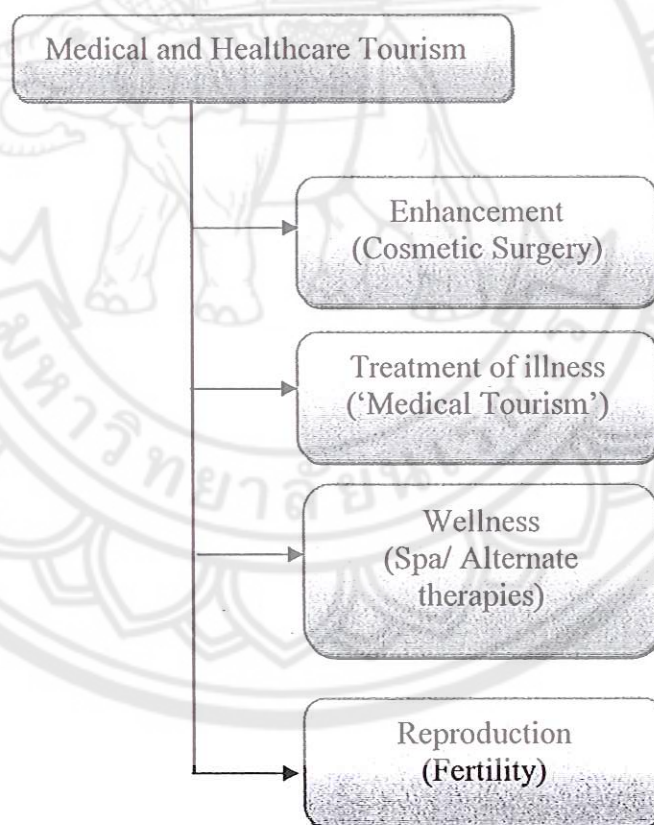# CHAPTER II

LITERATURE REVIEW

Introduction

Traveling abroad for medical services is becoming an increasingly acceptable global trend. This phenomenon has led to rapid development of facilities for patients/clients abroad which has drawn numerous patients/clients to travel great distances for medical care. Medical tourism is growing by 20% each year and has become a US$60 billion a year business (MacReady, 2007). According to Ramirez de Arellano (2007), to boost tourism and make the economy stronger, an effective strategy is to invest in medical tourism. Thus, several countries today have planned strategies to strive successfully in the medical tourism market by advertising a broad range of medical services with comfortable and modern facilities.
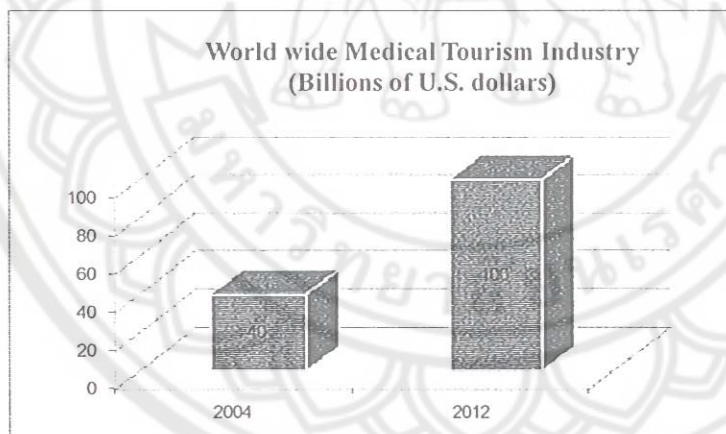
Figure 2 Worldwide Medical Tourism Industry (Billions of U.S. dollars)

Source: McKinsey & Company and the Confederation of Indian Industry.

There are several definitions for medical tourism. For example, Cohen (2011) defines medical tourism as the travel of patients of a country to another country to seek medical treatment. According to Medical tourism Association, cited in Global Spa Summit (2011), medical tourism is referred to as citizens of one country travel to another country to receive medical care of equal or better service quality, affordability, greater care that they may have received in their own country. Another approach defines medical tourism as an activity which attracts tourist by offering health care services in additional to amenities already offered in the tourism industry (Goodrich & Goodrich, 1987). However, for this study, medical tourism is defined as travelling abroad to seek medical care. There are several components of medical tourism. Figure 3 shows the components of medical and healthcare tourism.

