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Hyperlocation in the Chilean pharmacy market: Its influence in consumer purchasing decisions

Hiperlocación en el mercado de farmacias de Chile: su influencia en las decisiones de compra de los consumidores

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ABSTRACT:

Factors influencing purchasing decisions in a competitive market experiencing hyperlocation are explored. Hyperlocation is a new term in the retailing literature, which is coined in this study. The term illustrates the presence of two or more branches of the same brand located within relatively close walking distance in high traffic pedestrian streets. Results indicate that price perception and discounts, proximity, brand preference, and loyalty cards are among the most important factors influencing consumers´ purchasing decisions when hyperlocation is present. These factors importance were found to vary by gender and age group.
Keywords: hyperlocation, spatial competition, market concentration, multiple store brands

RESUMEN:

Se exploran los factores que influyen en las decisiones de compra en un mercado competitivo que experimenta hiperlocación. La hiperlocación es un nuevo término en la literatura de venta minorista, que se acuña en este estudio. El término ilustra la presencia de dos o más sucursales de la misma marca ubicadas a una distancia relativamente cercana en calles peatonales con mucho tráfico. Los resultados indican que la percepción del precio y los descuentos, la proximidad, la preferencia de marca y las tarjetas de fidelidad se encuentran entre los factores más importantes que influyen en las decisiones de compra de los consumidores cuando hay hiperlocación. Se determinó que la importancia de estos factores varía según el sexo y el grupo de edad.
Palabras clave: hiperlocación, competencia espacial, concentración de mercado, marcas de tiendas múltiples

1. Introduction

Over time pharmacies have followed different strategies in order to position themselves in

the highly competitive Chilean market. Since the mid 1980's the opening of pharmacy branches in Chile has been regulated by the Circuit Law, which established that a pharmacy must be within 400 meters of another pharmacy. Subsequently, this law has been repealed in order to give private initiatives a great role, thus leaving the regulation of the system in the hands of the market. Problems only began to appear in the mid 1990's when companies started to merge. Until that point, the structure for pharmacies in Chile had worked without major problems.

According to the Ministerio de Economía, Fomento y Turismo-MEFT (2000), the result of pharmacy mergers created three major chains that made up more than 90% of market participation. The market went from being a fairly divided market with some traditional brands, to having the following three major chains: Farmacias Cruz Verde with 40.6% market share, Farmacias Ahumada (FASA) with 27.7%, and SalcoBrand with 30% (Alvarez 2015). The MEFT (2013) also claims that the three chains concentrated 95% of the sales and their branches cover a 60% of the total pharmacies in Chile.

The concentration of the market and intensification of competition have forced the three main chains to constantly drive a series of strategies in search of consolidating the market. For this, they have highlighted the availability of strategic locations, lengthening of opening hours, development of loyalty programs with discounts (normally known as "Loyalty and /or Benefits Cards"), use of credit cards (their own as well as those of other companies), health information, branch modernization, the introduction of the drugstore format, and an increased range of products. It is important to indicate that the supply of the three pharmacy chains is fairly homogeneous in their products and services.

In this way, the concept of the pharmacy has become a dynamic one in the eyes of the consumer. Some branches have almost turned into a convenience store, where many impulse purchase products, or those which are not normally associated with a pharmacy, are available. The Chilean pharmaceutical market has been prone to the appearance of anti-competitive behaviors. In 2009, Cruz Verde and SalcoBrand were penalized for participating in a price fixing agreement. FASA was not penalized because it recognized having participated in this anticompetitive practice along with the other chains.

Time has proven that price is not the only competitive variable in that market. Given that the supply of products from the three chains is quite homogeneous, investment in new points of sale or premises has appeared as a differentiating competitive variable to be considered. The presence of an extensive network of this points of sale in a small geographical area as a differentiation, introduces a dimension barely studied in marketing, which is defined in this investigation as "hyperlocation".

There are some studies on spatial competence that are basically theoretical, however, hyperlocation and how it impacts the consumer's purchasing decision, has not been studied so far. This makes the present study a novel subject.

Location studies are particularly important in the case of pharmacies because the consumer needs to go to the store to buy the product, something that does not necessarily occur with the purchase of other products. Therefore, access through a large network of stores and its location is important. It has also been observed that current market participation is proportionated to the number of branches each brand has in the Chilean market. If we focus in the city of Viña del Mar, it can be found that Cruz Verde is the market leader, followed by FASA and SalcoBrand. Whereas in the city of Santiago, SalcoBrand is the market leader, followed by FASA and Cruz Verde.

