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## THE IMPACT OF HOSPITAL REPUTATION ON PATIENT LOYALTY

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### Abstract

Many scholars have come to the agreement that customer loyalty gave tremendous effect on companies' business survival. It had been noted that reputation included as one of the factors that developed customer loyalty and business successes. Reputation is one of the critical elements of customer's evaluation toward a company's product or service. Customer evaluation shapes perception. Therefore creating good customers' experience of service will create good customer perception. In health care organizations patients' experience of medical service is crucial in shaping positive customer's perception. When the patient didn't have positive experience with the health care service, patients might end up with avoiding using the hospital service. Accordingly, enhancing patient's loyalty, hospital reputation, and quality service become compulsory in order to stay competitive in the health care industry. The aimed of this study is to examine the consequence of hospital reputation on patient loyalty. Through the assessment of previous literatures related with reputation and customer loyalty, it is believed that hospital reputation has a strong influence on patients' loyalty.

**Keywords:** Corporate Reputation, Hospital Reputation, Customer Loyalty, Patient's loyalty

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### INTRODUCTION

Customers have been a central of attention of all the business and become the mean of every business long life age. Customers are the company's valuable assets that lead to the business success (Abubakar, Abdullateef, Mokhtar, & Yusof, 2011). Therefore having loyal customer become the highest goal of every businesses due to many benefits given such as positive word of mouth and recommendation (Zeithaml, Berry, & Parasuraman, 1996), hard to be attracted with competitors offered (So, King, Sparks, Wang, 2013), developing consumer behavioral intention and retention with the company (Davies, Chun, Kamins, 2010).

In healthcare industry, the stiff competition among health care provider, along with the growth of advanced technology and the race in delivering quality service, forced the healthcare provider to be more patients focus oriented (Bilingsley, 2015). Today, patients are offered with many choices of hospital within or outside the country that offered varieties healthcare service and quality care. According to the research conducted by Press Ganey (2015), 15% from one million of patients in U.S had high tendency to leave their current medical provider. This survey had successfully revealed that healthcare provider's empathy and courtesy, patients' confidence, hospital's coordination were as the leading factors that influence patients' decision of whether they want to stay or to leave their current healthcare provider. Therefore, it

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is important for healthcare to give more attention toward patients' need and expectation, along with improving health care quality and offering valuable service (Bilingsley 2015).

Another factor that determines patients' loyalty is hospital reputation (Johnson, 2014). Reputation in the health care organizations is affected by patient's experience. Patient experience is about the ability of healthcare providers in giving medical service beyond patients' satisfaction. This such condition can be achieved through the continues medical care improvement, focus on fulfilling patient's expectation and need, and delivering personalized medical service (Wolf, Niederhauser, Marshburn, & Lavela, 2014). Accordingly, it has been agreed that enhancing patient's loyalty, hospital reputation, and quality service become compulsory in order to stay competitive in the health care industry (Hibbard, Stockard, & Tusler, 2005).

Reputation is seen as the competitive advantage and assets of the firm (Fombrun 1996; Helm Eggert, & Garnefeld, 2010) and as the global evaluation of a company's conduct and performance throughout the years (Fombrun 1996; Gotsi & Wilson 2001; Helm, et al., 2010). The crucial parts of reputation are; good reputation indicated the superior quality and reliability of products or services (Raithel, Schloderer, Schwaiger 2010), the parameter and reference for patients decision making in choosing the hospital (Elsinga, Otten, Verslujis, Smeets, Kievit, Vree Mheen, 2010). Most of all, customers were believed to be more loyal with the firms with good reputation (Morley 2002).

An outstanding reputation increased customer trust and influence customer decisions making process (Raithel et al., 2010) satisfaction and loyalty (Loureiro & Kastenholz, 2010). Reputation also holds the important role in consumer pre and post purchase stages, as well as in the stage of keeping and maintaining the relationships with them (Zeithaml 1988; Stahl, Matzler, & Hinterhuber 2003). In addition, good reputation ignite customer's positive attitude toward a company's service or product (Jeng, 2011).

Remembering the impact of reputation on organization continuity, many scholars had put their concerned in conducting more study on the impact of reputation toward customer loyalty (Gul, 2014; Helm and Tolsdorf 2013, Helm, 2009, Gorondutse, Hilman, & Nasidi, 2014), customer retention (Milan, Eberle, & Bebbler, 2015) and hospital selection process (Johnson, 2014). In healthcare industry, hospital reputation becomes one of the most critical criteria for patients' consideration in selecting the hospital (Johnson, 2014). It proved that 87% from 270,000 patients being surveyed by National Research Corporation (2012) agreed that reputation is the most important reason in hospital selection. Despite of the importance of hospital reputation in building patients loyalty, there are less research found from previous literature related to reputation and loyalty in healthcare context.

