will lead to purchasing more often and for more money from the firm over time at Apoteket Hjärtat, i.e. increases customer satisfaction and store. loyalty.

On the one hand, one could argue that the second research question discussed above is of modest interest to a manager as location and not customer satisfaction determines, as of today, the pharmacy in which a customer will visit. During times of monopoly, supposedly the level of importance of customer satisfaction was even smaller, as customers had no option but to return to the same firm, regardless their level of satisfaction. On the other hand, differentiation is one aspect that could change consumer shopping behaviour for non-prescription pharmaceuticals. If a pharmacy offered a differentiated assortment and its added value was perceived high enough by the consumer, proximity would be of minor importance and consumers would be more likely to walk an extra block to repurchase the firm's products.

Moreover, if the firm offered a differentiated product assortment and consumers were to increase cross-buying from that firm, switching costs would, according to the theoretical framework presented in Chapter 2, become higher and thus eliminate the risk that the consumer would be less loyal and visit another firm.

→ *Does the level of congruence between the exposed products have an impact on purchase, post-purchase evaluations and behaviour?*

The levels of congruity would also play, although maybe not a central, part in determining a firm's product differentiation. With regards to the third research question above then, the obtained results from the experiment suggest that the level of congruence does in fact have a significant impact on sales, product evaluations and customer satisfaction.

The moderately incongruent cross-promotion increased significantly in sales, but the relative increase of the less frequently purchased product, intimate shower gel, was not as

high as the corresponding product in the congruent promotion, mouthwash. I have identified a few potential reasons for this. First, the moderately incongruent product pair was aimed at a narrower target group than the congruent option. While sanitary pads and intimate shower gel are bought by women aged approximately 15 - 55 only, toothpaste and mouthwash appeal to men and women in all ages. The survey results are however better off than the sales results, as the majority of respondents were women (67 %). Nevertheless, this is a central dilemma in the experiment, and can thus have had a negative impact on the sales of the moderately incongruent option. The decline in category growth compared to the previous year has been further discussed with pharmacists at Apoteket Hjärtat, who beside the facts regarding the product category above, also stated that it is a cyclical product and that for biological reasons, demand could have been lower the previous year.

Additionally, according to the theoretic literature, relative increase of sales from a higher frequently product A to a less frequently purchased product B goes under the prerequisite that the products are complementary. Assumingly, toothpaste and mouthwash may be perceived as "more" complementary than sanitary pads and intimate shower gel. Another idea is that the impact could be related to the Moderate Incongruity Effect, thus meaning that consumers did not live up the necessities of being a) motivated to process or b) resolve the incongruity, or c) did not enjoy or value the stimulation or d) did not find it arousing. In any case, studies have in fact shown that low levels of perceived fit between stimuli can have negative impacts on the customer's evaluation, such as on quality or price.

Despite this fact, I would like to argue that certain levels of incongruity can play an important role in determining in-store sales incentives that are cost-efficient and can be done in order to differentiate assortment further in pharmacy retail environments. Besides the differentiation of the actual product, the relative placement of products has, as can be depicted from the results contribute as to determine consumer perceptions in terms of product evaluations. In terms of customer satisfaction levels, the congruent cross-promotion generated the higher results, compared to the congruent one. Also in this case, the Moderate Incongruity effect can explain why these results were obtained. Nonetheless, he main finding is that cross-promotions had a positive effect on overall customer satisfaction levels.

6.0 FUTURE RESEARCH

Bearing in mind the obtained results from the field experiment, it would be of future interest to conduct the same experiment again and this time at several pharmacies by for example using a latin square design. By doing so, one would minimize the risk of obtaining

different results for different areas in which the study is performed. It would furthermore be useful to test other product categories, suggestively a non-store brand, under the prerequisite that both product pairs target an equally large target group.

