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# Impact of Service Quality on Customer Demand for Private Hospitals Special Reference to the Jaffna District

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## ABSTRACT.

*Service quality has been viewed as a determinant of demand of private hospitals. Different dimensions of service quality have been considered by various researchers. This study identifies components of service quality of private hospitals in Jaffna. The research methodology is Empirical, and there are 94 customers were survey to collect data to identify the impact of service quality on demand for private hospitals. The findings reveal that five factors are considered important for determining demand with private hospitals. In this study, based on the correlation and regression results, Hypotheses H<sub>1</sub> and H<sub>2</sub> were accepted. This finding has confirmed a significant positive relationship between service quality and demand. Results of this study should encourage strategy development for superior service quality management particularly in the areas of tangible and empathy. Furthermore future research direction should be in the form of factor analyses to find out the service quality influence on demand in other sector like as banks and also in other district in the national level.*

**KEYWORDS:** *Service quality, Demand of Private Hospitals. Jaffna*

## **1.0 Introduction.**

Nowadays the services of Private Hospital are important in the world. There are many Private Hospital provide services to the people. The Private Hospital are providing variety of services to the people. The Private Hospital use different strategies to attract the customers. Such as advertisement, providing advices to the customers, introducing new attractive scheme, providing free services to the poor customers. Due to rapid changes in today's economic, social, political, legal, demographic, competition, technological and limited resources, there has been a great shift in customers' taste, demand and expectations. Customers are surrounded by unlimited choices. Businesses, especially the service providers are facing uphill battle to meet the need of their ever demanding customers. Customers can readily switch to other brands if they are not satisfied with any particular product or service. The vision of all such business is to provide quality high class services to customers in order to successfully thrive and achieve their mission. In today's world highly competitive services industry, services providers need to be vigilant and aware of customers' needs and demands. There are many numbers of Private Hospital in the jaffna peninsula, and the main objective of the Private Hospital are help of customers to get better service. Private Hospital are introducing different strategies to satisfy their customers and to achieve their objectives. This center uses different strategies to achieve competitive advantage in order to achieve their long term objective. demand can be used as a strategy to have competitive advantages therefore identifying the underlying factors influencing demand in the Private Hospital are important to provide better services in the private hospitalsl service market. The factors, influencing demand important part in winning customers over a service and become the major motive in choosing the problem. To develop and improve a service, Private Hospital must know the factors which determine the demand of services. Brenda (2010)

## **1.1 Statement of Research Problem**

In terms of theoretical significance, this study proposes to bring empirical evidence related to factors influencing on the demand of Private Hospital in Jaffna district. This study will contribute valuable information that benefits Private Hospital in Jaffna, Sri Lanka. The information could be used to generate ideas to further improve their management style. Since this study is the key into identifying the factors contributing to demand, it will provide solution to superior customer service quality. Through this research, service providers will be able to provide innovative ideas into improving service quality and customer service. The finding of this study can assist service providers to identify the important factor to demand that may be over looked. Private Hospital is operating in the competitive environment. This center uses various competitive strategies to achieve the long term objectives. A measurement that obtains reports or ratings from patients about services received from an organization, hospital, physician or healthcare provider. The relationship between healthcare quality and patient satisfaction is a great source of debate. Some early researchers' depicted service quality perception is as a satisfaction outcome. It is argued that consumer satisfaction leads to an overall evaluation or attitude about service quality over time (Bitner et al., 1990; Parasuraman et al., 1988). The importance of satisfaction is a key predictor of patients' intentional behaviours. In different countries and for different types of healthcare services, satisfied patients are more likely to return to the same provider and to recommend them to their families and friends (Bendall-Lyon and Powers, 2004; Otani and Harris, 2004; Zineldine, 2006; Taylor, 1994; Choi et al., 2005). Because satisfaction reflects positive judgments patients form about their healthcare service experiences, satisfied patients appear to have more trust in their providers, more confident about their dealings and more willing to recommend them to others. Patient satisfaction in a hospital is basically a state of mind of the patient. It is the ability of the hospital service to meet the expectations of the patient. Patient delight is all about exceeding the expectations of the patients to make them highly satisfied with the hospital. In hospital perspective, customer is any individual or institution who is an actual, potential or future user of the hospital and its various services. The customer from the hospital is very different from the regular customer, the difference being that they do not want to be a customer in the first place. The hospital customer is forced to be a customer because of their illness and parts with their money unhappily. This study attempts to solve the following problem that is there significant impact of service quality on demand of private hospitals?

