CHAPTER II

LITERATURE SURVEY

2.1 Introduction

This chapter discusses the literature on the concepts of Relationship Marketing, Customer Retention, Customer Retention Marketing, Managing customer relations and Healthcare sector.

Part I: Relationship Marketing

2.2 Evolution of Relationship Marketing

Relationship marketing is the cornerstone of effective and long lasting Marketing efforts. We discuss here, under three different subsections, the evolution of Relationship Marketing as given by three different researches. The discussions are largely converging.

2.2.1 Service-Centric Businesses

The seeds of modern-day CRM were sown in the 1960s. Academic researchers found that the "4 Ps" marketing framework--product, price, place and promotion
was less valuable for industrial or service-centric businesses where ongoing relationships were critical. By the 1980s, "Relationship Marketing" was used to describe this new focus on understanding customer segments, delivering ongoing quality service, and achieving high customer satisfaction. Relationship marketing was about "putting the customer in the middle of the business circle," in the words of Dick Lee, principal of St. Paul-based Hi-Yield Marketing. "As part of that early relationship marketing movement, we had untold frustration because we didn't have the technology to support what we were doing," Lee says. "It really wasn't until mid-90s that we had the technology we needed (businessweek website)."

2.2.2 Retaining Customers

The origins of modern relationship marketing can be traced back to a passage by Schneider 1980, in which he observes: "What is surprising is that researchers and businessmen have concentrated far more on how to attract customers to products and services than on how to retain customers". The initial research was done by Len Berry 1982 at Texas A&M and Jagdish Sheth at Emory, both of whom were early users of the term "relationship marketing", and by marketing theorist Theodore Levitt 1983 at Harvard who broadened the scope of marketing beyond individual transactions.

In practice, relationship marketing originated in industrial and b-2-b markets where long-term contracts have been quite common for many years. Academics like Barbara Bund Jackson 1985 at Harvard re-examined these industrial marketing practices and applied them to marketing proper.

According to Len Berry 1983, relationship marketing can be applied: when there are alternatives to choose from; when the customer makes the selection decision; and when there is an ongoing and periodic desire for the product or service.
Fornell and Wernerfelt 1987 used the term "defensive marketing" to describe attempts to reduce customer turnover and increase customer loyalty. This customer-retention approach was contrasted with "offensive marketing" which involved obtaining new customers and increasing customers' purchase frequency. Defensive marketing focused on reducing or managing the dissatisfaction of your customers, while offensive marketing focused on "liberating" dissatisfied customers from your competition and generating new customers. There are two components to defensive marketing: increasing customer satisfaction and increasing switching barriers.

Traditional marketing originated in the 1960s and 1970s as companies found it more difficult to sell consumer products. Its consumer market origins molded traditional marketing into a system suitable for selling relatively low-value products to masses of customers. Over the decades, attempts have been made to broaden the scope of marketing, relationship marketing being one of these attempts. Marketing has been greatly enriched by these contributions.

The practice of relationship marketing has been greatly facilitated by several generations of customer relationship management software.

2.2.2.1 The broad scope of relationship marketing

Relationship marketing has been strongly influenced by reengineering. According to reengineering theory, organizations should be structured according to complete tasks and processes rather than functions. That is, cross-functional teams should be responsible for a whole process, from beginning to end, rather than having the work go from one functional department to another. Traditional marketing is said to use the functional department approach. This can be seen in the traditional four P's of the marketing mix. Pricing, product management, promotion, and placement are claimed to be functional silos that must be accessed by the marketer if she is going to perform her task. According to Gordon 1999, the marketing mix approach is too limited to provide a usable framework for assessing
and developing customer relationships in many industries and should be replaced by an alternative model where the focus is on customers and relationships rather than markets and products.

In contrast, relationship marketing is cross-functional marketing. It is organized around processes that involve all aspects of the organization. In fact, some commentators prefer to call relationship marketing "relationship management" in recognition of the fact that it involves much more than that which is normally included in marketing.

Martin Christopher, Adrian Payne, and David Ballantyne 1991 at the Cranfield Graduate school of Management claim that relationship marketing has the potential to forge a new synthesis between quality management, customer service management, and marketing. They see marketing and customer service as inseperable.

In spite of this broad scope, relationship marketing has not lost its core marketing orientation though. It involves the application of the marketing philosophy to all parts of the organization. Every employee is said to be a "part-time marketer". The way Regis McKenna 1991 puts it:

"Marketing is not a function, it is a way of doing business . . . marketing has to be all pervasive, part of everyone's job description, from the receptionist to the board of directors."

Because of this, it is claimed that relationship marketing is a more pure form of marketing than traditional marketing.

### 2.2.2.2 Internal marketing

Relationship marketing stresses what it calls internal marketing. This refers to using marketing techniques within the organization itself. It is claimed that many of the traditional marketing concepts can be used to determine what the needs of "internal customers" are. According to this
theory, every employee, team, or department in the company is simultaneously a supplier and a customer of services and products. An employee obtains a service at a point in the value chain and then provides a service to another employee further along the value chain. If internal marketing is effective, every employee will both provide and receive exceptional service from and to other employees. It also helps employees understand the significance of their roles and how their roles relate to others'. If implemented well, it can also encourage every employee to see the process in terms of the customer's perception of value added, and the organization's strategic mission. Further it is claimed that an effective internal marketing program is a prerequisite for effective external marketing efforts (George 1990).

2.2.2.3 The six markets model

Adrian Payne 1991 from Cranfield University goes further. He identifies six markets which he claims are central to relationship marketing. They are: internal markets, supplier markets, recruitment markets, referral markets, influence markets, and customer markets.

Referral marketing is developing and implementing a marketing plan to stimulate referrals. Although it may take months before you see the effect of referral marketing, this is often the most effective part of an overall marketing plan and the best use of resources.

Marketing to suppliers is aimed at ensuring a long-term conflict-free relationship in which all parties understand each other's needs and exceed each other's expectations. Such a strategy can reduce costs and improve quality.

Influence markets involve a wide range of sub-markets including: government regulators, standards bodies, lobbyists, stockholders, bankers, venture capitalists, financial analysts, stockbrokers, consumer
associations, environmental associations, and labour associations. These activities are typically carried out by the public relations department, but relationship marketers feel that marketing to all six markets is the responsibility of everyone in the organization.

At times Payne sub-divides customer markets into existing customers and potential customer, yielding seven rather than six markets. He claims that each market will require its own strategies and recommends separate marketing mixes for each of the seven (wikipedia website).

2.2.3 Economics Route – Transactions and Exchanges

Although marketing practices can be traced back as far as 7000 B.C. (Carratu 1987), marketing thought as a distinct discipline was borne out of economics around the beginning of this century. As the discipline gained momentum, and developed through the first three quarters of the twentieth century, the primary focus was on transactions and exchanges. However, the development of marketing as a field of study and practice is undergoing a reconceptualization in its orientation from transactions to relationships (Kotler 1990; Webster 1992). The emphasis on relationships as opposed to transaction based exchanges is very likely to redefine the domain of marketing (Sheth, Gardener and Garett 1988). Indeed, the emergence of a relationship marketing school of thought is imminent given the growing interest of marketing scholars in the relational paradigm.

Relationship marketing is a form of marketing that evolved from direct response marketing in the 1960s and emerged in the 1980s, in which emphasis is placed on building longer term relationships with customers rather than on individual transactions. It involves understanding the customers' needs as they go through their life cycles. It emphasizes providing a range of products or services to existing customers as they need them.
The paradigm shift from transactions to relationships is associated with the return of direct marketing both in business-to-business and business-to-consumer markets. As in the pre-industrial era (characterized by direct marketing practices of agricultural and artifact producers) once again direct marketing, albeit in a different form, is becoming popular, and consequently so is the relationship orientation of marketers. When producers and consumers directly deal with each other, there is a greater potential for emotional bonding that transcends economic exchange. They can understand and appreciate each others' needs and constraints better, are more inclined to cooperate with one another, and thus, become more relationship oriented. This is in contrast to the exchange orientation of the middlemen (sellers and buyers). To the middlemen, especially the wholesalers, the economics of transactions are more important, and therefore, they are less emotionally attached to products. Indeed, many middlemen do not physically see, feel, touch products but simply act as agents and take title to the goods for financing and risk sharing (Sheth and Parvatiyar 1999).

As with each new shift in the focus of marketing, there are advocates and critics of the relationship focus in marketing. However, in the same way as Kotler 1972 46 observed about other shifts in marketing, the emergence of a relationship focus will provide a “refreshed and expanded self concept” to marketing. The optimism stems from at least four observations: (i) relationship marketing has caught the fancy of scholars in many parts of the world, including North America, Europe, Australia and Asia, as is evident from some of the recent conferences held on this subject (Sheth and Parvatiyar 1994); (ii) its scope is wide enough to cover the entire spectrum of marketing’s subdisciplines, including channels, business-to-business marketing, services marketing, marketing research, customer behavior, marketing communication, marketing strategy, international marketing and direct marketing; (iii) like other sciences, marketing is an evolving discipline, and has developed a system of extension, revision and updating its fundamental knowledge (Bass 1993); and (iv) scholars who at one time were
leading proponents of the exchange paradigm, such as Bagozzi 1974, Kotler 1972, and Hunt 1983, are now intrigued by the relational aspects of marketing (Bagozzi 1994; Kotler 1994; Morgan and Hunt 1994).

While relationship focus in the post-industrial era is a clear paradigm shift from the exchange focus of the industrial era, it is really a rebirth of marketing practices of the pre-industrial age when the producers and users were also sellers and buyers and engaged in market behaviors that reduced the uncertainty of future supply and demand assurances which could not be otherwise guaranteed due to the unpredictability of weather, raw materials, and customers’ buying power (Sheth and Parvatiyar 1999).

Relationship marketing attempts to involve and integrate customers, suppliers and other infrastructural partners into a firm’s developmental and marketing activities (McKenna 1991; Shani and Chalasani 1991). Such involvement results in close interactive relationships with suppliers, customers or other value chain partners of the firm. Interactive relationships between marketing actors are inherent as compared to the arm’s length relationships implied under the transactional orientation (Parvatiyar, Sheth and Whittington 1992). An integrative relationship assumes overlap in the plans and processes of the interacting parties and suggests close economic, emotional and structural bonds among them. It reflects interdependence rather than independence of choice among the parties; and it emphasizes cooperation rather than competition and consequent conflict among the marketing actors. Thus, development of relationship marketing points to a significant shift in the maxims of marketing: competition and conflict to mutual cooperation, and choice independence to mutual interdependence. The purpose of relationship marketing is, therefore, to enhance marketing productivity by achieving efficiency and effectiveness (Sheth and Sisodia 1995).

The institutional thought of marketing was modified by the organizational dynamics viewpoint, and marketing thinking was influenced by other social
sciences, such as psychology, sociology and anthropology, exchange remained and still remains the central tenet of marketing (Alderson 1965; Bagozzi 1974, 1978, 1979; Houston 1994; Kotler 1972). Formal marketing theory developed around the idea of exchange and exchange relationships, placing considerable emphasis on outcomes, experiences and actions related to transactions (Bagozzi 1979). Recently several scholars have begun to question the exchange paradigm, and its ability to explain the growing phenomena of relational engagement of firms (e.g. Grönroos 1990; Sheth, Gardener and Garrett 1988, Webster 1992). In the recent past, researchers have tried to develop frameworks for relational engagement of buyers and sellers, often contrasting it with the exchange mode inherent in transactions (Arndt 1979; Ganesan 1994; Lyons, Krachenberg, and Henke 1990). Business practice exhorts the customer and supplier firms to seek close, collaborative relationships with each other (Copulsky and Wolf 1990; Goldberg 1988; Katz 1988). This change in focus from value exchanges to value-creation relationships have led companies to develop a more integrative approach in marketing, one in which other firms are not always competitors and rivals but, are considered partners in providing value to the consumer. This has resulted in the growth of many partnering relationships such as business alliances and cooperative marketing ventures (Anderson and Narus 1990; Johnston and Lawrence 1988). Close, cooperative and interdependent relationships are seen to be of greater value than purely transactions based relationship (Kalwani and Narayandas 1995). However, the relationship orientation of marketing is not an entirely new phenomenon. If we look back to the practice of marketing before the 1900s, we find that relationship orientation to marketing was quite common and widespread. Although history of marketing thought dates back to only the early 1900s (Bartels 1962), marketing practices existed in history, even to pre-history (Nevett and Nevett 1987; Pryor 1977; Walle 1987). During the agricultural era, the concept of “domesticated markets” and “relationship orientation” were equally prevalent. In short, current popularity of relationship marketing is a reincarnation of the marketing practices of the pre-industrial era in which producers and consumers interacted directly with each
other and developed emotional and structural bonds in their economic market behaviors.

Relationship-orientation in marketing has staged a comeback. It was only during the peak of industrialization that marketing’s orientation shifted toward a transactional approach. With the advent of middlemen, and the separation of producers and users, there was a greater transactions orientation. Industrialization led to a reversal in the relationship between supply and demand, when due to mass production efforts producers created excess supply of goods and services and were themselves preoccupied with achieving production efficiencies. Thus, they needed middlemen to service the customer. The middlemen in turn, adopted a transactional approach as they were more interested in the economic benefits of exchange than the value of production and/or consumption. Although efficiencies in product distribution were achieved through middlemen, effectiveness was not always accomplished as was evident from the literature on channel conflict. Now with one-to-one connect between the producer and user, relationship orientation in marketing has returned (Sheth and Parvatiyar 1999).

2.3 When to use relationship marketing

Relationship marketing and transactional marketing are not mutually exclusive and there is no need for a conflict between them. However, one approach may be more suitable in some situations than in others. Transactional marketing is most appropriate when marketing relatively low value consumer products, when the product is a commodity, when switching costs are low, when customers prefer single transactions to relationships, and when customer involvement in production is low. When the reverse of all the above is true, as in typical industrial and service markets, then relationship marketing can be more appropriate. Most firms should be blending the two approaches to match their portfolio of products and services. Virtually all products have a service component to them and this
service component has been getting larger in recent decades (wikipedia website).

2.4 Criticisms of relationship marketing

Internal marketing and the six markets model has been criticised as not really being marketing at all. At the core of marketing is the marketing philosophy of first determining what the market wants, then providing it. It is doubtful that this is what is occurring in influence markets, supplier markets, recruitment markets, or internal markets. What is occurring is closer to public relations, persuasion, and management. It appears to be marketing because it uses some marketing techniques, but it would more accurately be described as salesmanship.

Relationship theorists tend to compare themselves to traditional marketing. In doing so they frequently present traditional marketing in an unfavourable light. For example, Adrian Payne 1991 claims that traditional marketing concentrates on product features, has minimal interest in customer service, limited customer contact, and quality is primarily a concern of production. Although there may still be some marketers that think this way, these statements have not reflected marketing best practices for more than three decades.

2.5 Customer Retention

In the post-industrialization period the increase in competitive intensity is forcing marketers to be concerned with customer retention. As several studies have indicated, retaining customers is less expensive and perhaps a more sustainable competitive advantage than acquiring new customers. Marketers are realizing that it costs less to retain customers than to compete for new ones (Rosenberg & Czepiel 1984). On the supply side it pays more to develop closer relationships with a few suppliers than to develop more vendors (Hayes, Wheelwright and Clark 1988; Spekman 1988). In addition, several marketers are also concerned with keeping customers for life, rather than merely making a one-time sale (Cannie and Caplin 1991).
At the core of relationship marketing is the notion of customer retention. According to Gordon 1999, relationship marketing involves the creation of new and mutual value between a supplier and individual customer. Novelty and mutuality deepen, extend and prolong relationships, creating yet more opportunities for customer and supplier to benefit one another.

Studies in several industries have shown that the cost of retaining an existing customer is only about 10% of the cost of acquiring a new customer so it can often make economic sense to pay more attention to existing customers.

It is claimed by Reichheld and Sasser 1990, that a 5% improvement in customer retention can cause an increase in profitability of between 25 and 85 percent (in terms of net present value) depending on the industry. However Carrol and Reichheld 1992, dispute these calculations, claiming they result from faulty cross-sectional analysis.

According to Buchanan and Gilles 1990, the increased profitability associated with customer retention efforts occurs because:

- The cost of acquisition occur only at the beginning of a relationship, so the longer the relationship, the lower the amortized cost.
- Account maintenance costs decline as a percentage of total costs (or as a percentage of revenue).
- Long-term customers tend to be less inclined to switch, and also tend to be less price sensitive. This can result in stable unit sales volume and increases in dollar-sales volume.
- Long-term customers may initiate free word of mouth promotions and referrals.
- Long-term customers are more likely to purchase ancillary products and high margin supplemental products.
• Customers that stay with you tend to be satisfied with the relationship and are less likely to switch to competitors, making it difficult for competitors to enter the market or gain market share.
• Regular customers tend to be less expensive to service because they are familiar with the process, require less "education", and are consistent in their order placement.
• Increased customer retention and loyalty makes the employees' jobs easier and more satisfying. In turn, happy employees feed back into better customer satisfaction in a virtuous circle.

Relationship marketers speak of the "relationship ladder of customer loyalty". It groups types of customers according to their level of loyalty. The ladder's first rung consists of "prospects", that is, people that have not purchased yet but are likely to in the future. This is followed by the successive rungs of "customer", "client", "supporter", advocate", and "partner". The relationship marketer's objective is to "help" customers get as high up the ladder as possible. This usually involves providing more personalized service and by providing service quality that exceeds expectations at each step.

Customer retention efforts involve considerations such as the following:

1. Customer valuation - Gordon 1999 describes how to value customers and categorize them according to their financial and strategic value so that companies can decide where to invest for deeper relationships and which relationships served differently or even terminated.

2. Customer retention measurement - Dawkins and Reichheld 1990 calculated a company's "customer retention rate". This is simply the percentage of customers at the beginning of the year that are still customers by the end of the year. In accordance with this statistic, an increase in retention rate from 80% to 90% is associated with a doubling of the average life of a customer relationship from 5 to 10 years. This ratio
can be used to make comparisons between products, between market segments, and over time.

3. Determine reasons for defection - Look for the root causes, not mere symptoms. This involves probing for details when talking to former customers. Other techniques include the analysis of customers' complaints and competitive benchmarking.

4. Develop and implement a corrective plan - This could involve actions to improve employee practices, using benchmarking to determine best corrective practices, visible endorsement of top management, adjustments to the company's reward and recognition systems, and the use of "recovery teams" to eliminate the causes of defections.

A technique to calculate the value to a firm of a sustained customer relationship has been developed. This calculation is typically called customer lifetime value.