Additionally, one could test other factors, such as price, as it may play an important role in determining the consumer's purchase intention to cross-buy. The importance of customer satisfaction is said to decrease when bargaining power increases, thus implying that a price reduction may have an impact. It would moreover be interesting to examine the effects placement of a special display in the form of a cross-promotion at other places in the retail environment, i.e. not at the cash desk but elsewhere. In this paper, within-category effects have been analysed. Other possible subjects for future research would therefor be to investigate cross-category effects on purchase behaviour and customer satisfaction, as this might have certain implications for consumer loyalty and thus the building of switching costs.

7.0 MANAGERIAL IMPLICATIONS

With regards to the contemporaneity of the Swedish pharmacy industry, my hope is to be able to contribute to academics as well as decision makers within the sector. In this fierce competitive, post-deregulated landscape, experts are stressing the need for increased profitability by increasing the requirements for product innovation, brand positioning and differentiation. In light of the above, such implementations require heavy investments and in an industry where profitability is low, there is not always room for such implementations. The following managerial implications are thus sought to contribute to the industry as a whole by presenting cost-efficient yet creative in-store marketing incentives.

By illustrating how cross-promotions can increase customer satisfaction, this paper shows that in-store merchandising decisions can have an impact on cross-promotional sales. The results thus indicate how decision makers can allocate their in-store marketing resources in a more efficient way by using cross-promotion in order to reinforce the customer's intention to cross-buy. Furthermore, sales may contribute to boosting the consumer-pharmacy relationship, as switching costs increase, the higher the variety of products and the amount of categories the consumer purchases within. The increased focus on non-prescription pharmaceuticals will moreover encourage consumers to take more responsibility for their own healthcare, instead of increasing the usage of drug prescriptions.

Additionally, the pharmacy and healthcare industry is, even for non-prescription pharmaceuticals, in comparison to traditional retail, more slow paced with regards to

product innovations. The usage of cross-promotions, with moderate levels of congruity, can therefor contribute to certain renewal and differentiation within the industry. As in a way, by placing two products together and exposing them together you obtain a new product (constellation). Brand strategists and other practitioners can thus use these insights in order to further develop and customize special in-store exposures for their individual pharmacies.

Another managerial implication is based on the finding that a frequently purchased product can drag attention to and increase the sales of another product bought with less purchase frequency, given that the two products are congruent with each other and complementary. This finding thus suggests, as a managerial implication, that sales derived from products can be more evenly distributed, i.e. a retailer need not be as dependent on a few star products when a less frequently purchased product is given more attention and thus increases in sales. Consider the risk if something would happen to the product that typically generates higher revenue. If for example, suppliers would for some reason would not deliver the product the retailer is heavily dependant on, a large fraction of revenue would be lost. A managerial implication is thus that this risk may be decreased.

As the amount of consumers who purchased both products in the cross-promotion, regardless its level of congruity was very low, a final managerial implication would be to not set as an objective to promote the sales of both products when implementing such an in-store incentive. On the contrary, the objective could be to boost the sales of the less frequently purchased product, or the product that generates the least proportion of sales. Bearing in mind that the results indicate that consumer product evaluations led to a slight, yet significant value on quality and a price level corresponding to consumer expectations, a managerial implication would thus be to cross-promote store brands at the cash desk as opposed to non-store brands.

Last but not least, the experimental study considered consumers' usage frequency and their usage situation, in order to assess general qualities that the products included in the field experiment might have. By doing so, the obtained results can, at least to a certain extent, be applied, although not to the population as a whole, but to other product categories in other traditional retail stores, given the characteristics of the products in question. Consequently, retailers can use these results to plan more effective in-store merchandising and promotion strategies to increase the customers' cross-buying of products, which in return will generate greater purchases at their stores. Given this generalization, then, this study provides a unique framework for the effects of cross-promotion on purchase behaviour, product evaluations and customer satisfaction.

