

Impact of Word-of-Mouth on Consumer Behavior in Indian Healthcare Industry

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Abstract

This study investigates the preference given by consumers to Word-of-Mouth in availing healthcare facilities. It also investigates the major perceived risk considerations of the consumers for availing medical facility at a specific healthcare institute. The study is based on primary data collected from 4 hospitals (120 attendants) in Delhi, India. The data is analyzed using various statistical tools and methods. The results reveal that socio-economic factors such as income and hospital type have a direct relationship with various perceived risk considerations such as financial risk, functional risk, time risk, and service quality, whereas social risk is of least consideration while choosing a healthcare institute. The results of this study also reveal that consumers give high preference to Word-of-Mouth and tend to rely heavily on it in choosing the healthcare institute. Thus, the healthcare practitioners should focus on expertise of doctors, service quality, and cost to take advantage of positive Word-of-Mouth and enhance their position in the market.

Keywords: Word -of-Mouth, Consumer Behaviour, Perceived Risk, Health Care.

Introduction

Business, now-a-days, is carried on under fierce competition. The advancements in technology and the innovations beyond imagination have broadened the choice of consumers for any product or service. Under the stiff competition, the success in the contemporary business world has heavily relied on rigorous understanding of

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consumers-their needs and wants, and their behaviour. Thus, understanding of consumer behaviour is vital if the marketing activities of the organizations have to be effective. Organizations, now-a-days, constantly try to find out what the consumers want and work hard to customise their offerings in terms of both the products and services in accordance with the demands of their consumers. Thus, an understanding of consumer behaviour (needs, attitudes, and decision-making processes) is of predominant significance for businesses to improve and succeed.

Consumer Behaviour is defined as the behaviour that consumers display in searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs (Schiffman L G et al).

Word-of-Mouth is characterised as oral, person-to-person communication between a receiver and a communicator whom the receiver perceives as non-commercial, regarding a brand, product or service Arndt (1967)ⁱ.

Marketers may spend millions of rupees on advertising campaigns but often consumers make their decision on the basis of Word-of-Mouth from their own trustworthy sources (Sernovitz, 2012). It is no secret that Word-of-Mouth is a very effective and powerful tool in marketing. If an individual has limited knowledge of a product or a service, or the person lacks the ability to evaluate the product, or the product is complex; under all such circumstances, recommendations from credible sources such as friends, family, experts etc. act as critical inputs for purchase decisions. While large portions of Word-of-Mouth processes cannot be controlled by marketing management, they can be monitored to assess the content and consequences of what consumers are saying about the firm's products/services. Advertising campaigns might be adjusted accordingly (Cox, 1967). Murray (1991) reveals that consumers take the opinions and experiences of other individuals in mind before making service purchase decisions and suggests that Word-of-Mouth reduces the level of perceived risk and uncertainties that are often associated with service purchase decisions. Perceived risk is especially relevant for services that are difficult to evaluate before purchase and consumption.

Perceived Risk is defined as the consumer's level of uncertainty regarding the outcome of a purchase decision.ⁱⁱ There are different types of perceived risk such as financial, social, psychological, time, functional and security risk. Consumers attempt to reduce their perceived risk and anxiety by collecting more information through the recommendations by different sources.

Literature Review

Word-of-Mouth in consumer decision-making literature has been indicated as the most suitable and influential source of information. [1] While studying the Word-of-Mouth communication in the service marketplace reveal that Word-of-Mouth communication is a dominant force in the marketplace of services, which is further supported by [2] while he quotes the finding of Marsden (2005), stating that Word-of-Mouth is at least twice as powerful as traditional marketing communications. [3] Inferred that the power of Word-of-

mouth is due to source reliability and the flexibility of interpersonal communication. [4] In her research quotes *Feldman R et al. (2000)* stating that consumers will actively seek information when its value outweighs the cost of obtaining it. This fits well to healthcare services. [5] In their research about physician referrals reveal that people use multiple sources of information to choose a physician. However, while choosing specialists, most consumers rely exclusively on physician referrals. [6] Describes his paradoxical findings that consumers perceiving high risk purchase situations are more likely to initiate conversations and request information from informal groups than consumers perceiving low risk. [7] Reveal the findings of their research that the value of Word-of-Mouth increased when consumers were planning to purchase the service products that were complex and highly invasive, such as healthcare. This is further supported by [8] stating that Word-of-Mouth communications in healthcare industry play the most significant role in the effective decision making. To conclude, Word-of-Mouth plays a significant role in consumer decision-making in healthcare services.