Customer lifetime value (also variously referred to as lifetime customer value or just lifetime value, and abbreviated CLV, LCV, or LTV) is a marketing metric that projects the value of a customer over the entire history of that customer's relationship with a company. Use of customer lifetime value as a marketing metric tends to place greater emphasis on customer service and long-term customer satisfaction, rather than on maximizing short-term sales.

**Calculating customer lifetime value**

Customer lifetime value has intuitive appeal as a marketing metric, because in theory it allows companies to know exactly how much each customer is worth in dollar terms, and therefore exactly how much a marketing department should be willing to spend to acquire each customer. In reality, it is often difficult to make such calculations, either due to the complexity of the calculations, or to the lack of reliable input data, or both.
The specific calculation depends on the nature of the customer relationship. For example, companies with a monthly billing cycle, such as mobile phone operators, can count on a reasonably reliable stream of recurring revenue from each customer. Car manufacturers, on the other hand, have less insight into when or whether a customer will make a repeat purchase. Nevertheless, certain data inputs are commonly used when making customer lifetime value calculations.

Acquisition cost
The amount of money a marketing department has to spend, on average, to acquire a single new customer.

Churn rate
The percentage of customers who end their relationship with a company in a given time period. Churn rate typically applies to subscription services, such as internet services, telecom subscriptions, credit card subscription or magazines.

Discount rate
The cost of capital used to discount future revenue from a customer. Discounting is an advanced topic that is frequently ignored in customer lifetime value calculations. The current interest rate is sometimes used as a simple (but incorrect) proxy for discount rate.

Retention cost
The amount of money a company has to spend in a given time period to retain an existing customer. Retention costs include customer support, billing, promotional incentives, etc.
Time period

The unit of time into which a customer relationship is divided for analysis. A year is the most commonly used time period. Customer lifetime value is a multiperiod calculation, usually stretching 3-7 years into the future. In practice, analysis beyond this point is viewed as too speculative to be reliable.

Retention strategies also build barriers to customer switching. This can be done by product bundling (that is, combining several products or services into one "package" and offering them at a single price), cross selling (that is, selling related products to current customers), cross promotions (that is, giving discounts or other promotional incentives to purchasers of related products), loyalty programs (that is, giving incentives for frequent purchases), increasing switching costs (that is, adding termination costs, such as mortgage termination fees), and integrating computer systems of multiple organizations (primarily in industrial marketing).

Many relationship marketers use a team-based approach. The rationale is that the more points of contact between the organizations, the stronger will be the bond, and the more secure the relationship.

2.6 Customer Retention Marketing

Customer Retention Marketing is a "tactically driven approach based on customer behavior." The theory behind it is that if the business is able retain its customers, it will succeed. A strong relationship exists between customer satisfaction and profitability. It is then necessary for service organizations to make certain that they are practicing customer retention marketing (Novo 2004).

Customer Retention Marketing is a theory that has been around for a very long time, but has just resurfaced again in the last few years. It reminds me of the different fads that teenagers go through. Bell-bottoms were popular in the 60’s and now they have been again for the last few years.
Customer Retention Marketing is an offspring of Relationship Marketing. According to the Gordon 1998 it has the following eight components: culture and values, leadership, strategy, structure, people, technology, knowledge and insight, and process. The goal of Relationship Marketing is to align all these aspects of a company with its chosen customers. It is important to note that the explanation of these eight components will apply mostly to companies marketing to or through other businesses.

**Culture and Values:** It is important to understand the similarities and differences between cultures for each company at the very beginning. This will ensure that the relationship between the two companies will be an enduring one.

**Leadership:** Before committing to Relationship Marketing, the leadership from each company must understand the real meaning of a relationship.

**Strategy:** Each company involved needs to make sure the strategy is aligned and be sure that they both understand the direction of the other. Over time, this means that the supplier must become very familiar with its customer’s customer.

**Structure:** Companies that reorganize frequently, without strategic context and rationale, often have difficulty defining a winning strategy. So it is important for companies to make sure that their structure is strong.

**People:** "People are key to any relationship." However, the people need to be productive and effective to make the relationship a good one. Front-line people need to be able to understand the customer and be able to communicate with them.

**Technology:** Businesses should use technology to give the customer a better memory of the company. Giving them the communications options they want will help them repeat the buying experience.

**Knowledge and Insight:** The key to this section is to know the customers, know the customers, and know the customers. A lot of businesses keep databases on their customers and use it to their advantage. It is important to spend a little money to do this.
Process: It would be beneficial for the business to focus its processes around existing customers, giving them the value they want and communicating with them as if they wish to be demanded by the company (Gordon 1998).

“The right customer retention marketing solution can fundamentally change the organization’s profitability, customer satisfaction, and retention.” So, many businesses use CRM to gain just that, profitability, customer satisfaction and retention. Doing this isn’t always the easy part. A lot of times the right CRM solution for one company doesn’t always work for another. It has to be the right mix for the right company. In order to ensure that a company has the right customer retention marketing mix, they must attend industry seminars to gain the appropriate skills and information necessary to attain the right level of Customer Retention Marketing. There are seminars that industries have to train them on CRM. These seminars are practical case study based seminars. Industry visionaries give detailed insights into how the business can benefit from the CRM revolution. Topics covered include: eCRM, mobile data, call centre, knowledge management, sales & marketing automation, marketing database, contact management, field service management, data warehousing, marketing strategy and many others (crmonline 2001 website).

In my opinion, not only the owners and managers of the business should attend these seminars, but also a few of the actual salespeople. This will mean that there is a contact from each department of the business represented and therefore, if any questions arise about CRM, the person can go to the representative who attended in their area and ask.

Another way for businesses to find out information about CRM is on the website, http://www.destinationcrm.com/. Here, businesses can sign up for a free e-newsletter giving them up-to-date information on the latest information on CRM training. This would benefit them tremendously. Not only that, they can also
create their own effective communications tool online to ensure that their employees are successfully communicating with each other and the customers.

There are several steps to implementing CRM with Customer Marketing in a business as per Curry 2000. They are:

1. Make a Customer Pyramid – This is defining who the customers are, gathering the behavior variables for them, and then decide on the segment border.

2. Keep Project Management Simple – This is simply creating a steering committee to control and oversee the process.

3. Conduct a Parameters Workshop – This is simply to decide on what information you have and need to have on the customers and where to find it.

4. Conduct Interviews with a Selection of Customers – This will include several stages. First of all, select a sample of 10 to 20% of the customers. Second, construct a customer interview questionnaire. Third, interview the customer selection. The reason to only interview a sample of the customers is:
   a. To get a view of current customer satisfaction levels and identify areas that need improvement.
   b. To determine the customer acceptance of the questionnaire so that it can be edited.
   c. To test the effectiveness of the various ways you can interview the customers i.e. face to face, by telephone, in writing, and via email.

5. Diagnose the Value of the Customers – In other words, diagnose the value of the customer profitability. The financial people in the business can figure the Customer-base Accounting or CBA. If this number is good they will be excited that the Marketing department is doing the right thing.

6. Diagnose the Behavior of the Customers – In this phase, a business can link the actual customer behavior and the information on factors that
affect that behavior. Then, it will be easy to calculate the potential of individual customers and prospects. After this is complete, it will be necessary to set specific goals and plans to meet those goals.

7. Diagnose the Satisfaction of the Customers – Interviewing the customers enables the business to improve their products, services and customer relationship processes. There are critics of the customer interview method. They argue that the interview may fall short on statistical reliability.

8. Diagnose the Customer Focus – The easiest way to do this is to ask the people who work on the floor who deal with customers every day what the customer’s complaints etc. are. They will be the ones who can help management decide on how to do things better.

9. Make Decisions – This is the stage where it is necessary to decide what needs to be done. Getting CRM advice from experts is an excellent idea.

10. Start With a Customer Marketing Kick-off – This is a staged event where the whole business can begin to reach the following objectives.

   a. Realize the importance of customers.
   
   b. Begin the Customer Marketing Rollout, ie. what objectives and steps will be taken.
   
   c. Figure out the results of the customer satisfaction survey.
   
   d. Invite everyone to participate.
   
   e. Demonstrate management commitment to improving customer relationships.

11. Have a Customer-Based Business Planning Workshop – This will bring people from top management, sales management and marketing management to decide on company goals.

12. Have Customer Team Workshops – This step is key to implementing CRM in your company. It consists of working with the customer team to discuss the customer marketing in the business.

13. Monitor Rollout Results – It is important to monitor the results vs. the plans the business has made (Curry, 2000).
Is Customer Relationship Marketing Profitable?

It is indeed true that big databases are expensive to develop and maintain. Different organizations like Wal-Mart have spent literally hundreds of millions of dollars on their technology to develop and maintain their database (Gamble 1999). In most marketing texts, it is known that acquiring customers is much more expensive than keeping them. Figures of between 5 times as much and 7 times as much are quoted (Kotler 1997). Thus, it is much more important to retain the customers you have than try to acquire new ones. In other words, Customer Relationship Marketing is profitable.

According to Gamble, Stone and Woodcock 1999, the benefits of customer relationship marketing are usually in one or more of the following areas:

1. Closer relationships with customers.
2. Improvements in customer satisfaction.
3. Financial benefits ensue.

Gamble, Stone and Woodcock 1999, also say that managers need to ensure that the customer relationship marketing philosophy follows the procedures listed below.

1. Obtain measures of retention.
2. Find out why customers are lost.
3. Calculate the lost profit.
4. Multiply that by the number of retrievable customers who are lost. Therefore Customer Relationship Marketing is profitable. Businesses are crazy for not incorporating some sort of the customer relationship models. With all of the available resources and the Internet, it is almost crucial for businesses to develop one. As was stated earlier, it is more expensive to acquire customers than to retain them, so why not develop a plan?
2.7 References


• Berry, L. (1983) "Relationship Marketing" in Berry, Shostack, and Upah (eds), Emerging Perspectives on Services Marketing, American Marketing Association, Chicago, 1983.


• “Destination CRM, All Business Leads Here.” http://www.destinationcrm.com/


• http://en.wikipedia.org/wiki/Relationship_marketing

• http://www.businessweek.com/adsections/crm/evolution.html


• Kotler, P. (1990), Presentation at the Trustees Meeting of the Marketing Science Institute in November 1990, Boston.


• Novo, Jim 2004 "Drilling Down: Turning Customer Data into Profits with a Spreadsheet." 3rd Edition, Published by Jim Novo, P.O Box 7279, Saint Petersburg, FL, 33734- 7279 USA.


• Schneider, B. (1980) "The service organization climate is critical", Organizational Dynamics, 1980.


• “Welcome to CRMonline 2001.” http://www.crm2001online.com/Index1g.html.
Part II: Managing Customer Relations

2.8 Customer Relationship Management

2.8.1 CRM – What it is?

Customer Relationship Management—or CRM—is an old subject that has become a hot topic.

Since the 1960s management gurus such as Peter Drucker and Theodore Levitt have been preaching the CRM gospel, which can be simply summarized like this:

“The true business of every company is to make customers, keep customers, and maximize customer profitability.”

This gospel was neglected by most companies—until recently (Curry 2000 ix).

Customer Relationship Management sounds simple enough. However, the term succeeds only in whetting imagination of academics as well as business leaders (Anton 1999; Baron 1997; Bell 1996).

CRM can be viewed in four principal ways.

- Firstly, it is a contemporary response to the emerging climate of unprecedented customer churn, waning brand loyalty and lower profitability (Cockburn 2000; Cross and Smith 1996).
- Secondly, CRM is central to the task of making an organization customer-centric (DMA 1999; Gamble, Stone and Woodcock 2000).
- Thirdly, CRM is the surest symbol embracing information technology in business (Brown and PWC 1999; Gordon 1998).
Fourth and finally, CRM is the most certain way to increase value to the customers and profitability to the practicing organizations (Reichheld 1996, Shanham 1998-1999). Be that as it may, effective CRM practices can mean the difference between the success and failure of a business across all industries, particularly for mid-size enterprises (Curry 2000; Eckerson 1997). Naturally, more and more companies are seeking to understand the concept and mechanics of the CRM (Swift 2001).

So what is customer relationship management (CRM) all about? The current literature is full of individual definitions and descriptions (Anton 1999; Brown 2000). Most definitions converge on two things - relationship and information technology. Thus, we may conceptualize customer relations management (CRM) as follows:

'CRM is the information technology face of the business processes that aims to establish enduring and mutually beneficial relationships with customers, in order to drive customer retention, value, and profitability up'.

The definition underlines the fact that CRM is meant for a common and equal good of the two stakeholders - business and their customers. It calls for capturing pertinent data about the prospective and current customers in respect of their buying patterns, shopping behavior and usage habits of the products and services and to use the information to commence a two-way dialogue with them. If the essence of CRM is customer and continuity, the term CRM can as well be the acronym for any of the following cognate marketing terms:

- Caring Relations Management (CRM)
- Continuous Relations Management (CRM)
- Creative Relations Management (CRM)
- Customer Retention Management (CRM)
In more ways than one, CRM represents a logical end of the philosophy that the business should be customer oriented (Gamble, Stone and Woodcock 2000; Payne 1997). It traversed the successive strains of thoughts to reach what is now viewed as a new business paradigm. For instance, the early marketing paradigms prevalent until the sixties, ordained marketers to satisfy customer needs that were essentially nature created. Later in the seventies, the marketing functions served the customer wants that were nothing but 'specific solutions' to the needs and were the outcome of the marketing initiatives. Marketing thoughts of the eighties devoted themselves to meet the higher, more lifestyle oriented demands and expectations of customers. These were the result of the then social and economic environment. The nineties witnessed the most potent force of our times, information technology. Naturally marketing thoughts focused on how to leverage on the same and serve the customers (Kotler, 2000). One of the fall out of the era is Customer relationship management. CRM, thus, represents ‘the marriage between the customer orientation and the emerging information technology to produce a memorable relationship experience to the marketers as well as to the customers (Agrawal 2002).

2.8.2 CRM – A Dream Tool

The essence of CRM is to ‘track and profit from the retained customers in the business portfolio’. Thus, CRM is a customer-focused strategy that mandates ‘a fine coordination between people, process and technology’. A truly coordinated CRM is a tool for delivering on a variety of marketing dreams such as the following:
• Dream to target and serve customers on an individual basis. It permits a one-
to-one marketing as opposed to mass marketing (Peppers and Rogers 1996).
• Dream to enjoy long term relationships with customers, especially with the
profitable ones. CRM stresses commitment over flirting (Pearson 1995).
• Dream to disintermediarize and / or rid channels of the wasteful barriers and
distortions. It helps disintermediarization and delayer distribution aspects
(DMA 1999; Pearson 1995).
• Dream to reduce marketing cost progressively (Cockburn 2000).

The CRM concept and technology is more than just identifying who our
customers are, providing them with a quality service and analyzing their
preferences. The key dimensions of CRM that were largely ignored in the past
are customer loyalty, churn reduction and customer profitability. A report
published in the Harvard Business Review identified that an increase in customer
loyalty by five percent could increase profits in telecom by over 50 percent
(Cockburn 2000). A recent study by ICL for a UK Telco too highlights importance
of retention of profitable customers, especially the top ten percent of profitable
customers in terms of generating additional revenue and profit. For example,
through a business model, it forecasts that a ten percent churn in the segment of
top customers would reduce profits by more than 25 percent (Agrawal 2002).

2.8.3 Market Size

• The Indian CRM market can be sized at Rs. 50 -100 Crores (1Crore=10 million)
• The CRM market can be segmented into the market for software and services
• The services segment includes outsourced CRM services, integration, training,
and consultancy.
• The market for CRM services is considerably larger than the market for CRM
software.
Observations and Inferences

- A clear majority of the respondents size the Indian CRM Market at Rs. 50 - 100 Crore range but with 33% of respondents putting the market at a size greater than Rs. 100 Crore; there could be a higher benchmark for the market size applicable than the Rs. 100 Crore mark.

- The findings are in agreement with the figure most published in the media stated by Denis Collart, the global head of PWC’s CRM practice who, in an interview in November 2000, stated that the Indian Market for CRM Software and Services would grow to about Rs. 100 Crore by 2001.

2.8.4 CRM Market Segments
The market segments for CRM can be broadly out as the Software, Services, and Hardware market. The study has been restricted to the Software and Services markets.

**Fig 2.3: Breakup of the Global CRM Market**

This chart gives the breakup of the Global CRM Software and Services market. The projected revenues for each of the segments for the year 2001 from past research have been used to arrive at the relative percentages. This breakup is merely indicative, as the revenue projections have been taken from more than one source.

**Observations and Inferences**

- The breakup between revenues from various segments in the Indian context is not expected to vary from global market to a significant degree. With this assumption, the size of the market for CRM implementations (including Software, Integration, Consulting and Training) in India lies in the 40-60 Crores range.
• Given the small market, a local vendor looking for business is going to find himself up against tough competition. Majority of the CRM solution providers in India do not have a product but act as consultants and integrators for software like Siebel, Oracle, SAP etc. providing consulting, software deployment and integration, and training.

• Outsourced CRM Services has the maximum potential for growth, but the number of players entering this market is growing at a significant rate. Telemarketing Firms, Direct Marketing Firms, Data Collection firms, Market Research firms, and even Advertising Agencies have begun to add the CRM tag to their services. With the Call Center market finding the international market tough going, they are increasingly turning to the domestic market to supplement revenues.

2.8.5 Market Prospects

• Indian firms are aware of CRM, but are yet to take concrete steps towards implementation.

• The market is expected to catch on, but slower than anticipated.

• The overall sentiment is ‘wait-and-watch’

The next two charts indicate what respondents feel is the stage of evolution of the Indian CRM market and what they feel are the market prospects.
Fig 2.4: Stage of evolution of the Indian Market

- Already implemented: 0%
- In implementation: 0%
- Convinced, planning to implement: 18%
- Convinced, not planning to implement: 24%
- Aware but unconvinced: 41%
- Unaware/low awareness: 18%

% RESPONSES

Fig 2.5: CRM Market Prospects

- Will exceed all expectations: 6%
- Will show a healthy growth: 31%
- Will catch on, but slower than anticipated: 63%
- Unlikely to take off in any significant way: 0%

% RESPONSES
Observations and Inferences

- While there has been a great deal of attention on CRM technology and practices in recent times, when it comes to putting it in practice, the market is in a very early stage of evolution. Most respondents felt that the Indian firms were either unaware, or unconvinced about the benefits and applicability of CRM.

- The overall sentiment when it comes to growth prospects is upbeat in the sense that people are convinced that it shall take off, albeit slower than anticipated. Signals for Solution and Service providers are that they are going to have to stick through this early stage till the market matures in terms of awareness and acceptance, and the number of implementations increases.