Medical and Healthcare Tourism

Enhancement
(Cosmetic Surgery)

Treatment of illness
('Medical Tourism')

Wellness
(Spa/ Alternate
therapies)

Reproduction
(Fertility)

Figure 3 Medical and healthcare tourism component

Source: Modified from Tram 2006

With the advent of the internet, access to information has become so much easier. Patients are more aware of the information about medical facilities provided by destinations as to help them make decision. Communications technologies play a vital role in enabling cross border consumers mobility to obtain healthcare services and products. Thus, patients themselves are aware of high quality, reasonable and easily available health related services found outside of their resident country. Patients/Clients are able to choose a destination which they prefer and are most likely to return to the same destination and recommend to relative and friends if they were satisfied and happy with the service quality provided by the chosen destination. Both patients and destinations are mutually benefited as patients/client are able to receive appropriate care at reasonable prices without compromising on the quality of their treatment while the destinations are able to generate revenue from supplying the services that the patient/client utilizes. Thus, the objective of this study is to assess the role of service quality dimensions on patient satisfaction.

The service encounter

Service encounters are transactional interactions in which one person such as a vendor or a front desk clerk provides a service or good such as a product or a service to another person. In simpler terms, service encounters are the personnel interaction between a consumer and a service provider (Solomon et al, 1985). Sometimes, the service encounter is also called as "Moment of Truth". According to Bitner (1990) and Surprenant and Solomon (1987), service encounter has become the centre of attention in recent service quality research and the literature offers broad definitions of service encounters.

Surprenant and Solomon (1987) defines service encounter as the dyadic interaction between a customer and a service provider. This definition draws on their previous work signifying that service encounters are role performances (Solomon, et al., 1985) in which both the service provider and the customers have role to enact. Shostack (1985) defines the service encounter as a period of time which the consumer directly interacts with a service. Collier (1994) defines service encounter as episodes in which a customer comes in contact with any aspects of the company. These include all aspects of firms such as the physical facilities, personnel and other visible elements

as well. Besides, Lemimink and Mattsson (2002), states that the emotional and intangible contents are more likely to affect customer perception rather than the surroundings.

According to Czepiel (1990), there are several distinctive features of service encounters. First, service encounters are purposeful, which means that the contact takes place to attain a specific goal. Second, service encounters are limited in scope, and restricted by nature and content of the service to be delivered. Third, the roles played by the customer and service provider in the service encounter are generally well understood by both the parties.
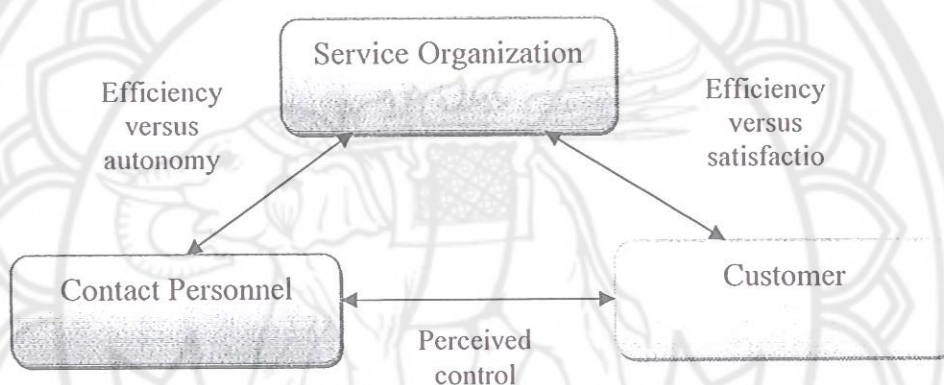

Figure 4 The service encounter triad

Service Quality

The importance of quality, either in a service or a product, cannot be overemphasized. Numerous scholars have done studies relating to service quality as it is believed to play a significant role in business performance by having a huge impact on customer satisfaction, customer loyalty, profitability to the organization and free marketing. Such areas of study include banks, retail shops, companies, organizations and many more. Nevertheless, scholars have developed various definitions for service quality. According to Dehgan (2006 as cited in Gefan, 2002), service quality is defined as the comparison customers make with the service they get and the service they actually wanted. Asubonteng, et al., (1996) define service quality as the difference between what customer expected to get from service prior to receiving the service and the opinion of the customer once the customer has received the service. Service quality

is also defined as the difference between customer expected performance of the service and the customer's evaluation of the service once it is received (Parasuraman, et al., 1985). In addition, Ojo (2010) argues that the definitions of service quality differ not just in the wording but it in general involve determining whether the perceived service delivery meets, exceeds or fails to meet customer expectations.

