CHAPTER I
INTRODUCTION

1.1 Introduction

This chapter introduces the study and discusses various concepts relevant to the study. The chapter is divided into seven sections. Section 1.2 details the concept of Relationship Marketing, Section 1.3 throws light on Healthcare sector, Section 1.4 deals with Research Objectives, Section 1.5 details the Scope of Study, Section 1.6 discusses about the Rationale of the study, Section 1.7 highlights the Chapter Scheme, and the last part furnishes the References.

1.2 Relationship Marketing

Relationship Marketing - a marketing method in which businesses consistently maintain two-way communication with their prospective, current and inactive customers in order to gain a deeper understanding of their needs while delivering personal and compelling marketing throughout their lifecycle.

1.2.1 Relationship Marketing Process

The Relationship Marketing Methodology, developed by Vtrenz, divides the entire Marketing process into three critical lifecycle stages: Nurture, Grow and Retain. Each of the three stages is defined by its current relationship with the company and encompasses its own set of strategic goals, marketing tactics and metrics for benchmarking.
**Fig 1.1: Relationship Marketing Process**

![Relationship Marketing Process Diagram](image)

**Source: Vtrenz 2004**

*Relationship Marketing Methodology - Marketing as a Process:*

Nurture - the process of identifying potential customers, initiating the exchange of information and moving consumers or businesses through the buying cycle toward a purchase.

Grow - the process of building more profitable, long-term relationships by encouraging repeat purchases of active customers.

Retain - the process of identifying and winning-back inactive and quit customers by reengaging them with your company, products and services (Vtrenz 2004).

Today, marketing heads and brand managers want to harness the power of relationship marketing to get their brands closer to their consumers. In an era of abundant choice, they believe this will be the only differentiator. The need to own customers across a lifetime is the primary reason for them to look at relationship marketing seriously. In fact, many One-on-one marketing gurus like Don Peppers and Martha Rogers of One-to-One marketing have stressed the importance of ‘Customer Share rather than Market Share’ in the emerging era of digital marketing (Swaminathan 2001).
Managing Profitable Customer Relationships will be a key success factor for most Indian Companies as we move into the 21st century. However, many Companies are taking pre-mature decisions of starting ‘loyalty or frequency’ programs for their customers. Since Relationship Marketing requires a considerable investment of time, talent and rupees, it’s vital that we take care to avoid some of the pitfalls we may encounter on the road to a successful Relationship Marketing Program (Sethi 2002).

The market for Customer Relationship Management (CRM) systems and concepts is among the fastest growing industries. This growth reflects the need for companies to strengthen their relationship marketing competencies.

Traditional strategy and marketing textbooks treat customer-supplier relationships as an adjunct, extra dimension within the existing theoretical frames of reference. The relationship perspective has been viewed as a modification of accepted marketing theories, a new parameter among others to consider.

What we need, however, is a new marketing paradigm founded on relationships. Why? Since relationships are becoming the backbone to any competitive business and are the key to market success. Customers now pool their bargaining power in virtual associations and value chains that require a holistic perspective where competitors can also be partners (Hougaard and Bjerre 2004 13)!

Research in relationship behavior and relationship marketing has presented a lot of strong evidence that supports the hypothesis that the relationship aspect plays a central role in the understanding of markets and company behavior in real life. This research not only draws such conclusions from empirical evidence, but also from theoretical models of behavior and marketing systems that can actually describe and explain relationship patterns and market structures (Hougaard and Bjerre 2004 14).
It has been suggested that relationship marketing is taking marketing back to its roots. It has also been claimed that the relationship approach to marketing represents a paradigm shift in marketing (Hougaard and Bjerre 2004 29). This idea has been furthered by Grönroos 1990, Grönroos 1992, Morgan and Hunt 1994, Gummesson 1996.

Relationship Marketing is company behavior with the purpose of establishing, maintaining and developing competitive and profitable customer relationship to the benefit of both the parties.