- Media reports have put the annual growth rate for the CRM Software market in India at 25-30%, and Services market at about 50-60%. Here respondents however feel the going shall be slower than projected.

2.8.6 Market Drivers and Inhibitors

- The need for improved customer service and high global adoption shall drive the Indian CRM market
- The high cost of implementation and low awareness of benefits is going to prove a major deterrent

The next two charts indicate the factors that respondents feel will drive acceptance of CRM in India, and the factors that will hold back acceptance.

Observations and Inferences

- A need for improved Customer Service shall be the main driver for Industry sectors that depend on the quality of their customer interactions to retain existing customers and win new ones. High Global adoption is
likely to drive the MNCs to adopt CRM first in line with Global implementations.

Fig 2.6: Market Drivers

- Reduced product differentiation: 18%
- Media attention: 12%
- High global adoption: 23%
- Capabilities of new technology: 16%
- Need for improved customer service: 31%

% RESPONSES

Fig 2.7: Market Inhibitors

- Lack of information about CRM market: 12%
- Lack of success stories: 8%
- Poor IT infrastructure: 19%
- Low awareness of benefits: 22%
- High cost of implementation: 22%
- Lack of customer orientation: 17%

% RESPONSES
• While the first hurdle holding back the market is a lack of awareness, respondents have put high cost of implementation as the main inhibitor. Complete and comprehensive CRM packages such as those of Siebel and Oracle costing in the range of Rs. 1 to 2.5 Crores (and more) are too expensive for most Indian firms. However, with software vendors bringing down prices and offering relatively affordable packages bundled with integration and consulting services, this could soon change.

• In the Indian context, lack of customer orientation and poor existing IT infrastructure can prove major factors. Firms need to evolve their customer thinking by a significant extent before they accept CRM as the strategic imperative it is, and internal systems and database management practices need to be upgraded before CRM software can be used to any effect.

• Another major inhibitor indicated by respondents was that Indian firms lack the skills and strategic vision required to successfully implement CRM.

2.8.7 Buyer Sectors and Vendor Recall

• Banking, Insurance, and Financial Services are the sectors that shall benefit most from CRM practices and technology.

• Siebel emerges as the most top-of-mind CRM package, followed by Oracle and Talisma
Observations and Inferences

- Our respondents voted overwhelmingly in favor of the Financial Services sector as the best fit sector for CRM. Recent implementations in the banking and financial services sector, especially those of ICICI and Citibank, have clearly grabbed attention.

- The best-fit sectors as expressed by our respondents gives an indication as to how closely CRM is associated with improvement in customer service.
• Siebel is the global leader when it comes to CRM software and has clearly grabbed mindshare in the Indian market as well. While 77% of the respondents mentioned Siebel as a known CRM vendor, Siebel was the first CRM package that came to mind for 64% of the respondents.

• SAP and Oracle have recently entered the Indian market with aggressive plans targeting the SME market in particular. Both firms are targeting a growth in the market for their products of about 30%.

2.8.7 Respondent Profile

Fig 2.10: Respondent Profile

- CRM Buyer/User 11%
- CRM Vendor/Service Provider 40%
- Consultant 49%
2.9 Customer Relationship Management – High Tech?

The truth is that Customer Relationship Management (CRM) is not about technology as CRM Guru's David Sims 2001 said, "hospitality is about throwing a welcome mat on your front porch." The truth is that CRM requires a customer-focused culture, not slogans in the annual report. If company leaders don't "get it," forget it. Technology is one of the means to the CRM end.

With newer players making a beeline to enter, the customer expectations are intensifying towards pricing, information, service promotion, obligation & disclosure, honesty & integrity, helping attitude, needs assessment and satisfying needs. People are demanding ethical service over and above the other things with latest foolproof and reliable technologies. Healthcare sector is redefining and
remodeling its goals and objectives to become more customer centric. The sector players are therefore employing customer relationship strategies to take the maximum market shares. The customer focus does not entirely come from the strategies but from within. The truth is that no matter how easy the software is to install, no vendor, integrator, or consultant can sell CRM. Everyone has some version of CRM, even though it might stink and you can't smell it. Great CRM means listening to customers and taking action (Sims 2001). Hence CRM is not to be imagined as a software program or even a technology for that matter since it is more of a common sense management than any gizmos and jargons.

In its orientation this sector however focuses its resources and attention on building efficient infrastructure and systems, rather than understanding and forging relationships with various customer segments.

2.10 What business are you in?

Theodore Levitt pointed out in “Marketing Myopia,” his classic *Harvard Business Review* article published in 1960, the presidents of American railway companies in the early 1900s, if asked, would have answered the question “What business are you in?”

“We are in the business of operating trains.”

The result of this narrow, product-oriented thinking was that virtually every U.S. rail company went bankrupt or faced serious problems because they missed out on the rapid growth of the airlines and the development of a sophisticated highway system as a way to get things and people from place A to Place B.

The answer instead should be “We are in the transportation business.” For IBM it has evolved from “biz of supplying punch card machinery” to “the biz of data
"processing" and could more rightly have been "the biz of making customers, keeping customers, and maximizing customer profitability" (Curry 2000 3-4).

From the Pharmacies' previous mission definition "delivering drugs and accessories" the concept had become "health and well-being in a broader sense". With this new focus in mind pharmacies took the opportunity of maintaining a strong position in the healthcare system while at the same time gaining access to the new fast growing market for holistic remedies and quality of life.

The range of products were extended to include health and diet products, herbal or oriental medicines, skin products and cosmetics. Pharmacies began collaborating with suppliers in areas such as Quality assurance and product declaration (Hougaard and Bjerre 2004 329).

2.11 Customer Relationships

Customer relationship is the driving force of the new business model, and the customer – the patient – is its main benefactor.

The Internet has brought about an irreversible change to the doctor-patient relationship. Several US and Europe surveys of the last two years show that more than three-quarters of respondents agree with the statement that people should undertake responsibility for their health and not rely on doctors to such a great extent. With this transfer of responsibility comes a thirst for knowledge. Consumers' demand for information is fuelling the explosion in health-related websites.

Patient pressure for access to information – data banks, law and regulation, expensive new treatments – is driving changes in the healthcare sector. New professional organizations in healthcare are using the Internet and related
technologies increasingly to provide this information and new services, leading to greater transparency, efficiency and quality in the health sector. R&D, production, sales, marketing, and customer relationship management will be transformed by new E-Business models. Today, the traditional players are not innovating quickly enough, and the new E-Start-ups are filling the gap between them and the customer. To keep on track with the new players and business models, traditional players must evaluate E-Solutions quickly, focusing on building customer relationship.

It is evident that E-Business is not just about passive information gathering. Medical and pharmaceutical research will be facilitated and time-to-market improved using E-Business research and knowledge solutions. New services and sites offering greater interactivity and personalised advice will continue to emerge. The new services will be delivered by healthcare E-Start-up companies with a strong customer relation approach. They are going to change the distribution of pharmaceuticals, medical supplies and diagnostics into a direct-to-consumer business, threatening traditional pharmaceuticals and other healthcare industries, and traditional healthcare service providers, including physicians (Brucksch 2000).

Marketing is not only to plan and implement a given set of means of competition in a marketing mix, but to establish, develop and commercialize customer relations, so that individual and organizational objectives are met. The customer relation concept is the core of marketing thought. Promises of various kinds are mutually exchanged and kept in relation between the buyer and and seller, so that the customer relation may be established, strengthened and developed and commercialized (Ozuem 2004 53).

The five objectives in the customer perspective are: time saving, aggregate value by B2C (Business to Consumer), customer relations, price and physicians’ satisfaction (Pour 2001).
Healthcare has been slower than some other industries to adopt the concepts of customer service and quality improvement. One of the roots of medical malpractice suits is dissatisfaction with the quality of care that was rendered. The protective halo over the healthcare professional's head can be tarnished by predisposing and precipitating factors for lawsuits (Abele 2004 45).

Select people who exemplify the spirit and skills of excellent customer relations towards patients, doctors, visitors and coworkers.

Caution and care in selecting workshop leaders pay off in your employees' acceptance of the customer relations message.

However you staff for customer relations excellence, you need involvement from a wide range of people who become stakeholders, and these people have to be the right people. In her presentation to the American Society of Healthcare Education and Training in June 1985, Katie Buckley of the Einstein Consulting Group specified nine musts for all the people who staff your customer relations function in any way, from full-time staff to committee and subcommittee members. The most important two being:

- Act the expert and educate others
- Establish a vision and let it lead you and hang to it through thick and thin.

(Leebov 2003 268)

What is apparent today is that "disaster" has a very broad meaning. No longer is disaster solely associated with headline events such as hurricanes, earthquakes, tornadoes, or floods. Indeed even brief interruptions to information systems can mean the inability to deliver products and services to the customer, which then impacts revenue, productivity, and customer relations. No longer does it take the worst-case scenario to adversely impact a company's business processes or bottom line (Beaver 2002 94).
Through image processing, workers can have faster access to documents and other information on file. Image processing also eliminates the need for document refilling because once a document is filed in an image processing system, it remains in place. This in turn significantly reduces time lost searching for misfiled documents.

Imaging potentially reduces the length of time it takes to provide information to organizational customers. Faster customer responses provide better customer relations and possible increases to business (Beaver 2002 482).

To assist staff in making immediate amends for actions that caused patient dissatisfaction, the complaint the department developed a tool called “DominiScrip,” a pad of $5 scrip available to any hospital staff. Each department developed criteria and reasons to use the scrip to deal with customer dissatisfaction with service in a particular department. A recent customer survey and focus group results indicate that the DominiScrip program is highly successful (Boland 1996 339).

The elevation of sales person’s role in the business to that of a revenue producer has a major impact on the culture of the Customer service organization itself, too. Top-line Customer service organization staffers do not spend all their time trying to make unhappy customers a little less unhappy—a thankless activity that leads to high burnout and turnover.

Instead, they can achieve “hero” status similar to their peers in marketing and sales. Higher morale and motivation in the Customer service organization raises the quality of the customer’s experience even further. This cultural transformation is an added bonus on top of the additional revenue and strengthened customer relationships that top-line Customer service organizations deliver.

It is important to note that while government agencies and non-profit organizations do not share this focus on revenue development, they can still
benefit significantly from the implementation of top-line service practices. After all, they are also charged with ensuring that their services and resources are fully-utilized by their constituencies—and they also seek to optimize the depth of their relationships with the “customers” they serve. Top-line service empowers such agencies and organizations to more effectively promote connected constituencies and resources, while keeping operational costs low.

It’s hard to get somewhere—or lead others in the right direction—if you do not know your destination. To create top-line service, managers need to fully comprehend the potential role their Customer service organizations can play in generating revenue and optimizing customer relationships. They must have a strong sense of how customer interaction histories can be leveraged to discover revenue opportunities. They also need a clear understanding of how to build and equip a top-line Customer service organization (Gianforte 2003 6-7).

Customer relationships can take the form of prejudice too. At a formal corporate level, for example, the typical healthcare organization has policies, codes, and procedures designed to prohibit “political” behavior such as preferential treatment and favoritism in customer relations as well as employment practices. But, informally, subtle counter pressures can often arise. When, for example, a corporate benefactor needs a corporate favor, ways are sometimes found to bend or waive standards and procedures so that such political interests can be accommodated. When a physician who is key to generating hospital admissions favors certain corporate directions, he or she may well exert considerable political pressure. The term “office politics” is reflective of this reality. When it comes to analysis of management mistakes, it does matter when people with whom I dine and play golf are involved in my management decisions and actions. Formally, of course, my political party affiliation and personal ideology should not affect my decisions (Hofmann 2004 34).

Physicians are leaving their chosen profession in record numbers to get out of the mainstream of patient care and to assume academic or administrative
positions. The profession has never been high on customer relations circuit to begin with and now the respect for physician has plummeted. Add to that the attitudes of their nurses, and you have a very volatile, hostile environment in which to attempt to get well (Lehman 2001 186).

A fine example of the dangers of marketing in the healthcare arena is the prescription of antibiotics in the United States. Researchers at the Centers of Disease Control and Prevention (CDC) estimate that as many as a third of approximately 150 million courses of antibiotic treatment each year may be unnecessary. Doctors write roughly a million antibiotic prescriptions a year for viral infections, knowing full well that not only are antibiotics ineffective against viral infections, but also that such indiscriminate use of antibiotics can lower both the individual’s and the broader community’s resistance to bacteria-based infections. It is difficult to say what was in the minds of all of those doctors, but it appears likely that a large percentage of those prescriptions were written to keep patients happy. While that may be good for customer relations, it is a direct violation of doctors’ Hippocratic oath—to do no harm (Ewing 2001 17).

Large organizations routinely collect vast amounts of personal information about their customers through the transactions they conduct. Organizations such as financial institutions, healthcare providers, travel agencies, retailers, automotive manufacturers, and communication companies, among others, collect this data to use in a variety of ways and for several reasons:

- To do targeted marketing based on individual preferences
- To analyze customers for profitability
- To evaluate their own service levels (Duane 2002 16)

Managing customer relationships successfully in large customer environments; like financial, retail, travel, healthcare, communications, entertainment,
automotive, etc.; means learning about their habits and needs, anticipating future buying patterns, and finding new marketing opportunities that add value to the relationship. It also means using technologies that enable all of the data gathered to be used as an aid in making business decisions that will attract, retain, or motivate customers.

Successful companies make their customer relationships something the customer values more than anything else they could receive from the competition. This companies do by examining their experiences with customers, including transactions and demographics, and every form of interaction – including a Web site visit, a phone call to a call center, and a response from a direct mail campaign. Building the data and information technology architecture around customers – a customer-centric approach – ensures that they enjoy a seamless and rewarding experience when doing business with a company. This is a new marketing paradigm, placing the customer at the focal point of an organization's marketing programs (Duane 2002 19).

**Fig 2.12: Customer-Focused Marketing**

![Diagram of Customer-Focused Marketing process]

Source: Duane 2002 20

How do you create customer preference? Much has been said about the importance of customer relationships in driving revenue, and about the fact that repeat customers are also the most profitable customers.
But what does .relationship. mean from the customer's perspective? Accurate contact information? A consistent record of the customer's last transaction?

These are important aspects of the business relationship, but they're probably only part of what customers consider in terms of their relationship with you.

Fig 2.13: Critical Customer Relation Success Factors

<table>
<thead>
<tr>
<th>Critical Success Factor</th>
<th>Key Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Relations</td>
<td>Go the extra Mile.</td>
</tr>
<tr>
<td></td>
<td>Listen.</td>
</tr>
<tr>
<td></td>
<td>Try to handle any problems-on the spot.</td>
</tr>
<tr>
<td></td>
<td>Display confidence and interest.</td>
</tr>
<tr>
<td></td>
<td>If someone complains, do not place blame; absorb the blame and make it right.</td>
</tr>
<tr>
<td></td>
<td>Be positive in all interactions; never argue.</td>
</tr>
<tr>
<td></td>
<td>Give people options; allow them to retain control.</td>
</tr>
</tbody>
</table>

Courtesy of Friendly Hills HealthCare Network

Source: Shelton 2000 268

Customers want to be able to place orders quickly and easily. They want accurate information on when their order will arrive, or when the parts will be in to
repair their equipment. They want you to know what they usually order, and to provide suggestions if their first choice isn’t immediately available. They don’t want to wait while you look up pricing information or product specifications (Peoplesoft 2003 4).

The key strategies to the critical success factors enable us in looking at the enterprise from a holistic approach to change the whole thing on a 360 degrees basis to achieve the desired outcomes. Business Process Reengineering helps the organization look at the validity of the processes themselves, take them apart, and rebuild from the standpoint of customer requirements—whether those requirements were to reduce cost, ease information gathering, or streamline billing procedures. To delay reengineering would ultimately prevent the Healthcare Company from achieving its strategic goals of enrollment growth and rate competitiveness (Boland 1996 156).

Posters

The great thing about posters is that they aren’t too expensive and they dress up the environment while communicating to everyone that your priority is service excellence and customer relations. The figure below shows a poster developed for HOSPITALity Program at Albert Einstein Healthcare Foundation.

These posters primarily make the hospital and staff thereof, as also the stakeholders, share their beliefs and concerns for the patients with the customers. The call to the staff instills confidence in the mind of the customers about the management’s seriousness in being customer spirit in all its true sense. The poster is very much like our own Gandhiji’s Talisma quote.
You Are This Medical Center

You are what people see when they arrive here.

Yours are the eyes they look into when they’re frightened and lonely.
Yours are the voices people hear when they ride the elevators and when they try
to sleep and when they try to forget their problems.

You are what they hear on their way to appointments that could affect their
destinies and what they hear after they leave those appointments.
Yours are the comments people hear when I think they can’t.
Yours is the intelligence and caring that people hope they’ll find here.

If you’re noisy, so is the medical center. If you’re rude, so is the medical center.
And if you’re wonderful – so is the medical center.
No visitors, no patients can ever know the real you, the you that you know is
there — unless you let them see it. All they can know is what they see and
hear and experience.
And so I have a stake in your attitude and in the collective attitudes of everyone
who works at the Albert Einstein Medical Center.

We are judged by your performance. It is judged by the care you give, the
attention you pay and the courtesies you extend.

Thank you for all you are doing.

Developed from: "You are this Medical Center," Albert Einstein Healthcare
Foundation, Philadelphia, PA 1994; Service Quality Improvement: The Customer
Satisfaction Strategy for Health Care By Wendy Leebov, Ed.D. and Gail Scott,
M.A. Adapted from Leebov 2003 226.

Point of entry marketing:
Whatever be the number of hospitals in your system, in each hospital, you pick twenty key referring primary care offices, and begin a cooperative advertising program. That’s 300 to 900 offices (for 15 to 45 Hospitals)! With a matching advertising budget split between the offices and your hospital, you’re now talking about the kind of advertising campaign that many franchise companies take years to build. You can do it in one year, if you get your doctors working with you, if you get your customer relations training programs started first, and if you pick (or license) the right trademark (Winston 1985 72).