Service quality is a crucial element in a company's ability to maintain profitability and sustained success in business. Quality service does not only build loyalty for both company and product but also acts as a marketing tool that almost guarantees a company's viability in today's diverse and aggressive market

Five critical aspects of service quality

Taking in account all the aspects of customer perceived service quality, including those already addressed and those that are left out in the empirical service quality literature, Sureshchandar, et al., (2001), identified five factors of service quality that are critical from the customer's point of view. The five factors are illustrated in figure 5.
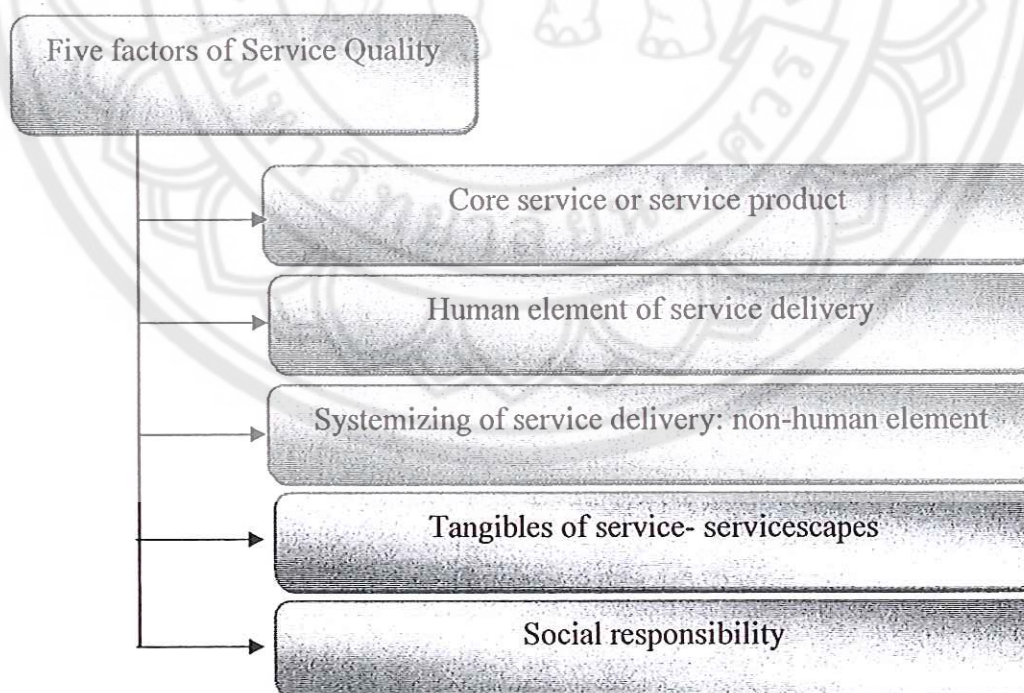

Figure 5 five critical aspects of service quality

SERVQUAL

Parasuraman, et al., (1985) originally developed an assessment tool known as SERQUAL. This tool was designed to determine service quality as perceived by the customer (Asubonteng, et al., 1996). The tool is widely used to measure service quality and used in marketing literature to understand perceived service quality. Parasuraman, et al. (1985) identified 10 key determinants of service quality which are reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding/knowing the customer and tangibility. In order to measure, control and enhance customer perceived service quality it is vital to identify the determinants of service quality (Johnston, 1995). Based on the 10 key determinants, Parasuraman, et al. (1985) refined the model in to 5 key determinants which are as follows;

Tangibles This factor refers to the appearance of physical facilities, equipment, personnel in the service process, such as appearance of staff, cleanliness and apposite technical equipment for support.

Reliability This factor refers to the ability to perform service consistently and accurately such as the consistency in meeting completion of tasks on-time and promises made.

Responsiveness This factor refers to the willingness to help and respond to customer need such as showing interest in individual customer requirements and solving customer problems.

Empathy This factor refers to the extent to which individualized care service and attention is given to the customer. This is considered a very important element in the SERVQUAL dimensions.

Assurance This factor refers to the ability of staff to inspire confidence and trust. Assurance also includes;