One important aspect of the relationship marketing definition requires attention. The seeming philanthropy of the altruistic sentiments implied by relationship marketing (mutuality, equality...) might seem to contradict the fact that the profit motive is still the principal business driver. The difference between relationship marketing and traditional marketing is that relationship marketing to some extent replaces the idea of manipulation with the idea of cooperation, subject however to differences in regulating mechanisms. Terminating relationships that are not profitable is an underlying assumption behind the above definition (Hougaard and Bjerre 2004 40).

However, with the growing acceptance of relational concept, some researchers have drawn on the philosophy of science and begun to analyze this proposition more subtly. Using Thomas Kuhn’s theoretical framework, Backhaus 1997 has formulated two indispensable conditions which must hold if a new concept is to represent a paradigm shift in marketing theory: (a) a new paradigm must cover all issues and facts in the field, and (b) new methods and tools for theoretical analysis must be provided. Relationship Marketing may not be relevant in certain exchange constellations (e.g. situations where hit-and-run strategies are more appropriate) and it draws on preexisting constructs and solutions (e.g. customer satisfaction, trust), rather than creating new ones. Backhaus therefore concludes
that relationship marketing (despite its undisputed importance) does not meet the required conditions and therefore does not represent a paradigm shift for marketing theory. Brown 2000 too takes pugnacious position on this (Hennig-Thurau and Hansen 2000).

"Right or wrong, the customer is always right," said American retailer Marshall Field. "The customer is King," said department store founder John Wanamaker. Yet finding good service and responsiveness in America has been termed a "bloody miracle". Why do some organizations keep the central reason for their being in clear focus, while others do not? And what has to be done in order to make the organization, and the people who work in it, stay centered on the prime objective of satisfaction of customer need (Sherman with Sherman 1999)?

Relationship building with customers is currently the over-riding goal of marketing (Webster 1992 1-17). In service industries, the goal is especially desired since a relationship customer—whether a repeat, upgrade or cross product buyer, costs significantly lower than a new customers. Similar costing is evident when for finding customers to replace the customers lost inadvertently (Berry 1983 25-28).

With a view to build and strengthen relationship with customers, service marketers stand recommended to employ an extended marketing mix (Lovelock, Wirtz and Keh 2001). Consisting of Seven Ps— in place of the more commonly used Four Ps, the service marketing mix includes Product, Price, Place, Promotion, Personnel, Process and Physical facilities. Each of the service marketing mix element is well defined and documented in marketing literature. Each has its own as well as contributory impact in satisfying customers and in building longer-term relationships with them (Zeithaml and Bitner 1996).

Retaining customers is the buzzword. A renewed or intensified customer focus can facilitate more effective and efficient customer services, increase revenues ethically, and provide growth in major value adding and trust building segments.
Prof. Fredrick Reich at Harvard Business School notes “a five percent improvement in customer retention can result in a 75 percent increase in profitability” (Reich 1999). The profitability depends entirely on the customer retention capabilities. In this fast paced world where many players frequent the marketplace it is very important to maintain continual relationship with customers. This customer orientation helps them to get, enhance and maintain customer loyalty. They are therefore employing customer relationship strategies to reinvigorate their business, retain customers for longer period and remain successful through positive word of mouth campaign. The same can not be said about Hospitals, not that they do not want to retain the customers, but the repeated visits of the customers/patients reflects poorly on the hospital services.

Developments in IT, data warehousing and data mining have made it possible for firms to maintain a one to one relationship with their customers. Firms can now manage every single contact with the customer through account management personnel, call centers, interactive voice response systems, on-line dial-up applications, and Website to build lasting relationships. The interactions can be used to glean information and insights about customer needs and their buying behavior to design and develop services, which help create value for the customers as well as the firms. Although customized as well as off the shelf technological solutions are available in the marketplace, businesses need to do a lot more than just adopt these solutions to implement CRM practices. The players are even learning the nuances of attrition management, i.e. winning back those who had resolved to leave them.