Objectives of the study

In this paper, an analysis has been carried out to find out the impact of Word-of-Mouth on consumer behaviour in Indian Healthcare Industry. This study, therefore, focuses on the preferences given by people to Word-of-Mouth.

The more specific objectives of the study are:

1. To explore the importance given to Word-of-Mouth by consumers while choosing a specific healthcare institute.
2. To study the relationship between income and perceived risks in healthcare service.
3. *To study how various perceived risks are ranked by consumers of Private and Government hospitals.*

Research Methodology

Data Source and Sample: For the purpose of this study, 4 hospitals (2 Private as Apollo and Fortis, and 2 Government as AIIMS and Safdurjung) were selected in Delhi City of India for data collection using Purposive sampling. These hospitals were selected because they offer both general as well as speciality services, and these hospitals cover diverse patients from different parts of the country. The respondents of this study were the attendants who were accompanying the patients. Personal interviews were done to the respondents followed by questionnaires which were distributed to approx. 120 adult (age > 18 years) in-patient attendants (30 in each hospital) who were admitted to these hospitals and had stayed for at least 2 days in the hospital. Out of 120 distributed questionnaires, 102 completed questionnaires were returned, resulting in 85% response rate.

Instruments and Measures: The research instruments used in this study for the collection of data is Personal Interviews (unstructured) and self-administered questionnaires. The questionnaire is divided into different sections as Socio-economic Profile, Patient-specific information, Source of Information and hospital choice, Perceived risk (Financial,

Functional, Psychological, Time, Social, and Service quality), Word-of-Mouth dimension (wherein respondents were asked questions related to the preference given to Word-of-Mouth and its impact on consumer behaviour). The questionnaire used a five –point Likert scale as choice of answers. Questionnaires were explained to the respondents in their respective (local) languages, where the need was felt, for their understanding and convenience.

Statistical Techniques: To analyse the characteristics of the sample, descriptive statistics (e.g. Frequency distribution and mean) is used. Pearson's correlation is used to determine the relationship between income and various perceived risks. The questionnaire was designed keeping in mind the objectives of the study.

Data Analysis: Distribution of Socio-economic characteristics (gender, age, residence, family income, education, expected number of days to stay, medical insurance, and official reimbursement) is presented in Table-1.

Variable	Category	Frequency	%age	Mean	St. Dev.
AGE	18-30 YEARS	34	33.3	1.97	0.861
	31-40 YEARS	42	41.2		
	41-50 YEARS	21	20.6		
	60 YEARS & ABOVE	5	4.9		
GENDER	Female	26	25.5	1.75	0.438
	Male	76	74.5		
Residence	RURAL	28	27.5	1.73	0.448
	URBAN	74	72.5		
EDUCATION	PRIMARY	4	3.9	4.44	1.411
	MIDDLE	10	9.8		
	SECONDARY	11	10.8		
	INTER	12	11.8		
	BACHELORS	42	41.2		
	PG & ABOVE	23	22.5		
EXPECTED NUMBER OF DAYS	0-10 DAYS	19	18.6	2.03	0.667
	11-20 DAYS	63	61.8		
	21-30 DAYS	18	17.6		
	31 DAYS & ABOVE	2	2.0		
FAMILY INCOME/MONTH (INR)	RS(0-10000)	25	24.5	2.8	1.275
	RS(10001-30000)	15	14.7		
	RS(30001-50000)	21	20.6		
	RS(50001-100000)	37	36.3		
	RS(100001 & ABOVE)	4	3.9		
MADICAL INSURANCE	NO	84	82.4	0.18	0.383
	YES	18	17.6		
OFFICIAL REIMBURSEMENT	NO	82	80.4	0.2	0.399
	YES	20	19.6		

Frequency distribution with respect to source of awareness about healthcare institute is presented in Table-2. Paradoxically, only 1 respondent answered advertising as the source of awareness, none of the respondents chose social networks as their source of

awareness about choosing a healthcare institute, whereas 93 (91.2%) respondents have reference as their source of information, 7 (6.9 %) said internet, and 26 (25.5%) chose other sources(specifying that as famous, past experience, or self). This shows that undoubtedly, references (Word-of-Mouth) carry greater credibility, and has huge potential impact in healthcare industry than any other communication channel. When asked about the preference given to Word-of-Mouth, 95 (93.1%) respondents preferred Word-of-Mouth and only 7 (6.9%) respondents did not prefer it.