## **1.2 Research Objectives**

A positive customer experience affects corporate business performance, including profitability, productivity, market share, and reduce costs (Zeithaml, 2000). Primary objective of the study is to find out the impact of service quality on demand of private hospitals, and the secondary objective is to identify the relationship between service quality and demand of private hospitals

### **1.3 Scope of The Research**

This study has focused primarily on investigating in service quality influencing demand of private hospitals. In this research discussed three main elements demand such as Segmentation, Targeting and Positioning. (STP Strategy)

## **2.0 Review of Literature**

Demand generation is the art and science of creating, nurturing, and managing purchase interest in your products and services through campaign management, lead management, marketing analysis, and data management. The idea of demand generation is to get most possible long term surveys from customer demand. Private hospitals would be able to decide which demand is high and which demand would be focused on in order to long term surveys. The following factors are the major determinants of demand for private hospitals.

### **2.1 Market Segmentation**

Market segmentation is one of the most crucial points in the demand for private hospitals. Market segmentation provides private hospitals to clarify their customers' group and act in customers' expectations way. Channelling centers should define their customer segment specifically and price strategies should be developed in order to meet customer segment's expectations. According to John (2006) the firm must be able to segment based on its differentiating efforts and target the segments to obtain discriminating prices. How then does a firm know how to segment consumers and how is the firm to know which consumer segments have a preference for what type of attributes.

### **2.3 Market Targeting**

Target market is a business term meaning the market segment to which a particular good or service is marketed. It is mainly defined by age, gender, geography, socio-economic grouping, or any other combination of demographics. It is generally studied and mapped by an organization through lists and reports containing demographic information that may have an effect on the marketing of key products or services.

### **2.4 Positioning**

Positioning is a concept in marketing which was first popularized by Al Ries and Jack Trout (1981) in their best seller book "Positioning- a battle for your mind". According to them positioning is what you do to mind of the prospect. They iterate that any brand is valued by the perception it carries in the prospect or customer's mind. Each brand has thus to be 'Positioned' in a particular class or segment. Brenda (2010) states that the key component to demand is identifying, understanding and maintaining the proper market position on a consistent basis. Most managers will agree with that statement, but when business drops, more often than not, all bets are off and rates drop like a lead balloon. Gabor (2010) adds that once a private hospitals differentiates its value proposition, the next step is choosing a positioning strategy. A successful positioning strategy will be based on a set of possible competitive advantages that the private hospitals identifies. The chosen positioning needs to be communicated to target markets that are defined through segmentation. Demand from service quality is usually evaluated in terms of technical quality and functional quality (Gronroos 1984). Usually, customers do not have much information about the technical aspects of a service; therefore, functional quality becomes the major factor from which to form perceptions of service quality (Donabedian 1980, 1982). Service quality may be defined as customer perception of how well a service meets or exceeds their expectations (Czepiel 1990). Service quality can be measured in terms of customer perception, customer expectation, customer satisfaction, and customer attitude (Sachdev and Verma 2004). Ekinci (2003) indicates that the evaluation of service quality leads to customer satisfaction. Rust and Oliver (1994) define satisfaction as the "customer fulfillment response," which is an evaluation as well as an emotion-based response to a service. The role of service quality in affecting customer satisfaction in the context of private hospitals, with special reference to Jaffna

## 2.5 Service Quality

Otto & Ritchie (2000) develop a scale of experience quality in tourism industry context with four factors: hedonics, peace of mind, involvement and recognition using consumer survey data obtained from three tourism service sector including hotels, airlines and tours and attractions. The factor of hedonics is associated with the need to be doing what they loved or likes, to have their imaginations stirred and to be thrilled by the service activities. The factor of peace of mind is concerned about the need for both physical and psychological safety and comfort. The factor of involvement refers to having more to do with the process of service delivery than with outcome, the desire to have choice and control in service offering and the demand of being educated, informed and imbued with a sense of mutual cooperation. Finally, the factor of recognition is linked to feeling important and confident in being taken seriously. Notably, the significant differences in both the nature and degree of the service experience are found evident across service sectors.