Now, if we focus on specific high traffic pedestrian streets, present in each city previously mentioned, we find the following data: as of April 2015 in Calle Valparaiso (Viña del Mar), within an axis of five blocks, we observe five Cruz Verde, five SalcoBrand and two FASA pharmacies. In addition, in the same street we find the following pharmacy chains: three ECO pharmacies, two Knop pharmacies (both specialized in generic medicines), and one Dr. Simi (homeopathic medicines). This gives us a total of 18 pharmacies in 5 street blocks, twelve of them (66%) belonging to the 3 largest pharmacy chains, which are the subject of this study. The other 33% compete only on a small part of the total market (generics and homeopathics).

As of May 2015 in Paseo Ahumada (Santiago), within an axis of four blocks, we find three FASA pharmacies, two SalcoBrand, and two Cruz Verde. In addition, in the same street we find the following pharmacy chains: one Knop, one Dr. Simi, and one Dr. Ahorro. This gives us a total of ten pharmacies in four street blocks, seventy of them (70%) belonging to the three largest pharmacy chains.

In summary, the three main pharmacy chains also compete in a new dimension: the geographical hyperlocation of stores. This agglomeration in certain geographical areas competing by location does have implications for consumers purchasing decision process. Thus, our investigation looks to identify what criteria and factors are involved in the choice of a store in a highly competitive market, where "hyperlocation" is a widely followed strategy by the three chains, whereby they compete not only among them but with themselves in a relatively small geographical area. This occurs by having chain stores of the same brand very close to each other. Closeness is explained by five street blocks and four street blocks for Calle Valparaiso and Paseo Ahumada, respectively.

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2. Theoretical background

Hotelling (1929) introduced a model based on the decisions of a monopolist who has to take into account how many locations to have, where to place them, and how much to charge for the product. His model indicates that at a certain price, the number of locations or points of sale of a company are positively related to the size of the market and the disposition of a consumer payment; and in a negative way, with the cost of the opening of a new store and the consumer transportation cost.

The model also predicts that the optimal decision for a monopolist is to distribute its premises in an equidistant manner. Therefore, the decision to locate the store is based on efficiency, thus preventing the company's stores from competing among them. However, this model does not consider how firms decide, where a point of sale can be found, when competitors exist. In turn, the model ignores the impact of the geographical location of the premises and the costs to the company (Eaton y Lipsey, 1989).

In the two streets mentioned in the introduction (Ahumada and Valparaiso), and whose main chains of pharmacies located in them are part of this investigation, a very different pattern is observed, which adds not only more competitors, but multiple locations for each competitor. Pal and Sarkar (2002), mention these aspects in their article on spatial competition among companies with multi stores. According to Villalobos (2015), the distribution of pharmacies is not uniform throughout the district, but rather concentrates in some specific points. In addition, he explains that the Hotelling model does not exist in the case of Chilean pharmacies for two reasons: First, because the uniform distribution of consumers mentioned by Hotelling does not occur in reality, since there are regions more densely populated than others. Second, the definition of market size must also include the floating population. This would explain the high number of pharmacies in small but eminently tourist populations, as is the case of Viña del Mar. Houde (2012), emphasized the importance of taking into account the mobility of consumers in spatial location models.

Zhu and Singh (2007), examined the importance of geographical differentiation in store locations decisions of firms in the retail discount industry. They study the factors that influence the entry and location decisions of those firms. Results show the importance of accounting for firm asymmetries in their response to marker conditions and competition interactions. Villalobos (2015), in turn, observed that the factors that can explain the high presence of pharmacies in a district are based on the population and the floating population (tourists). He also warns that the presence of pharmacies (and their number) is more likely in cities with a higher proportion of affiliates to an Isapre (private health insurance), thus combining economic and health factors. Villalobos also highlights several Chilean cities, where pharmacies are frequently located on an axis of no less than three blocks. This leads us to think about the particular way in which pharmacies make their location decisions and how they decide to compete in different markets.

Houde (2012), conducted an empirical model of spatial competition applied to gasoline markets. He found that spatial differentiation depends on an intuitive way on the structure

of the road network and the direction of traffic flows. On the other hand, Pal and Sarkar (2002), analyzed spatial Cournot competition among multi-store firms. They demonstrate the complex problem of determining equilibrium store locations for competing and they found that each firm behaves as a multi-store monopolistic in choosing its store locations. In the case of Hotelling (1929), he found the undue tendency for competitors to imitate each other in quality of goods, in location, and in other essential ways.

Villalobos (2015), offers an overview of the location of pharmacies within each district in Santiago. He presents the average distance of pharmacies, both from the nearest pharmacy and from the nearest pharmacy of the same chain. The average range, according to district, varies from 200 meters to more than three kilometers. Moreover, the agglomeration of pharmacies tends to be present in the higher income districts. Additionally, the pharmacies that on average are closer to others are those of Salcobrand, whose strategy is based on saturating the market.

