



## Quality, Value? – Insights into Medical Tourists' Attitudes and Behaviors



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### ABSTRACT

The research investigates the factors influencing medical tourists' attitudes and behaviors. The factors examined include hospital service and customer perceived value. The study was undertaken in a major hospital located in a South-East Asian country. The sample includes foreign patients who have received various medical treatments in the hospital. The findings indicate that medical tourists are value oriented customers as their value perception has the strongest direct effect on their behaviors, followed by their attitudes towards the hospital. Hospital service appears to have a substantial direct effect on perceived value and medical tourist satisfaction, and also exerts an indirect effect on medical tourist behaviors. The research highlights the prominent role of perceived value, and pinpoints the most effective avenues for healthcare providers in allocating resources to improve hospital performance from the perspective of medical tourists.

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### 1. Introduction

Due to the exorbitant cost of health services, citizens from developed nations sought medical treatment abroad, particularly in developing countries (Wongrukmit and Thawesaengskulthai, 2014). For example, about 46 million Americans, with various reasons have no health insurance (Turner 2007). The majority of these Americans would seek cheaper yet quality healthcare somewhere else (Andersen et al., 2007). The Australian health care system is also facing enhanced demand from an ageing population, with increased consumer expectations, escalating cost of healthcare, long waiting list, and need for health maintenance (Mitchell and Thompson, 2001). These patients are shifting their preferences towards more affordable services provided in developing nations (Wongrukmit and Thawesaengskulthai, 2014). These countries, mostly located in Asia including Korea, Singapore, Malaysia and Thailand, have become popular medical tourist destinations with low cost and high performance advantages (Forgione and Smith, 2007).

Along with the popularity, competition is intensifying among these countries. For example, Malaysia is strengthening its position as a premier medical tourism destination, albeit targeting Muslim countries (Chee, 2007; Rad et al., 2010). Thai private

hospitals compete with India and Malaysia on the low cost treatment options and compete with Singapore and South Korea on the high-end medical services (Teh, 2007). Fierce competition and rising operational costs drive healthcare providers to focus on designing appropriate strategies to achieve competitive advantage. Similar to other service sectors, quality service provided by medical operators becomes a key advantage in business sustainability and growth (Chen, 2008; Mechinda et al., 2010; Wilson, 2011). Research has shown that superior service quality is an important factor of customer satisfaction and loyalty, and contributes to competitive advantage of the healthcare providers (Laohasirichaikul et al., 2011; Lee et al., 2010). Service quality has been widely acknowledged to be a multidimensional construct. To optimize use of organizational resources and maximizing profitability, it is important to understand what specific services contribute to customers' attitudes and behaviors. Previous research in medical tourism field fails to address this issue.

On the other hand, quality of service per se is not adequate to predict customer attitudes and behaviors. Customers interpret value in different ways, including low cost, high quality, prestige service, or equality perception. Patients' value perception is commonly based on how satisfied they are with the services received. The service patients receive may not match the value perceived (Hu et al., 2009; Wu et al., 2008). Very few studies have examined how value perception may influence medical customers' attitudes and behaviors.

Consistent with the foregoing discussion, this study develops

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an integrative model involving hospital service quality perceived by medical tourists, value perception, patient attitudes and behaviors and examines respective effects on the criterion variables in the healthcare sector (Choi, Lee, Kim, and Lee, 2005; Hu et al., 2009). In this model, service quality is referred to as an outcome of cognitive evaluation (Gill and White, 2009) whereas patient satisfaction is viewed as affective response (Owusu-Frimpong et al., 2010; Spreng, Hui Shi, and Page, 2009). Patient perceived value is wedged between the cognitive and affective perspectives (Sánchez et al., 2006), and patient intention is a product of conative attitudes (Etgar and Fuchs, 2009). Contrasting to uni-dimensional use in previous research, (Chen, 2008; Kuo et al., 2009; Omar et al., 2010; Shukla, 2010; Wu et al., 2008), this study operationalizes service quality and customer value as multidimensional constructs to examine their respective effects on the criterion variables.

The following section begins with reviewing the literature in relation to the medical tourism industry, and continues by an overview of the study variables. Hypotheses are formed on the basis of literature review. The methodology is presented in the next section, followed by empirical testing, and discussion of the findings. Managerial implications and recommendations for future research conclude the paper.