1. Competence - having the requisite skills and knowledge.

2. Courtesy - politeness, respect, consideration and friendliness of contact staff.

3. Credibility - trustworthiness, believability and honesty of staff.

4. Security - freedom from danger, risk or doubt.

Empathy and assurance contained items representing seven original dimensions (credibility, security, communication, competence, courtesy, understanding customers and access) did not stay distinctive thought out the number of refinements over the years. This led to the extended service quality model (Zeithaml, et al., 1988) illustrated in figure 6.
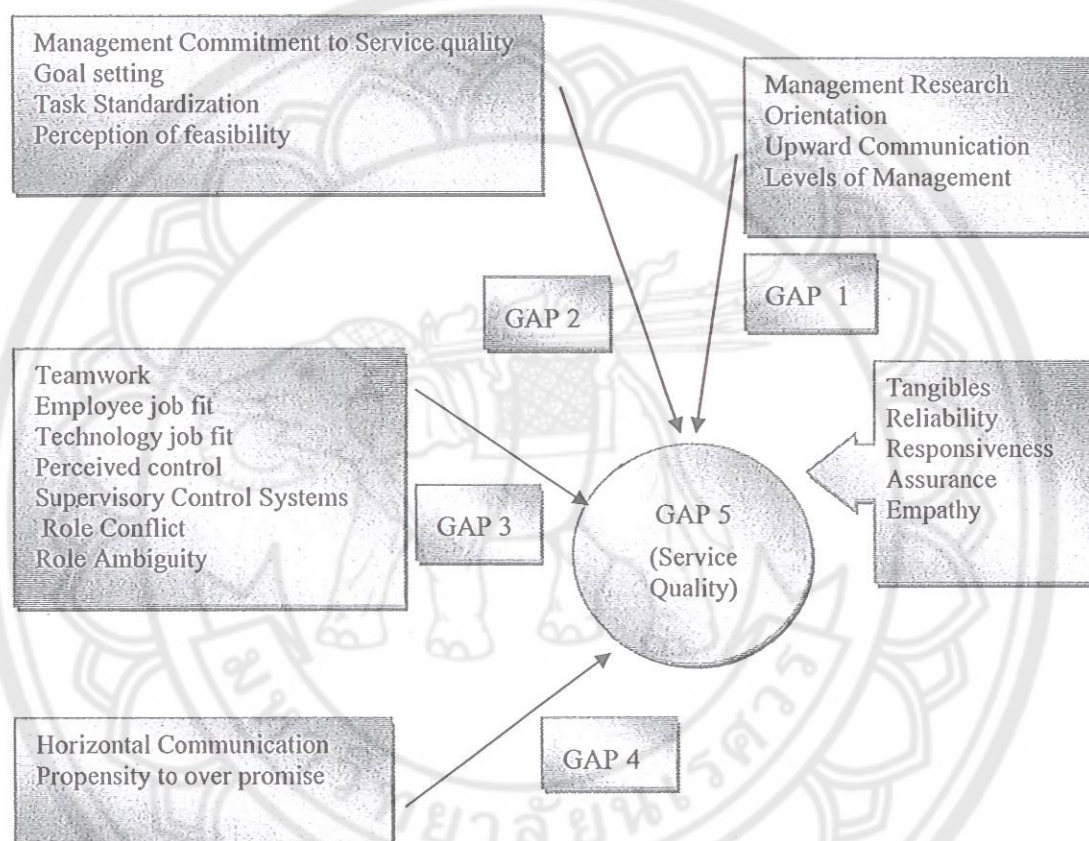

Figure 6 Extended service quality model

Source: Zeithaml, et al., 1988

SERVQUAL has been made to measure service quality in a variety of service organizations such as hospitals (Babakus and Glynn, 1992), travel and tourism (Fick and Ritchie, 1991) and hotels (Saleh and Rylan, 1991). Despite SERVQUAL having commonly been acknowledged as a tool to measure service quality, several studies have attempted to address the key attributes of services quality. SERVQUAL model has been criticized for a lack of deliberation for cross-cultural differences and industry

specific differences (Espinoza, 1999; Johnson and Mathews, 1997). Cross-cultural compassion is very important in business setting where customers come from different cultural backgrounds. Managing service quality in this type of business requires a degree of sensitivity to differentiations in needs to ensure that customer expectations are met. It has been argued that managers should be alert of the aspects of the service delivery process that are open to people across different cultures and that managers should also be sentient of the aspects that are steady across cultures (Espinoza, 1999).

The SERVQUAL model has also received criticism for not considering industry-specific differences in customer expectations. According to Han and Beak (2004), several researchers articulate the need that the SERVQUAL should be customized to a particular service area. Thus, variations of the SERVQUAL model have been developed to deal with these differences (Gounaris, 2005).

SERVQUAL gap analysis

Service quality is an approach to manage business processes in order to certify full satisfaction on the customers & quality in service provided. SERVQUAL represents service quality as the discrepancy between a customer's expectations for a service offering and the customer's perceptions of the service received (Parasuraman, et al., 1985). The difference between expectations and perceptions is called the gap which is the determinant of customers' perception of service quality. Parasuraman, et al., (1985) based on their studies developed a service quality model based on gap analysis which is illustrated in figure 7. The gap model is a resourceful model in helping an organization shape up their efforts in bridging the gap between perceived and expected service. The gaps are as follows;

GAP 1: Gap between customer expectation and management perception – as a result of insufficient market research and too many levels of top level management.