Poon & Low (2005) argued that the quality of products and services rendered by employees of a service oriented organization will determine the level of customer satisfaction. In their studies, Poon & Low, (2005) strongly emphasized that businesses look seriously at the impact of customer's satisfaction on their operation. Customers who are satisfied with the quality of services are most likely to return and might bring in new customers as well. Subsequently, a success or failure of a private hospital is determined largely on customers' satisfaction. Researcher believes that although quality customer service is not the only determining factor, customers would surely return to the same private hospital if they are satisfied with the services and will eventually spread good words to their friends and families.

Private hospital operators should provide the best service quality to customers to ensure customers have a memorable experience during their stay at the private hospital. Customers' satisfactory experiences are factors which are outside the control of the private hospital operators (Saleh & Ryan, 1991). Gronroos (1991 and 1994) state that services are intangible activities or services of activities that are more or less intangible in nature normally, take place between customer and services and services provider, which are provided the customer problem solution. On the other side, Zeithaml and Bitner (1996) state that services is an activity that are happening between the customer and services provider.

**Tangibles** - The physical evidence of the service; appearance of physical facilities, tools and equipment used to provide the service, appearance of personnel and communication materials.

**Reliability** -The ability to perform the promised service dependably and accurately; consistency of performance and dependability, service is performed right at the first time, the company keeps its promises in accuracy in billing and keeping records correctly, performing the services at the designated time.

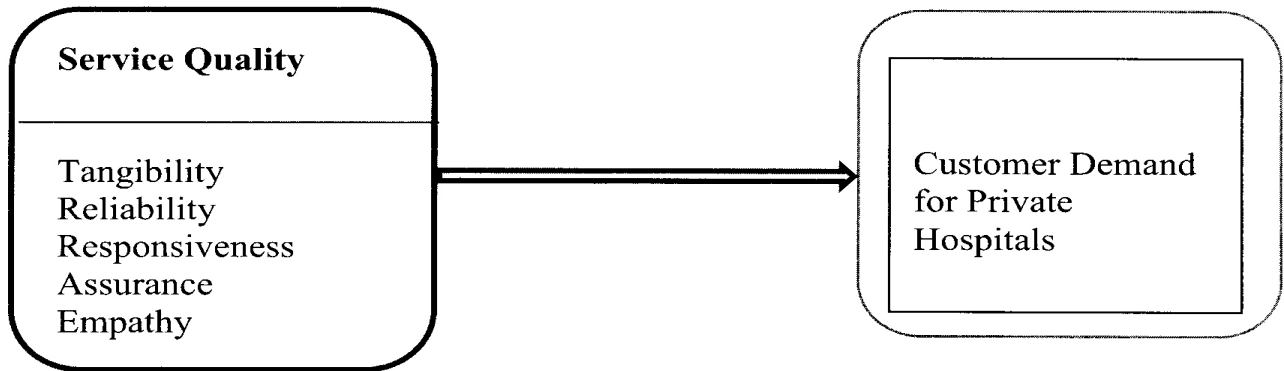
**Responsiveness** - The willingness and / or readiness of employees to help customers and to provide prompt service, timeliness of service: mailing a transaction slip immediately, setting up appointments quickly.

**Assurance** - The knowledge and courtesy of employees and their ability to convey trust and confidence; competence (possession of the required skilled and knowledge to perform the service) courtesy (consideration for the customer's property, clean and neat appearance of public contact personnel), trustworthiness, security (safety and confidentiality).

