

Factors Influencing Customer Loyalty in Private Healthcare Services

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Abstract: Customer loyalty is a key element of an effective and prosperous organization. Patients are turning out to be more involved in their own healthcare and are being encouraged to do so. Loyalty can be defined as a customer continuing to believe that organization's product or service offer is their best option. It best fulfils their value proposition whatever that may be and they take that offer whenever faced with that purchasing decision. By improving and delivering a good Service Quality and Good Image, it helps service providers to increase Customer Loyalty.

Keywords: Customer Loyalty, Service Quality, Corporate Image

I. INTRODUCTION

In every industry, research has demonstrated the high level of value created when companies build loyalty with their customers, employees and shareholders. The following quotes really show the important of private healthcare to understand their customers in order to compete in this industry. The global healthcare industry is among the most dynamic and rapidly growing industries in the world economy. In Malaysia, the healthcare industry has become a powerful engine of economic growth. The composition of private hospitals has grown in complexity over the last few years with the emergence of large corporate groups like the IHH Healthcare, a holding company under Khazanah Nasional and the KPJ Healthcare groups under Johor Corporation, both are listed in Bursa Malaysia. These large corporate groups managed chain of hospitals within the country and internationally. However, the growth in the industry will inevitably increase the competition among private healthcare. Customer requirements and competitive dynamics continue to evolve. The industry is seeing more deals, more alliances, more investment, and more experiments than ever before. Healthcare organizations are rethinking every element of their strategies, structures, and business practices to find the path to sustainable results.

In view of the intense competition among Malaysian private healthcare players, coupled with the increasing demand of customers, hospitals need to understand the consumer's attitudinal and behavioural processes that influence the

hospital patronage, in order to increase the competitive positions. Thus, creating a strong relationship with the customers; which could be consequently followed by their loyalty, is considered to be a key factor for increasing the market share and building a sustainable competitive

advantage. It is important for private healthcare to develop a better strategy to gain more competitive advantages against their rivals. Loyal customers are arguably to be overly crucial for an organization for market survival, as attracting new customers is much more expensive than retaining the existing customers. As competition grows and given the rising costs of attracting new customers, service providers are increasingly focusing their strategic activities on customer satisfaction.

Organizations are interested to know the driving forces of customer loyalty since it enhance the company's competitiveness and becoming increasingly important for organizational survival, let alone prosperity. Customer loyalty factors and drivers are a basic for loyalty modeling, which can be used for customer behaviour forecasting as well as forecasting of customer preferences observed in future purchase patterns. (Szczepanska & Gawron, 2011) To understand the complexity of customer loyalty, it is important to understand the evaluations, attitudes, and intentions that affect behavior (Oliver, 1999). Previous studies that investigated the issues of Customer Loyalty have linked the issues to the Service Quality and Corporate Image.

II. CUSTOMER LOYALTY

Customer's loyalty is a concept which has been used widely in costumers' behaviour for many years.(Mazhari, Madahi, & Sukati, 2012). According to Dick and Basu (1994), customer loyalty is a situation where repeat purchase behavior is accompanied by a psychological bond; relationship between relative attitudes towards an entity and repeat patronage behavior. Loyalty has been defined and utilized in a variety of ways while applying the attitudinal, behavioral and combined approaches. (Tarokh, Sheykhan, & Branch, 2015)

Oliver (1999) considers that loyalty is a commitment. The early studies of loyalty were focused on brand loyalty with respect to tangible goods (e.g., Guest, 1944; Cunningham, 1961; Jacoby and Chestnut, 1978), and subsequently store loyalty (e.g., Samli and Sirgy, 1981; Bloemer and Ruyter, 1997). Recent studies have expanded into service loyalty (e.g., Gremler and Brown, 1999) and customer loyalty (e.g., Oliver, 1997).

Customer loyalty is important for both the firm and the customer. As regards the firm, loyal customers are willing to make repeat purchases in the business that delivers value beyond their expectation. (D.Rabach K, 2013). Some researchers consider that studies oriented towards the analysis of perceived quality and satisfaction make sense in the framework of the explanation of purchasing loyalty, because customer loyalty has become the principal objective of firms (Oliver, 1999).

Similarly, Majumdar (2005) highlights that most market research on measuring loyalty of customers has been focusing on the frequency of purchased goods (brand loyalty), the loyalty concept applied to services (service loyalty), and retail establishment (store loyalty). Many researchers generally agree that loyalty consists of both attitudinal and behavioral dimensions. Attitudinal loyalty is often defined as a positive affect toward the relationship's continuance and the desire to remain in the relationship, whereas behavior loyalty is repeated transactions.

III. SERVICE QUALITY

Parasuraman (1985) define service quality as "the global evaluation or attitude of overall excellence of services". Therefore, service quality is the difference between customers' expectation and perceptions of services delivered by service firms. Oliver (1980) argues that service quality is about a consumer's prior expectations about the performance of the firm, and this attitude affects their intentions to purchase.

According to the J.D. Power and Associates 2011 US National Pharmacy Study reports that patients are expecting more, "not just in terms of wait time, but also in terms of contact with the pharmacist and pharmacy staff". A customer's satisfaction on service affects the customer's satisfaction or dissatisfaction on the overall service experience in hospitals.