GAP 2: Gap between management perception and service quality specifications – as a result of lack of goal settings, unclear service procedures and lack of commitment to service quality.

GAP 3: Gap Between service delivery and the actual service delivered – **as a result of** poor technology, lack of training, poor standard evaluation procedures and lack of teamwork.

GAP 4: Gap between service delivery and external communication - as a result of insufficient horizontal communications and failure to deliver services as customer's expected due to over promise.

GAP 5: Gap between perceived service and delivery service - as a result of the influences exerted from the customer side and the gaps on the part of the service provider.
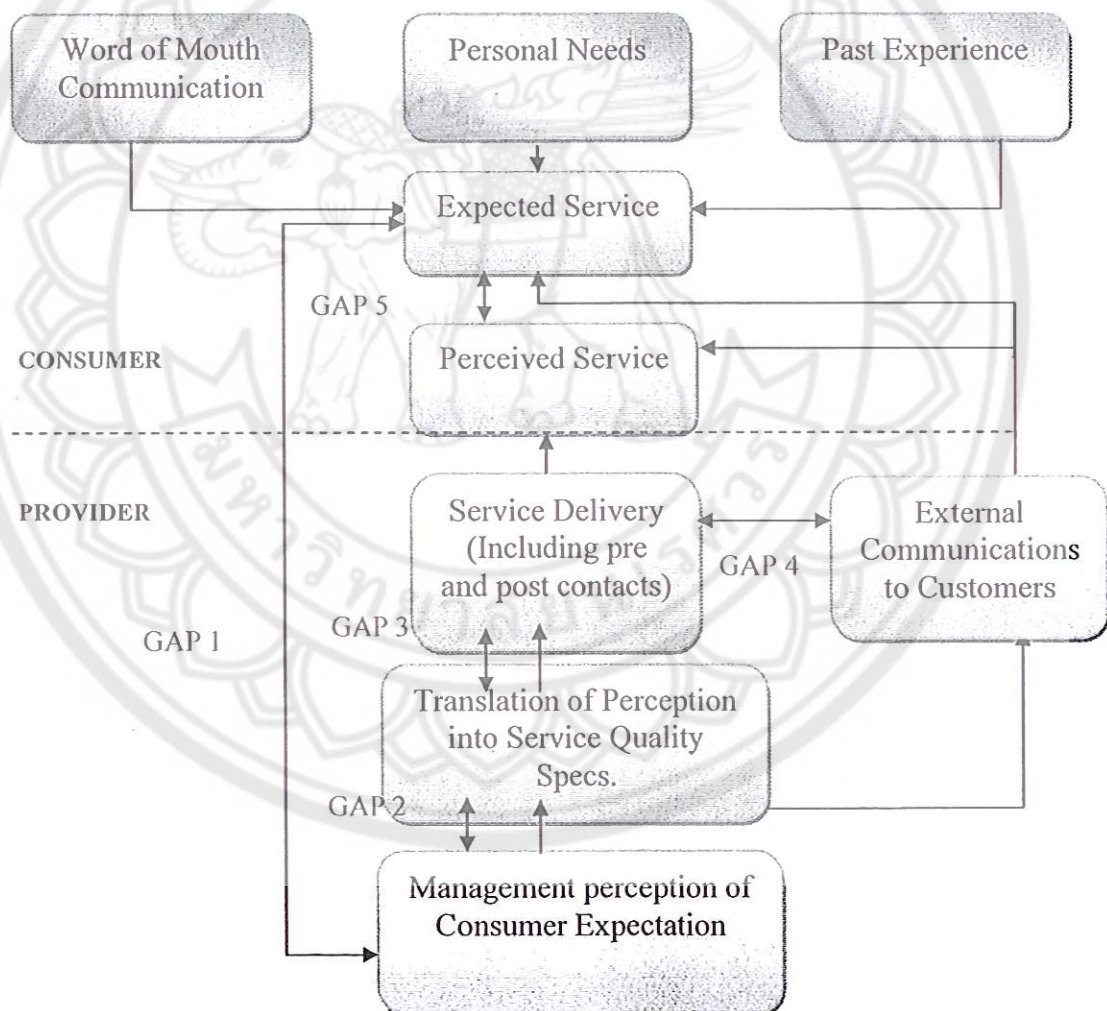
Figure 7 Gap Model

Source: Parasuraman, et al., 1988

Customer (patient/client) Satisfaction

There are several definitions for customer satisfaction. Johnson and Fornell (1991) defined customer satisfaction as the overall valuation of the performance of an offering to date. Oliver (1999) defined customer satisfaction as an evaluation of the perceived incongruity between prior expectations and the actual performance of the product. According to Kim, et al., (2004), as cited in Hanif, et al., (2010), customer satisfaction is the reaction of customer's to the state of satisfaction, and customer's final thoughts of satisfaction level.