Along similar lines, Simon and Neven (1991) observations suggest that firms tend to agglomerate. Fruin (1971), found that the design of pedestrian facilities involves the application of traffic engineering principles combined with consideration of human convenience. It is not clear that such knowledge is applied when making location decision for pharmacies and hyperlocation is conducted.

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3. Problem investigated

The objective of this study is to determine which are the variables that influence the choice of a pharmacy when hyperlocation is present. The relevance of the project's research is based in the need to clarify whether a typical choice of pharmacy still exists under hyperlocation conditions, an aspect that has not been researched in a context accompanied also by hypercompetition. This hyperlocation and hypercompetitive situation is observed in Paseo Ahumada and in Calle Valparaiso.

The technical difficulty in carrying out this research is finding the variables and constructing the indicators that are used in the consumer selection process. One can presume a priori that the variables that influence a decision to make a purchase will concern different sex and age groups, which will present differing trends and therefore influence with varying magnitudes, the final purchase decision.

It is of importance for the researchers to create a proposed definition for "hyperlocation". This is a new term coined by the authors in the literature. Hyperlocation will be defined as a situation where the same retail store brand is located within a distance not superior to 150 meters (450 feet) in the same street block, around the corner, or across the street in high traffic commercial pedestrian areas. It involves a high concentration of stores of the same brand in a relatively small numbers of street blocks and happens when competition (2+) is present.

On the other hand, it is important to define hypercompetition given its frequent use in economic vocabulary; nevertheless it lacks an exact interdisciplinary definition. For a definition of hypercompetition, we used D´Aveni and Gunther (1994): "hypercompetition means competing in intense and dynamic environments. It is an environment of intense change, in which flexible, aggressive, innovative competitors move into markets easily and rapidly" (p. ix).

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4. Methodology

For the purposes of this investigation a census of pharmacies was carried out in Paseo Ahumada in Santiago (4 blocks), and in Calle Valparaiso in Viña del Mar (5 blocks). These areas were chosen for the research due to the high concentration of pharmacies within the space of a few street blocks (hyperlocation), and moreover to take advantage of the high level of foot traffic pedestrians from different social backgrounds, gender, and age groups. The premises studied were not located equidistantly with the purpose of covering efficiently the street of interest.

The main objective of the investigation was to understand the factors that influence the

choice of pharmacy when hyperlocation is present. A high importance was placed on behavior when consumers face a hyperlocation situation, a concept defined by the authors as a high concentration of sales points of the same brand in a relatively small number of street blocks and, with a high level of competition among them.

4.1. Composition of the study

After determining the sample size needed and when the busy period was, during a week, the surveys were carried out at random with clients from pharmacies in Paseo Ahumada and in Calle Valparaiso. The study sought to extract and show the proportion of gender, age, and socioeconomic index that make up the pharmacies' clients.

A total of 171 surveys were conducted with customers attending pharmacies SalcoBrand, Cruz Verde, and FASA, in the two streets subject of this study (Paseo Ahumada and Calle Valparaiso). The quantity of surveys made for each pharmacy corresponds to the proportion of local branches present in Paseo Ahumada (Cruz Verde 29%, SalcoBrand 29%, and FASA 42%) and Calle Valparaiso (Cruz Verde 42%, SalcoBrand 42%, and FASA 16%). When adding both streets there is a predominance of branches for Cruz Verde and SalcoBrand, followed by FASA. This is proportionally consistent with the market share mentioned in the introduction section.

In order to carry out the surveys at times when the pharmacies were busiest, information was sought from pharmacy assistants and staff from the different chains in Paseo Ahumada and Calle Valparaiso as to when demand was the highest. They identified Monday, Wednesday, and Friday as the busiest days during a normal week when promotions and day-associated-discounts were taken out for consideration. As for the busiest hours during the day, two time periods were identified: mornings and afternoons between 11.00 and 16.00 hours, and in the evenings, from 18.00 to 20.00 hours. Taking this information into consideration, it was decided to carry out the survey on the given dates and times.

Once completed, survey results were put into tables and charts in order to process the information obtained and gain basic descriptive statistics from the study. Subsequently, relevant information was cross referenced, grouped in the majority of cases by ages and gender of the respondents in order to identify the perceptions of different groups with respect to the service offered by the three pharmacy chains.