**Empathy** - The provision of caring, individualized attention to customers; informing the customers in a language they can understand, understanding customer's specific needs, providing individualized attention.

### 3.0 Methodology

#### 3.1 Research Framework



Source current Study

#### 3.1 Hypotheses

H<sub>1a</sub>: There is a significant relationship between service quality and Demand of private hospitals.

H<sub>1b</sub>: There is a significant impact of service quality on Demand of private hospitals.

#### 3.2 Data Collection

The primary and secondary data were collected for the survey. Primary data were collected through questionnaires and secondary data were collected from books, journals and internet. There are 94 customers were survey to collect data to identify the impact of service quality on demand for private hospitals

#### 3.3 Reliability

Cronbach's alpha reliability analysis was conducted on the independent variables in order to determine the reliability of the instrument used. *Afsar (2009)* has suggested 0.60 as the acceptable level for reliability measure.

Table No 3.2 Reliability

|                | Cronbach's Alpha |
|----------------|------------------|
| Tangible       | .689             |
| Responsiveness | .715             |
| Empathy        | .678             |
| Reliability    | .738             |
| Assurance      | .793             |
| Demand         | .721             |

Source current Study

Above table indicated , Alpha values ranged from 0.678 to 0.783, thus indicating an acceptable level of reliability.

#### 3.4 Correlation Analysis

The research is undertaken to find out the relationship between service quality and demand of private

hospitals. Correlation analysis was carried out to find out the nature of relationship between the variable based on the value of correlation.

### Correlations Between service quality and demand of private hospitals

Table No 3.3 Correlations

|                 |                     | Service Quality | Demand |
|-----------------|---------------------|-----------------|--------|
| Service Quality | Pearson Correlation | 1               | .553** |
|                 | Sig. (2-tailed)     |                 | .000   |
|                 | N                   |                 | 94     |
| Demand          | Pearson Correlation | .553**          | 1      |
|                 | Sig. (2-tailed)     | .000            |        |
|                 | N                   | 94              |        |

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Source current Study

Above Table indicates that service quality and demand are significantly correlated at 0.01 significance level. The correlation value between service quality and customer satisfaction is 0.553 which is significant at 0.01 levels.

### 3.5 Regression Analysis

Regression analysis was carried out to test the impact of service quality on demand of private hospitals. Here service quality is the independent variable and demand is dependent variable. Thus the regression result are presented below

Source current Study

Table No 3.4 Model Summary<sup>b</sup>

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|-------------------|----------|-------------------|----------------------------|---------------|
| 1     | .553 <sup>a</sup> | .374     | .356              | 1.22150                    | 1.746         |

a. Predictors: (Constant), Assurance, Responsiveness, Reliability, Empathy, Tangible

b. Dependent Variable: demand

Table No 3.5 ANOVA<sup>a</sup>

| Model        | Sum of Squares | df | F      | Sig.              |
|--------------|----------------|----|--------|-------------------|
| 1 Regression | 9.438          | 1  | 49.082 | .000 <sup>b</sup> |
| Residual     | 39.634         | 93 |        |                   |
| Total        | 49.072         | 94 |        |                   |

Source current Study

From the table we can observe that demand is influenced by service quality by 35.6% remaining 64.4% are determined by other factors. Hypothesis H<sub>2</sub> is accepted.

#### 4.0 Discussion and Conclusion

In this study, based on the correlation and regression results, Hypotheses H<sub>1</sub> and H<sub>2</sub> were accepted. This finding has confirmed a significant positive relationship between service quality and demand. Results of this study should encourage strategy development for superior service quality management particularly in the areas of tangible and empathy. Training programs should be tailored equip staff with necessary skills to better serve the customers and ultimately to remain competitive in the private hospitals.

#### 4.1 Suggestions for Further Research

In this study, researcher has focused on the impact of service quality on demand. Future research direction should find out the other variables to influence the demand in the private hospitals. Furthermore future research direction should be in the form of factor analyses to find out the service quality influence on demand in other sector like as banks and also in other district in the national level.

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