CRM Index Development and Validation in Indian Hospitals

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ABSTRACT

This paper aims to develop a reliable and valid CRM (Customer relationship management) Index specifically catering to Indian hospitals. Standard method of scale development was followed by case based method for development of CRM Index. The proposed scale shows CRM in Indian hospitals as a multidimensional construct comprising of factors namely tangibles, service quality, trust, availability and accessibility which is validated through the structural model. The proposed Index will help in identifying issues that contribute to CRM in Indian hospitals and formulate strategies accordingly, resulting in efficient (cost) and effective (outcomes) practices. A fair amount of literature on Indian hospitals dealt with identifying factors explaining the constructs of quality, value or satisfaction. There is paucity of research pertaining to industry specific CRM Index development and validation and the authors attempt to bridge this gap in the existing literature.

Keywords: Confirmatory Factor Analysis, Customer Relationship Management (CRM) Index, Customer Relationship Management (CRM) Scale, Exploratory Factor Analysis, Indian Hospitals, Structural Equation Modelling

INTRODUCTION

A well-established healthcare infrastructure which delivers high quality care is not only beneficial to the citizens of the country and their quality life but is also one of the main prerequisite for the economic development of the country as a whole. India has been the second fastest growing major economy in the world. That could soon change, with the Indian economy set to expand at a faster pace than the Chinese economy in 2012 (World Bank, 2011). Indian healthcare industry is one of the prime sources of employment and revenue with an existing value of $ 34 billion (approx. 6% of GDP) and is expected to grow to $ 40 billion by 2012 as per the report of PricewaterhouseCoopers, 2007. In terms of Human Development Index India has a lower rank and stands at 128th position around the globe as per the report of UN Development Program, 2007/2008. As we talk about the BRIC (Brazil, Russia, India and China) the India comes at last in the ranking of availability of doctors per hundred thousand people. Russia stands at top among these countries have an availability of 425 doctors/ hundred thousand people followed by Brazil (115), China (106) and India (60).
The expenditure of government of India on this sector is around 0.9% of GDP (Gross Domestic Product) according to a report (“Accreditation results in high quality,” 2009). According to the survey the per capita health expenditure is just around 80$ in India which is quite less comparable to USA (6,714$) and China (230$) (Jadhav, 2008). The private hospitals are found to be the main source for healthcare in India taking care of 63% of rural and 70% of urban people according to the report of National Family Health Survey (International Institute for Population Sciences, 2005). A recent study (Sahay, 2008) stated that although Indian private hospitals are providing quite a high standard medical care, a lot to be desired from customer service point of view. Moreover, negative word of mouth can cost hospitals $6,000-$400,000 in lost revenues over one patient’s lifetime (Stasser et al., 1995).

The penetration of health insurance in India is only marginal with a figure of 5% of the population whose at least single member of the family is covered by the insurance whereas majority of the medical expenses (approx. 80%) are borne by the people as per the report of National Family Health Survey (International Institute for Population Sciences, 2005). This clearly indicates that majority of the Indian population have to rely on the public hospitals because of the cost factor. The Indian government launched the National Rural Health Mission (NRHM) in 2005 with a major goal to provide quality healthcare for all and to increase the expenditure on healthcare from the existing level of 0.9% of GDP to 2-3% of GDP by 2012. By looking the fact it is quite surprising that the major chunk of the health budget only caters to the top 40% of the population all across India whereas only top 20% of the population receives more than 35% of that (Hammer et al., 2007), this clearly shows that the voice of the customer in Indian healthcare is weak (Aagja & Garg, 2010).

The Indian public healthcare services which are available free or at a nominal cost are grossly inadequate because of which majority of the Indian population have to use private healthcare services which are unaffordable, expensive and even unreliable (Sinha, 2011). As it costs around eight times more to avail private sector healthcare facilities in comparison to public healthcare as per the planning commission report (Ramchandran & Rajalakshmi, 2009). However the Supreme Court of India has instructed recently to provide free treatment to poor (“Private hospitals to provide free,” 2011). Hence there is a strong need to focus on relationship management aspects by the Indian hospitals as this will be a beneficial step for them for enhancing their service quality and the image in the marketplace. All of the above statistics clearly indicated the need to develop some kind of instrument for enhancing the healthcare service quality and making the healthcare service sector more responsive by maintaining a good relationship with the patients as suggested in the World Development Report (Devarajan & Reinikka, 2004).

The concept of Customer relationship management (CRM) is getting momentum in both services as well as merchandise sectors, for the last two decades (Steve & Harris 2003; Bohling et al., 2006). In view of the above data and statistics there is an immense scope for Indian hospitals to implement CRM in an effective and efficient manner to get a competitive edge as well as for survival in the current competitive era. Healthcare service quality of district hospitals, private hospitals and medical colleges are not uniform and subjected to change according to the demographic and regional differences. Growing elderly population and changes in the life styles of the people are some of the major causes leading to increased demand of healthcare services. However the expenditure in healthcare as percentage of GDP is still one of the lowest in the world even though there is a vast improvement seen in the healthcare services over the past few years through the continual support of government. Health insurance, medical equipment manufacturing and medical tourism are the major factors for enhancing the capability of the Indian healthcare sector. Indian healthcare sector is at the inflexion point due to extreme fragmentation and under penetration.
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