As for the methodology considered, it was decided to maintain the proportions of surveys carried out to the number of pharmacies per brand in both Paseo Ahumada and Calle Valparaiso, setting free the characteristics of gender and age, in order to get the most representative study possible. This process consisted of randomly surveying customers leaving the stores who may have made a purchase, regardless of their gender or age, in order to approximate the proportion of shoppers in the general population. The study assumes that consumers walk to make their pharmacy purchases. A distance of 0.25 miles is often used as an acceptable walking distance in some research studies (Yang and Diez-Roux, 2012).

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5. Results

The data analysis allowed us to understand the large number of factors that influence the purchase decision. Initial results showed that in both Santiago and Viña del Mar one can observe a higher proportion of women than men shopping at pharmacies for personal use as well as for family products. In both locations they were 61% and 71% respectively.

In terms of age groups there was a higher proportion of people surveyed in the 30 to 45 age group, which represents 55% and 45% respectively of the results obtained in Santiago and Viña del Mar. The 18 to 29 age group shares 25% and 35% of the study in both cities respectively, and the 55 and over age group have a 20% share in both cities.

5.1. Price perception

The interviewees were asked if the pharmacy they had just shopped in was good value for

money. The purpose of the question was to find out what price perception consumers have in relation to the pharmacy brands they choose to shop at.

The results showed that 56.7% of those surveyed in Santiago thought that the pharmacy they had just purchased from was good value for money, while in Viña del Mar, only 48.5% thought they were getting good value for money. However, if we analyze the results per brand it becomes clear that this percentage is not evenly distributed between the different brands. In particular, customers of Cruz Verde were those who found their pharmacy to be the best value for money: in Santiago were 64.9% and in Viña del Mar 51.5% of those questioned that shared this opinion. For FASA and SalcoBrand the number was significantly lower, oscillating between 45.7% and 51% for both cities.

Another question related to the one above was to ask the customer if they thought that all the pharmacies had the same prices. Results produced consistent answers for both cities, with 70.7% and 81.9% replying "no" in Santiago and Viña del Mar, respectively.

To contrast the previous results the consumers were asked to say whether they compared or checked prices when shopping at pharmacies, choosing from "always", "sometimes" and "no". The respective results were 27%, 41%, and 32% ("always", "sometimes", "no") for Santiago and, 36%, 35%, and 29% for Viña del Mar.

On contrasting the price comparison results, with the question of whether a consumer received better value for money in the pharmacy they had just shopped in, one observes that in the case of customers in Santiago who said that they "always" check prices, 76.1% of them thought they had got the best value for money in the pharmacy where they had made their purchases. Another relevant result is that of those customers who declared that they "sometimes" check prices, 62.9% stated that they had got best value for money. This allows us to assume that the perception of having got best value for money in the pharmacy of their choice is more related to deeply-rooted subjective facts in the mind of the consumer, rather than the comparison of prices that allows a rational reinforcement of their perceptions.

In Viña del Mar, 64.9% of the consumers who declared that they "always" check prices, thought they had got best value for money in their pharmacy of choice, while only 34.7% of those who "sometimes" check prices, thought they had got best value for money. This results are significantly lower than the 62.9% obtained in Santiago.

5.2. Pharmacy Choice Evaluation

Those surveyed were asked to pick a number from 1 to 7 (1= no reason at all; 7= very important reason) to describe the reason why they picked the pharmacy they had just visited to make a purchase. The dimensions studied were speed of service, quality of service, confidence in finding what you are looking for, confidence in pharmacy staff, and medicine and product prices. The results were as follows:

Speed of service: Both SalcoBrand (Santiago) and FASA (Viña del Mar), scored an average of 6.3 leading the way with speed of service compared to 5.8 and 6.0 for Cruz Verde in Santiago and Viña del Mar, respectively.

Quality of service: The highest average mark was obtained by SalcoBrand in Santiago with 6.6 and the lowest by Cruz Verde, also in Santiago, with 6.1. The marks for quality of service are similarly high among the chains, showing that these companies place an emphasis on providing a good level of service to their customers.

Confidence in finding what you are looking for: The best mark was achieved by SalcoBrand in Viña del Mar with 6.4; while FASA, also in Viña del Mar, had the lowest mark at 6.0. This factor is related to the consumer finding the optimum range of products in a pharmacy at the time of purchase. Therefore, generally, the marks awarded were high and similar among brands.

Confidence in pharmacy staff: The highest average was in Viña del Mar for SalcoBrand and FASA with marks of 6.4 and 6.3 respectively. For both Santiago and Viña del Mar, Cruz Verde found itself in third place, with respective averages of 6.1 and 6.2. These results show

a significant difference among the chains and thus prove that this is an attribute given high importance by consumers across the board.