**Importance of Customer Relationship in Healthcare Sector: Healthcare — An Immensely Complex Maze of Multi-Level, Often Interrelated Transactions - An American Commentary**

Our American healthcare system is a unique, and some would say, a uniquely dysfunctional business model. Some have referred to our system of healthcare as “Multiple Personality Disorder.” Although even a cursory examination can be confusing and somewhat mind boggling, consider the following:

In any “conventional” business model, a mutually agreeable exchange of goods or services for remuneration is quite simple. A “customer” determines the goods or services they need or desire, and then a supplier provides those goods or services. The customer pays, and the transaction is complete. Try to relate this simple transaction to healthcare:

First, we should try to identify the customer. The customer is typically the person making the buying decision and paying for the goods or services. Not necessarily in healthcare, however. The decision of what goods and services a patient receives could be made by:

- physician
- specialist
• hospital
• insurance company or health plan
• an employer
• the government
• some combination of all of the above
• and on rare occasion, with input from the patient

In fairness, it should also be pointed out that outside influences often determine the “course of care” for patients. The potential for litigation may prompt doctors to practice defensive medicine by ordering additional testing. Sadly, profit opportunities may also influence the course of care. Additionally, local accessibility to tests and therapy may also influence the selection of diagnostics and therapies. The choice of medication may be influenced by sales relationships between pharmaceutical companies and doctors. Even the choice of consumable products used by doctors and hospitals are often influenced by their participation in Group Purchasing Organization. Often doctors are forced to use products that are not their first choice, simply because a certain vendor has an exclusive relationship for the sale of supplies to that doctor or hospital.

In summary, in the business of healthcare, the person making the purchasing decision is not the person receiving the goods or services.

Who pays for the goods and services that the healthcare customer receives? The majority of money is not paid by the customer/patient. Insurance companies and health plans make the bulk of the payments, influenced, of course, by the people that are paying for the insurance and health plan.

In the case of Medicare and Medicaid, a labyrinth of rules and regulations dictate to doctors the types of acceptable tests and treatments in consideration of the diagnosis. This, by the way, could form the subject of another article. It might be a quite lengthy article, as the entire arena of Medicare and Medicaid is rife with
potential problems, abuse, waste, and a level of complexity of its own that is frankly, beyond most mere mortal’s comprehension.

In our healthcare system, the customer/patient does not (for the most part) pay for the goods and service he/she receives. This is, so far, a schizophrenic transaction model, but it gets more complex.

In a typical business transaction, seller/provider and customer are pretty well defined. A customer makes a purchasing decision, pays, and a vendor delivers. In healthcare, we cannot clearly define the vendor.

Is the doctor the vendor? Perhaps, in a routine, simple office visit; but if medication, tests, therapy or hospitalization is involved, the transaction becomes more complex. Multiple vendors pop up and some of those vendors’ relationships may not be clear, or even proper.

If a doctor sends a patient for tests, those tests are probably performed by a separate entity (separate bills). But that entity probably has a “referring” relationship with the physician. Almost never is a choice given to the patient. The doctor may prescribe medications, sometimes without choices being given to the patient.

If a physician sends a patient to a specialist or to the hospital, additional layers of complexity begin to multiply like rampant bacteria. Doctors routinely have a hospital or hospitals to which they refer their patients. Hospitals refer to these doctors as “referring physicians” and they court them strenuously, as these doctors become the hospital’s main source of “new customers.”

You may think that the hospital is a single entity, and that understanding the customer-vendor relationship is somewhat easier once you are inside these hallowed halls. This is increasingly becoming less prevalent. Hospitals often “outsource” many of their core services such as anesthesiology, laboratory, pharmacy, and more. Though these services may reside in the hospital building,
and may "look and feel" like they are part of the hospital, increasingly, they are not. They are separate entities that lease space in the hospital and charge the hospital for the services they provide. Do you have a choice? Perhaps, but try exercising that choice — you may find it difficult, if not impossible.

By the way, your doctor is likely a "referring" physician with the hospital... not an employee. And once admitted, some of the choices your doctor may wish to make for your care are influenced by the capabilities and relationships the hospital has.

Believe it or not, this is a highly simplified overview of the complexities of the vendor-customer relationship in healthcare. Each and every level of complexity mentioned in this overview is laden with additional, more arcane levels of complexity.

To summarize, healthcare in the United States has evolved into an immensely complex maze of multi-level, often interrelated transactions. Name one other business transaction where you, as the customer, have almost no control over the products and services you receive, and you are responsible for only a portion of the payment — yet your health, and perhaps your life, is in the balance. And the costs, even your small portion (if you are insured), are enormous.

Just for fun, try to apply the healthcare transaction model to another transaction that might be comparable in scale (at least in dollars)... a new home.

At work, your employer deducts a portion of your paycheck and adds some money to that, and pays into a "house fund" for you (analogous to your insurance company). When you decide you are ready to own a home, you contact your trusted home ownership advisor (analogous to your family doctor in this example). Your "home advisor" determines, without input from you, what size house you should have and where it should be located.
Your home advisor sends your “file” to a construction company of his choosing. The construction company then sub-contracts carpenters, plumbers, electricians, and others to build your house. Some are completely independent companies; some are potentially linked to the contractor, financially, or otherwise. The construction company sends some bills to your “house fund” and some to you. The sub-contractors also send bills to your “house fund” and to you. You are not involved in the decisions. In fact, you are not even aware of the costs until the bills arrive. You are not aware of the outcome, either, until the house is finished.

You may get a wonderful new home, at a fair price. You may not. Think about it (Healthcare website).

Amazing are the similarities in the Indian scenario too, may be this is applicable globally – on a sadistic note.

A Case Study
Doctor A and Hospital X: Should Try Harder In early June, my 15-year old son was diagnosed with a "mild" case of viral meningitis. We were cautioned to watch for certain symptoms, and if they appeared, we were to take him to the emergency department (ED) immediately. Those symptoms appeared, and my son was on his way to the ED at Hospital X.

Fortunately the tests came back negative; our son was apparently suffering from some flare-up of the virus. He was discharged. This story should end here on that somewhat happy note, but the experience with the hospital staff once again demonstrated that outcomes are not necessarily the measure of satisfaction.

Originally my son was seen in the ED by a very compassionate physician who moved my son's case to the top of the priority list. During the course of his tests, that physician's shift changed and his replacement was not only impersonal but invisible. Also, our pediatrician (Doctor A) never responded to the ED pages, and at discharge the nurse did not know, among other things, whether our son's
condition was communicable (it wasn’t). We were given a prescription for pain management and some discharge instructions to read on our own.

To our surprise, the ED physician who had first treated our son called the next day to check on his condition. We were greatly buoyed by this act of concern and felt the worst was behind us. Doctor A never did call us.

As it turns out, the discharge instructions proved to be incomplete, omitting the all important requirement for complete bed rest in a dark room for at least 48 hours.

Three days later our son’s symptoms reappeared with a demonic vengeance. Had we received the correct instructions, that painful episode could have been avoided. Had Doctor A called, we could have reviewed his activity after discharge. We found that in the end, we were taking care of ourselves rather than being taken care of. We had been given a choice of hospitals and now believe that we chose poorly.

And to keep our comparisons consistent, our value as a customer was about $4,000 for that six-hour visit.

The Point: Become Loyal to Your Customers

* Doctor A and Hospital X exemplify the theory of "word of mouth" advertising. My family’s negative experience with that pediatrician and that hospital is now the topic of every social encounter I have, demonstrating once again that we communicate our bad experiences to nine other people.

One interesting follow-up point: We asked Doctor A, our pediatrician of 13 years, why he didn’t respond to the ED page. He got pretty huffy and said that it came in on his day off and he didn’t take pages on that day. "It was the hospital’s fault. They knew I wasn’t in and should have paged someone else."

The one element common to all these examples is that I derived satisfaction not from the organizations’ core competencies but from the experience around them. I never mentioned the Marriott rooms, the United flights, the Hertz ears, or the
accuracy of the diagnosis at the hospital. As these companies search for revenue, Marriott and Hertz will see my loyalty increase. United Airlines and Hospital X will not - Arthur C. Sturm, Jr. (Findarticle website).

2.11.1 Customer Marketing: “What’s in It for Me?”

There are four key benefits that one or more aspects of Customer Marketing can deliver:

- **More revenues and profits** by virtue of increase in sales visits and hence the Sales Revenues.
- **Increased customer satisfaction** through better Service advice, complaint handling, Sales expertise, promise fulfillment, and sales contact frequency.
- **More employee motivation** through involvement in decision making, room for initiatives, team cooperation, and cooperation with other departments.
- **Marketing and sales accountability** by virtue of increased priority to customer profitability, customer satisfaction, and customer focus.

(Curry 2000 77-80)
2.12 References


• Ewing, Michael T (2001) Social Marketing Edited by James G Hutton The Haworth Press Pg 17


• Hougaard, Soren and Bjerre, Mogens (2004) Strategic Relationship Marketing by Springer Verlag, Pg. 329.
• http://www.findarticles.com/p/articles/mi_m3257/is_9_58/ai_n6205237

• http://www.healthcaredls.com/weblog/?p=10


• Lehman, Barbara Alpern (2001) Hitting the Right Nerve: Marketing Health Services 2001 by iUniverse Pg 186


• Sims, David CRM Executive Vol 1.08 October 4, 2001 CRMGuru.com "Customers at the Heart of Your Business"


Part III: Healthcare Sector

2.13 Indian Healthcare Sector

Healthcare sector is considered to have a complex structure; it is capital-intensive, but has a low Return of Investment (ROI) of about 15 to 20 per cent, in comparison with other sectors. Nonetheless, the country's unmet demand for healthcare facilities, increasing spending in private healthcare, growing population and economy, increase in life expectancy, lack of entry barriers and intellectual pool are fuelling the growth of the healthcare industry, attracting international investors.

Perhaps, what made the ball rolling was the CII-Mckinsey report (2002) on India's healthcare industry, opines Dr Bhaskar Shah, Director, Asian Heart Hospital (AHI), Mumbai. "The report made the world stand up and take notice of the immense opportunities that were lying unutilized in the Indian healthcare industry," he adds.

The report states that India would require 750,000 beds by 2012 and estimates that a fresh investment of US$25 billion is needed to establish quality health facilities in the next 8-10 years.

Since healthcare is dependent on the people served, India's huge population of a billion people represents a big opportunity. And it's the middle income group, which forms a large 250 million that the international groups are targeting, besides patients due to medical tourism. Estimates say that while the proportion of households in the low income group has declined significantly, middle and higher income-group has increased from 14 to 20 per cent. With the demand for healthcare far exceeding supply, the industry has transformed to a USD 23 billion industry, which is surging ahead with a growth rate of 13 per cent a year. While
the general belief is that private healthcare spending in India contribute to 60 per cent of the country’s healthcare service, the World Development Report, 2004 Pg 33 says that “In India, even with the huge organization of public health facilities, the private sector accounts for 80 percent of outpatient treatments and almost 60 percent of inpatient treatments. It also states that the private sector spending on healthcare ranges between 75 to 84% with an average of 79% (World Development Report, 2004 Pg 32).

Besides, the unmet demand, labor comes cheap in India. Drawing an analogy with Singapore, Dr Shah elaborates, "While the salary of a front office person in an Indian hospital would be around Rs. 5000 and that of a senior manager would be around Rs. 50,000 for a month, it would Rs. 25,000 and Rs. 2 lakh respectively in Singapore. Similarly, if a full-time doctor earns Rs. 4 to 5 lakh monthly, a doctor in Singapore would pocket Rs. 15 to 20 lakh."

The healthcare industry will witness presence of more international groups in the future as only ten per cent of the market has been tapped so far, say analysts. Besides, allowing 100 per cent FDI subject to approval by the Foreign Investment Promotion Board under the Department of Industrial Policy and Promotion in the Ministry of Commerce and Industry is a sign of the market opening up for international investors, say experts.

For Singapore, the Indian government has gone a step ahead and inked the Comprehensive Economic Cooperation Agreement (CECA) in June, this year, paving the way for increased business and investment opportunities between the two countries for health sector. Under the CECA, Singapore companies receive the most favored nation (MFN) treatment for trade in health products and services as well as national treatment, which means they are treated on par with domestic companies; tariff concessions for exports originating from Singapore, including exports of pharmaceuticals and medical equipment. Most importantly, it allows easier access for investments, joint ventures and collaborations in the
health sector. And it's not just Indian market that the investors are gunning for. After the saturation of Singapore, the US and European healthcare markets, the investors are also eyeing Middle East, China, Vietnam, some African States and Thailand. However, India's bureaucracy and lack of disciplined workforce do peeve the international groups. "In India, one has to seek 80 to 100 licenses, while in the western world one does not have to procure more than 10," sighs an official of an international group (Express Healthcare Management Nov 2005).

The Indian healthcare industry seems to have come a full circle — moving from rural to urban areas and now back to small places, offering an unprecedented pace, scale and spectrum of services. The development, of course, was inevitable, given the geographical advantage, talent pool, enterprise level and growth potential in the country. Arguably, the decade gone by was a crucial differentiator in the healthcare scenario. Explains Dr Anupam Sibal, group director, medical services, Indraprastha Apollo Hospitals, New Delhi: "People in India had not been exposed to corporate hospitals, while their experience with the government ones had not been good. But the moment private operators like Escorts Heart Institute and the Apollo group branched out in small places, it made sense for the people to go for the services — given the scale of operation, expertise levels, infrastructure and spectrum of services offered." Economics plays a key role for a healthcare provider, having a hub and spoke model means lower investment, less running cost and maximum utilization of expensive equipment. For patients, it means less over-crowding at the tertiary level and better access with priority to critical areas. It also eliminates unnecessary expenditure by way of longer patient stay. This also relieves capacities at the hub through pre-screening and diagnoses at the spoke. While hubs are the large multi-specialty hospitals, the spokes could be a small facility with diagnostics, consultation and pharmacy, larger city centers, or small hospitals with 50 or 140 beds. Says Shivinder Mohan Singh, joint managing director, Fortis Healthcare: "Taking northern India as the focal point, Fortis plans to have four hubs in this
Private participation is also helping bridge the wide inter-regional disparities on the health front. Already, the sector has innovated with healthcare delivery, such as telemedicine that delivers specialized advice to patients in remote locations using information communication technology. Most of the hospitals are connected by a strong IT backbone that allows doctors to access specialist consultants across the system and use the strengths of a large network to deliver on the promise of exceptional care. For instance, Dr Lal Pathlabs Pvt Ltd, which is the first laboratory in India to use the line Laboratory Information Management System (LIMS), allows a completely automated testing and reporting process. “This technology platform allows a link of outstation laboratories to the hub lab’s main server 24x7x365,” says Dr Arvind Lal, MD.

“The healthcare landscape in India has completely transformed because of a flurry of activity by private entrepreneurs. There have been many strategic tie-ups and consolidation in the industry. Gurgaon, for instance, is really seeing a lot of development. You could say these are the best days of healthcare in India,” says Abhishek Bhartia, Director, Sitaram Bhartia Institute of Science & Research, New Delhi. In fact, the use of hub & spoke model has been a crucial differentiator among the factors helping private operators expand at a rapid pace. “Using the hub & spoke model, hospitals can penetrate the market in various cities, increase brand recall and service a large portion of the growing healthcare market,” says Dr Sibal. Already, the Apollo group has opened 48 franchisee-based clinics at various locations in the country to tap this potential. It is also coming up with multi-speciality units at Noida, Ludhiana and Agra. For Fortis Healthcare Ltd, apart from its super-speciality facilities at Noida and Jassaram (Delhi), the heart institute and multi-speciality hospital at Mohali serves as a hub, while its facility in Amritsar serves as a spoke. With the acquisition of Escorts Heart, a leader in the fields of cardiac surgery, interventional cardiology and cardiac diagnostics, Fortis
has also become a cardiac hub in Delhi. With many more groups like Max Healthcare, Metro Heart Institute, and diagnostic set-ups such as Dr Lal Pathlabs, SRL Ranbaxy and Metropolis, expanding at a frantic pace, the Indian lead is becoming a reality (Economic Times March 12 2006).

Dubai-based real estate developer Emaar Properties has announced its plans to enter the healthcare sector in India, Middle East, North Africa and South Asia markets. The plan includes the construction of hospitals, clinics and medical centers and provision of world-class healthcare services, an official statement said. Emaar will invest around $5 billion over the next 10 years in its healthcare business. It intends to develop and manage around 100 hospitals with 200-bed capacities, with super specialty care added in key centers. Emaar will provide the infrastructure and manage the administration and operations of its hospitals, clinics and medical centers. It will also form strategic partnerships with established healthcare institutions and providers in the region.

Emaar's target audience will be those currently looking westward for better healthcare services. “The detailed business plans for the healthcare business aims to meet the fast growing demand for healthcare infrastructure and services in the targeted markets,” company chairman Emaar Mohamed Ali Alabbar said (Economic Times March 6 2006).

Apollo Tyres Ltd on Thursday announced its foray into the healthcare sector with an investment of Rs. 250 crore to set up a 500 bed hospital facility under the aegis of Artemis Health Sciences Ltd. AHSL would be a subsidiary of PTL Enterprises Ltd and the 500 bed hospital, a multi specialty facility, would be set up in Gurgaon, Apollo Tyres Chairman and managing director Onkar S Kanwar said. He said the company would be investing Rs. 250 crore for the entire project, of which the phase I would be completed in the next 18 months with an investment of around Rs 145 crore. This would entail setting up of an initial 212 beds, OPD facility, oncology centre and nine operation theatres.
The hospital would specialize in oncology, cardiothoracic and musculo-skeletal diseases (Economic Times February 23 2006).
The Indian healthcare industry suddenly looks like the gold diggers' paradise for international investors. Singapore-based Parkway Group Healthcare PTE Ltd, armed with the expertise of building eight hospitals internationally and enjoying an equal partnership for Apollo Gleneagles in Kolkata, is in the process of setting up hospitals in Mumbai and Chennai. Similarly, Malaysia-based Columbia Asia, which built its first hospital at Hebbal in Bangalore recently, has more hospitals in the pipeline. Singapore-based Pacific Healthcare Holdings is coming up with hospitals in Hyderabad, Chennai and Bangalore. Additionally, the buzz is that Singhealth from Singapore and Bumrungrad Hospital from Thailand are trying to secure a foothold in the Indian healthcare industry.

Exposure to international quality standards will imply that completely Indian-owned operations will have to benchmark their operations against the international groups. The international groups promise to usher in standards and a disciplined approach towards work, along with accountability to Indian healthcare industry. Quality Assurance and Customer Care, the foundation of a good hospital, will get a boost because of the international presence in the healthcare market, opines Dr Bhaskar Shah, Director, Asian Heart Hospital (AHI), Mumbai.

Avers Vishal Bali, VP, Wockhardt Hospitals Group, Bangalore and member of CII's healthcare group, "This is a welcome trend, which will professionalise the Indian healthcare sector. This is a step towards globalising healthcare, making Indian healthcare industry in sync with international standards."

According to Anne Marie Moncure, MD, Apollo Indrapastha Hospital, New Delhi, "Competition makes everybody better. There will be a marked improvement in customer services. As the world looks at India, the trend will reverse brain drain."
For Dr P Mohandas, MD, MIOT Hospitals, Chennai, "Such projects create more
job opportunities. It is a win-win situation for both the international groups and Indian populace.

