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Service quality, consumer satisfaction and loyalty in hospitals: Thinking for the future

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ABSTRACT

Healthcare industry in developing countries has recorded high growth rate in the recent years. This study seeks to identify the most critical factors in hospitals related to service quality that will ensure survival and success in the future. This study was conducted using the data from the consumers who received services from 40 different private hospitals in Hyderabad, India. Tangibility, reliability, responsiveness, assurance and empathy (Service Quality dimensions), patient satisfaction and loyalty to the hospital were the variables considered for this study. A path analysis was done on AMOS V20 in order to compute path coefficients, direct and indirect effects of the variables on patient's satisfaction and also loyalty to the hospital. We found that reliability and responsiveness (not empathy, tangibility, and assurance) impact patients' satisfaction. Patient's satisfaction is directly related to patients' loyalty to the hospital. Marital status and age have no impact on the regression weights of the variables analyzed; however, it was found that to some extent gender does.

1. Introduction

The delivery of high-quality service is the key to success in service industries. In the present era of intense competition, monitoring and improving service quality is highly essential for developing efficiency and business volume (Anderson and Zeithamal, 1984; Babakus and Boller, 1992; and Garvin, 1983). In both manufacturing and service industries, quality improvement is the principal factor that impacts consumer satisfaction and consumer's purchase intention (Oliver, 1980). Several scholars agree that the quality is critical to consumer's satisfaction (Omar and Schiffman, 1995; Gremler et al., 2001; and Radwin, 2000). Several business organizations focus on service-quality issues to drive customer's satisfaction above the rest (Kumar et al., 2008). The healthcare industry in developing countries like India, has recorded a relatively high growth rate with a high demand for its services from both foreign and local patients; despite constraints such as inadequate amount of hospital beds and shortage of highly qualified doctors. But, the growth could be sustained throughout several years that lie ahead (Burns, 2014). Delivery of high-quality service and building patient loyalty are considered to be critical anchors (Anderson and Zeithamal, 1984). The specific dimensions of quality service that contributes substantially to patient's satisfaction need to be identified. Thus, hospital management can prioritize better their focus on such

specific factors, despite the heavy reliance of patients on physicians who first treat them and also refers them to certain a hospital.

The overall Indian healthcare market is worth US\$65 billion (Burns, 2014). Healthcare industry in India is a source of employment and revenue with strong domestic demand, corporatization of healthcare, rise in innovation, influx of medical tourism, and government pushes. India spends just 4% of its GDP on healthcare, while USA spends 17% of its GDP, while the share of government national healthcare expenditure is 50% in USA compared to a little more than 25% in India (Burns, 2014). On the other hand, India has world-class medical facilities attracting a large number of medical tourists who get a high-quality medical care at the cost of just a fraction of what it costs in USA. In India, only middle and upper classes have access to quality healthcare. Healthcare expenditure is a major cause of household debt in India, since many patients borrow money or sell off their assets to meet their healthcare expenditure, as the majority of the people do not have medical insurance.

The hospital industry has become quite competitive in recent times (Raju and Lonial, 2002). Hospitals are interested in identifying the most critical factors in hospitals that, if managed well, will ensure survival and success in the future. For this to happen, the strategic factors need to be identified. Some hospitals are also taking efforts to promote their business overseas in the 'medical tourism' segment. They

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could prioritize areas related to quality management and should determine them most astutely. This euphoria and excitement about healthcare industry is worth examining in the context of service quality. Particularly, after the competitive space becomes crowded and rules of the game get tougher in the sector, quality matters a lot for succeeding in the long run.

The widely accepted service quality (SERVQUAL) dimensions – tangibility, empathy, reliability, responsiveness, and assurance – could be studied to understand their impact on the important quality outcomes such as patient's satisfaction, particularly in the developing countries' context, where government offers subsidies on healthcare costs. Patients' over-reliance on physicians for crucial choices might also influence the importance of quality dimensions in developing countries such as India. Another defining character of these developing countries is that healthcare costs are heavily subsidized. Importantly, it deserves a mention here that what with low literacy and what with concomitant low awareness, there is information asymmetry. This potentially makes the patients depend on the referring physician's advice on choice of the service provider. The extant literature does not address this area in the context of populous developing countries described in the foregoing lines. We seek to fill this gap in the literature. Besides, there was no well-designed study examining the impact of each of SERVQUAL dimensions on patient's satisfaction in a developing country like India particularly when the healthcare costs are heavily subsidized by governments, and moreover, patients relying heavily on referring physicians for advice on the choice of service provider. Our research will determine those most important quality dimensions, applicable to developing countries and physician-reliant patients. In nutshell, we analyze the impact of Service Quality variables on the consumer satisfaction among patients in a fast growing developing country. This study uncovers those critical factors, which can be useful for service organizations in developing countries in general.