## **LITERATURE REVIEW**

### **Customer Loyalty**

Business success depends on the company's ability in getting, keeping, and growing the customers and maintaining the relationship with customers, especially loyal customers are the reason for all every business that existed in the world (Kotler and Keller, 2012). This situation is without exception applied in health care industry. In highly competitive condition like these years, healthcare success is not only because of high-quality services that company's offered to the customer, but also the healthcare provider ability in knowing how to satisfy the customers and make them to come back and use medical services (Rundle & Bennet, 2010).

The scholars had identified that customer loyalty is constructed by behavioural and attitudinal side of the customers (Day, 1969; Lutz and Winn, 1974; Oliver, 1997, 1999; Dick & Basu, 1994; Rauyruen & Miller, 2007). Behavioral loyalty is habitual loyalty that happened due to several factors such as; there were not many providers to visit or the customers have low effort on searching other providers (Dick & Basu, 1999; Gounaris and stathakopoulos 2004). While, attitudinal loyalty is the customer favourable level of disposition to some value related with the company (Dick and Basu, 1994; Han and Back, 2008).

Oliver (1997, 1999) defined customer loyalty as a deep commitment of a customer to rebuy and revisit the service or a product no matter how intense others marketing effort and situational condition which can provoke the customer to switch. This definition of loyalty, what then he called ultimate loyalty (Oliver, 1999). The first three attitudinal loyalty phases are; cognitive, affective and conative. The four phase of behavioural loyalty is the action loyalty, where intention is performed.

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In healthcare context, Patient's loyalty give benefits to the healthcare provider in several ways, loyal patients without hesitation to promote the healthcare institution to others and have small reaction toward negative issues related to the healthcare provider (Chang, Tseng, & Woodside 2013). Due to the positive impact of patients' loyalty on hospital performance, patient's loyalty become the big concern for health care provider to consider for.

According to Peltier et al. (1999), Chahal (2008) patient loyalty could be categorized into three criteria such as; the willingness of the patients to use again the same health care service and facility based on their previous service experience, the willingness to use different health services that offered by the same health care provider, patients give recommendation and refer the healthcare service to other. Further, many previous researchers found that corporate reputation had strong relationship consumer loyalty (Gul, 2014; Helm, & Tolsdorf 2013; Helm, 2009; Gorondutse Hilman, Nasidi, 2014) and retention (Milan, Eberle, & Bebbler, 2015) and hospital selection process (Johnson, 2014).

## **Reputation**

Reputation is the abstract asset (Hall, 1993) and a competitive advantage of an organization (Fombrun 1996; Balmer and Greyser 2003), Corporate reputation shape customers' perception of a company's product or service (Devine and Halpern, 2001; Pfarrer et al., 2010). It is widely believe that customers tend to be more loyal to the firms that have a good reputation (Morley 2002). As an external source of information, reputation hold the crucial role in shaping consumer future behaviour (Jin & Kim, 2008). The crucial part of reputation is that good reputation indicates the superior quality and reliability of products or services (Raithel., Schloderer, Schwaiger 2010).

In reputation concept, reliability is included as one of the factors of customer judgment of whether a company has delivered reliable service to the customer. This means that customers realized that they can depend on the service provider for whatever it takes. Reliability and trustworthiness, inspiring reputation, are included in six criteria of good perceived quality (Gronroos, 1988). Accordingly, in this study reputation is treated as one of the factors of patients' judgment of whether a hospital delivered reliable service to the customer. In that manner, trust and confidence is crucial to service which customer perceived the service as a high risk service with uncertainty outcome such as the service that provide by medical, banking, legal service, and insurance. In healthcare service, According to Satir (2006), hospital reputation involving the patient's perception of reliable service that deliver by the healthcare organization. Delivering reliable service means that the company deliver the service as it was promised and the customers are more likely doing business with the company that can perform the promised service (Zeithaml et al. 2009).

Corporate reputation itself is developed by series of long process of company's conduct and performance from past to the present that shapes the stakeholders' judgment. Hence reputation placed company's position that distinguishes between one company to another in the eyes of internal and external stakeholders (Herbig & Milewicz, 1993; Bromley 2002). High corporate reputation indicates the outstanding reliability and quality of products or services (Raithel., Schloderer, & Schwaiger 2010).