Medical tourism will inevitably receive a fillip. It is said that seven years from now, the country will earn Rs 10,000 crore due to medical tourism. It is estimated that the country is currently earning Rs 1500 crore with an annual influx of 1, 50,000 medical tourists. The ambitious Bengal Health City is slated to attract more medical tourists from Bangladesh, Burma, Bhutan, Vietnam, Nepal, Philippines and Cambodia.

To promote medical tourism in the State of West Bengal, a special cell has been constituted with representatives from the Department of Health & Family Welfare, AHEI, hotel association, association of tour operators and travel agents. Says Rupak Barua, Senior Office-Bearer of AHEI and Vice President (Marketing and Administration), Peerless Hospital and & BK Roy Research Centre, Kolkata, "While the hospitals hope to generate more income, the state could earn the much-valued foreign exchange through this exercise."

Apart from medical tourism and job opportunities, associated industries of medical equipment, pharma, health insurance and support services of security, laundry and catering will witness a major boom, predicts Dr Mitul Thakker, Senior Manager, Marketing, AHI. The international groups are expected to encourage shorter hospital stays with emphasis on day surgeries. "This will bring down hospital acquired infection rates as well as reduce patient expense. Reduced hospital stays and reduced cost of surgeries will reduce the premium paid to insurance companies for healthcare," says Ghosh.

Dr R V Karanjekar, CEO, Dr D Y Patil Hospital and Research Centre, Navi Mumbai, feels that Indian doctors, considered to possess the best brains and skill-set in the world, will gain more international popularity, now. "With competition the cost of healthcare services may also plunge, but not immediately
as the new hospitals have to accrue profit from the investment made," he adds.

However, apprehension prevails about the fate of the internationally-run Indian hospitals, if the chief (which will mostly be from its international office) wishes to go back to his country. "Once the foreigner at the helm wants to go back or move on to another land, it may be difficult to run processes of international standards in the Indian context, where most of us have the crab mentality," says an Indian expert. Moncure quells the fear saying, "It is the responsibility of a leader to develop a second line of leadership. So even if the leader leaves, the second-in-line should take charge and manage the show."

While the world is waking up to India's potential market, are Indian entrepreneurs lagging behind? Observes Dr Alok Roy, VP-Operations, Fortis, "It is sad that there are a few corporate hospitals in India with a pan-Indian presence. Most of the Indian corporate hospitals are catering to a niche audience in only a few urban areas." According to him, Fortis with over six hospitals in the North besides upcoming ones in Delhi, Gurgaon, Jaipur, and in the city in Punjab and Apollo Hospitals Group with international presence are the only two Indian groups that are leading the show in the corporate healthcare in the country. "With Escorts acquisition, Fortis' effort in strengthening itself in the healthcare sector continues," he quipped.

The Indian corporates are thus taking slow steps in testing the waters, as India does not have the system and processes in place and also lack in trained manpower. Major Corporates like the Tatas, Apollo Group, Fortis, Max, Reliance, Wockhardt and Piramal are making significant investments in setting up state-of-the-art private hospitals in cities like Mumbai, New Delhi, Chennai and Hyderabad. The Reliance group, which runs hospitals in Jamnagar and a trauma care unit near the Pune expressway at Lodhivali, has acquired the unfinished hospital conceptualised by late Dr Nitu Mandke.
While the international groups may make expand their empires, they will never take the lead, feel experts. Dr Vivek Desai, MD, Hosmac said, "The international group may only take about 10 to 15 per cent of the market. The boom will be driven by indigenous players."

So, while the international groups may lend much-needed standards and protocols, it is for the Indians to take it forward. Perhaps, a word of caution from Joshua might help: "Indians need to ensure that it does not commit the same mistakes that the US did with its health insurance. It should have rules and regulations in place, so that insurance industry does not hamper the growth of its healthcare market." (Express Healthcare Management Nov 2005).

Shortly after buying out the majority stake held by the Escorts group, Fortis Healthcare Ltd hopes to work in collaboration with Chief Surgeon and minority shareholder in Escorts Heart Institute and Research Centre (EHIRC), Dr Naresh Trehan, in developing Medicity, the proposed multi-crore healthcare project in Gurgaon. With Dr Trehan expressing his intention of retaining 10 per cent stake in EHIRC, Mr. Harpal Singh, Chairman of Fortis, said: "We are partners and going forward we would like to work in collaboration. Dr Trehan had clearly indicated that he believes in the new enterprise and would like to retain his stake in the company. The reason for acquiring the hospitals of the Escorts group was to consolidate our presence in the healthcare business."

Earlier, both Fortis Healthcare and Dr Trehan, in their individual capacity, had announced plans to set up large hospital complexes in the National Capital Region (NCR) with investments touching Rs 1,000 crore. Under the new management, there will not be any significant structural changes. "There could be marginal adjustments and over a period of time, we will share best practices too." Fortis has been increasing its presence in the Northern region.
Recently, it picked up the stake held by the Talwar group in Sunrise Medicare Ltd, a 50:50 joint venture promoted by the latter and Mr. Amit Burman of the Dabur group, which launched a designer birthing centre. The Talwar group is a car components manufacturer and Mercedes Benz dealer in North India. But since it wanted to focus on its auto business, it decided to disengage from the healthcare business. Meanwhile, competition in the hospital business in North India is taking place within the family. Fortis promoter Mr. Shivinder Singh is the nephew of Mr Analjit Singh, promoter of Max Healthcare. With the Escorts acquisition, Fortis will have over six hospitals in the North besides upcoming ones in Delhi, Gurgaon, Jaipur, and in a city in Punjab.

Max Healthcare, on the other hand, has four secondary care hospitals along with one large tertiary hospital in the NCR. Its expansion plans include a centre for neuroscience, a joint replacement hospital, and a facility for minor access gastrointestinal surgeries. Max has indicated that will concentrate on expanding in the NCR and adjoining areas (The Business Line September 30 2005).

All the major hospital groups such as Fortis Healthcare, Escorts Heart Institute and Apollo Hospitals are making huge investments in setting up super-specialty healthcare facilities in the country’s first Medicity.

This healthcare facility in Gurgaon, Haryana is being set up on the lines of the Dubai Health City and is expected to be the largest facility in South Asia.

Speaking to Business Line, Mr. Harpal Singh, Chairman and Managing Director, Fortis Healthcare said, "We will be investing anything between Rs. 800 crore and Rs. 1,000 crore for setting up a world-class healthcare facility."

Fortis is planning to have two hospitals catering to the domestic and international patients. Fortis is also getting into backward linkage, with the Medicity project at Gurgaon, which includes medical, pharmacy, nursing and dental college in Gurgaon along with a research laboratory. The doctors and nurses these
colleges churn out will be absorbed in Fortis' new and existing facilities,” he adds. Fortis will also set up a large facility for clinical research and pathology besides offering courses in technical areas and hospital management. "We are looking at getting into outsourcing of pathology in a big way and will have two labs, one in Mumbai and the other in Delhi," Mr. Singh added (The Business Line November 02 2004).

2.13.1 The International Entrants

2.13.1.1 Parkway Group Healthcare PTE Ltd

The group, with single-minded dedication to penetrate the Indian healthcare market is Singapore-based Parkway Group Healthcare PTE Ltd. Besides, holding 70 per cent of Singapore's healthcare market, through its chain of Gleneagles Hospital, Mt Elizabeth Hospital and East Shore Hospital, the Group holds the reins of Gleneagles Intan and Gleneagles Medical Centre in Malaysia along with Gleneagles JPMC Cardiac Centre in Brunei. The Group is known to have correct business acumen, having sold two of its hospitals in the past, when the profit margin started dipping.

Explaining why India is the Group's present focus, Joshua Goh, Vice President, International Operations, Parkway Healthcare Group PTE Ltd, Singapore, draws an analogy with China, which has a population of 1.2 billion and is the fastest growing economy. "In the mid 90s, we were pondering on establishing hospitals in China. After initial rounds of talks with the comrades, we developed cold feet when we found that the legal system of the country was not foolproof to cover all sorts of risks. We could not have afforded to take any risk with our investor's money being at stake."
The group's relationship with India goes back to mid 90's, when they were approached by the Duncan Group to set up a hospital in New Delhi. While the project did not materialize, Parkway Group was hooked onto India. The group came up with its first Indian project in November, 2003 through a JV with the Apollo Group to build the Apollo Gleneagles Hospital, a 325-bed multi-specialty hospital at a cost of USD 29 million.

From the east, the Group has now ventured westwards. They have already worked on a tie-up with AHI to take charge of their administrative processes. "We are trying to make AHI run by professional management," says he. He is vocal about his dislike about hospitals managed by medicos. "Doctors are good at making excellent clinical decision, which are to be made at the spur of the moment. They are rather autocratic in their behavior, otherwise. The approach of a professionally managed team is more participatory."

Parkway is also working on the details of entering into a JV with a corporate hospital to start a multi-specialty hospital in Mumbai soon. The initial stages of the super specialty hospital may start from the premises of the Mumbai hospital, before it flags off on its own. The Group is also looking for hospital projects in Chennai and other cities.

2.13.1.2 Pacific Healthcare Holdings

Singapore-based Pacific Healthcare Holdings is coming up with Pacific Medical Centre, an international medical centre at Jubilee Hills in Hyderabad in a JV with Vitae Healthcare Pvt Ltd, a company formed by a group of doctors, scientists, and other healthcare professionals.

According to an official of Pacific Healthcare Holdings, Singapore, the group chose Hyderabad as it is ranked as one of the top three destinations for investments in India. "Hyderabad is a dynamic city with strong
leadership. Contacts from NRI doctors within our group is also another factor," says he. In the pipeline are two more medical facilities. The Pacific Women's and Children's Hospital will be a 150-bed state of the art hospital specializing in fetal-maternal medicine, reproductive medicine, gynaecological oncology, neonatology and paediatrics. The Pacific Stem Cell Bank will provide both private and public cord blood stem cell storage facilities, which has clinical applications in the treatment of blood cancers and disorders. Asked about its other future investments, the official said, "We are continually looking for opportunities for strategic investments, alliances or JVs in new or existing markets to enhance our brand name and perceived value of our services." The other cities that the group is trying to foray are Chennai and Mumbai.

Established in 2001 in Singapore, Pacific Healthcare Holdings is one of Singapore's leading healthcare service providers formed by a group of doctors. The group provides a comprehensive range of services that includes general medical and dental care, specialist medical care, cosmetic medical and dental procedures, health profiling and diagnostic services.

2.13.1.3 Columbia Asia

Down south, a few months back, Malaysia-based Columbia Asia set up its first 75-bed hospital in Hebbal, Bangalore through the FDI route. Explaining why India was chosen, Tufan Ghosh, CEO, Columbia Asia, says, the group selects such developing markets like India to expand and operate where private healthcare is recognized by consumers and the government agencies as a necessary supplement to the public healthcare system. Moreover, where there is a presence of large and growing middle and upper middle-income groups and options for quality healthcare are relatively limited or under served, growing third party payer and health-insurance industry.
"Bangalore offers a cosmopolitan market with a number of people from all over the country, adequate purchasing power and a discerning population aware of international practices. The city has plenty of local talent in doctors, nurses and paramedical staff and pointed to an under-supply of quality community-based healthcare facilities here," elaborates Ghosh.

In the pipeline, the group has two more hospitals, once again in Bangalore: one 150-bed tertiary care facility in Yeshwantpura area and another 75-100 bed facility in south Bangalore. The group is also exploring markets in the southern and northern parts of the country.

2.13.1.4 SingHealth
SingHealth is the eastern cluster of public healthcare institutions in Singapore. It includes 3 Hospitals, 5 National Specialty Centres and a network of primary healthcare clinics.

Each year, SingHealth institutions attend to over 3 million patients. Their departments handle about 350,000 cases and perform over 170,000 surgeries annually, through a team of 12,000 dedicated and professional individuals. The turnover during 2004 was SG$ 41.315 million.

SingHealth aims to provide Medical Excellence and Genuine Care, inspired by the core shared values of Clinical Excellence, Commitment and Collaboration. The cluster provides affordable, quality healthcare that is accessible, integrated and comprehensive. As the trusted leader in healthcare with a wide spectrum of 36 specialties, they offer a wide array of medical treatment options to suit all walks of life.
Constantly evolving in order to stay at the leading edge of medicine, they benchmark against internationally recognized standards to ensure paving the way as pioneers of medical excellence.

The members of SingHealth cluster are:
- Changi General Hospital
- National Cancer Centre Singapore
- KK Women’s and Children’s Hospital
- National Dental Centre
- Singapore General Hospital
- National Heart Centre
- Polyclinics SingHealth
- National Neuroscience Institute
- Singapore National Eye Centre

(http://www.singhealth.com.sg/AboutUs/CorporateProfile/)

### 2.13.1.5 Bumrungrad International

Bumrungrad International (BI) is a public company traded on the Stock Exchange of Thailand. The majority shareholders are Bangkok Bank PCL (Thailand’s largest bank) and the Sophonpanich family, one of Thailand’s most respected business families.

- Opened 200-bed facility: September 17, 1980
- Listed on the Stock Exchange of Thailand: 1989
- Replacement facility commissioned: January 1, 1997
- Joint Commission International Accreditation: February 2, 2002

Largest Private Hospital in Southeast Asia
12 stories plus basement parking
US Hospital (NFPA) Building/Fire Standards
One million square feet
Fully licensed medical heliport
Over 900,000 patients treated per year (outpatient and inpatient)
39% are international patients from over 150 different countries
US$ 150 million turnover in 2004
US-led international management team
Over 2,600 employees
Over 700 internationally trained/certified physicians and dentists
Over 700 nurses
554 Inpatient Beds
500 Medical/Surgical/OB/Pediatrics Units
26 Adult Intensive Care Units
14 Cardiac Care (CCU) Units
9 Pediatric Intensive Care Units
5 Level III Neonatal Intensive Care Units
57 Deluxe rooms, 21 VIP Suites and 2 royal suites
24-hour Emergency care including emergency cardiac catheterization
Ambulance & Mobile Critical Care Fleet
Hospital 2000 Information System
135 clinic examination suites
Capacity: 3,000 OPD patients per day
Outpatient Surgery Center
More than 30 specialized Outpatient Centers

**Special Facilities**
2 Cardiac Catheterization Laboratories
19 Operating Theaters
MRI, CT and Lithotripsy
Nuclear Medicine
PACS Radiology
2 Cardiac Operating Theaters
Interventional Radiology
Neonatal Critical Care Transport
Radiation Therapy (Linear Accelerator)
Vitallife Wellness Center

**International Representative Offices**
Dhaka, Bangladesh
Yangon, Myanmar
Katmandu, Nepal
Ho Chi Minh City, Vietnam
Phnom Penh, Cambodia
Male, Maldives
Eschende, The Netherlands
Sydney, Australia

**Special International Services**
International Patient Services Center: interpreters, international concierge service, embassy assistance, VIP airport transfers, e-mail correspondence, international insurance coordination and international medical coordinators.

Bumrungrad Hospitality Residence: 74 Fully serviced 2-room and studio apartments connected to the hospital.
Bumrungrad Hospitality Suites: 51 fully serviced apartments with swimming pool and fitness facilities.

Bumrungrad International (BI) engages in international hospital management, consultancy services and outside investment.

**Quality & Certification**
The FIRST hospital in Asia and Thailand’s only hospital to be accredited by the US-based Joint Commission on International Accreditation (JCIA).
The FIRST private hospital in Thailand to be awarded Hospital Accreditation based on US and Canadian Standard, and the FIRST hospital in Thailand to be re-accredited.

Social Responsibility

Established in 1990, the Bumrungrad International Foundation is dedicated to helping the underprivileged in Thailand obtain access to free healthcare services. For over 15 years, the Foundation has provided over 100,000 Thais with free medical services ranging from check-up programs to heart valve replacements for children. (http://www.bumrungrad.com/htm/eng/main.asp?Filename=about/fact.htm)

2.13.2 The Major Indian Corporate Hospitals

Major Indian corporate hospitals’ profiles, overview have been taken from their respective websites and hence most of the account given below is in first person:

2.13.2.1 The Apollo Group

Apollo Hospitals Group is the acknowledged leader in bringing super specialty world-class healthcare to India.

It is presently the largest integrated healthcare company in Asia.

<table>
<thead>
<tr>
<th>Patients</th>
<th>7.4 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Number of Master Health Check-ups</td>
<td>315,000</td>
</tr>
<tr>
<td>Total Number of Employees</td>
<td>over 10000</td>
</tr>
<tr>
<td>Total Number of Surgeries</td>
<td>280,000 major + 500,000 minor</td>
</tr>
<tr>
<td>Heart Surgeries</td>
<td>48,000 - success rate of 98.5%</td>
</tr>
<tr>
<td>Service</td>
<td>Quantity</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>----------</td>
</tr>
<tr>
<td>Neuro Surgeries</td>
<td>10,538</td>
</tr>
<tr>
<td>Total Number of Renal Transplants</td>
<td>over 5000</td>
</tr>
<tr>
<td>Total Number of Beds</td>
<td>4148</td>
</tr>
<tr>
<td>Owned Beds</td>
<td>2471</td>
</tr>
<tr>
<td>Managed Beds</td>
<td>1677</td>
</tr>
<tr>
<td>Total Number of Hospitals</td>
<td>45</td>
</tr>
<tr>
<td>Owned</td>
<td>13</td>
</tr>
<tr>
<td>Managed</td>
<td>22</td>
</tr>
<tr>
<td>Total Number of Clinics</td>
<td>10</td>
</tr>
<tr>
<td>Total Number of Projects</td>
<td>37</td>
</tr>
<tr>
<td>Owned</td>
<td>4</td>
</tr>
<tr>
<td>Managed</td>
<td>33</td>
</tr>
<tr>
<td>Total Number of Pharmacies</td>
<td>70</td>
</tr>
<tr>
<td>Hospitals</td>
<td>12</td>
</tr>
<tr>
<td>Clinic</td>
<td>04</td>
</tr>
<tr>
<td>Convenios (Indian Oil Outlets)</td>
<td>12</td>
</tr>
<tr>
<td>Stand Alone</td>
<td>42</td>
</tr>
</tbody>
</table>

With a large gap between the need and availability of hospital facilities, our focus is to increase the bed capacity by about 30% every year. Major thrust fields of activities of the group consist of Hospitals and Clinics, Hospital Consultancy, Information Technology including internet based technology, Telemedicine, Education and Training, Virtual Medical University, Home Healthcare and Pharmacy Retailing.

**Healthcare Professionals:** One of the unique strengths of the group is the large pool of highly qualified and experienced specialist consultants, supported by full time doctors in over 60 departments. This pool is assisted by a dedicated team of nurses, technicians, managerial and administrative professionals - all of whom are put through vigorous and structured training...
in our own hospitals. The total strength of full time professionals and supporting staff in our own hospitals is over 10,000.