Given the dramatic effect that improved customer retention can have on business profitability, the hospitals need an approach that leads to greater loyalty, enhanced relation and profitability. This in turn requires them to better understand how to measure customer retention; identification of root causes of defection and related key service issues; and the development of corrective action to improve retention.
1.3 Healthcare Sector

The Healthcare Sector broadly comprises of:

- Hospitals,
- Medical Tourism,
- Health and Health Management Education,
- Health insurance,
- Laboratory and Diagnostic Services,
- Pharmaceuticals & Drugs Segment,
- Medical Devices and Equipment,
- Registries,
- Healthcare BPO,
- Telemedicine
- Immunology, and
- Managed Care.

1.3.1 Healthcare Market

While the Healthcare sector is very broad and consists of many segments as listed above, we are restricting this study to Hospitals only.

Till some years back the very talk of Corporate Healthcare market in terms of Hospitals would have been too far fetched in the Indian scenario. Indrajit Basu for UPI Calcutta avers “A year ago, when the start-up fever was at its peak, the mention of healthcare start-ups would have drawn startled stares. It somehow did not fit. Today the scene is strikingly different. A varied crew of people -- ranging from industrialists like Prathap C. Reddy of Apollo Hospital group, and Reliance Group, to young, just-qualified MBAs -- is transforming India into a regional healthcare hub. Supporting these initiatives are financial intermediaries like the International Finance Corporation, and consultants like McKinsey & Co and Asian
Health Services. While they rake in the greenbacks advising healthcare investors on how to cash in on the boom they say healthcare is India’s next big business opportunity (Medserv website article).”

**Fig 1.2: Health expenditure as % of GDP in 2001**

<table>
<thead>
<tr>
<th>Country</th>
<th>% of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thailand</td>
<td>3.7</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>3.6</td>
</tr>
<tr>
<td>Singapore</td>
<td>3.9</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>4.6</td>
</tr>
<tr>
<td>Philippines</td>
<td>3.3</td>
</tr>
<tr>
<td>Myanmar</td>
<td>2.1</td>
</tr>
<tr>
<td>Malaysia</td>
<td>3.8</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2.4</td>
</tr>
<tr>
<td>India</td>
<td>5.1</td>
</tr>
<tr>
<td>China</td>
<td>5.5</td>
</tr>
<tr>
<td>Brazil</td>
<td>7.6</td>
</tr>
</tbody>
</table>

**Source: IBEF**

A majority of the private sector hospitals are small establishments with 85% of them having less than 25 beds. Private tertiary care institutions providing specialty and super specialty care, account for only 1 to 2% of the total number of institutions while corporate hospitals constitute less than 1%. The private sector accounts for 82% of all out patient visits and 52% of hospitalization at all India level (Danish Trade Council 2005).

The scenario is witnessing substantial changes, although, in the present times too the so called Charitable hospitals rule the roost and many of the corporate ones too have some or the other “Not for profit” labels ostensibly attached. None
the less the marketplace is surging with competition across the segments. The small towns too are calling the shots with the ever booming healthcare sector. The healthcare sector in India is in the growth stage and hence the challenges are far too many. Rapid advancement in innovative and supporting technologies has contributed to its growth in terms of reach and volume of the healthcare sector.

In India healthcare is about to explode: the sector, comprising sectors like hospitals, health insurance, and managed care is worth $15 billion translating to Rs. 670 billion currently (that's almost equal to the turnover of the country's 12 largest private sector companies including Reliance Industries, Hindustan Lever and ITC). But that's just the tease. "The real McCoy, lies in the fact that India's healthcare sector is expected to grow by around 13 percent a year for the next five years", said Amit Bagaria of Asian Health Services (Medserv website article).

Healthcare industry in developing world is all set to grow exponentially and India with its inherent qualities can become the global hub for healthcare services. It is being touted as the next 'big boom' and the sector is expected to grow rapidly over the next decade, to reach a level of Rs. 3200 billion by 2012, largely spurred by an increased corporate presence in the sector. The need of the hour is to understand this market and plan future strategies to harness the lying opportunity (Industry Insight 2006).