2. Literature review and hypothesis

The foundation for the SERVQUAL scale is the gap model proposed by Parasuraman, Zeithaml and Berry (1985, 1988). SERVQUAL concept has been criticized and discussed extensively. For instance, Cronin and Taylor (1992, 1994) developed SERVPERF, a service-based performance measure, highlighting the weaknesses of SERVQUAL model developed by Parasuraman et al. (1988, 1994). They questioned the conceptual basis of the SERVQUAL scale and opined that expectation (E) component of SERVQUAL be disregarded and instead performance (P) component alone be used. Therefore, they proposed 'SERVPERF' scale with empirical evidence across four industries.

Service quality is not a monolithic concept and so it leans on several dimensions, each of which varies in importance with regard to overall service quality, and their impact on patient's satisfaction (Saunders, 2008). World Health Organization (WHO, 2006) recommends that a health system should make improvements in six dimensions. They are: (1) effectiveness (adherence to evidence base and results in improved health outcome), (2) efficiency (maximize resource use and avoid waste), (3) accessibility (timely and geographically reasonable), (4) acceptance/patient-centered (takes into account individual preferences), (5) equitability (does not vary in quality due to factors such as gender and socioeconomic status) and (6) safety (minimizes risk and harm); in order to improve the quality of care. This WHO framework is general and relates more to public delivery system, but not the managerial aspects of quality service.

Since our research centers exclusively on these service quality dimensions, an elaborated discussion is presented as literature review.

Quality service has emerged as an important determinant of customer satisfaction and word-of-mouth communication (Lang, 2011). Regarding service quality dimensions, there are two concepts: (1) Nordic school view and (2) American school view. On one side,

Nordic school view (Grönroos, 2000), holds that quality service has two dimensions: (a) functional quality (process) – usefulness directly relevant to the consumer, and (b) technical quality (core) – the factor that brings about functional quality (Grönroos, 2000).

On the other side American school view holds that there are five dimensions of quality service. They are: (1) tangibility (physical facilities, equipment, and appearance of personnel); (2) reliability (ability to perform the promised service dependably and accurately); (3) responsiveness (willingness to help customers and provide prompt service); (4) assurance (knowledge and courtesy of employees and their ability to inspire trust and confidence); and, (5) empathy (caring and individualized attention the firm provides to its customers). These were first propounded by Parasuraman et al. (1985, 1988). In a way, these five dimensions constitute a quality system that will potentially improve functional quality and service performance.

The patients in developing countries tend to depend heavily on recommendations of the treating physician. A McKinsey study (Grote et al., 2007) also demonstrates the importance of the physician's decision even in a developed country. To determine factors influencing hospital selection, McKinsey surveyed more than 2000 US patients with commercial insurance or Medicaid in 2007; the patients surveyed were asked to allocate 100 points according to the importance they would give to each of them. The four factors were: (a) patient experience, (b) hospital reputation, (c) physician's decision, and (d) location; on an average, they gave 41 points to patient's experience, 21 points to physician's decision, 20 points to reputation of the hospital, and 18 points to location. Notably, physician's decision is the second most important factor.

Isik et al. (2011) studied the applicability of SERVQUAL dimensions to healthcare service through structural equation modeling analysis. Their research suggests that the SERVQUAL is a useful measuring instrument in assessing service quality in hospitals. Through the elements of quality service improvements on each dimension could be identified. For instance, quality service and customer satisfaction are relevant to achieve improved organizational performance (Isik et al., 2011). Some of the notable studies in the area of quality service with a focus on quality tenets in the hospitals are summarized in Table 1.

A brief discussion on the concepts of patient's satisfaction and patient's loyalty to the hospital, and its implications is presented in the following section.

2.1. Consumer's satisfaction

Consumer's satisfaction is the key factor that drives when the performance of the product or service exceeds expectations. Satisfaction is a post-purchase state of consumer's mind that mirrors how much the consumer likes or dislikes the service after experiencing it (Woodside et al., 1989). In the extant literature, there are two conceptualizations of consumer satisfaction: (a) transaction-specific satisfaction, and (b) cumulative satisfaction (Woodside et al., 1989). The former relates to the one that results from a single purchase of a product or service and its use. The latter relates to the overall satisfaction with a product or service after several purchases and their experience over time, which leads to consumer loyalty. Another definition states that consumer satisfaction is consumer's response to the evaluation of the perceived discrepancy between prior expectations and the actual performance of the product or service after consumption (Tse and Peter, 1988). Consumer's satisfaction may be a guide for monitoring and improving the current and potential performance of businesses (Zairi, 2000). Customer's satisfaction, leads to customer's loyalty, recommendation and repeat purchase (Wilson et al., 2008).

2.2. Patient's loyalty to hospital

The consumer who returns several times to buy the service from the

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