Every organization, including health care providers should consider reputation as important factor that might bring to the up or down healthcare performance through patients preferences to choose, re visit, and refer and recommend health care service (Hibbard & Tusler 2005). Healthcare service is highly involved with human interaction, it is necessary to measure the reputation based on patient's perceptions (Satir, 2006). Corporate reputation also represented the trust that corporate creates by keeping the promise service to its stakeholders, therefore; reputation is the result of the accumulate stakeholders subjective evaluation over time toward specific company (Fombrun & VanRiel, 1997).

Accordingly, in health care industry, most of the time patients refer to hospital reputation as the parameter in selecting and continuing hospital service (Elsinga, Otten, Versluis, Smeets, Kievit, Vree, & Mheen, 2010). Customers (patients) can assess the hospital (corporate) reputation in five ways such as; good reputation of the hospital (corporate), how respected is the hospital (corporate) in stakeholders' eyes, how well thought is the hospital in patients mind, the status of hospital itself, and whether the hospital or company is reputable enough in consumers' mind (Petrick, 2002).

## CONCEPTUAL FRAMEWORK

The theoretical framework of this research proposes the direct effect of hospital reputation on patient's loyalty. Figure 1 below, shows the direction relationship among the two variables. In this study, the independent variable is hospital reputation and patient's loyalty is treated as dependent variable.

Figure 1: Proposed Conceptual Framework



This conceptual framework developed based on previous studies in regard with reputation and customer loyalty. Fombrun (1996) confirmed that reputation as the cause of loyalty. In the same vein, Gray (1986), Nguyen & Leblanc (2001), Helm (2006) Gul (2014), Helm, & Tolsdorf (2013), Gorondutse, Hilman, & Nasidi (2014) were also believed that loyalty determined by reputation.

## RESEARCH METHODOLOGY

### Conceptual Paper

This article is a conceptual paper that conceptually describes the relationship between hospital reputation and patients' loyalty. In supporting this study, the data gathered from various valuable previous articles that related with corporate reputation and customer loyalty and its application in healthcare context. The supported materials were mostly gathered from online sources.

## CONCLUSION AND DISCUSSION

After reviewing past literatures related to reputation and customer loyalty, in general or in healthcare context, many past studies found that there was a solid relationship between corporate reputation and consumer loyalty (Helm et al., 2010). Every organization, including health care providers should consider reputation as the important factor that might bring to the up or down healthcare performance through patients' preferences to choose, re-visit, and refer and recommend health care service (Hibbard & Tusler 2005). Jeng (2008) pointed that a company's high market share in the market is impacted by positive corporate reputation. Company reputation is an external source of information and has the role as a strong antecedent of consumer responses as well as future behaviors (Jin and Kim, 2008).

Corporate reputation is represented by the company's creation of trust through the ability of the company in performing the promised service to its stakeholders; therefore, reputation is developed by the accumulated stakeholders' subjective evaluation over time (Fombrun & VanRiel, 1997) from the company's present and past behaviour (Jeng, 2011). Especially in healthcare service that is highly involved with human interaction, it is necessary to measure the reputation based on patients' perceptions (Satir, 2006). In general, Nguyen and Leblanc (2001) stated that the consumer loyalty level is strongly connected with how strong is customer perception on corporate reputation.

Reputation is seen as the competitive advantage and assets of the firm (Fombrun 1996; Helm Eggert, & Garnefeld, 2010) and as the global evaluation of a company's conduct and performance throughout the years (Fombrun 1996; Gotsi & Wilson 2001; Helm et al., 2010). The crucial part of

reputation is that good reputation can indicate the superior quality and reliability of products or services (Raithel., Schloderer, Schwaiger 2010), as the parameter and reference for patients in their decision making to choose the hospital (Elsinga, Otten, Verslujis, Smeets, Kievit, Vree, & Mheen, 2010) customer of corporate Customers are believed to be more loyal to the firms with a good reputation (Morley 2002).

In health care industry, most of the time hospital reputation is used as patients' parameter in selecting and continuing hospital service (Elsinga et al., 2010). Reputation in the health care organizations is affected by patient's experience. Every single thing that patients' experience today at the hospital might bring the effect on hospital reputation (Johnson, 2014). As it was reported by Delloitte's (2015), that 50% of patients who being surveyed in United states agreed that hospital's reputation and brand were as important elements of patient's consideration of hospital patronage. An outstanding reputation can increase customer trust and influence customer decisions making process (Raithel et al., 2010) satisfaction and loyalty Loureiro & Kastenholz (2010). Reputation is critical factor that occur in consumer pre and post purchase, as well as in the stage of keeping and maintaining the relationships with the customers (Zeithaml 1988; Stahl, Matzler & Hinterhuber 2003). In addition, good reputation shapes customer's positive attitude toward a company's service or product (Jeng ,2011)

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