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Brand equity in hospital marketing ☆

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Abstract

Health care marketers face unique challenges around the world, due in part to the role the health care field plays in contributing to public welfare. Hospital marketing in Korea is particularly challenging since Korean law prohibits hospitals from running any advertising. As a result, Korean hospitals depend heavily on customer relationship management (CRM). This study identifies five factors that influence the creation of brand equity through successful customer relationships: trust, customer satisfaction, relationship commitment, brand loyalty, and brand awareness. An empirical test of the relationships among these factors suggests that hospitals can be successful in creating image and positive brand equity if they can manage their customer relationships well.

Keywords: Brand equity; Influencing factors of brand equity; Hospital image; Customer relationship management (CRM); Hospital marketing

1. Introduction

Brand equity is one of the most important concepts in business practice as well as in academic research. This is because successful brands can allow marketers to gain competitive advantage (Lassar et al.,1995), including the opportunity for successful extensions, resilience against competitors' promotional pressures, and the ability to create barriers to competitive entry (Farquhar, 1989). Branding plays a special role in service firms because strong brands increase trust in intangible products (Berry, 2000), enabling customers to better visualize and understand them. They reduce customers' perceived monetary, social, or safety risks in buying services, which is an obstacle to evaluating a service correctly before purchase. Also, a high level of brand equity increases consumer satisfaction, repurchasing intent, and degree of loyalty. Research in this area includes Kohli et al.'s (2001) study of reliability and brand equity, Pappu and Quester's (2006) study of satisfaction and brand equity, and Ross-Wooldridge et al.'s (2004) study of brand equity and brand image.

Medical institutions and hospitals in Korea are limited in their ability to increase brand loyalty because they are not legally permitted to run any commercial advertising. Customer relationship management (CRM) is their only viable option for raising brand equity (Kim et al., 2005). Hausman (2004) notes that to raise brand loyalty and brand equity and satisfy customers' needs, medical institutions can enhance their marketing activities by increasing patients' benefits and doctors' independence. Fok et al. (2003) discuss the relationship between organizational adoption and use of quality management programs and CRM systems in health care settings vis-à-vis other organizational settings. However, not many studies have investigated structural relationships among brand equity, the factors that influence brand equity, and hospital image. That is the purpose of the study presented here, as well as to identify which factors are influential in building customer relationships.

The study is presented in the following manner. First, we draw from the research literature to identify the brand equity factors that influence the building of successful customer relationships in hospitals. Second, we construct a research

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model that explains the relationships of those factors to brand equity and hospital image. Third, we generate research hypotheses and empirically test them. Finally, we discuss the practical and theoretical implications of the results.

2. Literature review

2.1. Influencing factors of brand equity

A review of the literature reveals five factors that influence the creation of successful brand equity in hospital marketing: (1) trust, (2) customer satisfaction, (3) relationship commitment, (4) brand loyalty, and (5) brand awareness. Past research has identified these as the most important factors related to brand equity and relationship management. Each factor is discussed in turn below.

2.1.1. Trust

Doney and Cannon (1997) define trust as the perceived credibility and benevolence of a target party. The first dimension focuses on the objective believability of an exchange partner, as in an expectancy that one can rely on the partner's word or written statement. The second dimension is the extent to which one partner is genuinely interested in the other's welfare and motivation to seek joint gains.

Through various studies, we have categorized trust into the following four categories: (1) the known intentions of each party in a transaction (Moorman et al., 1992); (2) the necessity of the parties to believe each other when something occurs that can affect the future of the relationship (Anderson and Weitz, 1989); (3) the establishment of the relations that can create the desired state (Dwyer et al., 1987); and (4) belief in each other's words, promises, and actions in the regular conduct of business (Schurr and Ozanne, 1985). Understanding exchange partners leads to the formation of trusted business relationships. If trust is formed, the relationship between company and customer has the potential to be mutually beneficial.

In the health care context, trust can create an exchange environment in which a hospital can provide better care to its patients, or customers, while becoming or remaining profitable. Built on management capability, trust is a standard that hospitals and their employees offer patients. When patients complain about service, the hospital and its employees must do their best to respond to the complaints and thereby maintain or rebuild trust.

2.1.2. Customer satisfaction

Satisfaction results from customers' good experiences. According to (Westbrook 1981), satisfaction is "a state of recognition to feel appropriate or inappropriate experience for the sacrifice adequately," or an "emotional response which is not only affected by the whole market, but also affected by products' characteristics, service, and seller when shopping or doing similar behavior." Oliver (1997) discusses satisfaction as "a general psychological state which is about the expectation for feelings and experience from shopping behavior."

Various studies note that when products or services exceed than customers' expectations, the repurchase rate is high. Customers who have confidence in a company will continue to buy its products or services that satisfy them. Francken and Van Raaij (1981) noted that satisfaction is determined by the perceived discrepancy between the actual and the desired situation and by perceptions of internal and external barriers that block the attainment of the desired situation. Moreover, if people do not attain their expectations, they will become dissatisfied.

2.1.3. Relationship commitment

Commitment is a key characteristic associated with successful marketing relationships (Morgan and Hunt, 1994a,b). According to Berry and Parasuraman (1991), relationships are built on the foundation of mutual commitment. As noted by Rusbult (1983), commitment level has been found to be the strongest predictor of the voluntary decision to remain in a relationship. It follows, then, that the investigation of antecedents of the likelihood of relationship dissolution can also be viewed as the study of the determinants of relationship commitment.

The streams of research in the medical literature on patient–physician relationships in general (including patient–physician roles, patient–physician communication styles, and patient satisfaction) have not focused on improving the knowledge of what motivates patients to continue relationships with their physicians (Barksdale et al., 1997). To attain the trust and satisfaction of patients, physicians need to establish a relationship that meets patients' expectations in term of being supportive and actively involving them in decision-making (Montaglione, 1999). Clearly, this suggests that patient commitment should be linked to empowering patient–physician relationships (Ouschan et al., 2006).

2.1.4. Brand loyalty

Aaker (1991, 1996) argues that brand equity is a multidimensional construct that consists of brand loyalty, brand awareness, and other proprietary brand assets. Yoo et al. (2000) suggest that brand equity can be created by reinforcing those dimensions. Oliver (1999, p. 34) defines brand loyalty as "a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior." Chaudhuri (1997) has proposed that brand loyalty is the preference of a customer to buy a single brand, or to buy a particular brand name in a product class regularly. The consumer repurchases the brand and resists switching to another.

Jacoby et al. (1974) stated that brand loyalty differs from brand attitude and habit, although the latter can indicate brand loyalty. Brand attitude is a consumer's feelings or behavior toward a brand. Jacoby et al. (1977) found that brand loyalty can be a separate construct from brand attitude, but that multi-loyalty, or loyalty toward more than one brand, involves attitudes that can be more comprehensive. A high level of brand loyalty indicates a tendency to buy only a signal brand in a product category, not a multi-loyalty purchase intention. Aaker (1991) proposes measuring brand equity through price premiums, brand loyalty, perceived quality, and brand awareness.