India's healthcare industry is worth $23 billion today or roughly 4% of GDP. The industry is expected to grow by around 13% per year for the next four years. In India more than 50% of the total health expenditure comes from individuals as against a state level contribution of below 30%. The government funds allocated to healthcare sector have always been low in relation to the population of the country. In the private sector healthcare industry, healthcare facilities are run for profit by companies. Healthcare facilities run by charitable organizations also provide services totally free or at very low costs depending on the income of the
patient or patient’s family. The pharma market turnover was over $8 billion for year 2003-2004 and the exports were $3.5 billion. The pharma sector is growing at an annual rate of 9%. Looking at Indian healthcare market in a Pan India perspective more than half million doctors are employed in 15097 hospitals. Additionally there are 0.75 million nurses who look after more than 870,000 hospital beds (Danish Trade Council 2005).

The healthcare sector has been growing at a frenetic pace in the past few years. The windfall began ever since the developed world discovered that it could get quality service for less than half the price.

- In the last five years, the number of patients visiting India for medical treatment has risen from 10,000 to about 100,000. According to Apollo group chairman Prathap Reddy, one out of every ten patients treated at his hospitals is from abroad.
- With an annual growth rate of 30 percent, India is already inching closer to Singapore, an established medicare hub that attracts 150,000 medical tourists a year.
- Hospitals in India boast of conducting the latest surgeries at a very low cost.

<table>
<thead>
<tr>
<th>Surgery</th>
<th>US</th>
<th>Thailand</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bone Marrow Transplant</td>
<td>400,000</td>
<td>62,500</td>
<td>30,000</td>
</tr>
<tr>
<td>Liver Transplant</td>
<td>500,000</td>
<td>75,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Open Heart Surgery (CABG)</td>
<td>50,000</td>
<td>14,250</td>
<td>4,400</td>
</tr>
<tr>
<td>Neuro Surgery</td>
<td>29,000</td>
<td>17,500</td>
<td>8,000</td>
</tr>
<tr>
<td>Knee Surgery</td>
<td>16,000</td>
<td>7,000</td>
<td>4,500</td>
</tr>
</tbody>
</table>

Source: India Brand Equity Foundation Research Feb 2005
Figures in USD
The healthcare industry employs over four million people, which makes it one of the largest service sectors in the economy. CII - McKinsey & Co. in October 2002 made the forecast that:

- At the current pace of growth, healthcare tourism alone can rake in over $2 billion as additional revenue by 2012.
- Healthcare spending in the country will double over the next 10 years. Private healthcare will form a large chunk of this spending, rising from Rs. 690 billion ($14.8 billion) to Rs. 1,560 billion ($33.6 billion) in 2012. This figure could rise by an additional Rs. 390 billion ($8.4 billion) if health insurance cover is available to the rich and the middle class.
- Voluntary health insurance market is estimated at Rs. 4 billion ($86.3 million) currently but is growing fast. Industry estimates put the figure at Rs. 130 billion ($2.8 billion) by 2005.
- With the expected increase in the pharmaceutical market, the total healthcare market could rise from Rs. 1,030 billion ($22.2 billion) currently (5.2 percent of GDP) to Rs. 2,320 billion ($50 billion)-Rs. 3,200 billion ($69 billion) (6.2-8.5 percent of GDP) by 2012.

Fig 1.3: Revenues/GDP and Employment across various Sectors in India

Source: National Accounts Statistics, 2001; Manpower profile; CBHI; McKinsey analysis
1.3.1.1 Government support

Last year, the finance minister announced a list of incentives for private hospitals to create and upgrade infrastructure, as well as reduce their operational costs:

- Tax sops to financial institutions lending to private groups setting up hospitals with 100 or more beds.
- Increase in the rate of depreciation from 25 percent to 40 percent for life-saving medical equipment.

Now, state governments, private hospital groups and even travel agencies have joined the fray.