Apollo has successfully and effectively transformed a large number of establishments by coupling state-of-the-art infrastructure and technology with management control systems to deliver international quality patient care.

By usage of patient friendly protocols (customized to every specific facility), development of Information Technology through our own experience, Telemedicine and MIS, we ensure the delivery of highest standards of medical care in the hospitals managed by us.

It is because of these inherent strengths, Apollo has been able to replicate tertiary care facilities with a minimal gestation period. Apollo Hospitals, New Delhi amply demonstrates this strength. In the very first year of operations, Apollo Hospitals, New Delhi performed about 1500 open heart procedures (out of over 15,000 surgeries) with a success rate of 98.5%.

This probably qualifies to be the best performance by any healthcare institute in the world in its first year of operations. Our ability to source and select international standard manpower, implement effective systems, train personnel scientifically and create functionally cohesive teams in new environments are strengths which few others could match.

**First Multi Organ Transplant:** The lists of medical successes bear testimony to our commitment to quality healthcare. A number of landmarks have been achieved including the successful performance of India’s first multi organ transplant in 1997.

**Treating Patients across the Globe:** Apart from Indian patients we receive a large number of Pediatric cases for advance therapeutic procedures in Pediatric cardiology & cardiac surgery, Neurosurgery, Nephrology, Urology, Orthopedics and Oncology from Africa, Middle East, Pakistan, Bangladesh and Sri Lanka.
Corporate Information: Apollo Hospitals Enterprises Limited’s turnover over the last 4 years has improved from US $ 13.22 mn. to US $ 55 mn., indicating a compounded annual growth rate of 42.81% p.a. In spite of severe competition AHEL Operating Profit Margin (OPM) and Net Profit Margin (NPM) have been above the industry average and in the year 1999-2000, OPM and NPM worked out to 25.63% and 9.98 % respectively as against industry average of 20% and 4% respectively (http://www.apollohospitalgroup.com/the_apollo_group.htm).

2.13.2.2 The Fortis Group

Fortis Healthcare and SRL-Ranbaxy are healthcare companies, established by the promoters of Ranbaxy Laboratories, the largest Indian pharmaceutical company with over $1 billion in revenues and a product line in over a 100 countries with a ground presence in 44.

Fortis Healthcare Ltd.: Fortis has a vision to set up a network of world-class super specialty hospitals linked with a larger network of multi-specialty hospitals to provide high quality healthcare to the people of India, through a hub and spoke model.

Fortis hospitals are benchmarked to international standards and in the cardiac area are affiliated with the Partners Healthcare System of USA, one of the largest health delivery networks in the US, consisting of world renowned hospitals like the Massachusetts General Hospital, Brigham & Women's Hospital and the Dana Farber's Cancer Centre.

In line with its growth strategy and with the recent acquisition of the Escorts Healthcare System, Fortis has brought within its fold an additional set of 4 hospitals in the North of India (Escorts Hospital-Amritsar, New Delhi, Faridabad and Raipur) taking its total operational hospital strength
to 10 hospitals. With a bed capacity of over 1,600 beds the group has established itself as the leading healthcare provider in North India. The Fortis Group has progressive plans to change the healthcare delivery landscape in India by being the premier healthcare provider in the region driven by quality and most importantly "patient-centricity".

**Under Execution:** A Fortis Hospital at Shalimar Bagh in North West Delhi. It will be a 500 bed hospital with centres of excellence in Cardiac Sciences, Gastro-intestinal, Renal, Genito-Urinary diseases, Orthopaedics and Neurology.

- A 150-bed hospital in South Delhi - focused on providing high-end tertiary services in Cardiac Sciences, Diabetes and Renal Diseases.
- A 150-bed hospital as a premium multi-specialty facility with a strong focus on day care services located in Central/South Delhi.
- A 1,200-bed facility in Gurgaon, designed to treat international patients across a range of specialties making the region a hub for patients coming from other states or countries. This facility will also house research and development services and will actively engage in the promotion of India as a destination for the delivery of quality healthcare services to the world.
- A 500 bed facility in Gurgaon addressing the needs of domestic patients across a wide range of specialties at the secondary and tertiary levels. It will have an attached medical college providing the much needed impetus into Medical Education.
- Fortis is actively pursuing opportunities to enter all other major metropolitan cities of the country. Bangalore, Hyderabad and Mumbai are some of the cities that are actively being targeted for entry in the near future. Our vision is to take the Fortis Delivery model to other countries in the not too distant future.

**SRL-Ranbaxy Limited:** SRL was set up in 1997 and established India's First Central Clinical Reference Lab in Mumbai. It was established with the

- 115 -
objective of providing cost effective, diagnostically incisive, world-class medical laboratory services in India.

Today, SRL-Ranbaxy is South East Asia’s largest Clinical Reference Laboratory, and has successfully conducted over 25 million tests for patients in India, South Asia and the UAE. It has recently commenced servicing a large private hospital group in the UK through outsourced pathology services. Samples are flown out from the UK and post testing in India, the results are electronically communicated over a USFDA compliant IT network.

In India, SRL-Ranbaxy has established a network comprising of one central clinical reference laboratory, 16 satellite laboratories and 500 collection centres. Through this network, it supports over 25,000 doctors, 650 hospitals and close to 1,000 smaller Pathology Labs in 350 towns, across the country.

With the use of over 95 technologies, including the latest cutting-edge inventions and processes, SRL-Ranbaxy offers complete range of over 3,000 clinical laboratory tests for the screening, diagnosis and monitoring of every conceivable disease or metabolic disorder.

Having successfully rendered services for Phase II and III Clinical Trials, there has been a constant demand for SRL to cover other components of the Drug Development process, primarily Phase I studies and Bioequivalence work, including Bioanalysis and Pharmacokinetic samples.

SRL Ranbaxy's commitment to quality assurance is endorsed by the fact that it is India's first CAP (College of American Pathologists) and NABL (National Accreditation Board for Testing and Calibration Laboratories) accredited laboratory and also follows ISO/IEC 17025 standards. The QA/QC and technical standard operating procedures and guidelines meet the benchmarks set by:

- NCCLS (National Committee for Clinical Laboratory Standards, USA)
- CLIA
- GCP and GLP
- WHO and CDC

SRL-Ranbaxy seeks to, not only, retain its dominant position in India but also to substantially expand its overseas operations.

**Healthcare:** Fortis Healthcare is engaged in providing the latest in internationally recognised medical care to patients with a variety of ailments and medical conditions. Our Network consists of Super Specialty Hospital Hubs that concentrate on one or more specialties. These hospitals are interconnected to a larger network of multi-specialty hospitals that ensures patient access to expert care for any specialty. This unique network architecture provides expert care to our patients and a level of confidence in receiving the latest medicine has to offer (http://www.fortishealthcare.com/about_fortis/about_us/fortis_group.html).

### 2.13.2.3 Max Group

Founded in 1985, Max India Limited is a Public Limited company listed in the NSE and BSE with over 37,000 shareholders. Prominent shareholders are Mr. Analjit Singh & family and private equity firm Warburg Pincus, while the remaining shares are held by Institutional Investors and the Public. Max India Limited is a multi-business corporate, driven by the spirit of Enterprise, focused on Knowledge, People and Service oriented businesses of Healthcare and Life Insurance. Max also maintains interests in:

- Clinical Research (Neeman Medical International)
- Specialty Plastic Products businesses (Max Speciality Products)
- Healthcare Staffing (Max HealthStaff)
- Telecom services (Hutchison Max Telecom Ltd.)

Max New York Life Insurance, founded as a Joint Venture between Max India Limited and New York Life, a Fortune 100 company, is one of the leading private life insurers in India.
**Max Healthcare**, a subsidiary of Max India Limited is India's first provider of comprehensive, standardized, seamless, and integrated world-class healthcare services.

MAX healthcare is India's first truly integrated healthcare system, offering three levels of clinical service (Primary, Secondary, Tertiary) within one system.

We believe in the concept of total patient care and deliver care by combining medical and service excellence. Max healthcare is committed to quality care that not only addresses the illness but also concentrates on the overall wellness of the patients.

**Salient Features**
A team of highly qualified and trained doctors, nurses and patient care personnel to provide the highest standards of care.

- Latest medical equipment and hospital information system.
- Medical collaboration with Singapore General Hospital in areas of medical practices, research and training.
- Over 400 leading doctors, 280 corporate clients and a patient base in excess of 1,70,000.
- Clean and comfortable facilities at all locations.
- Ensuring availability of your records at the touch of a button at our facilities.
- Regular educational and health camps to help educate patients on various health issues, so that they make informed choices.
- Max Happy Family Plan- Annual Health Plans covering domiciliary medical needs.
• A complete preventive healthcare programme - MAX 360°.
• 24 Hour Emergency

Comprehensive Healthcare System
Max Healthcare model visualizes setting up of a world-class healthcare model offering the best medical assistance delivered seamlessly through state-of-the-art medical facilities at:

Primary level
Dr Max™ Clinics

Secondary level
Secondary Care Hospitals & Max Medcentre™ Nursing Home + Diagnostics

Tertiary level
Max Multi-Specialty Hospital

Dr Max™ Clinics: These are conveniently located neighborhood clinics. The services at Dr Max™ clinics are designed to support and supplement the service of regular family physicians. Dr. Max Clinic is situated at GK-I (South Delhi). There are plans to launch several Dr. Max Clinics over the next two years. Dr Max Clinics™ are also replicated as Dr Max™ Implants; these are dedicated primary care centers in institutions like factories, office buildings, schools, etc. They cater to the captive clientele offered by these locations. At present, Dr Max™ Implants are at EXL Services, Wipro Spectramind, National Highways Authority of India (NHAI), Japanese Embassy and India Habitat Centre.

Secondary Care Hospitals & Max Medcentre™ Nursing Home + Diagnostics: These are conveniently located facilities offering specialist consultations and a complete range of Diagnostics including:
• In-Patient Stay
• Maternity Services Surgery & Procedures including minimally invasive surgery (MIS)
• Doctor consultation in all specialties
• Preventive Health Programmes
• Chronic Care Programmes in Diabetes, Asthma, Arthritis and Hypertension
• Diagnostics
• Dentistry
These are situated at Pitampura (North Delhi), Panchsheel Park (South Delhi) and Noida.

Tertiary Care - Max Devki Devi Heart & Vascular Institute: This is Max Healthcare's state-of-the-art tertiary care Hospital at Saket, New Delhi (http://www.maxhealthcare.in/corporates/about_max.html).

2.13.2.4 Wockhardt

Wockhardt is amongst the leading pharmaceutical and biotechnology companies based out of India, with a market capitalization of $ 1.2 billion. With a strong Global footprint, today almost 60% of Wockhardt’s turnover comes out of International markets, most of it from Europe and the US.

Wockhardt Hospitals Limited is a chain of specialty hospitals in India under the Wockhardt Group. With over a decade of experience since inception, Wockhardt Hospitals is committed to provide you with the best medical services in the country and is known for offering a comprehensive and world-class care. It has all the assets that make it the best, in-fact one of the foremost hospitals in the country.

As a hospital, all our efforts are dedicated and committed to the creation of patient value. At Wockhardt, we are convinced that a judicious blend of technology, clinical expertise and personalized care applied in the context of achieving patient satisfaction can make our pursuit of excellence in health care highly rewarding.

Wockhardt Hospitals, India, currently operates the Wockhardt Hospital & Heart Institute, Bangalore, Wockhardt Hospital & Kidney Institute, Kolkata and Wockhardt Hospitals, Mumbai. Since then, these hospitals have become centres of excellence in their respective fields, and draw patients not only from their cities, but also from surrounding states and even

- 120 -
neighbouring countries. Wockhardt Hospital is planning to set up additional five super-specialty hospitals in the next three years, of which three will be at Mumbai and one at Bangalore. All these will have modern and world-class facilities.

**Wockhardt Hospital & Heart Institute Bangalore** In 1989, Wockhardt Ltd. instituted a dedicated super-specialty cardiac hospital in the south Indian city of Bangalore, christened - Wockhardt Hospital & Heart Institute, with a focus to excel in the field of cardiology and cardiovascular surgery. Since inception, we have grown to become a renowned tertiary level heart centre providing cardiac care to patients of all age group including infants.

A long standing reputation, for cardiovascular excellence along with premier diagnostic and therapeutic capabilities, enable us to treat the most complex and high risk cardiac patients. This has resulted in our institution being recognized amongst the best heart hospitals in India and a treatment destination for cardiac patients from neighboring countries. The number of cardiac surgeries, angioplasties and coronary angiograms performed each year and the commitment to provide highest quality of cardiac care with compassion and concern for each patient's well being has earned us the recognition of being a 'Centre of Excellence' in cardiac care.

The services include both invasive and non-invasive procedures along with all necessary diagnostic facilities. Wockhardt Hospital & Heart Institute is ranked amongst the very best heart Institutes in India and over the years has performed several thousand successful cardiac surgeries and over a thousand angioplasties. This centre is also tied-up with five major medical insurance companies and with some of the premier heart institutes of the world.

**Wockhardt Hospital & Kidney Institute Kolkata** The Kolkata centre has expanded in a big way with the creation of the Wockhardt Hospital &
Kidney Institute - a 70 bedded dedicated Urology super-specialty hospital specialized in handing personalized day-care health services in Urology, Gastro-Enterology and Ophthalmology.

Being one of its kind in Eastern India, the centre offers several comprehensive health check-up packages meeting various needs of individuals and corporates. It also focuses on invasive and non-invasive surgery including Lithotripsy, Renal Transplantation, Open Renal and GI Surgery. Some of the facilities available are Lithotripsy, PCNL, URS/URSLC and Laparoscopic Surgery among many more.

**Wockhardt Hospitals Mumbai** Wockhardt has associated with Harvard Medical International, USA, to bring you Wockhardt Hospitals, Mumbai. Wockhardt joined hands with the Government of Maharashtra to set up a 250 - bedded super-specialty hospital in Mumbai, with state-of-the-art surgical and medicare facilities. Wockhardt will hold 51 percent of the joint venture equity and the Government of Maharashtra with the funding assistance of the World Bank will hold 49 percent.

Wockhardt Hospitals, Mumbai, is equipped with five different super-specialty focused hospitals, to offer you a comprehensive and world-class care, all under one roof.

**Wockhardt Heart Hospital** This hospital vows to offer you the best of cardiac care, with an excellent clinical record of highly qualified and expert cardiac surgeons. It also has interventional cardiologists with an international collective experience of more than 10,000 cardiothoracic surgeries, 25,000 Angiograms and 8,000 Angioplasties. The hospital is equipped with Cardiothoracic OT, Cardiac Catheterisation Lab, well-equipped ICCU facility, all designed to meet the international standards.
Wockhardt Brain & Spine Hospital This hospital provides extensive medical and surgical care for patients with disorders of the brain, spinal cord and peripheral nervous system. The neurologists and neurosurgeons are backed by the most extensive neuro-diagnostic and imaging facilities including MRI and CT technology. Along with providing general diagnostic x-ray imaging, Wockhardt Brain and Spine Hospital offers you a magnitude of imaging services like EEG, EMG, Sensation 10 CT Scanner, Functional MRI with Spectroscopy, OPMI Multivision etc.

Wockhardt Bone & Joint Hospital This hospital specializes in all types of musculoskeletal problems ranging from trauma to minimal invasive arthroscopy. The hospital will have speciality clinics for trauma, arthritis, pain management and osteoporosis. The clinical team is also specialized in joint replacement surgery, ligament repair, knee & spine surgery, arthroscopy surgery, minimum access joint surgery, pediatric bone and joint surgeries and sports medicine.

Wockhardt Eye Hospital This hospital is poised to be the leading centre for ophthalmology in Mumbai. It has specialty clinics in cornea, glaucoma, vitreo-retina and retinovascular, uveitis, squint, orbital diseases and oculoplasty, cataract & intra-ocular surgery, diabetic retinopathy and neuro-ophthalmology. The latest treatments and technology available in the hospital are OCTIII, IOL Master, FF 450 Fundus Camera, Millenium Micro Surgical System, SP-2000P Non-Contact Specular Microscope, Corneal Topography and Y.A.G. Laser.

Wockhardt Minimal Access Surgery Hospital To minimize surgical trauma, pain and blood loss to the patients, the hospital is focusing more on the Minimal Access Surgery. Also known as keyhole or band-aid surgery, it has been used for several years as an alternative to traditional open-surgery. The hospital will provide excellent services in minimal
access surgery in the areas of neuro-surgery, abdomen, thoracic, bone & joint, pulmonary and ENT.

Milestones

- The 1st Hospital in India to perform Minimally Invasive Coronary Artery Bypass surgery.
- The 2nd Hospital in India to have a dedicated Department of Electrophysiology.
- The 1st Single specialty dedicated Heart Centre in South India.
- The 1st Corporate Hospitals to cross 1000 Open Heart surgeries in Karnataka and now having performed over 7800 Cardiac surgeries.
- The 1st Hospital to perform Intra-Coronary Stent Implantation, Mitral Valvuloplasty, Rotablator, Coil Closure for Ductus & Internal Carotid Angioplasty in Karnataka.
- The 1st Corporate Hospital to introduce Primary Angioplasty & Intra Coronary Ultrasound facilities in Karnataka.
- Pioneered Stone Management and Key Hole surgery in Eastern India and Bangladesh.
- The 1st Hospital in India to perform Vertebral Artery Angioplasty.
- The 1st Hospital in India to launch an Emergency Cardiacare services through "The Wockhardt Cardiac Line."
- The 1st Hospital in South Asia to be recognized by the American BlueCross BlueShield Association on their worldwide network of participating hospitals.

International Alliances

A trusted name in Healthcare, Wockhardt Hospitals treat patients from all over South Asia, South East Asia, the Middle East and Africa. A significant endorsement for Wockhardt Hospitals is its tie-up with many global health insurance giants. Wockhardt Hospitals
is the first recognized hospital in South Asia on the worldwide panel of BlueCross BlueShield, the largest provider of health insurance in USA.

The list of global tie-ups is:

- Blue Cross & Blue Shield Association, USA
- SOS International Inc. Singapore
- Global Emergency Services Inc. USA
- BUPA, UK
- MEDEX Inc. USA
- Global Medicine Management Inc. USA
- Assist America Inc. USA
- GESA Assistance, Singapore

**Ethics Committee**

The Wockhardt hospitals Ethics Committee comprises of a multidisciplinary group of individuals who oversee development of policy, training and monitoring of issues of ethical nature, which are applicable to the hospital. The broad functions of this committee are to:

Provide consultation concerning questions of an ethical nature to health care workers, administrators, patients, or their representatives.