8.0 CONCLUSION

In this paper, the effects of cross-promotions on purchase behaviour and customer satisfaction have been examined. Different levels of (in)congruity have been taken into consideration as well as the Moderate Incongruity Effect. Additionally, a theoretical model that takes the multifaceted aspects of congruity into consideration has been initiated. The main objective has been to identify alternative revenue streams derived from the cross-promotions of non-prescription pharmaceuticals in an industry characterized by increased commercialization, consolidation and low profitability. In the experimental study conducted within the framework of this paper, a private label brand in the non-prescription assortment has been utilized, as this is the product category that has experience highest growth during recent years.

One of the main findings in this paper illustrates how cross-promotions of private label products have positive impacts on both sales and customer satisfaction. A frequently purchased product A can moreover drive the sales of a less frequently product B in such a cross-promotion. Additionally it is found that moderate levels of incongruity play a certain role in determining the customer's product evaluations for the products, in terms of price and quality. This finding also corresponds with previous theoretical literature. Decision makers may be able to use these findings to further elaborate and increase the ratio of non-planned purchases in the pharmacy retail store environment. By doing so, and thereby increasing sales derived from the non-prescription pharmaceutical category, pharmacies can in return control their revenue streams better and hopefully increase their profitability.

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ELECTRONIC RESOURCES

The Swedish Association of the Pharmaceutical Industry (2013-04-03)
http://www.sverigesapoteksforening.se/wp-content/uploads/Apoteksforeningen2012-Final.pdf

The European Federation of Pharmaceutical Industries and Associations (2013-04-03)
http://www.efpia.eu/sites/www.efpia.eu/files/EFPIA%20Figures%202012%20Final.pdf

APPENDIX 1 – PRE TEST IMAGES AND RESULTS (MEANS)

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Product 1	Product 2	Congruity	Ranking
Toothpaste	Mouthwash	5,96	1
Shampoo (normal)	Conditioner (normal)	5,75	2
Hand Soap	Hand Cream	4,86	3
Shower Gel	Body Lotion	4,23	4
Sanitary Pads	Intimate Shower Gel	3,29	5
Fake Tanning Lotion	After Sun Aloe Vera Gel	3,04	6
Foot Cream	Vitamin Supplement	2,24	7
Hairloss Shampoo (scented)	Baby Conditioner (no scent)	2,17	8

1. Mouthwashing / Toothpaste

2. Shampoo (normal) / Conditioner (normal)

3. Hand soap / Hand cream

4. Shower Gel / Body Lotion

6. After Sun Aloe Vera Gel / Fake Tanning Lotion

7. Foot cream / Vitamin Supplements

Anti-Dandruff Shampoo (scented) / Baby Coniditioner (not scented)

APPENDIX 2 – THE EXPERIMENT: CROSS-PROMOTION IMAGES

APPENDIX 3 – THE SURVEY

1. Kände du till Apoteket Hjärtat sedan innan?

JA (1)   NEJ (2)

2. Ta ställning till hur du upplever Apoteket Hjärtat enligt nedan:

Negativt	1	2	3	4	5	6	7	Positivt
Ofördelaktigt	1	2	3	4	5	6	7	Fördelaktigt
Dålligt	1	2	3	4	5	6	7	Bra

3. Hur nöjd är du överlag med Apoteket Hjärtat?

Mycket missnöjd	1	2	3	4	5	6	7	Mycket nöjd

4. Vänligen ange hur väl din åsikt överensstämmer med följande påståenden där 1 motsvarar "instämmer inte alls" och 7 "instämmer helt".

a) Jag anser att Apoteket Hjärtats produkter håller en hög kvalitet	1	2	3	4	5	6	7
b) Jämfört med andra apotek i Sverige är Apoteket Hjärtat överlägset	1	2	3	4	5	6	7

c) Min erfarenhet av Apoteket Hjärtat är god	1	2	3	4	5	6	7
d) Min kännedom om de olika apoteken i Sverige är god	1	2	3	4	5	6	7
e) Jag kan tänka mig att handla på Apoteket Hjärtat igen	1	2	3	4	5	6	7

5. Hur många gånger per år går du till ett apotek?

_____

6. Har du någon gång köpt Apoteket Hjärtats egna produkter?

JA (1)   NEJ (2)