- Leading travel houses like SITA and Kuoni (Now SITA is a division of Kuoni) have tied up with overseas players that focus on medical tourism.
- The Karnataka government is setting up Bangalore International Health City Corporation, which will cater to international patients for a wide variety of health care products and treatments.
- The Asian Heart Institute at Mumbai's Bandra-Kurla Complex offers state-of-the-art facilities for all types of heart complications. It has been set up in collaboration with the Cleveland Institute, US, and offers quality service at a reasonable cost.

However, it is not only the cost advantage that keeps the sector ticking. It has a high success rate and a growing credibility.

- Escorts Hospital, for instance, is one of the only handful treatment facilities worldwide that specialize in robotic surgery. The death rate of coronary bypass patients at Escorts is 0.8 per cent. By contrast, the 1999 death rate for the same procedure at New York-Presbyterian Hospital, was 2.35 per cent, according to a 2002 study by the New York State Health Department. Incidentally, Former US President Bill
Clinton recently underwent bypass surgery at the Presbyterian Hospital.

**Fig 1.4: Success rate of Cardiac bypasses India vs. USA**

The overall success rate of cardiac bypasses is 98.7 per cent in India, as opposed to only 97.5 per cent in the United States.

- Indian specialists have performed over 500,000 major surgeries and over a million other surgical procedures including cardio-thoracic, neurological and cancer surgeries, with success rates at par with international standards.
- The success rate in the 43,000 cardiac surgeries till 2002 was 98.5 percent.
- India's success in 110 bone marrow transplants is 80 percent.
- The success rate in 6,000 renal transplants is 95 percent.

India’s healthcare industry is thus both competitive on cost and quality. It is widely believed that there is not a single surgery/procedure, which is done
abroad but cannot be done in India. Apart from being in step with changing healthcare delivery technology, leading Indian medical care facilities are increasingly complying with stringent quality standards and queuing up for international accreditations, while The British Standards Institute has recently accredited the Delhi-based Escorts Hospital. Indraprastha Apollo Hospital and Wockhardt Hospitals have already been accredited by Joint Commission International (JCI).

Escorts Hospital too has already applied for Joint Commission International (JCI) accreditation, which it is the Gold Standard for US and the European hospitals, from the Chicago-based Joint Commission of Accreditation of Hospital Organizations (JCAHO) – and the coveted certification is expected soon. With an increasing number of Indian hospitals offering services at the cutting edge, there is a growing acceptance of India-based medical care among global insurers. For instance US-based private health insurers Blue Cross and Blue Shield and British health insurer Bupa now insure clients treated at a number of private hospitals in India.

1.3.1.2 Opportunities

- India's independent credit rating agency CRISIL has assigned a grade A rating to super specialty hospitals like Escorts and multi specialty hospitals like Apollo.
- NHS of the UK has indicated that India is a favored destination for surgeries.

(The above listed statistics have been adapted from India Brand Equity Foundation Research).

Corporate hospitals failed a decade ago because they emerged in isolation and were not part of a larger healthcare phenomenon. He also opines that "But this time round it's different: you have insurance companies, hospital hardware and software companies etc, which have all come together to create this boom,"

- 19 -
Nevertheless, some of the segments of healthcare like corporate hospitals, insurance and managed care may indeed find competition in the country, but according to Asian Health Services, there are plenty of untapped opportunities for "entrepreneurs with drive." These include: day surgery centers, home healthcare services, medical office infrastructure, physician management firms, mobile clinics and the likes. "The stampede is yet to begin; if it does, not all of them may fall into neat categories, but the encouraging sign is, interest level is rising in this area," Bagaria said.

India is the second most populous country in the world with population currently over one billion mark. At the outset of its independence, she pursued socialist policies and programs. These are now changing in favor of free market principles. Waves of large scale liberalization of various sectors of the economy, privatization and globalization are stirring every part of the economy. The Indian economy ranks eleventh in the world with a Gross National Product (GNP) equivalent to US$ 736 billions (fourth on PPP basis with GNP being US$ 3.67 trillions).