Educate health care professionals, administrators, other hospital staff, and the community about ethical issues that arise in health care and ways to resolve ethical dilemmas.

Participate in the proactive development, review and revision of the ethical dimensions of institutional policies (clinical and organizational).
2.13.3 Private Sector Healthcare perception glimpse

The private sector is preferred in Andhra Pradesh, India:

A study of consumer and producer attitudes was conducted in six districts in the southern Indian state of Andhra Pradesh. The study included 72 in-depth interviews and 24 focus groups.

<table>
<thead>
<tr>
<th>Exhibit 2.1: Study of consumer and producer attitudes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ATTITUDES OF DOCTORS</strong></td>
</tr>
<tr>
<td>Private</td>
</tr>
<tr>
<td>&quot;They speak well, inquire about our health.&quot;</td>
</tr>
<tr>
<td>&quot;Ask about everything from A to Z.&quot;</td>
</tr>
<tr>
<td>&quot;Look after everyone equally.&quot;</td>
</tr>
<tr>
<td>&quot;They take money... so give powerful medicine. ... treat better.&quot;</td>
</tr>
<tr>
<td>Public</td>
</tr>
<tr>
<td>&quot;Does not talk to me, does not bother (about my feelings or the details of my problems).&quot;</td>
</tr>
<tr>
<td>&quot;Don't tell us what the problem is, first check, give us medicines and ask us to go.&quot;</td>
</tr>
<tr>
<td>&quot;They are supposed to give us Rs. 1000 and 15 kg of rice for family planning operations; they give us Rs. 500 and 10 kg rice and make us run around for the rest.&quot;</td>
</tr>
<tr>
<td>&quot;Anyhow they will get their money so they don't pay much attention.&quot;</td>
</tr>
<tr>
<td><strong>CONVENIENCE</strong></td>
</tr>
<tr>
<td>Private</td>
</tr>
<tr>
<td>&quot;Treat us quickly...&quot;</td>
</tr>
<tr>
<td>&quot;We spend money but get cured Faster.&quot;</td>
</tr>
<tr>
<td>&quot;I know Mr. Reddy. He is a Government doctor but I go to him in the evening.&quot;</td>
</tr>
<tr>
<td>&quot;Can delay payment by 5–10 days. He is OK with that, he stays in the village itself.&quot;</td>
</tr>
<tr>
<td>Public</td>
</tr>
<tr>
<td>&quot;Do not attend to us immediately.&quot;</td>
</tr>
<tr>
<td>&quot;Have to stand in line for everything.&quot;</td>
</tr>
<tr>
<td>&quot;Doctor is there from 9 a.m. to 4 p.m.—when we need to go to work.&quot;</td>
</tr>
<tr>
<td>&quot;I have not been there, but seeing the surroundings... I don't feel like going.&quot;</td>
</tr>
<tr>
<td><strong>COST</strong></td>
</tr>
<tr>
<td>Private</td>
</tr>
<tr>
<td>&quot;Recent expenses came to Rs. 500 for 3 days... had to shell out money immediately.&quot;</td>
</tr>
<tr>
<td>&quot;We have to be prepared to pay; you never know how much it is going to cost you.&quot;</td>
</tr>
<tr>
<td>Public</td>
</tr>
<tr>
<td>&quot;While coming out, compounders ask us for 10–20 Rs.&quot;</td>
</tr>
<tr>
<td>&quot;Anyhow, we have to buy medicines from outside.&quot;</td>
</tr>
<tr>
<td><strong>ADVANTAGES</strong></td>
</tr>
<tr>
<td>Private</td>
</tr>
<tr>
<td>&quot;Even if I have to take a loan I will go to private place, they treat well.&quot;</td>
</tr>
<tr>
<td>Public</td>
</tr>
<tr>
<td>&quot;Malaria treatment—they come, examine blood, give tablets.&quot;</td>
</tr>
<tr>
<td>&quot;For family planning operations.&quot;</td>
</tr>
<tr>
<td>&quot;Polio drops.&quot;</td>
</tr>
<tr>
<td>&quot;In case I do not get cured in private hospital, but it is very rare.&quot;</td>
</tr>
</tbody>
</table>

2.14 Marketing Healthcare

Corporate healthcare delivery, or the provision of healthcare services by private “for-profit” hospitals, first started in India in the early 1980s with the inception of Apollo Hospital at Chennai. Since then, in the last two decades, Apollo has virtually dominated the private healthcare scene. The only challenge it faced was from Wockhardt and the Escorts Group.

However, the last one year or so, healthcare has witnessed intense corporate activity as a result of which new players are making a foray while the existing ones are beefing up their infrastructure. Escorts have reportedly converted their highly profitable “non-profit” Heart Institute in Delhi to a “for-profit” model recently. Wockhardt has undertaken a fairly large growth initiative. New corporates such as Max, Fortis and Piramals, have entered the scene. Others, such as Reliance, Videocon and the Aditya Birla Group, have or are making an entry, initially through the “non-profit” route (Express Healthcare Management Jan 2002).

In today’s age, every consumer wants to be served according to his or her unique and individual needs. Organisations have also geared up to provide customised solutions, tailoring their services/products based on actual customer preferences, rather than on generalised assumptions. Hence all the businesses are exploiting the information systems and technology to accumulate huge amounts of customer data, as they understand that the knowledge in these huge databases is important to gain competitive advantage and support various organisational decisions. There is a great need of a well-defined, simple but integrated system to extract the knowledge of the customers from these huge databases and then to apply this knowledge for making various critical decisions, particularly marketing decisions (Express Healthcare Management Oct 2005).

India is witnessing an era where new hospitals are being built at a pace like never before. There are exciting challenges that these hospitals are facing while
they are being commissioned. One daunting task that every hospital, new or old, small or big, is facing today is the task of marketing itself.

“I have spoken to countless doctors, who own hospitals, about their marketing strategies” (Express Healthcare Management Feb 2006).

It is rather unfortunate that almost all these doctors had a dismal marketing strategy, if indeed they had one. For the most part, they were not even aware that a marketing strategy needs to be crafted. What pains me is the fact that millions are spent upon creating a product called a hospital and so little is done to promote them in a professional manner. The people who offer these products are very well trained in their profession. But what is pitiable is the way this product called ‘hospital’ is packaged and marketed. Here is a glimpse as to how the hospitals are marketed:

2.14.1 Referrals

There is an attempt from hospitals to generate referrals from the Registered Medical Practitioners (RMPs). The hospitals appoint Public Relation Officers (PROs) for the purpose. The job of the PRO is to visit these RMPs every day and ‘lure’ them into referring patients. This is a bad marketing strategy. The simple reason being that once a hospital starts indulging in what is called ‘cut practice’, its competitors will not be far behind to follow suit. They want to lure the RMP with more money. The RMP becomes a pursued commodity who has to be won over at any cost. Commissions, free gifts, dinner and liquor are offered on a platter to the RMP sitting in a shady clinic in the outskirts of the city or in the villages. It is not legal to offer commissions for soliciting patients, yet the cut practice is rampant.

Coming back to the RMP, all of a sudden, he is made to feel very important. He has discovered a way to make a quick buck. All he has to do is coax a patient to get surgery done (even if it is not required). Once the patient consents, the RMP
rushes to the town to bargain for the 'best price' for his newly acquired scapegoat.

Now, looking at the strategic business implications of this strategy of alluring RMPs, the hospitals have dug a grave for themselves. All of them are dependent on outsourcing patients. The source that they depend upon is greedy and has no loyalty. Whatever anyone might say, hospitals have ended up on the losing side of the bargain and the RMPs have pulled the tide in their favor. The profit margins are going down even as I am writing this article. The naïve hospital owners have shot themselves in the foot (Express Healthcare Management Feb 2006).

2.14.2 Lowering Prices

This is another amateur business strategy. The logic goes- 'We are both physicians with same skills and if I offer my services at a lower price, I will get more clients.' Why do not the multi nationals learn from these new-found strategists? Why does not Pepsi reduce the price of its bottle by Rs. 2 and spell doomsday for Coke? Going by the same logic, Sony can overthrow Samsung in a month.

Thinking the other way round, why does Pepsi not lower its prices? It is because if Pepsi starts this trend, the competitor will follow suit. Do you think Coke will stay silent if Pepsi reduces the price of its 300 ml bottle by Rs. 2? Of course not, as has already been witnessed in the past in the (in)famous Cola wars but now they have made amends and are demonstrating price parity. Similar wars have been fought between Times of India and The Hindustan Times with exactly the same results and post effects. The result invariably is that both the players have shrunken profit margins. This may further result in compromising the quality of both the products.
It does make sense if Apollo hospital charges more for a normal delivery than a small town clinic where only one MBBS doctor sits. That is justifiable. But two similar competitors indulging in a price war and shrinking each others’ margins is sheer foolhardy. This brings us to the million rupee question called how to market a hospital in a professional and ethical way?

To answer this question in a very brief way, here are some tips (Express Healthcare Management Feb 2006):

2.14.3 Being Unique

The phrase ‘Differentiation’ or USP [Unique Selling Proposition] helps here. Being original, being genuine and being different. Without imitating what the others are doing. Anyways, who will buy a cheap imitation when the original is already available? There are a lot of creative ways to be different. The hospital could be the most experienced. The hospital could have the best technology. The hospital could also be the most reliable. The hospital could be doing the same procedures differently.

Whatever the differentiation stance, it will work as long as it is authentic and well communicated to the target market. Communicating the marketing stance is yet another big topic. Yet the basic policy is not to copy someone else’s uniqueness or not cutting the fees to be different.

2.14.4 Customer Relationship Management

CRM or Customer Relationship Management as it called is a very important tool to retain customers and to make sure that the word of mouth publicity is ensured for the long term.

It is a well known fact that if we retain our existing customers and make sure they buy from us again and again we can increase our business by 10 to 30 per cent.
It is cheaper to retain existing customers than to find new ones. Loyal customer will recommend the place to others. The hospital may find their friends, neighbors and relatives coming over a period of time. Perhaps, it would be advisable to appoint a PSO [Patient Service Officer] rather than a PRO.

Essentially, a CRM would include systems of staying in regular touch with the customers. It is desirable to regularly send them cards, gifts, etc. It will also include inducing the past patients to participate in activities being carried out by your hospital for social causes. Having feedback forms filled during the discharge hour of the patient is one useful CRM exercise. Suggestion boxes and patient satisfaction surveys can also be used.

2.14.5 Core Competencies

It is advisable not to try to be many things for many people. To extend the logic it is better not to be many things for the same set of people. If it is a famous orthopaedic hospital, it is useful to stay with that. It is worthless to fall into the trap of adding gynaecology or skin specialty. Yes one can get better and better in orthopaedics. No harm in that. But it is foolhardy to play with the existing brand image by making it too confusing for the target market to understand.

Why MacDonald's is not selling potato parathas? They can try to sell pizzas, but who will eat a pizza at MacDonald's when Pizza hut is specialist Pizza chain? "Stick to the knitting" is the core mantra as set out by Tom Peters. To illustrate the point, let's consider the emergence of organisational capability as a dominant paradigm. In 1988, C. K. Prahlad wrote an article in the Harvard Business Review called 'Core competence'. He indicated that core competence is what a company does best, based upon what it knows best. He used Honda as an example of a company that identified its core competence (internal combustion engines) and built an entire enterprise around that core technological capability. Prahlad popularized the concept of core competence which supplements Peters' mantra.
Mindless diversifications have always failed even the mega corporations. They had to resort to divestment or restructuring even to exist and sustain while most of them have perished.

Strategy is a long term proposition. So the results can not be instant. It will take time and perseverance. But then the old saying goes ‘Good happens to those with patience.’

The sooner the light dawns on this critical aspect of business, namely marketing and business strategies, the better it will be for the healthcare industry (Express Healthcare Management Feb 2006).

2.15 Health Insurance

Around 70 per cent of India’s population lives in villages. Of this, less than 2 per cent are insured. Though the rural health insurance market is huge, it has so far remained untapped. Recently, IRDA has constituted a committee to chalk out a plan for spreading health insurance in rural areas. Various Micro-Health insurance schemes are to be studied. Around 25 such schemes are run in rural India, most of them attached to Micro-Finance Institutions.

Says a member of the committee, “The aim of this committee will be to look at public-private partnership of micro health insurance, designing products specifically for rural areas, ways to collect premium at low cost and settle claims at low cost, micro-financing for health, strategies for encouraging large scale enrollment of rural population for health insurance and address the various hurdles in providing efficient service delivery.”

Says a member of the committee, "IRDA feels that insurance companies now need to focus on health as the business that comes from the health portfolio from rural areas is negligible. Various schemes such as Yeshaswini, and Healing Fields will be studied. These schemes are very different from each other. Their
positive aspects will be taken while caution will be taken to ensure that their shortcomings are not repeated while replicating them on a larger scale."

Says Mukti Bosco, Secretary General of Healing Fields Foundation, an NGO involved with running the Healing Fields Insurance scheme, “Micro-Finance Groups are already over burdened with credit and interest tasks and have plans to enter savings. If we expect them to take on selling and servicing micro health insurance too, then it will be difficult for them. Health insurance catering to rural areas has to be low priced, efficiently managed by health management experts and has to be a homogenous Group policy to make it viable."

Lack of awareness about various schemes has been one of the hindrances in spreading rural health insurance. “If the government wishes to cover the population for lessening debt burden and to reduce poverty, then the insurance policy should cover common illnesses for which people take loans. So, a major issue to be addressed by the panel is what aspects of health should be insured under the policy and how will it be run?” she adds (Express Healthcare Management Jan 2006).

2.16 Hospital Architecture

The work on the interior design of a new hospital begins, or rather should begin, with the architectural concepts in the early design stage and end with the owners taking over the building. In a commercial or residential building, the promoter just builds and sells or leases shell space and the buyer or the tenant fits out the interior. Not so in the case of a hospital. It has to be fitted out before it is made operational. Sadly, however, hospitals are remiss?? in this respect. Not much attention is paid to interior design and furnishings until long after the hospital building is completed.
It was not until recently that the need for interior design, much less the hiring of a professional interior designer, was considered important to the effective functioning of the hospital. Those were the days when it was commonplace to refer to a sterile, dull-looking building as ‘looking like a hospital’. In the prevailing attitude towards interior design in healthcare institutions, engaging the services of an interior designer was out of the question. So, hospitals asked the supplier of equipment and furniture to ‘decorate the hospital’ or provide their own interior design services.

All this while, great changes were taking place in the field of building hospitals and in the attitude of people towards healthcare. Advancements in medical technology, newer and sophisticated equipment and, more importantly, the realisation that hospitals should be built not only to cure mankind’s physical and mental ills, but also to meet patient’s emotional and aesthetic needs brought about dramatic changes in building healthcare facilities. A growing efficiency was witnessed in constructing hospital buildings to meet these new challenges. Modern medical science also recognises that attractive surroundings have a positive therapeutic effect on the patient. On the contrary, a room in which the walls are peeled and the furniture chipped may have a negative impact. It is believed to lessen the patient’s ambition to get well and thereby lengthen convalescence. It was rightly felt therefore that a hospital couldn’t be built without highly skilled professional architects and engineers, nor should its interior be designed without skilled interior designers (Express Healthcare Management Dec 2005).

Businesses realise that the first thing that ever gets sold is the salesperson. Product always comes next. It is, therefore, not surprising to see to what lengths businesses go in order to “package” themselves, their front office staff and “sales personnel” attractively. One important aspect of an organisation’s business look is how its employees dress – “business or professional dressing” as it is called. In the hospital set-up, cleanliness is a vital element in providing high quality medical
care. And neatly dressed employees in fresh, neat uniforms not only lend a
therapeutic and aesthetic touch but also do much to market the hospital.

Of the many big and small things and activities that go to build or enhance a
hospital's public image, the one that is very relevant to our topic of interior design
is graphic or visual art. Graphic design is the applied art of arranging image and
text to communicate a message. The image of the hospital that patients and
visitors carry with them out of the hospital depends, among other things, on the
hospital graphics. Signs, symbols, directories, and room identification play an
important visual part. Good architectural graphics have assumed great
significance in the context of increasing size and complexity of our modern
structures. Take, for instance, a large airport building which depends on clear
and attractive graphic displays to make the spaces work. Any one can follow the
signs and reach his or her destination. Finding rooms on large hotel floors is
made easy by room numbers and effective signs. (For example, Rooms 315 –
325 >>>). So also the floor numbers right in front as one gets off the elevator. But
then, hospital is a more complex and bewildering place especially to those who
are sick in body and mind.

Two types of graphics are of importance to the designer. They are the directional
graphics or the signage system, and the printed matter including hospital logo.

A mass of information must be transmitted visually to patients, visitors and
personnel so that time and motion are not wasted. A signing programme
produces these directional signs both inside and outside the hospital (Express

A corporate logo is a component of a brand identity. The shape, colour, typeface,
etc of a company’s logo should be distinctly different from the logos of other
organisations in a similar market. The most effective logos should be
recognisable instantly and evoke some sort of emotional response. “Logos and
other organisational symbols are like a kind of flypaper to which associations get stuck,” said one expert.

The work of legendary designer Paul Rand – considered the father of corporate identity – has been seminal in launching this field. All the same, he said it is the organisation that ‘makes’ the logo. “A designer ‘designs’ the logo. But the organisation ‘makes’ the logo,” he said, signifying the organisation’s philosophy that goes into it. Logo gurus feel that logos should have four important attributes: (a) Recognisable, yet unusual (b) Simple, yet rich (c) Contemporary, yet timeless, and (d) Memorable, yet appropriate.

A Mother and Child Hospital’s logo is imprinted on a T-shirt that the hospital gives to all mothers-to-be who come to the antenatal clinic. It says: “When I go into labour, take me to Mercy Hospital.” The hospital gives a baby T-shirt to every baby born in the hospital that proudly says: “Special Delivery. I was born at Mercy Hospital” or “I am a Mercy Hospital Baby.” A hospital whose emergency department enjoys a high professional and market profile gives to every patient on discharge a stuffed teddy bear, bunny or panda to take home and strategically place it by their telephone. On it is the logo of the hospital and the words: “We are at your service 24 hours. Please call us: Emergency: 305 772 6000 St. Martin’s Hospital.”

Nearer to home, logos of Jaslok Hospital, Apollo Hospital and Escorts Heart Hospital may be rated among the best.