Medicine and product prices: The best averages were shared in Viña del Mar between Cruz Verde and SalcoBrand both with marks of 5.9. The worst average was also obtained in Viña del Mar by FASA with 5.5. This test shows where the brands can make the most improvement given the distance of the marks from the ideal average. The best evaluation for Cruz Verde, without being significantly better, was the high proportion of clients (64.9% in Santiago and 51.5% in Viña del Mar), who believed they had got the best value for money from the pharmacy they had just purchased from.

5.3. Prioritization of attributes

Besides evaluating their choice of pharmacy on the attributes set out above, customers were asked if they could assess on a scale from 1 to 7 (1 being the highest, 7 being the lowest) the factors they saw as most and least important at the point of purchase.

The results indicated that it is evident that the "price" factor (low prices or discounts) is in both cases the main factor which influences the choice of store, with 28% of those surveyed scoring 1. In second place is "speed" (speed of service), followed closely by "quality" (quality of service), in the case of Santiago, albeit less important in the case of Viña del Mar. In this city "quality" is replaced by "confidence" (confidence in finding what you are looking for), which is in fourth place in Santiago. Finally, the "confidence" and "security" factors occupy positions 5 and 6 depending on the city.

5.4. Shopping "On the way" (Making a purchase at a pharmacy located "on the way" to where the customer is going)

The responses to this question has shed light on the importance of store location in a hyperlocalized and hypercompetitive context. Fifty four percent of those surveyed in Santiago said that they had purchased in that store because it was "on the way", with 44% of people in Viña del Mar adopting the same position. For the sake of interpretation, one can point out that the difference here between the consumers in Santiago and those in Viña del Mar, is that those of the former go directly to their pharmacy of choice in Paseo Ahumada. This is backed up by statistics mentioned earlier, stating that only 27% of consumers in Santiago "always" check prices before shopping compared to the higher percentage of 36% in Viña del Mar.

On the other hand, 46% and 56% of those surveyed in Santiago and Viña del Mar stated that they "did not" shop at that pharmacy for the reason that it was "on the way". This could provide clues to certain chain or brand loyalty which will be analyzed further on.

5.5. Reason and Occasion of Purchase

One of the aspects also looked into the study was to identify whether there existed a significant difference in the reason and occasion of purchase, depending on the gender of the customer. Whether the purchase they were making was made for personal consumption or for a third (family member, friend, etc.), varied with the gender of the person.

For this, a large percentage (ranging between 65.3% and 70.5%), stated that the purchase was made for personal consumption. In general, there were no major differences in the results obtained between Santiago and Viña del Mar.

5.6. Brand loyalty

Understanding a consumer's loyalty to a brand and a particular branch is a key criteria to identify in a hyperlocalized market, where the consumer is confronted with a number of alternatives which could potentially satisfy their shopping needs within a relatively small physical space, where stores are located at short walking distances. Consequently, it was

investigated whether loyalty is influenced by consumer characteristics such as gender or age, to test whether these findings could be useful to a pharmaceutical company at the time of planning commercial strategies.

The results showed that even in this highly competitive market, the consumer still tends to "always" shop in the same pharmacy chain, with an average of 49.7% doing so in Santiago and 51.5% in Viña del Mar. Second, there is a notable difference in the composition of the percentages when divided by gender, with 54% and 55% of women stating that they "always" shop with the same chain compared to only 44% and 43% of men, respectively.

Furthermore, on examining the relationship with age groups, one can consistently observe that as age increases, so does loyalty to the same pharmacy chain. The 18 to 29 age range is the group with the least loyalty to a particular chain at 40%. This contrasts markedly with the over 55s in Santiago, where 65.7% declared that they "always" shop at the same chain.

On analyzing whether there were differences in loyalty to particular chains we found an important result, in that 55.8% of Cruz Verde customers in Santiago stated that they "always" shop with the same brand, with this figure being 58.8% in Viña del Mar. In contrast, SalcoBrand and FASA maintain loyalty levels ranging from 40% to 50% in both cities.

From the previous results the question arises of whether the loyalty of those surveyed was influenced by possessing a discount or loyalty card for their preferred pharmacy chain. It was found that 73% of Cruz Verde customers in Paseo Ahumada had a Cruz Verde loyalty card and 69% in Viña del Mar. These findings are consistent with the loyalty expressed by customers to this pharmacy chain. SalcoBrand comes in second place with 57% of its clients in Santiago and 50% in Viña del Mar claiming to have its loyalty or discount card. FASA lies clearly in third place with only 30% and 26% of its customers having its loyalty card in Santiago and Viña del Mar, respectively.

