

RELATIONSHIP MARKETING AND ITS IMPACT ON CUSTOMER LOYALTY IN HEALTH INDUSTRY

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Abstract: The importance of developing and maintaining enduring relationships with customers of service businesses is generally accepted in the marketing literature. A key challenge for marketers, therefore, is to formulate and implement marketing programmes that will produce important relationship marketing outcomes. The main purpose of this paper is to examine the impact of relationship marketing strategy on customer loyalty in the service industry. It is a theoretical paper which reviews different literature on some key constructs of relationship marketing that shape customer loyalty such as trust, commitment, communication, service quality and conflict handling. The review reveals that the aforementioned variables have a significant effect on customer loyalty. Thus, it is concluded that customer loyalty can be created, reinforced and retained by marketing plans aimed at building trust, demonstrating commitment to service quality and delivery, communicating with customers in a timely, reliable and proactive fashion, and handling conflict efficiently. Therefore, companies and strategists aiming to nurture loyal customers should pay close attention to issues of trust, commitment, communication and conflict handling among other things.

Index Terms: relationship marketing, customer loyalty, consumer behavior, customer satisfaction.

I. Introduction

Every human interaction and transaction is built around relationships. A network of relationships is the fundamental design of the human society. No wonder that this fundamental fact has been recognized and explored by all the businesses where in they have been building business strategies around the customer and strive to build a relationship with every Customer.

Relationship Marketing defines the framework for the Company to reach out as well as and orient themselves to the outside markets, to the end customer as well as to the business partners, the suppliers and vendors too. Relationship marketing is not limited to Customers and Suppliers alone but has been extended in scope to cover the internal employees as well as an effective way of reaching out to attracting best talent too. If you scan any advertisement of a leading Corporate in the Newspaper, you will see that major portion of the advertisement for recruitment is related to the Company's background, culture and the effort to reach out to the prospective employees. The advertisements are designed to strike a chord amongst the readers that prompts one to apply for the job.

Business Organizations today have begun to recognize and consider the human quotient as well as the emotional quotient of business relationships. Relationship Marketing has evolved as a discipline that helps the Businesses to look beyond transactions to long term business associations. Successful Relationship Marketing strategy helps the Organization deepen and strengthen its revenue streams on long term basis.

The importance of developing and maintaining enduring relationships with customers of service businesses is generally accepted in the marketing literature. A key challenge for marketers, therefore, is to formulate and implement marketing programmes that will produce important relationship marketing outcomes. The main purpose of this paper is to examine the impact of relationship marketing strategy on customer loyalty in the service industry. It is a theoretical paper which reviews different literature on some key constructs of relationship.

Nowadays every company is competing to give the best product and service against the rivals. Even a very good product cannot able to give long term success because the customer expectation is dynamic. The customers expect the same from all products but it fails. The main goal of service providers is to meet the expectations of their consumers. In the domain of health services, the “consumer” is the patient, and healthcare providers manage patient expectations to minimize differences between such expectations and actual experiences (Baker, 1998). Patients seek healthcare to recover from illnesses and hope to receive good service, which they rate based on a series of variables that affect their satisfaction, engagement, and, ultimately loyalty). The main goal of the service provider is to meet the needs of their respective customer. In the domain of the health service the customer is the patient and the health care service provider manage patient expectation to minimize the difference between such expectation and actual experience.

1.1 Principles and Purposes of Relationship Marketing

Relationship marketing therefore aims at improving company’s profitability through changing company's view of trading marketing and emphasizing to attract new customers by applying effective customer relationship management. Relationship marketing attempts to involve customers, suppliers, and other key economic partners into company’s development and marketing activities. Such involvements lead to the creation of close interactive relationships with suppliers, customers, and other value chain partners. An integrative relationship requires mutual overlap in plans and processes of both parties and recommends close economic, emotional, and structural bonds among them. It reflects the binary dependence rather than the independence among the parties and emphasize on cooperation rather than competition and conflict among market participants. Therefore, development of relationship marketing refers to the significant shift in marketing principles that is competition and conflict to mutual cooperation.