The personal health sector is one such part of Indian economy that is witnessing sea changes. The country is now negotiating with an epidemiological transition wherein infectious diseases causing adult morbidity and mortality are disappearing or have already been eradicated. Non-infectious diseases are however, assuming menacing proportions. These include coronary heart diseases, diabetes, hypertension and neurological disorders. The transition to the lifestyle ailments has a lot to do with the socio-economic changes in India in the last two decades. 85% of the inpatients suffer from Cardiology, Oncology, trauma, maternity and acute infections. The World Bank Health Sectoral Priority Review projects a doubling of cardio-vascular disease mortality rate in India between 1985 and 2015.

Reflecting the transition, the Indian Ministry of Health and Family Welfare- the prime policy mover for Indian healthcare sector, has begun to stress on the
preventive, primitive, public health and rehabilitation aspects of health care. It also underlined the need of establishing comprehensive healthcare services to reach the population in all areas of the country through inviting and integrating private participation in funding healthcare at the secondary and tertiary level. During the last two decades, state spending on healthcare was overtaken by the private spending. In 1987, the governmental share in healthcare funding was 1.6% out of a total of 4.3% of GDP spent on healthcare. In 1990, the government's share declined to 1.3%, while the private sector share increased to 4.7%. This trend of declining governmental spending will only gain further momentum. The states are to focus on primary healthcare, leaving the secondary and tertiary levels of healthcare to the private sector.

Fig 1.5: Total expenditure on health as % of GDP, 1998-2002 in India
Thus, India's private hospitals are in for a rapid rise both in terms of volume and sophistication. A principle mode of growth has been though corporatization. The Chennai based Apollo Hospitals pioneered this new avatar of Indian hospitals in the early 80's. Many family business houses have set-up hospitals or lent their names in order to inject a public confidence in their hospitals. A few pharmaceutical companies like Wockhardt and Max India, have opened hospitals as they leverage on their core competence. Hospitals, nursing homes and healthcare centers require ever increasing capital investments in real-estate and medical infrastructure. The corporatization and entry of private entrepreneurs help them access equity markets and public funding to fund such projects.

Hospitals in India are now recognized as industry enabling the banks and financial institutions to fund hospital projects. Foreign Direct Investments (FDI) is
allowed in this sector with automatic approval up to 51% by way of foreign investment in equity. As a further acceleration, sweeping reforms are underway in respect of insurance sector especially in the health insurance. In India, approx. 60% of the total health expenditure comes from self paid category as against government’s contribution of 25-30%. Currently in India, only 2 million people (0.2% of total population of 1 billion), are covered under Mediclaim, whereas in developed nations like USA about 75% of the total population are covered under one or another insurance scheme. A majority of private hospitals are expensive for a normal middle class family. Health insurance will make healthcare affordable to a large number of people.

Finally, the healthcare customer is changing qualitatively. The rise of literacy rate, higher levels of income and increasing awareness through deeper penetration of media, bring Indian consumer closer to quality healthcare. With nuclear families on the rise, the bread-earner of the family and indeed every member of the family now access regular health check-ups. All this contributes to the growth of the healthcare sector in India and for more medical facilities in private sector. With demand exceeding supply, India’s healthcare industry is worth US$17 billion (a recent estimate of the Confederation of Indian Industries, New Delhi) and is expected to show a strong growth (over 13% by an industry estimate) for the present decade.

The private Indian healthcare sector has the following major corporate players:

- Apollo Group of Hospitals
- Fortis Healthcare includes Escorts
- Max Healthcare
- Wockhardt Hospitals Ltd.
- Birla Heart & Research Centre
- Aravind Eye Centre
1.3.1.3 Constraints

In spite of the reforms sweeping the healthcare sector in general, the Indian hospitals are constrained by several government regulations. To begin with, Indian hospitals are not allowed to advertise the way a telecom service marketer or a consumer goods marketer would. When millions of rupees in technology and infrastructure are invested in a hospital, it makes it less than fair. It impacts their efforts to survive, attract patients and to generate funds though deregulated marketing, they contend. Still, each corporate hospital has formulated its differentiated marketing strategy and business development plans to benefit from the opportunities and to relate better with their customers.