A second analysis was done to evaluate the loyalty to a particular chain, differentiating the clients according to whether they have a discount or loyalty card for their pharmacy of choice. One should hope to see a priori that the individuals in possession of a card would tend to show more loyalty than those without a card. On the other hand, one must take into account that consumers can have more than one card for shopping at pharmacies or even no cards at all for the different chains.

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6. Comparison of Results

The comparison of results from the data obtained in Santiago and Viña del Mar is showed in the following table, which summarizes the results obtained:

Table 1
Comparison of results

Comparison of results								
Results from the data obtained in Santiago and Viña del Mar								
		Cruz Verde	**SalcoBrand**	**FASA**	**Consistent Shoppers**		**Branch Loyalty**	**Pharmacy Proximity**
	Statement	Have a Cruz Verde discount or loyalty card	Always used their loyalty card	Own their loyalty card	Consistent shoppers	More loyal to a brand	Always shop in the same branch	The pharmacy was the one nearest to their home
	Santiago	74.4%	84.2%	37.5%	58.8%	73.3%	22.9%	59.6%

City	Viña del Mar	82.5%	71.9%	25%	60.8%	72.7%	32.4%	40.9%

Additional results from the data obtained in Santiago and Viña del Mar showed the following:

6.1. Main reason for Purchase

One of the main objectives of the investigation was to identify the factors and criteria that affect a consumer's selection of a pharmacy in a marketplace faced with a hyperlocation of branches. Consequently, one of the first questions asked was which is the main reason why a person went shopping in the pharmacy they chose, in comparison to other pharmacies, taking into consideration the number of shops and branches available nearby that cater to the same needs.

The question was asked openly, whereby the interviewee mentioned their main reason(s) for the choice of pharmacy, which have been summarized below.

In compiling the data, 8 main reasons emerged:

Good service: Referring to the friendliness of the staff, speed of service, knowledge of pharmaceuticals, and availability to answer questions. **Proximity:** Of the pharmacy in respect to where the customer has started his/her journey. **Loyalty card or benefits:** Includes bonuses for being a client of an Isapre (private health insurance). This also includes benefits associated with point's accumulation on loyalty cards and alternative payment methods. **Availability of products:** Mainly medicinal products and others that are generally associated with pharmacies (e.g. beauty products). **Branch not busy:** If the pharmacy at the time of purchase was empty or only had a few customers, thereby reducing waiting time to get served. **Loyalty:** Mainly to the brand, but also to the branch. This concept contains aspects of identification with the brand, and the habitual nature of shopping in the same place. It is worth mentioning that this factor is more than just a reason but a calculated preference made by the consumer after having analyzed several factors and experiences. **Others:** Corresponds to criteria mentioned by consumers that could not be classified due to lack of data. **Low Prices and Discounts:** Refers to the prices of the branch and discounts associated to specific days and product lines. For example, discount items, on buying a second product, buying on a specific day, catalogue offers, etc.

One can observe a consistency between the results obtained in Santiago and Viña del Mar in the relative importance of the reasons to go to the chosen pharmacy. In both cities the five main reasons in order of importance were: low prices and discounts, proximity, loyalty cards or benefits, loyalty, and availability of products. These made up 91.8% and 89.5% of all answers in Santiago and Viña del Mar, respectively.

The "low prices and discounts" factor is the most relevant at the time of purchase for those surveyed. However, according to the previous research, this is not always accompanied by the comparing and checking of prices which should allow the consumer to objectively evaluate which pharmacy is the best value for money. As a result, stating that one chooses a pharmacy because of "the lowest prices" has an important subjective component, associated to a perception and position of the brand in the mind of the consumer which is generated by advertising, among other things.

These general findings make it necessary to carry out a differential evaluation of answers by gender to see if the responses of consumers are proportional to the composition of the study, and to see whether any differences exist between genders. It was therefore necessary to consider again the proportion of women and men represented in the study.

In this context, the surveys in Paseo Ahumada were made up of 61% women and 39% men and in Calle Valparaiso they were 71% women and 29% men. The "low prices and discounts" factor was valued more by women both in Santiago and Viña del Mar with levels of 67% and 76% respectively, superseding in both cases the proportion of women in the study (61% and 71%). Therefore, one can speculate that women are more concerned with price as a factor which can be attributed to their traditional role as the supposed family

administrator.

For the "proximity" factor the proportions are relatively balanced. However, in both cities men have a higher proportion of preference for this factor than their participation in the study. In Santiago 43% of men surveyed said that proximity was the main reason for their purchase, which is a larger percentage than their composition in the study of 39%. There is a greater tendency for it in Viña del Mar, where 40% of those surveyed declared this out of only a 29% composition of the study. As a result, one can say that men see proximity as a bigger factor than women in convenience and comfort of shopping.