1.2 New Concept of Customer Service:

The concept of customer service encompasses some new definitions that states that the entire organization consists of top managers and ordinary employees not just a small part of it specializes to offer services which meet the real needs of existing and potential customers. Even if a person is not in a position to directly support the customer, he can support employees who serve the customers. According to this view, customer service consists of all activities that a company does to satisfy its customers and helps them to get the most value out of the services they have purchased. This broad definition encompasses everything other than provision of the core services which offer to the customers and distinguish their services from their competitors’ services (Venous & Safaeian, 2005). Reichheld and Sasser (1990) presented some reasons that shows customer retention brings profitability for organizations. First, the cost of attracting new customers may be high; therefore, the customers will not be profitable unless they are preserved for a longer time and purchase from company. Second, the resulting optimal stream of profits earned from customer retention and loyalty will help the company to cover its costs. By increasing the purchase of most customers from company, the earnings will increase and the company will enjoy greater efficiency in providing services to consumers; therefore, the costs are reduced. Happy and faithful customers will attract more potential customers to the company. Customer relationships are valuable to companies and therefore loyal customers will be less price sensitive.

Integrated Customer Relationship Management (ICRM):

To overcome the drawbacks of current CRM operations, the experts proposed the concept of integrated customer relationship management (ICRM). This concept provides the theoretical framework to define and establish communication with customers according to their needs in a purely competitive market. It also offers a standard practical process guide for effective customer relationship management. Integrated customer relationship management states that the companies by making strong connections with their customers can create sustainable competitive advantages in the long run. Therefore, the primary goal of marketing activities is building a stronger relationship with customers in CRM, which requires that all of the marketing functions act to improve the communication with customers. ICRM integrates all major marketing functions in the process Marketing and Branding Research (2016) of building strong customer

relationship and determines the type of relationship based on customers and companies' main needs. Therefore, needs determine the values and values determine the type of relationship with customers. To attract customers throughout the lifetime, only keeping track of them in the databases or recording their purchases in organization are not enough. A company must maintain its relationship with customers by providing the best value compared to its competitors. The key point in ICRM is the understanding of customer relationship under market competitions

1.3 Main Advantages of using CRM Customer relationship management (CRM) has some advantages

Such as ability to influence the customer profitability, providing integration program across the channel, improving the efficiency of sales team, personal marketing messages, customized products and services, Abtin & Pouramiri 46 improving effectiveness of customer services, and improved the prices.

II. Research methodology

2.1 Objectives of the Study

1. To analyse the factors that affect customer relationship management in health care industry.
2. To access the customer loyalty for health care hospitals.
3. To determine the critical factors that can improve the customer relationship practices in health care industry.

2.2 Population and Sample

The study is conducted with 50 outpatients of Bangalore hospitals. The present study is confined to access the CRM factors that impact the customer loyalty for hospitals.

2.3 Data and Sources of Data

Simple Random Sampling is used for the study. A structured questionnaire was adopted to collect the primary data. The survey for CRM consists of 20 items (Choi et.al 2005), measured on a five point Likert scale. The survey on customer loyalty consists of 4 items. The data is analyzed using percentage method.

III. Theoretical framework

3.1 The Concept of Customer Loyalty

The concept of loyalty first appeared in the 1940s. In its earliest days loyalty was proposed as a one-dimensional construct, which was related to the measurement perspective previously taken by other researchers. Two separate loyalty concepts evolved. Namely, "brand preference" which was later referred to as attitudinal loyalty and "share of market" which was later referred to as behavioural loyalty. Loyalty may be more complex and that it may comprise both attitudinal and behavioural loyalty. This bi-dimensional concept has since been combined and referred to as composite loyalty. Loyalty should always comprise favourable attitudes, intentions and repeat-purchase.

Loyalty is the key to the longevity of any brand and one type of loyalty, namely word of mouth has recently been correlated with company growth. It is possible that every customer has loyalty qualities or states in varying degrees, and that customers have a different mix of loyalty qualities or states. Marketers can activate different loyal states or qualities in different ways. For example, word of mouth behaviours may be encouraged through reward programs while attitudinal loyalty may be encouraged through emotive advertising. A wide range of loyalty measures have been inconsistently applied across many different

loyalty studies. Word of mouth is the most commonly used measure of loyalty.

Customer loyalty, a key mediating variable in explaining customer retention is concerned with the likelihood of a customer returning, making business referrals, providing strong

word-of-mouth, as well as providing references and publicity . Loyal customers are less likely to switch to a competitor due to a given price inducement, and these customers make more purchases as compared to less loyal customers. .