One of the most explored phenomena in marketing literature is the study of customer satisfaction with the service provider (Dovalienė, et al., 2007). Customer satisfaction has become an important topic for both the managers and researchers as high level of customer satisfaction leads to enhancement of organizations reputation and increase in customer loyalty. Singh (2006) states as cited in Hokanson (1995) that there are several factors that affect customer satisfaction. These factors include courteous employees, friendly employees, knowledgeable employees, billing timeliness, helpful employees, accuracy of billing, competitive pricing, service quality, good value, quick service and billing clarity. According to Khumbar (2011), customer satisfaction increases with high level of service quality. However, when the perceived service quality is lower than the expected service quality, customers will be dissatisfied (Jain and Gupta, 2004).

Today, customers are becoming more demanding and their expectations are rising. Customers have become less lenient and very critical when their expectations are not met. Thus numerous studies have been done by researchers focusing on the importance of customer satisfaction (Boulding, et al., 1993; Westbrook and Oliver, 1991) as gaining high levels of customer satisfaction is extremely important to a business since satisfied customers are most likely to be devoted to the business. In addition, these customers are most likely to make repeat orders and utilize extensive range of services offered by a business. Hennig-Thurau and Klee (1997) states as cited in Kotler (1994) "The key to customer retention is *customer satisfaction*". According to Yuksel and Yuksel (2003), in order to attain long term competitive advantage and retain customers, evaluation of a customer's satisfaction level and application to apply the knowledge to the business or organization necessary.

In general terms, a customer is a person that utilizes the goods and services offered by the organization. Thus, patient/client that uses the facilities and services offered by a healthcare organization is the customer of that sector. Hence, it is essential for healthcare sectors to bear in mind that patient/client are the customer in the medical tourism sector and to treat them as well as other customers. Patients/clients are also those who expect to receive quality care that results satisfied patient/client, glowing recommendations and a solid reputation. Satisfied patient/clients definitely do turn into excellent marketing tools.

Service encounters are believed to play a crucial role in customer satisfaction and in the organizations overall success. The service encounter is a relational role that creates thriving sales. Unproductive service encounter can endure in significant cost to the firms such as lost of customers, compensating customers and negative word of mouth (Britner et al, 1994). In addition, if the service encounters are unacceptable, customers may end up disappointed and argumentative, thus affecting the overall customer satisfaction with the service provided by the organization. Thus, service encounters plays a significant role keeping customers satisfied with the service quality of an organization.

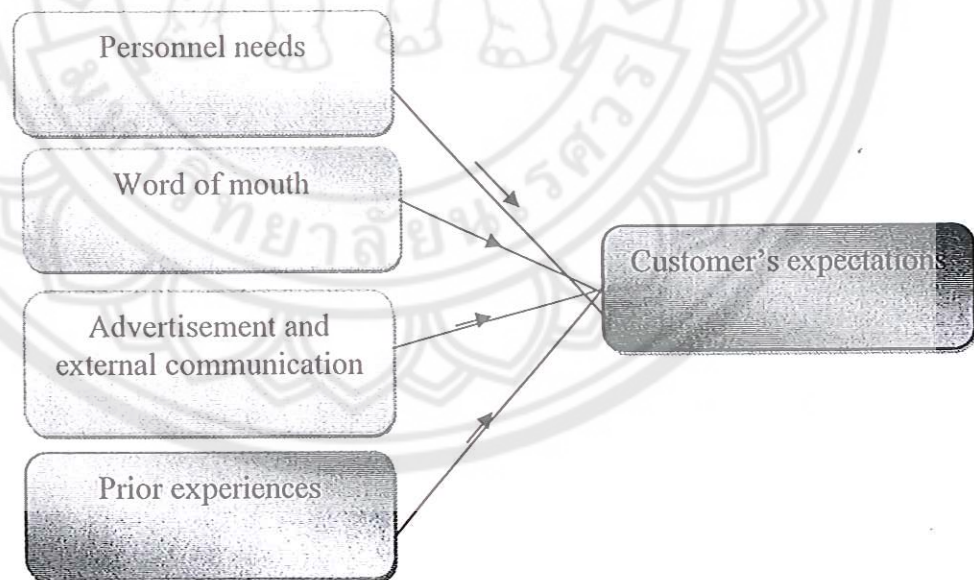**Factors influencing customer's expectation**

