

Customer retention in the medical tourism industry: Impact of quality, satisfaction, trust, and price reasonableness



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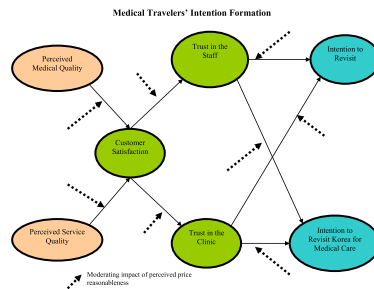
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HIGHLIGHTS

- We developed a model explaining medical travelers' intention formation.
- Price reasonableness had a significant moderating role.
- The critical role of medical and service quality, satisfaction, and trust was identified.

GRAPHICAL ABSTRACT



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ABSTRACT

Repeat business is critical to the success of medical clinics in the competitive medical tourism market. This study develops a model explaining international medical travelers' intention formation by considering the impact of quality, satisfaction, trust, and price reasonableness. A field survey was conducted at medical clinics. Findings from structural analysis indicate a good fit for the proposed model; perceived quality, satisfaction, and trust in the staff and clinic have significant associations affecting intentions to revisit clinics and the destination country; and satisfaction and trust acted as significant mediators. In general, support for the hypothesized moderating impact of price reasonableness in the proposed theoretical model was evident in the results of the metric-invariance test. Implications for theory and practice are discussed.

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1. Introduction

Medical tourism and its related businesses have been regarded as one of the most lucrative hospitality sectors for many destination countries, particularly developing ones (Han, 2013; Heung, Kucukusta, & Song, 2011). The market is rapidly expanding (Connell, 2013; Snyder, Crooks, Adams, Kingsbury, & Johnston, 2011), and competition in the international medical tourism

marketplace is becoming intense. In such an increasingly competitive environment, the main concern for practitioners is attracting new medical travelers through marketing and motivating them to make repeat purchases through service efforts/strategies (Han, 2013). According to recent reports, keeping existing customers is about five times more profitable than attracting new customers (Chiu, Hsu, Lai, & Chang, 2012; Kim & Gupta, 2009) as increased customer retention is likely to improve any business's profitability (Jiang & Rosenbloom, 2005). Thus, in the medical tourism market, recognizing vital factors in medical travelers' repurchase decision-making processes and understanding their specific role are becoming more and more important for any destination country and its attendant medical clinics.

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Product and service quality, satisfaction, and trust have long been regarded as key concepts in explaining customer post-purchase behavior. Researchers generally agree that these variables contribute to creating favorable intentions toward a firm and affecting retention and loyalty (Bowen & Chen, 2001; Han, 2013; Han & Ryu, 2006). Recognizing the importance of such variables, every firm in the hospitality and tourism industry is becoming ever more concerned about effectively managing and improving quality, satisfaction, and trust. Hence, how to ensure customers experience better quality with a product or service, reach greater levels of satisfaction, and amass higher levels of confidence in product/service performance are some of the important questions faced by today's hospitality and tourism marketers.

Price perception (e.g., expensive or cheap, reasonable or unreasonable) plays an important role in customers' decision-making processes (Jiang & Rosenbloom, 2005; Oh, 2000; Ryu & Han, 2010). Empirical evidence supports the notion that customers' perceptions of a firm's price reasonableness in comparison to its competitors' prices is central in building favorable intentions and loyalty toward a firm (Han & Kim, 2009; Oh, 2000). Researchers agree that to comprehend customers' buying behaviors clearly, the levels of price reasonableness they perceive should be examined as price reasonableness is a critical product/service cue affecting consumer decision-making (e.g., Helegeson & Beatty, 1985; Watchravesringkan, Yan, & Yurchisin, 2008). Customers tend to utilize price information/reasonableness when evaluating their experiences with a product or service (Ryu & Han, 2010; Watchravesringkan et al., 2008).

Despite the criticality of product/service quality, satisfaction, and trust, no medical tourism research has yet examined their associations with medical and service quality and with feelings of trust for medical clinics and their staffs, nor investigated the impact of such relationships on behavioral intentions in a medical tourism context. In addition, while price and its importance have been repeatedly emphasized in the existing literature, to date little research has been conducted on the moderating role of perceived price reasonableness in the hospitality and tourism industry. The present study was designed to shed light on these issues. In particular, the objectives of this study were to: 1) investigate relationships among perceived medical and service quality, satisfaction, trust in staff and clinic, and intentions to revisit the clinic and destination country for medical care by proposing and testing a theoretical model; 2) examine the moderating impact of perceived price reasonableness on proposed associations within the model; 3) uncover the relative importance of quality components and trust factors in generating behavioral intentions; and 4) test the mediating impact of satisfaction and trust components.