## 2. Literature review

### 2.1. Hospital service and medical tourist attitudes

Service quality is widely acknowledged as a multi-dimensional construct and is often measured by both the delivery process (technical quality) and outcomes (functional quality) (e.g. Parasuraman et al., 1988; Prentice, 2013; 2014; Zhao and Di Benedetto, 2013). In healthcare services literature, some researchers argue that technical quality is not appropriate to be included in measuring service quality (Laohasirichaikul et al., 2011; Padma et al., 2010) as patients are generally unable to evaluate the healthcare treatment due to lack of knowledge about the medical processes they received. However, other healthcare researchers such as Dagger et al. (2007), Dagger and Sweeney (2007), and Gallan, Jarvis, Brown, and Bitner (2013) include the technical quality in assessing service quality. Technical quality refers to service providers' expertise and outcome. Expertise is indicative of the competence, knowledge and skills of hospital staff whereas outcome refers to the evaluation of service process such as a better feeling or a more positive attitude towards the results of medical treatment. Kang (2004) examines the service quality model of Grönroos' to argue that functional and technical qualities are inseparable aspects of service quality. In fact, these two facets of quality are structurally integrated (Kang, 2006). Grönroos and Gummerus (2014) further highlight the importance of functional quality in a context where customer satisfaction is becoming an organization wide responsibility. Their studies indicate that the medical providers' expertise constitutes a substantial part of service technical quality, and patients are in fact capable of assessing it. This study opts for this view and includes both aspects for testing.

Satisfaction refers to a customer's attitudes towards the product or service in relation to the level of pleasure and fulfillment felt (Hansen et al., 2013). Customer satisfaction can be conceptualized by transaction-specific and cumulative evaluations. While transaction-specific evaluation is used when assessing particular events in service encounters, cumulative evaluation is used to assess the overall impressions on a provider (Jones and Suh, 2000). Healthcare researchers have commonly adopted a combination of these approaches reflecting both transaction-specific and cumulative evaluations for measuring satisfaction (Wu

et al., 2008). This combined approach is deemed more suitable to assess patient satisfaction, particularly for medical tourists, given that their experience of the service provider is not necessarily expected to be a repeated one.

González et al. (2007) asserted that service quality involves a general impression of the superiority of service focusing on the general attitudes towards services whereas satisfaction is based on the affective state of individual transactions (Carlson and O'Casey, 2010). Positive attitudes anticipate positive affective state. Superior service quality leads to higher levels of satisfaction and loyalty in the healthcare industry (Alrubaiee and Alkaa'ida, 2011; Calisiret al., 2014). Patients' perception of service quality is a primary determinant of a healthcare organization's success. The higher the patients' perceptions of service quality, the more patients are satisfied, which in turn benefits respective service providers (Chang, Chen, and Lan, 2013; Wu et al., 2008). On the basis of foregoing discussion, the hypothesis is offered.

**H<sub>1</sub>.** Service quality by healthcare providers is positively related to medical tourist satisfaction.

### 2.2. Patients perceived value

Value creation has been identified as a driver of the competitiveness in the service industry (Grönroos and Gummerus, 2014), where strategic commitment to customer retention (Fullerton, 2014) and customer participation in the value creation process (Heinonen et al., 2013) impact on customer loyalty and corporate reputation (Caruana and Ewing, 2010). This value is captured from both the perspectives of the customer and the firm (Landroguet et al., 2013).

Perceived value is generally defined as the balance of benefits and sacrifices perceived by customers; Assessment of perceived value is based on what is received and given, and can be interpreted either in a narrow or a broad perspective (Blocker, 2011; Nasution and Mavondo, 2008). The narrow perspective of value is focused on the single dimension of monetary value, encapsulated by the trade-off between quality and price. Perceived value is created when customers feel that the benefit (quality) received exceeds the price paid.

Boksberger and Melsen (2011) argue that this interpretation is insufficient for conceptualizing perceived value because it is not just concerning price, but rather is a bundle of benefits and sacrifices reflecting multiple dimensions. Sheth, Newman and Gross (1991) take this broad perspective on conceptualizing perceived value by proposing five value dimensions: functional, conditional, social, emotional and epistemic values. Based on this model, Sweeney and Soutar (2001) introduce the PERVAL scale to assess customers' perception of value represented by four dimensions: emotional, social, price/value for money, and performance/quality value. Providing a more specific meaning and direction of perceived value, Petrick (2002) has developed five dimensions of perceived value named SERV-PERVAL specifically for service industry. It consists of behavioral price (such as time, effort, research cost, and convenience), monetary price (actual money paid for the service received), emotional experience (the feeling of receiving the service such as a sense of joy, delight and happiness), quality (customer judgement of overall quality performance received) and reputation (the position of provider occupied in the customer's mind). SERV-PERVAL was empirically tested in the tourism sector (Chen and Chen, 2010; Dumana and Mattila, 2005) and the use of dimensions reflecting both monetary and non-monetary aspects of perceived value were validated by the analysis.

Consequently, gaining insight into the attributes of value perceived by customers is fundamental to succeeding in a competitive marketplace (Ruiz et al., 2008). Value is judged subjectively by

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