Graphic design and the logo should be thought through early in the design stage. This will enable the graphic designer to participate in the total concept. Too often, hospitals make the grievous mistake of putting off this important work to a later time, and realize that at the time the graphics and the logo are needed, it is too late to develop them.
Inpatients spend 24 hours of the day in their rooms. For them hospital is their temporary home. Since tastes differ and what one patient likes another may not, muted pastels are recommended. The colours that should be avoided in patient rooms are bright blues, soft purples, lavender tones, bright yellows or strong, definite colours of any kind. On the other hand, melon green, dusty rose, rose tone, aqua, pecan gray and honey yellow have been used with a great deal of success (Express Healthcare Management Feb 2006).

2.17 Professional Consultancy Services

In 1998, while working together on a hospital project at Surat, cardio-thoracic surgeon Dr Ramakant Panda offered Dr Vivek Desai, MD of HOSMAC to plan and design Asian Heart Hospital. Dr Desai, who had till then not executed any such mega project, was both shocked and surprised. “I could not believe that Dr Panda was seeking my help for such a prolific project,” recollects Dr Desai. After seven years and 120 projects, the Rs 2-crore-firm HOSMAC is considered one of the leading hospital consultancy firms in India.

For a sector which made a very sluggish start, the success story are many, all of which echo a similar exponential growth. So much so that when recently a group floated tender to build a hospital in Delhi, more than 20 groups applied for it. To think of it, even four years back, consultancy firms had to peddle their services to hospitals.

Five years back, there were not more than five firms. Today, the sector teems with more than 20 established firms and there are more than 50 individual consultants who work both full-time and part-time. The consultancy market has also opened up three years back. And today, analysts clock this sector at Rs 800 crore, set to have an annual growth rate of 15-20 per cent.
Some Major Hospital Consultancy Firms in India

Medicontrivers India Pvt Ltd, Mumbai
Started in 1993, its major projects are Ruby Hall Clinic in Pune, KLES hospital, Belgum, Rajiv Gandhi Rural Hospital near Belgaum and medial college in Kerala.

Ace Vision Health Consultant Pvt Ltd, Jaipur
Over an year old, they render services in clinical audits and clinical governance. Managed by husband-wife couple of Sachin and Sheenu Jhawar, the firm is providing management consultation to Apex Hospitals Pvt Ltd, Jaipur, Mahatma Gandhi Mission Trust Hospital, Aurangabad, State Institute of Health and Family Welfare), Rajasthan. The firm has three full-time working experts. Other are consulted on project to project basis.

Professional Health Planners, New Delhi
It provides services in planning, concept & architectural design, drawings, and engineering services, hospital services planning, design and implementation, hospital systems development & implementation and medical and non -medical equipment management. So far, it has completed over 35 projects.

Hospic, Mumbai
Started 12 years back, the firm has provided consultancy services to 120 hospital projects and 9 are in the pipeline. Their area of specialisation are market feasibility study, medico-technical feasibility study and financial feasibility study, and also providing criteria and coordination in planning and designing the hospital.

Dr Kamle’s Prescription, Boston, US
This 30-year-old firm has completed over 500 projects so far and has 10 in the pipeline. Their areas of specialisation are market research, feasibility studies, concept, design, architecture, equipment, human resources, management, computerisation and other 23 parameters of hospital
functions, all of which are dealt by consortium specialist , all under one-roof. It has 47 specialists drawn from the areas of architecture, finance, management, engineering and scientific background.

**Total Hospital Solutions, Jaipur**

It has done 18 major hospitals related projects for various national and national funding agencies. About 3 hospital projects are currently under implementation. Their areas of specialisation are hospital market research, hospital planning, operations management, HMIS, HRD, community financing and its innovative research for understanding the future trends and pro-poor interventions.

**Apollo Hospital Enterprise Ltd, Chennai**

Their areas of specialisation are project and operations management consultancy services from conceptualisation to commissioning of a wide range of healthcare models.

**NOUS Hospital Consultancy (P) Ltd, New Delhi**

It started in 1983 as a registered firm Hospital Corporation of India and became a corporate entity in 1993. It has a total of 80 projects, of which 68 have been completed. It undertakes feasibility, planning, designing, construction, equipment planning, recruitment of departmental heads, pre commissioning and commissioning. It has a group of 23 associate consultants.

**KSA Technopak, New Delhi**

Their services include strategic planning at the system, institutional and clinical programme levels as well as functional work in such areas as ambulatory care.

**H-PAMCO, New Delhi**

2.18 Accreditation

Recognising that the care of the sick is their first responsibility, hospitals must at all times strive to provide the best care and treatment to those, who are in need of hospitalisation. Some hospitals, in very early times, accepted certain values and principles that conformed to high professional standards. Other hospitals seeking similar goals soon joined them. This led to the development of definition of principles, responsibilities and standards in patient care, ultimately encompassing almost every aspect of the hospital including its design, construction, operation, maintenance and environmental safety. Standards are used to describe the broad bases and fundamental policies as well as specific details for levels of patient care. They also apply to supportive and administrative services that are directly or indirectly concerned with patient care or affect it one way or the other.

A standard may be defined as a measure of quality established on a voluntary basis by those subject to it, or imposed upon them by a legal authority. One of the most dramatic achievements of the American College of Surgeons was the “Hospital Standardisation Movement” initiated early in the twentieth century. With high ideals, the founders drew up, what is known as the “Minimum Standard” which became a veritable constitution for hospitals, in which were set forth requirements for the proper care of the sick. The usage of the term “hospital standardisation” paralleled the emphasis on standardisation in industry. The standard was made effective by an annual survey of all hospitals having 25 or more beds. When the first survey was conducted, only 89 hospitals in the United States and Canada could meet the requirements. Thirty-three years later, 3,353 hospitals were complying with the requirements. This is significant considering that compliance with standards was voluntary.

Quality, a synonym for standards, is of paramount importance to hospitals. At no time in history have hospitals been under so much attack for failure or deterioration of quality as they are today. Malpractice suits are becoming
common and there is growing criticism of hospitals for their various acts of commission and omission. Negligent and unethical practices in patient care, mismanagement, lack of probity and accountability, unhygienic conditions in and around the hospital, high incidence of hospital-acquired infection because of lack of quality assurance programmes, environmental pollution caused by hospital’s waste disposal, to name just a few.

In a country, where charitable and not-for-profit hospitals abound, most of them struggling to stay afloat, even the standards set by the National Board for Testing and Calibration of Laboratories (NABL) have not found many takers. High cost is said to be the deterrent. Moreover, if the exercise of getting accreditation by JCI and JCAHO is to attract foreign medical tourists, it is a pretty unconvincing reason for the huge investment that is involved. If hospitals are spruced up with cutting edge facilities to cater to foreign customers, making them unaffordable to the common man in the process, who cares for millions of our own patients?

Conversely, there are quite a few hospitals across the country without JCI and JCAHO accreditation, which have been healthcare destinations for foreign patients nevertheless (Express Healthcare Management Sept 2005).

Wockhardt Hospitals, Mumbai, recently has become the first superspeciality hospital in South Asia to achieve accreditation from Joint Commission International (JCI), USA. Apollo Hospitals a few months back had received JCI accreditation but it was for its general, multi-speciality hospital.

With this, Wockhardt Hospitals joins an exclusive group of 71 hospitals worldwide, which have passed JCI’s stringent clinical quality standards. JCI is the gold standard in global healthcare standards. The accreditation process requires a hospital to comply with almost 1,300 measurable standards. Wockhardt is the only HMI-associate outside the US to win this recognition.
The JCI accreditation was awarded after a rigorous onsite evaluation of Wockhardt Hospitals, Mumbai by an international surveyor team of healthcare experts in August this year.

The hospital has established protocols, drills and audits for safe intra-hospital and inter-hospital transfer of patients and similar procedures for infection control and patient safety. Wockhardt is participating in a quarterly global study, which monitors infection rates across leading hospitals of the world, he added (Express Healthcare Management Dec 2005).

Today, Indian healthcare organisations are waking up to international accreditation. The Indraprastha Apollo Hospital in New Delhi and Wockhardt Hospital in Mumbai, last year secured Joint Commission International Accreditation (JCI) and now Asian Heart Institute in Mumbai too is gearing up for it. In the country, associations like CII-IHCF and QCI are working towards forming National Accreditation Board for Hospitals and Healthcare Providers (NABH). Parallel to this initiative, is the formation of Indian Confederation for Healthcare Accreditation (ICHA), a national accreditation body (Express Healthcare Management Jan 2006).

2.19 Mergers & Acquisitions

Mergers and Acquisitions are the new paradigms of hospital industry. The acquisition of Delhi-based Escorts Heart Institute and Research Centre by Fortis Group of Hospitals will mark the beginning of an era of inorganic growth in hospital sector. This acquisition may encourage smaller players to acquire nursing homes, thus giving them a corporate management leading to an accelerated evolution of Hub & Spoke model.

Merger and Acquisitions cannot be successful if the employees from both the organisations become obstacles to the integration process as they have their apprehensions about the organisation culture, leadership and management style.
The biggest HR challenge in merged entity is to facilitate people integration and transform the diversified skills and knowledge into transfer of learning within the member organisations. Key talents in both the organisations may feel insecure as to:

- Organisation policy on right sizing the merged organisation
- Organisational hierarchy in the merged organisation
- Job responsibility in the merged organisation
- Terms and conditions of employment
- Benefits apart from the salary in the merged entity
- Performance Management System and career progression in the merged organization (Express Healthcare Management Nov 2005).

### 2.20 Patient Grievance Cell

Amit (name changed) went to see his younger brother Siddharth, who was operated for an ailment in a well-known Mumbai-based private hospital. Amit was denied entry into the ward, where his brother was staying, post-operatively and was asked to produce a consent letter duly authorised by the medical director to enter the ward. It was near to impossible for Amit to access the medical director at 7 in the evening, as the director was available only in the morning.

After rounds of requests and an hour of waiting, the supervisor permitted Amit to see his brother. The case of Amit reveals the plight of many patients and their relatives, who are denied immediate redressal of their grievances. The case would not have been so time-consuming and frustrating, if a speedy and efficient grievance cell would have been in place to help him.

Grievance cell is assuming importance in India, as patients have become more conscious of their rights. Moreover, the accrediting and rating agencies insist on documentation of patient’s feedback.
According to Dr Bidhan Das, vice president, corporate affairs, Rockland hospital, it is important that patient is informed about his/her rights to seek justice, which is why it is imperative that all hospitals have Citizen’s Charter, highlighting the rights of patients vis-a-vis the hospitals.

However, the situation is bleak in government hospitals, private hospitals and nursing homes, more so in the former as the concept- consumer is the king- does not exist in government hospitals. According to Alok Mukhopadhaya, chief executive, Voluntary Health Association of India (VHAI), “The private hospitals are overcharging and there is no check on them. In both the situations, the loser is the gullible patient and his relatives.” There is no system of consumer redressal in primary and secondary healthcare institutions, he adds.

In big private hospitals in metros, the consumer redressal committees are on paper only, laments Mukhopadhaya and adds that there’s need to initiate a consumer movement so that patients instead of being at doctors’ mercy are informed of their rights. Though the concept of a patient grievance cell is gradually assuming significance in large private hospitals across the country, the hospital management have a long way to go in putting such a system in place as compared to the west, where the system has evolved manifold.

According to Dr Suganthi Iyer, assistant director, medical services, Hinduja Hospital, and a medico-legal expert, “Grievance cell can be compared to a quasi-judicial body and is an internal inquiry cell within the hospital set-up in order to investigate as to what actually has transpired between the hospital and the patient.”

In such a set up, the aggrieved patient puts up his complaint or petition before the grievance cell. “The cell should just not be defensive on behalf of the hospital and is supposed to give a fair hearing to both the parties concerned on the principles of natural justice in an unbiased manner,” adds Dr Iyer. The grievance
cell has the power to investigate and make decisions. However, some experts believe that the role of the grievance cells is to explain the adequacy and rationale of the medical care delivered. Says Joe Curian, chief spokesperson, Association of Hospitals (AoH), “The patient needs detailed explanation, when the cost of the treatment exceeds the indicated cost or there is a death due to a complication that has occurred during the course of the treatment.”

Grievance cell in various hospitals

**Bombay Hospital:** It has a team of administrators or a core team to look after the patient grievances. Says medical director Dr D P Vyas, “We are always accessible on any eventuality of patient grievance and our core team comprises of medical director, deputy medical director, medical superintendent, deputy medical superintendent, deputy officer on special duty and all the respective heads of the department.”

**Jaslok Hospital:** According to medical superintendent Dr J P Sharma, “Besides feedback form given to patients, there is a suggestion box, where the patients can post their complaints in written format. The box is opened by the medical superintendent under the strict supervision of a hospital staffer, deputed by the medical superintendent for ensuring confidentiality and security of the complaints.”

**Hinduja Hospital:** The Hospital has a patient relationship department handled by a dedicated team of customer service executives (CSEs) for the redressal of patient grievances on a daily basis. According to Anupam Verma, director, administration, Hinduja Hospital, “The cases are first taken up by the CSEs and then forwarded to the management team or the respective head of the departments.” CSEs are empowered by the core committee of the hospital to solve cases of patient grievances on an urgent or priority basis. The core committee of the hospital comprises of the Administrator, Director (Professional Services), Director (Medical Quality and Ethics), CEO and the HR team. The patient relationship department resolves the grievances on a case-to-
case basis within seven days. Generally, three to four cases of critical nature are resolved in a month.

**Sir H N Hospital:** The hospital has a floor supervisor and a public relation officer, who visits every patient daily and receives complaints and grievances. An officer looks after the administration of the hospital even in the night. Hospital administrators and trustees are always accessible to patients and relatives. When a patient is discharged from the hospital, he/she is given a feedback form. These grievances are studied and remedial actions are initiated.

**Rockland Hospital, New Delhi:** The hospital has a five-member redressal committee for attending to the complaints of patients. The hospital’s complaint box is opened on a weekly basis to address the issues.

**Post Graduate Institute of Medical Education and Research (PGIMER), Chandigarh:** The hospital has a six-member redressal committee under the chairmanship of a senior professor. Other members are from the medical fraternity, except the convener. Besides suggestion/complaint boxes, people can voice their grievances directly to the medical superintendent or even the director. The committee holds its meeting every month, the feasible suggestions are implemented and issues are taken up. The Citizen’s Charter of PGIMER, Chandigarh is currently awaiting approval.

**Dharamshilla Cancer Hospital:** According to director Dr S Khanna, “We have a very strong redressal system. There’s a central complaint register at the front desk and satellite complaint registers at all counters.” Complaint register is sent to the director on a daily basis. The hospital has a Preventive Action Group (PAG) comprising of five members, which include medical superintendent, deputy medical superintendent. The meetings take place every day with all the concerned departments. Patients are given customer feedback forms at the time of admission, which they are asked to fill up upon discharge.
The grievance cell helps to reduce frivolous litigation in consumer courts. Opines Dr Lalit Kapoor, chairman, medico-legal cell, Association of Medical Consultants (AMC), “The grievance committee ensures that any case of patient dissatisfaction is resolved at the earliest to avoid any medico-legal implication.”

According to Dr R K Anand, medical director, Jaslok Hospital, “The number of medico-legal cases in Consumer Courts can be reduced if patients’ complaint is heard by the grievance cell in hospitals. During my tenure with the Association for Consumers Action on Safety and Health (ACASH), I observed most of the cases related to patient grievances were not due to medical negligence but were attributed to the lack of communication between the doctor and the patient.”

Twenty five per cent of the cases taken up by the grievance cells are sorted out by explaining to the patient, the nature of shortfall on the part of the hospital or hospital authority, say experts. The remaining 75 per cent of cases go to consumer courts (Express Healthcare Management Aug 2005).

2.21 Medical Tourism

A lot has been discussed about Medical Tourism in the opening Chapter itself. Some practical examples are the only things given below to bring the point home.

“The 165 cm tall French national is undergoing a procedure which will help him add a valuable 7 cm to his height. He is 5 feet 2 inches and will be 5 feet 7 inches in another 70 days. He wanted to undergo it in China earlier but complaints of high infection rates from his friends made him choose Delhi. Cosmetic lengthening is carried out by using the Ilizarov technique in which the outer layer of the bone is cut. A frame with screws is attached to the limbs. These screws are rotated every six hours and help lengthen the bone by 0.25 mm at one go. Muscles and nerves grow with the increasing stress.
An American patient was operated for morbid obesity where doctors performed a bypass of the stomach in an effort to reduce the patient's weight. She underwent Roux-en-Y gastric bypass at Sir Ganga Ram hospital. Gastric bypass surgery is a bariatric surgery performed on patients suffering from extreme obesity. The idea is to reduce the patient's food intake by reducing the size of the stomach. Lots of foreigners and NRIs are coming for implants and porcelain laminate veneer (tooth alignment) procedures. Most of these treatments are minimally invasive and cheaper in India.

Two-and-a-half-year-old Noor Fatima, from Pakistan, had a congenital heart ailment. She had multiple holes in her heart, a defective valve and a wrongly connected blood vessel. Her parents, the Nadeems, had been told by a relative—a nephrologist in Boston—that India was their best option for surgery. In the United States and Europe, complex open-heart surgery of the kind Noor needed would cost around $70,000 and the Nadeems couldn't afford that. The procedure was too complicated for any hospital in Pakistan, where heart surgery is performed but paediatric heart procedures are rare.

So in July, when India and neighboring Pakistan decided to renew bus services between the two countries, the Nadeems secured a visa to visit India and rushed Noor to Narayana Hrudayalaya, a top cardiac-care provider in Bangalore. In the event they didn't have to pay a cent—thanks to the hospital's goodwill and a groundswell of support from all over India. But if even if they had paid for the procedure, it would have cost them only $4,400.

Noor Fatima has become a symbol of the goodwill that exists among ordinary Indians and Pakistanis. But she is also emblematic of a quiet revolution sweeping India's health-care sector. India's private hospitals are becoming sought-after destinations for people around the world who need a range of medical procedures. Analysts say that as many as 150,000 medical tourists came to India last year. Some industry watchers say that number is higher, as 70,000 people
came for medical treatment from the Middle East alone. A study last year by the Confederation of Indian Industry, or CII, and international management consultancy McKinsey & Co. said medical tourism could earn India $2 billion a year by 2012. The Indian government predicts that India's $17-billion-a-year health-care industry could grow 13% in each of the next six years, boosted by medical tourism, which industry watchers say is growing at 30% annually. http://www.medicityindia.com/testimonials.htm
2.22 References

- Express Healthcare Management (2005) *Patient grievance cell yet to click with hospital management* 16-31 August 2005 Issue

• Express Healthcare Management (2006) *Popularising Health Insurance In Rural Areas* January 2006 Issue

• The Business Line (2004) *Major hospital groups to invest in Gurgaon Medicity* November 2 2004

• The Business Line (2005) *Fortis hopes to partner Naresh Trehan in Medicity project* Nithya Subramanian September 30 2005