Customer expectations are "beliefs about service delivery that serve as standards or reference points against which performance is judged" (Zeithaml, et al., 2006). In other words, customer expectation can be defined as the perceived value customers seek from the purchase of a good or service. Since customers compare their perceptions of performance when evaluating service quality, thorough knowledge about customer expectations is crucial to service marketers. Knowing what the customer expects is the primary and perhaps most essential step in delivering superior quality service. Being erroneous about what a customer wants can mean losing a customer when another organization hits the target unerringly. Thus, meeting or exceeding customer expectations at all times has been well recognized in the business world as one of the important conditions of ensuring long time profitability of the organization. Parasuraman, et al. (1990) mentioned four key factors that influence customer's expectation. They are

1. Personal needs: This factor refers to the specific needs of a person which may not necessarily be important to another person as each person has a unique set of needs. For example, service expectation will differ from a first time customer and a repeated customer.

2. Word of mouth: This factor refers to the words that a customer has heard from another customer. Word-of-mouth is triggered when a customer experiences something far beyond what was expected. The word of mouth may either be positive or negative and this may influence customer's expectations.

3. Advertisement and external communication: This factor plays an important role in shaping customers expectations. Advertisement s contains all direct and indirect messages that influence customer's expectations. Also, the price or service cost knows as the external communications also influence customer's expectation.

4. Prior experiences: This factor refers to the service knowledge customers had previously. For instance, a repeated customer expects to get better services than the last time he/she had received services from the same organization.

Figure 8 Factors influencing customer's expectations

Factors that affect patient/client satisfaction

Customer satisfaction is the overall impression of customer about the products and services delivered by the service provider. According to Isberg (2010) as cited in Center for the study of Social Policy (2007, pp. 6-7), factors that affect satisfaction differs in various industries, individuals and institutions, as well as different demographic backgrounds.

Hwang (2010) identified the factors that affected customer's satisfaction in a restaurant business in Miami. The study found out that good value, tasty food and the cleanliness of the restaurant were the factors that affected customer satisfaction. Another study carried out in the mobile phone services in Bangladesh found different factors the affected patient satisfaction. The empirical study demonstrated that fair price and service quality affected most of the customers' satisfaction level (Uddin and Akhter, 2012). According to Daniel and Berinyuy (2010) as cited in Bailey, et al., (1983, p. 532) 38 factors were identified that affected the satisfaction of consumers of computer users. Some of the factors identified were quality of the product, reliability, priorities determination, flexibility, security and expectations. Daniel and Berinyuy (2010 as cited in Karen, 2001, p.306) that transparency and communication potentials influence the satisfaction of students in online education structure and enhance the learning process.

Matzler, et al. (2002) classified the factors that affect customers' satisfaction into three factor structures. The first one was basic factors, which were identified as the minimum requirement of a product to avoid customer dissatisfaction. They do not inevitably cause satisfaction but lead to dissatisfaction if not present. This included competency and accessibility. The second one was performance factors which included factors that lead to satisfaction if fulfilled and can lead to dissatisfaction if not fulfilled which included reliability and friendliness. The third one was excitement factors, such as project management, which enhanced customers' satisfaction if fulfilled but does not cause dissatisfaction if not fulfilled. Thus, factors that affect customer satisfaction differ in different situational contexts, cultures, business and industries.
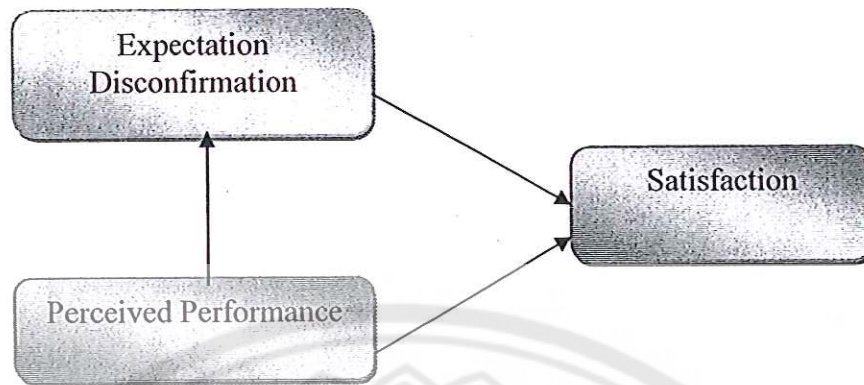
Disconfirmation Theory