In third place, "loyalty cards and benefits" show different results between the cities. In Santiago 54% of men gave this as their main reason of purchase, compared to only a 39% representation in the study. In contrast, in Viña del Mar 82% of women see this as the most important reason for purchase, a number greatly superior to their 71% representation in the study. These incongruous results make it difficult to pinpoint an exact explanation for this phenomenon.

In terms of "loyalty", 67% women in Santiago placed this as their reason for purchase compared to their composition in the study (61%). In Viña del Mar, unlike Santiago, the proportions are in line with their composition in the study. As a result, there is a slight tendency to suggest that women are more loyal clients to a particular chain or branch. This analysis is consistent with the previous results in the loyalty section according to the gender of the consumer.

Finally, for "product availability", the fifth attribute in order of relevance, the proportions are equal to the composition of the study, with a slight swing towards men placing more value on this aspect, which could be related to convenience at the time of purchase and not needing to go to more than one branch to purchase the products desired.

Along with this we can also carry out a similar analysis of factors affecting the selection of a pharmacy at the time of purchase by age group. For this, we shall consider the proportion of ages for both Santiago and Viña del Mar, 25% and 35% respectively for the 18 to 29 age group; 55% and 45% for the 30 to 54 age group; and 20% for the 55 and over age group.

In considering the "low prices and discounts" data, one can see that the 30 to 54 age group place more importance on this, which is a proportion slightly above their composition in the study; whereas for those aged 55 and over, the importance is significantly lower that their composition in the study (20%). The 18 to 29 age group maintains a proportion more relative to the make-up of the study, with a slight tendency to value this factor more.

Second, in terms of "proximity" we can see that in Santiago the proportions are relatively equal to those of the study, with a small tendency for the 18 to 29 age group to place a greater value on this attribute, which is highlighted further in Viña del Mar (44% over a 35% study composition). Taking these results into consideration, one can identify younger men as seeing this attribute as being more relevant when choosing a pharmacy. However, it was harder to identify trends upon analyzing "loyalty cards and benefits", largely because this aspect is strictly related to prices.

As for "loyalty" to a pharmacy chain or brand, there is a clear tendency for older people to show more loyalty. It is worth mentioning that in Viña del Mar, where the over 55 plus made up 20% of the study, 40% of the age group said they were loyal to a chain or brand. These results are consistent with those in the previous research.

Finally the "availability of products" factor was given heavy preference by the 30 to 54 age group, especially in Santiago, where 75% of respondents stated this as their most important factor from a group that composed only 55% of the study.

Consumer Reactions to Hyperlocation:

Along with the analysis of identifying factors and criteria for the selection of stores in a highly competitive market, it was important to obtain views from consumers about the hyperlocation of pharmacy stores, questioning them about their views on the existence of several same brand pharmacies in the same street. The question was asked openly and the interviewer summarized the opinion of the respondent.

The following is an extract of the answers received:

Positives: "Good. There is more competition and better prices"; "Good. Greater variety"; "More places to check prices"; "Good. If I don't find what I want in one pharmacy, I can go to another one"; "Good. If there were less, there wouldn't be so many options for shopping".

Negatives: "It's an exaggeration"; "Bad"; "There are only branches here and not where I live"; "Bad. It represents consumerism"; "Illogical. It's expensive for the companies themselves"; "There are too many hypochondriacs in Chile".

On a general level, the existence of several pharmacies in the same place was well perceived by consumers, because it leads inter alia to better prices, a greater variety of products and branches, and easier price checking.

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7. Conclusions

The methodology used in the design and the fieldwork as well as the presentation of results of the field study looked to minimize non-sampling errors in every aspect of the study. Hyperlocation appeared to have a positive effect on the consumer purchasing process.

When it comes to price perception, it is important to highlight that this perception is not reflected to the same degree for each of the pharmacy chains. Cruz Verde, in particular, had the best evaluation on both cities, where 64.9% of its clients in Santiago stated that this pharmacy chain was the best value for their money.

When dealing with price checking, the percentages show that the best value for the consumer´s money is a factor with an important emotional component, rather than being based solely on facts such as price checking.

When evaluating reasons for pharmacy choice, we can conclude that consumers have a good opinion of the service provided by pharmacies without major differences between the evolution of scores for the different brands, but with a slight leadership for Cruz Verde in relation to "prices", the most important factor.

When prioritizing attributes, the "price" factor (low prices or special offers) is, in both cities, the most important factor that determines the selection of the pharmacy, with 28% of consumers stating it as the main consideration. In second place, is speed of service, followed closely by friendliness of service in the case of Santiago and, more distantly, in the case of Viña del Mar. In effect, "friendliness" is replaced in Viña del Mar by "confidence" (confidence in finding what you are looking for), which is in fourth place in Santiago.