1.3.1.4 Marketing Strategies

The following are the common highlights of marketing strategies of Indian hospitals:

- Most private hospitals have invited eminent industrialists, celebrities and social personalities to their governing and policy making board. Their presence assures the general customers. At the same time, these industrialists on governing board bring business to the hospitals and offer patronage of their own firms.

- A few private hospitals offer token equity shares to their patrons, especially to the referral doctors. Share-holding, however small, bonds the two, creates a sense of ownership and forges partnership among the intermediaries.

- Hospitals assure attractive discounts on hospital billing of their referral doctors and their family.

- Most private hospitals segment the healthcare market carefully into institutional customers and individual customers.
Indian private hospitals enter into longer term contracts with institutional customers assuring their services, offering lower rates and receiving committed business from these key clients.

There is rampant revenue sharing among the general physicians at the primary health care levels and the specialist at the secondary and the tertiary levels. ‘Cuts’ as they are termed as, are demanded -and offered, generously to the referring physicians. The situation does not much differ even if the referring physician is working in an institutional customer with whom the hospitals have already a contract of assured business.

Continuous knowledge enhancement of the doctors and frontline staff is now a priority and key to the survival and reputation of hospitals in India. A large portion of hospital outlay is now earmarked for staff (doctors as well as supporting staff) training, research and re-education.

Technical upgradation and introduction of information technology is on the rise in Indian hospitals. IT is in use not only for attracting customers from non-neighboring locations, but it is also helping improve customer service.

Loyalty based rewards are in operation in many hospitals.

Segmentation is done more precisely as well as creatively. Instead of the traditional segmentation vases, like geographic and demographic, Indian private hospitals seek customers of desired psychographic nature irrespective of where they reside.

Special niches are identified and filled in by the hospitals for smaller size customer clusters or needs.

Customer focus and customer service are the new tools of hospital marketing.

Free health check-ups at hospitals, mobile health van and sponsored health camps are organized to not only attract new customers but also to create a feel-good environment in their served markets.
Seminars, workshops and technical presentations are organized on technical issues as well as on higher customer orientation and customer service.

- Co-branding - sharing hospital brand credits and marketing with other well-known brands in services and goods, is on the rise.
- Hospital ambience is (re)engineered at par with those of hotels.

(The above has been adapted from Agrawal and Borah, 2002).

1.4 Research Objective

The relevance of the research is both from industry and academic viewpoints. The objectives of this research are:

- To ascertain the Customer Service Quality perceptions vis-à-vis the expectations.

1.5 Research Sub Objectives

The research sub objectives to attain the main objective are:

- To understand the service standards maintenance thru responsiveness, reliability and assurance.

- To understand the convenience, empathy and tangibles delivery against the expectations.

1.6 Scope of the study

This study is descriptive in nature and will be conducted in phases. The first phase will deal with developing an appropriate research framework with facts and theories accessed from literature survey on Healthcare sector, Healthcare sector Analysis, and the current pattern of Customer Relation practices in the
Healthcare sector. The aim is to develop the framework, which will then be used to serve meeting the research objective and sub objectives.

The second phase of the study will be an empirical study of Hospitals through the beneficiaries. The research approach would be Survey Research, through structured questionnaire and Interviews. The standardized and validated questionnaire after due pilot testing and suitable changes, if any, will be used for this.

This study is limited in its approach. The retention strategies are being examined only in the context of Healthcare Sector with specific focus on corporate hospitals and their customers out of a total of numerous Hospitals in India spread across different geographical locations. While all the corporate hospitals in Delhi have been attended to personally for the questionnaire administration, some randomly chosen hospitals were sent the questionnaires by mail to seek the responses.