The disconfirmation theory has emerged as the primary basis for satisfaction models in marketing literature (Oliver, 1980) as well as in latest information system studies (McKinney, et al., 2002) According to disconfirmation theory, Khalifa and Liu (2003) defines satisfaction as the difference between perceived performance and cognitive standards such as expectation and needs. Expectations are viewed as predictions made by consumers about what is likely to occur for the period of imminent transaction or exchange (Zeithmal and Berry, 1988). Perceived performance is defined as how a product performance fulfils customer's wants and desires in consumer perception (Cadotte, et al., 1987). According to Zeithmal (1988), perceived quality is the judgment of consumer about the personal overall excellence. Disconfirmation is defined as consumer personal judgments resulting from comparing their expectations and their perceptions of performance received (McKinney, et al., 2002; Sprengm et al., 1996). Disconfirmation theory affirmed that satisfaction is mostly defined by the gap between perceived performance, expectations and desires.

Disconfirmation theory proposed that satisfaction is affected by the intensity and direction of the gap between expectations and perceived performance as shown in Figure 9. Disconfirmation theory stated that expectation disconfirmation occurs in three forms. They are as follows;

1. Positive disconfirmation: occurs when perceived performance exceeds expectations.

2. Confirmation: occurs when perceived performance meets expectations.

3. Negative disconfirmation: occurs when perceived performance does not meet and is less than the expectations.

It is apparent for customers to be satisfied if the service performance meets or exceeds their expectations. On the other hand, customers are more likely to be dissatisfied if the service performance is less than what they expected.

Figure 9 Expectation disconfirmation theory

Source: Khalifa and Liu, 2003

Relationship between service quality and customer satisfaction

As mentioned earlier, over the past few years there has been an emphasis on the study of service quality and customer satisfaction in business. Numerous studies have shown that strong relationships exist between service quality and customer satisfaction (Sureshchandar, et al., 2003; Spreng and Mackoy, 1996). Agbor (2012 as cited in Wilson, et al., 2008, p. 78) that satisfaction and service quality have certain things in common, but satisfaction generally is a broader concept, whereas service quality focuses specifically on dimensions of service.

Kapsper, et al. (2006) suggest that quality refers to some of the features of what is offered while satisfaction or dissatisfaction refers to a customer's emotional reaction to what is offered. Therefore, in this judgment quality and satisfaction are separate, where quality is something the business is accountable for and satisfaction is an experience of the customer. Nevertheless, the concepts are obviously interrelated as a business may apply customer reaction whether it is satisfaction or dissatisfaction as means of evaluating whether the quality of the service has been satisfactorily delivered to the customer. In the meantime, another matter is the direction of causality between satisfaction and service quality whether service quality leads to customer satisfaction or vice versa. Cronin and Taylor (1996) argues that service quality is an ancestor of customer satisfaction. Thus, customer satisfaction is conceived of as a result of service quality.

According to Kurniawan (2010), when a customer distinguishes quality, it is reflected in customer satisfaction. Jajaee and Ahmad (2012) states that when service quality decreases rapidly, customer satisfaction declines dramatically and if service quality increases radically; customer satisfaction inclines rapidly. In today's changing world, developed economies are becoming more service oriented, meaning that customer impressions play a significant role in this field. A company delivers services to customers, though overall customer attitude towards the company is defined in the connection between service quality and customer satisfaction. According to Jajaee and Ahmad (2012) service quality results in customer satisfaction-the key concept established in business and marketing literature.

Sheth and Kellstadt (1992 as cited in Albrecht and Zumke, 1985), that it is five times more expensive to create a new customer than to retain an existing customer. Once a customer is satisfied with the quality of service provided by a business, the customer is most likely to return to the same business to purchase the product or the service. Johnson and Auh (1998) stated that in this highly competitive market, customer satisfaction is a key driver of customer loyalty and ensuing retention.

From the above literature, it is clear that customer satisfaction and service quality are important aspects to an organization and that both aspects are interrelated. It is also vital to indicate that SRVQUAL is only one of the instruments used in service quality analysis and there are difference other approaches to closing the gaps in service quality. Even though SERVQUAL has been criticized as mentioned earlier, Ausbonteng, et al., (1996) concludes that "until a better but equally simple model emerges, SERVQUAL will predominate as a service quality measure". Thus, this study will explore customer's expectation and perception levels using SERVQUAL towards service quality in Lanka Hospitals and how service quality affects customer satisfaction. The results of this study may aid to close gap 5 of the SERVQUAL gap model.