2. Literature review

2.1. Medical clinics in the competitive medical tourism market

The connection between the healthcare industry and tourism has resulted in what is, for many countries, one of the largest service industries, with medical tourism producing significant monetary benefits for many destination countries. In fact, medical tourism is considered to be one of the fastest-growing tourism sectors in the world (Bookman & Bookman, 2007; Han & Hwang, 2013; Heung et al., 2011). To gain a greater market share in an increasingly competitive medical tourism industry, a growing number of medical clinics in destination countries has been improving their amenities and services such that they resemble those found in many excellent hotels (Bernstein, 2012; Hume & DeMicco, 2007; Sheehan-Smith, 2006). These operations commonly offer not only quality medical care but also a superior

level of services to their international customers. Some possible difficulties or inconveniences frequently faced by overseas patient-travelers (e.g., language barriers, inefficient communication, low-quality medical care, uncomfortable atmospherics, low-quality services, unkind staff) (Gan & Frederick, 2011; Han & Hwang, 2013; Snyder et al., 2011) are significantly reduced in dedicated medical tourism clinics (Han, 2013). In the case of South Korea, to minimize these difficulties and inconveniences, many clinics have made enhancements to the quality of medical care (e.g., more capable medical professionals, wider availability of medical/healthcare/aesthetic products, greater continuity of care, lower nurse–patient ratio, more modern medical facilities) as well as service performance (e.g., hotel-style service training to provide genuine courtesies and improve provider competence, increased numbers of well-trained service employees, more efficient communication via same-language staff with excellent medical knowledge) to attract a greater number of international travelers, mainly from China and Japan (Han, 2013; Han & Hwang, 2013; Lee, Han, & Lockyer, 2012). Acting as facilitators, these efforts help patient–customers have pleasant medical tourism experiences and increasingly contribute to the numbers of international tourists arriving at Korean clinics for medical treatment/healthcare/aesthetic services (Han, 2013; Han & Hwang, 2013; Lee et al., 2012).

2.2. Quality and satisfaction

Conceptualizations of the perceived quality of products and services differ little in the extant literature, but an essential aspect of this concept is the process of evaluating the products and services offered by a particular company for excellence against alternatives provided by competitors (Han & Ryu, 2006; Taylor & Baker, 1994). Such quality generally involves two major facets, namely core-product and service-product performances (Bitner, Booms, & Tetreault, 1990). Quality of core product indicates the performance of the basic product relative to its value (Clemmer, 1990) while service-product quality suggests the performances derived from interactions with service personnel (Price, Arnould, & Deibler, 1995). In the present study, perceived medical quality refers to an individual's evaluation of core medical product performance (e.g., excellence of medical care, surgical/medical skills, wider availability of medical/healthcare products, continuity of care, modernity of medical facilities); and perceived service quality indicates the assessment of the service performance of medical professionals and staff (e.g., service delivery skills and competencies, efficient/comfortable communication, kindness).

In addition, while diverse conceptualizations of satisfaction have evolved over the past few decades, the general consensus among researchers is that individual satisfaction is an assessment of the overall experience of consumption (Johnson, Anderson, & Fornell, 1995; Oliver, 1997). If customers evaluate their overall consumption experiences favorably, it is likely that their satisfaction levels and willingness/readiness to repurchase will increase (Chiu et al., 2012; Jani & Han, 2013).

Many studies across diverse fields have offered support for the significant role of quality and satisfaction in intention formation (e.g., Cronin & Taylor, 1992; Han & Ryu, 2006; Lee, Lee, & Yoo, 2000; Ryu & Han, 2010; Ting, 2004). The extant literature indicates that while the intricate nature of the relationship between quality and satisfaction exists, quality in general acts as a significant predictor of satisfaction; and this relationship is fundamental in generating behavioral intentions (Cronin & Taylor, 1992; Han & Ryu, 2006; Ryu & Han, 2010; Ting, 2004). In particular, Cronin and Taylor (1992) verified that service/product quality affects satisfaction and these constructs contribute to building customers' behavioral intentions. In the service sector, Ting (2004) indicated that the

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