3.2 Commitment and customer Loyalty:

Commitment is another important determinant of the strength of marketing relationship, and a useful construct for measuring the likelihood of customer loyalty and predicting future purchase frequency it has been observed that commitment was the most common dependent variable used in buyer-seller relationship studies. In sociology, the concept of commitment is used to analyze both individual and organizational behaviour.

3.3 Communication Effectiveness and Customer Loyalty.

In this context, communication refers to the ability to provide timely and trustworthy information. Today, there is a new view of communications as an interactive dialogue between the company and its customers, which takes place during the pre-selling, consuming and post-consuming stages . In relationship marketing communication means keeping in touch with valued customers, providing timely and trustworthy information on service and service changes, and communicating proactively if a delivery problem occurs. It is the communicator's task in the early stages to build awareness, develop consumer preference by promoting its features and, convince interested buyers, and encourage them to make the purchase our third hypothesis that there is a significant relationship between level of communication and customer loyalty.

IV. Statement of the problem

Loyal customers are the lifeblood of an organization, regardless of its scale and business scope. In order to maximize business profit, it is critical to keep a customer with "ultimate loyalty" option is no longer a viable strategy. The problem has been magnified by the homogeneity of health care products thus a firm cannot differentiate its products from those of competitors. This has been further frustrated by customers who are now more knowledgeable of competitive offerings and will always seek to purchase at the lowest price possible.

This scenario presents management dilemma, therefore some firms have resorted to offering high quality service instead to improve on customer satisfaction demonstrated that more satisfaction is barely enough to keep a customer until another more alternative becomes available; such customers have been referred to as 'transaction buyers

The question remains how can a hospital develop and maintain customer loyalty? The solution seems to lie in relationship marketing as the only option remaining to these firms in dilemma. A number of research studies have been carried out in this area of customer loyalty from relationship marketing perspective as a new and evolving concept. . This leaves a gap in knowledge which needs to be filled. Therefore there is a need to determine the effect of relationship marketing on customer loyalty.

V. Data Analysis

Data has been analysed and represented by using tables and charts for customer perception on CRM practices in health sector i.e. hospitals and customer loyalty.