7. Hur många varor köpte du totalt idag?

_____

8. Hur mycket handlade du för totalt idag (SEK)?

_____

9. Tänkte du på hur tandkrämen/fluorsköljen var placerad i butiken?

JA (1)   NEJ (0)

10. Om JA, ta ställning till hur du upplevde placeringen:

Ovanlig	1	2	3	4	5	6	7	Vanlig
Nytänkande	1	2	3	4	5	6	7	Icke Nytänkande
Oförutsägbar	1	2	3	4	5	6	7	Förutsägbar
Logisk	1	2	3	4	5	6	7	Ologisk
Otypisk	1	2	3	4	5	6	7	Typisk
Upprymmande	1	2	3	4	5	6	7	Uttråkande
Passade ej mina behov	1	2	3	4	5	6	7	Passade mina behov
Ej relevant för mig	1	2	3	4	5	6	7	Relevant för mig

11. Jag anser att Apoteket Hjärtats tandkräm/fluorskölj håller en hög kvalitet

Instämmer inte alls   1   2   3   4   5   6   7   Instämmer helt

12. Priset på Apoteket Hjärtats tandkräm/fluorskölj ligger i linje med mina förväntningar

Instämmer inte alls   1   2   3   4   5   6   7   Instämmer helt

13. Jag skulle kunna tänka mig att handla Apoteket Hjärtats tandkräm/fluorskölj igen

Instämmer inte alls   1   2   3   4   5   6   7   Instämmer helt

14. Apoteket Hjärtats tandkräm och fluorskölj är:

KOMPLEMENT (1)   SUBSTITUT (0)

15. Hade du Apoteket Hjärtats tandkräm/fluorskölj på din inköpslista (memorerad eller nedskriven)?

JA (1)   NEJ (0)

16. Hur många gånger per år köper du tandkräm/fluorskölj?
_____

17. Hur många Apoteket Hjärtats tandkräm/fluorskölj köpte du idag?
_____

18. Kön:

KVINNA (1)   MAN (0)

19. Ålder: _____

APPENDIX 4 – ONE WAY ANOVA

Descriptives

Fråga 11: Jag anser att Apoteket Hjärtats produkter håller en hög kvalitet

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
1,00	40	4,4250	,90263	,14272	4,1363	4,7137	3,00	7,00
2,00	40	4,5500	,84580	,13373	4,2795	4,8205	3,00	7,00
3,00*	40	4,8750	,75744	,11976	4,6328	5,1172	4,00	6,00
Total	120	4,6167	,85192	,07777	4,4627	4,7707	3,00	7,00

* **1,00** = *moderately incongruent scenario* (sanitary pads/intimate shower gel), **2,00** = *congruent scenario* (toothpaste/mouthwash), **3,00** = *no cross-promotion scenario*

ANOVA

Fråga 11: Jag anser att Apoteket Hjärtats produkter håller en hög kvalitet

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4,317	2	2,158	3,078	,050
Within Groups	82,050	117	,701		
Total	86,367	119			

Descriptives

Fråga 12: Priset på Apoteket Hjärtats produkter ligger i linje med mina förväntningar

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
1,00	40	4,9000	1,10477	,17468	4,5467	5,2533	3,00	7,00
2,00	40	5,2500	,77625	,12274	5,0017	5,4983	4,00	7,00
3,00*	40	4,6750	,97106	,15354	4,3644	4,9856	3,00	7,00
Total	120	4,9417	,98130	,08958	4,7643	5,1190	3,00	7,00

* **1,00** = *moderately incongruent scenario* (sanitary pads/intimate shower gel), **2,00** = *congruent scenario* (toothpaste/mouthwash), **3,00** = *no cross-promotion scenario*

ANOVA

Fråga 12: Priset på Apoteket Hjärtats produkter ligger i linje med mina förväntningar

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	6,717	2	3,358	3,642	,029
Within Groups	107,875	117	,922		
Total	114,592	119			