Yet the study is likely to contribute to the newly developing field of research on managing customer relationships, as issues are examined critically in the context of emerging Healthcare scenario. This will immensely help the Healthcare sector in integration of right attitudes with service delivery and customer relationships endeavors so as to take more and more market shares and hence profits. The Study will evoke scope for further research in this emerging field for ultimate benefit of society at large.

1.7 Rationale of the Study

The study idea was conceived from some prior personal experiences at the Government and Private Hospitals. The private hospitals have mostly been the so called charitable ones till recently. Subsequently the concept has been giving way to corporatization in the healthcare sector. The corporatization has led to
India getting noticed at the world stage too starting with Pakistan, more on an empathetic note. Lately the whole thing has taken the shape of Medical Tourism also. This gradual but distinct evolution has led to a revolution in the healthcare services. Are we geared up to take on the global healthcare services market, especially on the service levels? The expectations and perceptions gap will give us some insight into the affairs and hence the state of preparedness in standing up and getting counted.

On a practical note the Corporate and other interested hospitals can take a note of the subtleties that matter and are important to the all important Customers since the study brings out the metrics that matter. This study is more to do with Indian psyche since the standardized SERVQUAL questionnaire has been modified accordingly after a pilot. The original 22 questions of SERVQUAL for the Perceptions form the more recently defined scale referred popularly to as SERVPERF. The study can lead to further research in super specialty areas and the customizable requirements thereof.

1.8 Chapter Scheme

This thesis work has been divided into nine chapters; a brief outline of the chapter scheme is presented below:

**Chapter 1: Introduction**

This chapter discusses the general concept of relationship marketing and the healthcare sector. The Chapter then details the research objectives, scope of study, and the rationale of the study.

**Chapter 2: Literature Survey**

This chapter would primarily, describe and summarize, on the earlier work done and compiled in Reports/A{}ritcles/Dissertations/Books and Journals in the area of Relationship marketing and other areas related to this research. The second part would primarily aim at throwing light on the Customer Relationships and
Management thereof. The third part details out the various aspects of the Healthcare sector, Medical Tourism, and the categories of services.

**Chapter 3: Research Methodology**
This chapter will explain the different variables to be examined, data to be collected, method of collection and the method of analysis to be used in this study.

**Chapter 4: Customer relationships Analysis**
This chapter would elaborate and summarize the analysis based on the consumer pattern as emerges from the data collected from the field.

**Chapter 5: Summary and Conclusions**
This chapter draws summary, key conclusion of this study and discusses the recommendation for effective customer relationships in the corporate hospital segment of the healthcare sector. The chapter also indicates the limitations and areas of future research.

*Bibliography*

**Summary**
In the preceding chapter the discussion has primarily been on a general and conceptual level. The discussion has centered on Relationship Marketing to start with. It is followed by the components of Healthcare sector and the size of the same. The growth rates and the sector metrics too have been identified. The competitive scenario as also the global certification and the other marketing strategies for better credibility establishment has been identified. The study has also taken up the constraints that confront the industry after discussing the opportunities available to them.
1.9 References


- Danish Trade Council (2005): The Indian Healthcare Sector, Royal Danish Embassy, New Delhi & Trade Commission of Denmark, Bangalore.

- Ernst & Young 2004 report for India Brand Equity Foundation, which is a public-private partnership between Ministry of Commerce and Industry, Government of India and the Confederation of Indian Industry.


• Hougaard, Soren and Bjerre, Mogens (2004) *Strategic Relationship Marketing* by Springer Verlag, Pg. 13.


• Hougaard, Soren and Bjerre, Mogens (2004) *Strategic Relationship Marketing* by Springer Verlag, Pg. 29.

• Hougaard, Soren and Bjerre, Mogens (2004) *Strategic Relationship Marketing* by Springer Verlag, Pg. 40.

• http://www.medserv.dk/modules.php?name=News&file=article&sid=379


- 31 -