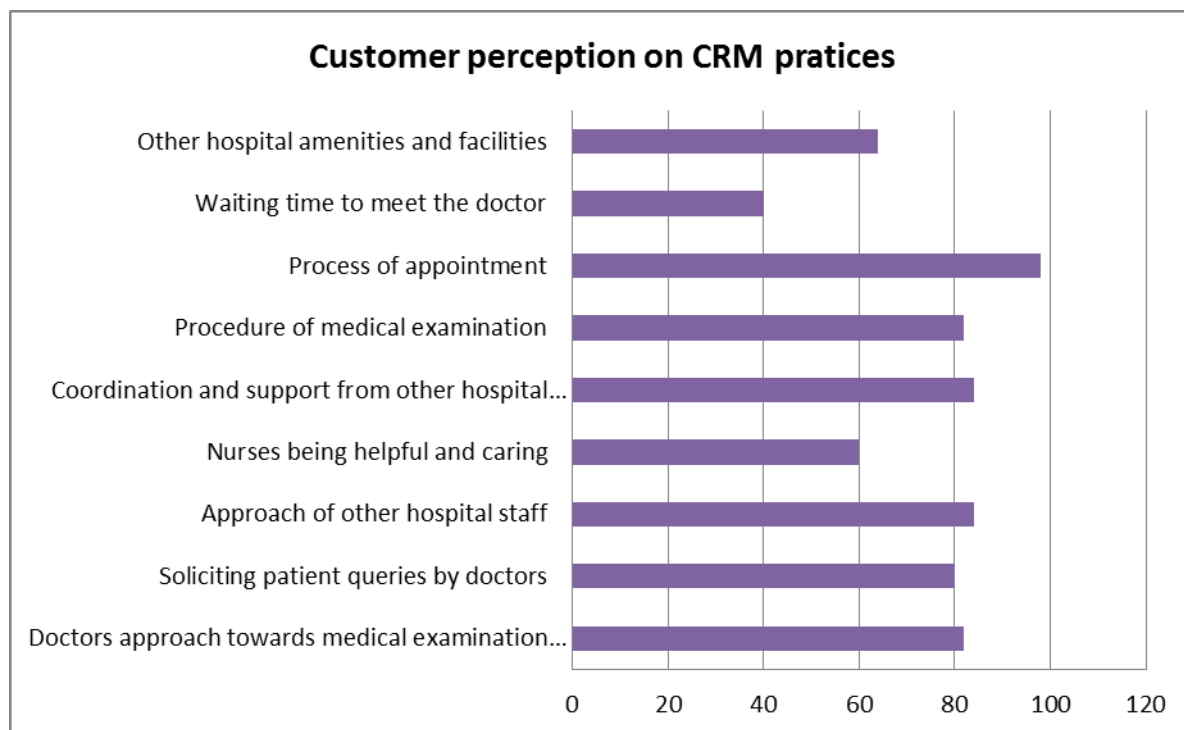


figure – 1 perceived crm practices

From the above figure- 1 it is found that the process of appointment for the doctor is perceived to be the positive experience by the customers. The negative perception is the waiting time to meet the doctor.



figure-2 factors accessing customer loyalty

The above figure-2 represents the parameters for assessing customer loyalty. Positive image of the hospitals is perceived to be high in comparative to repeated use of service by the hospital and recommending the hospital services to others.

5.1 Major Findings

- The respondents’ perception was neutral on the doctor’s approach in explaining the condition of health and the treatment process but 82% of the respondents agreed that the doctors were polite in their approach.
- 80% of the respondents mentioned that the doctors have solicited their enquiries and clarifications.

- Giving enough consideration for patients for deciding the medical procedure was also strongly agreed.
- 96% of respondents have strongly agreed that the doctor made them feel at comfort.
- The other support staffs were also perceived positively by 84% of the respondents for their being friendly and polite at their service.
- It is found that 60% of them responded that the nursing staffs were not apt at explaining the medication process.
- The response was neutral in service relating to nursing staff being helpful, caring and sincere.
- 80 % of the respondents experienced good coordination among hospital staffs excluding doctors.
- Majority of the respondents perceived that the procedure for medical examination was convenient, but were neutral for the promptness in test results.
- 100% of them experienced quick and simple payment procedures and also the appointment procedure was quick.
- 60 % of the respondents experienced long waiting time for the doctor to meet.
- The use of amenities such as cafeteria, telephone was perceived positive except for the clean toilets.
- Care facilities such as medical equipment's, laboratories were perceived as neutral.
- 80% of the respondents have positive image about the hospitals their visited and the service received and hence the customer loyalty is perceived to be high with a positive word of mouth.

5.2 Conclusions and Recommendations

The results of this study have clearly shown that successful implementation of Customer Relationship Management will bring about improve service quality in health organizations. It was also revealed that Personalization, Interactive Management and Relations with Patient are important components of Customer Relationship Management. Based on the above results the following recommendations are made:

- There are health organizations with wide size and scope, in such a situation pre-planning is very essential for a successful implementation of CRM.
- From the above study we found that the nursing staff was not apt in explaining the medication process. The nursing staff can be trained and work with the instructions of the doctors so that they are also aware of the medication process. This will help in providing better care and support to the patients.
- A successful implementation of CRM requires an understanding of the expectations. This underscores the importance of patient feedback as one of the mechanisms of bringing about improves quality health services to the people.
- In order to gain the trust of the customers in medical test results, the customers need to be explained and assured that utmost care has been taken in the lab test procedures and that the results of the tests are accurate and reliable.
- Adequate measures can be taken to reduce the waiting time of the patients to meet the doctor by keeping the patients aware of the waiting time well before and request for cooperation in this regard.
- The medical equipments, laboratories and other basic facilities such as wash rooms need to be maintained and cleaned regularly.
- There is need to address the human aspect of the Implementation. The health workers particularly Doctors and Nurses, supposed to be trained thoroughly about Customer Relationship Management and how it can be successfully implemented in the hospital.

There are several limitations to this study amongst which include:

The belief that the use of CRM could bring about Patient loyalty. However, there are other things that can bring about patient loyalty like billing method, location, and peer recommendation. The statement obtained from some respondents clearly indicated that some responses were based on subjective perceptions and not objective data. There is also problem of using an organization to generalize about what obtains in that sector. Therefore, the situation at these hospitals might not necessarily reflect 100 percent of what happens in other Hospitals. All these suggest further research in to the identified areas, so as to address the problem raised. However, despite these limitations the research has come out with valid and objective results, hence the result of the study is reliable.

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