The option of "shopping on the way" (making a purchase at a pharmacy located "on the way" to

where the customer is going), provides clues to certain brand loyalty or branch loyalty. Therefore, in a hyperlocalized market, experiencing a high density of shops, the consumer tends to look for a pharmacy "on the way" to where they are going, which belongs to their chain of preference.

For "loyalty to the brand", it was found that discounts stands out as the main strategy used to encourage customer loyalty in the midst of an extremely competitive industry, where price wars seriously threaten the industry's profit margins. The results are very telling and show a significant impact on consumers. Loyalty to a specific brand is also obtained via the use of loyalty cards giving discounts and benefits to customers from their pharmacy of choice. A priori one could expect that individuals who have a pharmacy loyalty card would tend to be more loyal than those who do not.

On the other hand, it is necessary to take into consideration that a consumer may possess loyalty cards for a number of different chains. Moreover, the study looked into whether there were any significant differences in loyalty to the different brands depending on a customer's gender. The results from both cities are consistent and show that women tend to be significantly more loyal than men towards pharmacy brands. When analyzed in terms of age groups, it is clear that there is more loyalty from the older age groups than the younger ones. For the 18 to 29 age group, there is an average loyalty level of 40% compared to the over 55 age group in Santiago, from which 65.7% stated that they "always" shopped in the

same pharmacy chain.

The proportion of shoppers who are usually more loyal to their pharmacy of choice (in respect to those who are not) is 73.3% in Santiago and 72.7% in Viña del Mar. These findings are consistent and suggest that pharmacy companies should concentrate on this type of client, who normally maintains their loyalty to their preferred pharmacy chain.

On evaluating the loyalty of customers to pharmacy branches, it was observed that there is more branch loyalty amongst the older age groups. In effect, 22.9% of the over 55 age group in Santiago said that they "always" shop in the same branch, with this number rising to 32.4% in Viña del Mar.

It was also analyzed whether a customer's gender influenced their loyalty to a particular branch. In general there were no significant differences, with the exception of Viña del Mar, where women showed a greater tendency to shop consistently at the same branch.

When evaluating proximity to the pharmacy, in Santiago 59.6% of those surveyed stated that they had just shopped in the pharmacy that was closest to where they live, a number that is much higher than the 40.9% of those surveyed in Viña del Mar. These results show the importance of hyperlocation in this highly competitive market.

Additionally, when evaluating the main reason for purchase, the results were consistent between the cities. The five main reasons in order of importance were low prices and discounts, proximity, benefits and loyalty cards, loyalty, and availability of products, which make up 91.7% and 89.5% of the responses from Santiago and Viña del Mar, respectively.

The "low prices and discounts" factor is the most relevant at the time of purchase for those surveyed. However, this is not always accompanied by the comparison and checking of prices, which would allow the consumer to objectively evaluate which pharmacy is the best value for money. As a result, stating that one chooses a pharmacy due to "the lowest prices" has an important subjective component, associated to a perception and positioning of the brand in the mind of the consumer which is created by advertising and promotions. This attribute is valued more by women and it was the 30 to 54 age group which awarded this factor the greatest relative importance. Furthermore, it strongly stands out that for the 55 or over age group, the importance of low prices and discounts is significantly lower than their proportion in the survey (20%). Finally, the 18 to 29 age group maintains a proportion more in line with its composition in the study, with a slight tendency towards valuing this attribute more.

As for the "proximity" factor, the proportions are relatively balanced. However, one can observe that in both cities men have a higher proportion of responses than the level of their participation in the study. In relation to age, one can see that in Santiago the proportions are relatively equal to the make up of the study, with a subtle tendency for the 18 to 29 age group to value this factor more, with strongest results obtained in Viña de Mar (44% out of 35% that make up the study from that age group). As a result, one can identify a sector of young men for whom proximity is the main factor when choosing which pharmacy to shop at.

The presence of hyperlocation allows access to a large number of customers who walk through these sectors. The scarce difference in location allows to compete in aspects such as prices, discounts, loyalty cards, etc.

Finally, a possible explanation of the phenomenon of hyperlocation is that the decision of where to locate the store of the company, is not only based on where the premises have already been located but on the location of the premises of the competition as a decision variable. The agglomeration of pharmacy stores tends to concentrate in areas of high pedestrian traffic. The presence of local pharmacies of the same brand so close to each other could be seen as a predatory behavior, with the intention of expelling competitors out of the market or limiting competitors. One wonders if this is an efficient way to compete, considering the costs of opening and renting premises.

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