A common definition of service quality is that the service should correspond to the customers' expectations and satisfy their needs and requirements. According to S.Akbar et al (2010), in their research to examine the relationships between hotel service quality, customer perceived value, revitalization of service quality, customer satisfaction and loyalty in Malaysia hotel industry, the findings indicate that hotel revitalization of service quality had positive effects on customer loyalty, while perceived value and customer satisfaction were two significant variables that mediated the relationships between hotel service quality and customer loyalty. It was also found that hotel service quality had no

profound and direct effects, but indirect positive effects on customer satisfaction.

Service quality is a focused evaluation that reflects the customer's perception of specific dimensions of service, reliability, responsiveness, assurance, Empathy, tangibles, satisfaction on other hand, is more inclusive: it is influenced by perceptions of service quality, product quality, and price as well as situational factors and personal factors. (Ghimire, 2012) D.Rabach,K (2013) study found positive and significant relationship between perceived service quality and two dimensions of service loyalty: preference loyalty and price indifference loyalty.

They proposed that service quality tends to encourage customer loyalty to the service provider.(Kim & Lee, 2010) Gronroos (1984) defines service quality as the experienced quality against the expected quality. The perceived service quality is affected by the experience that consumers go through for a service. The author identifies two service quality dimensions, namely, functional quality, and technical quality. Functional quality refers to how the service is delivered, while technical quality reflects the outcome of the service that the customer receives in the service encounter, or what the customer gets from the service.

Wang, Lo & Hui (2003) mentioned, delivering quality service is essential for gaining competitive advantages. Through quality services, the organizations can differentiate themselves in the market and satisfy the customer needs. The results from the previous study indicates that there was a certain relationship between service quality and customer satisfaction based on different cultural background. In addition, service quality had significantly impacts on customer satisfaction. S.Akbar et al (2010) found that revitalization of the service quality has direct effect on customer loyalty, and indirect effect on customer value and satisfaction.

According to Zeithaml et al. (1996), the existence of a relationship between service quality and customer retention at a higher level indicates that service quality has an impact on individual consumer behavior, where superior service quality leads to favorable behavioral intentions such as customer loyalty, while unfavorable behavioral intentions are a consequence of inferior service quality. However, according to Yee and T.M Faziharudean (2010), service quality is found to be an important factor in influencing the adoption of the technology, but did not have a significant influence in retention of customers.

However, according to Manhaimer (2007), consumer loyalty is not significantly influenced by perceived product quality in retail industry for product with low levels of involvement, and the purchase decision is influence by other factors. This study concluded that perceived product quality is not a predicting factor of customer loyalty; it is possible for consumers to be loyal to different products with different qualities according to their needs and economic ability.

Nevertheless, the author also stated that high perceived quality may lead to loyalty if it involves high product involvement. Meanwhile, Cristobal et al. (2007) rejected the hypothesis that higher levels of perceived quality in web site services foster higher levels of web site loyalty as the findings show that perceived service quality does not have a significant effect on loyalty.

Boshoff and Gray (2004) investigated the relationship between service quality, customer satisfaction, and loyalty among patients in the private health care industry in South Africa, revealed that the service quality dimensions of nursing staff empathy, assurance, and tangibles impact positively on patients' loyalty. The literature indicates that profit-oriented service organisations and academic researchers see service quality as a key driver of profit (Mukherjee et al., 2003). Consistent with other studies, service quality is positively related to customer loyalty because service quality is critical to customers. (Rabach, 2013)

IV. CORPORATE IMAGE

Corporate image is defined as the perception of an organization that customers' hold in their memories. (Kim & Lee, 2010). Although image is an intangible concept, it is proven that a good image demonstrably increases corporate worth and provides sustained competitive advantage. A business can achieve its objectives more easily if it has a good image and reputation among its stakeholders, especially key stakeholders such as its largest customers, opinion leaders in the business community, suppliers and current and potential employees.

Kim & Lee (2010), in their study to examine the relationships among corporate image, brand awareness, service price, service quality, customer support services, and customer loyalty, and investigate the key drivers that establish and maintain customer loyalty to mobile telecommunications service providers in Korea. The study reinforced previous research that service quality, service price, and corporate image are strong antecedents for establishing customer loyalty. If an organization has a good image in the marketplace, customers may have a preference for that company even if there are similar businesses offering the same products or services for different prices.

Hence, building a positive brand image can influence repeat purchase because a strong brand image can lead to customer loyalty. (Fransisca Andreani, Tan Lucy Taniaji, & Ruth Natalia Made Puspitasari, 2012).

Yee and T.M Faziharudean (2010) conducted a study on factors that influence customer loyalty towards Internet banking website in Malaysia. The data were collected using 289 internet banking users out of 350 questionnaires distributed. It was found that reputation has a positive influence on customer loyalty towards internet banking website.

V. CONCLUSIONS

The above review succeeded in proving the influence factors of independent variables i.e service quality and corporate image significantly and potentially affect customer loyalty towards private hospital services. Thus, the management of private healthcare is to understand their customers' demand and expectations towards their image and services which will increase the customer loyalty and will lead to the profitability and sustainability of the organization.

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