Table No. 2: Frequency Distribution With Respect to Source of Awareness About Health Care Institute

SOURCE OF AWARENESS	NO	%age	YES	%age
ADVERTISEMENTS	101	(99%)	1	(1%)
INTERNET	95	(93.1%)	7	(6.9%)
REFERENCE	9	(8.8%)	93	(91.2%)
OTHER	76	(74.5%)	26	(25.5%)

Descriptive statistics of Perceived risk ranks and hospital types are presented in Table-3. In Private hospitals, the overall ranks given to various Perceived risks are as: Functional Risk (Expertise of doctors) =1> Service Quality (Care and hygiene) =2.32> Time Risk (Quick service) =3.29> Psychological Risk (Inner satisfaction) =3.79> Financial Risk (Cost) =5.04> Social Risk (Social pressures) =5.55. In Government hospitals, the overall ranks given to various Perceived risks are as: Functional Risk (Expertise of doctors) =1.16>Financial Risk (Cost) =2.06> Service Quality (Care and hygiene) =3.83> Time Risk (Quick service) =3.93> Psychological Risk (Inner satisfaction) = 4.12> Social Risk (Social pressures) =5.98.

Table No. 7: Descriptive Statistics of perceived Risk Ranks and Hospital Types

PERCEIVED RISKS	PRIVATE			GOVERNMENT			Total Average
	APPOLLO	FORTIS	Over all Rank	AIIMS	SAFDARJUNG	Overall Rank	
FUNCTIONAL RISK (DOCTORS EXPERTISE)	1	1	1	1	1.33	1.16	1.08
SERVICE QUALITY	2.36	2.27	2.31	3.54	4.13	3.83	3.03
TIME RISK(QUICK SERVICE)	3.36	3.23	3.29	3.58	4.29	3.93	3.60
FINANCIAL RISK(COST)	4.89	5.19	5.04	2.46	1.67	2.06	3.64
PSYCHOLOGICAL RISK(INNER SATISFACTION)	3.71	3.88	3.79	4.46	3.79	4.12	3.95
SOCIAL RISK(SOCIAL PRESSURES)	5.68	5.42	5.55	5.96	6	5.98	5.75

From these responses, it is clear that functional risk is the most important to every respondent irrespective of the hospital type, but financial risk (Cost) is treated quite differently by the respondents of two hospital types. For Private hospitals, it is of least significance, but for Government hospital respondents, it is the next important consideration after the functional risk, because of the fact that consumers of Private hospitals were mostly high income people (minimum income =30001-50000 INR). Furthermore, Social risk takes the back seat (5.55, 5.98) while choosing the healthcare institute, unlike most of the products and services. This observation is further justified by the correlation between family income and perceived risk ranks, presented in Table-4. There is a highly positive correlation between income and financial risk rank i.e. as the income increases, there is a shift of ranks from 1 to 6 (from High Rank to Low Rank) given to financial risk. For functional risk, the correlation with income is very low (indicating the importance of functional risk to all income groups) though negative, expressing that as income increases, there is a shift of ranks from 6-1 (From Low to High). Service Quality is highly and inversely correlated with income, indicating that as the income increases, the preference given to service quality also increases (Depicted by shift of ranks from 6-1).

		FI/M	FR	FUNR	PSYR	SOR	TMR	SQ
FI/M	Pearson Correlation	1	0.853392	-0.35425	-0.1341	-0.49617	-0.33419	-0.63475
	Sig. (2-tailed)		4.72E-30	0.000259	0.179022	1.14E-07	0.000597	7.84E-13

(FR= Financial Risk, FUNR= Functional Risk, PSYR= Psychological Risk, SOR= Social Risk, TMR= Time Risk, SQ= Service Quality)

Discussion and Conclusion

This study is carried out to examine the preference given to Word-of-Mouth and its impact on consumer behaviour while choosing a healthcare institute. The results reveal that people rely heavily on Word-of-Mouth to choose a healthcare institute. Healthcare players need to frame their marketing and positioning strategies in accordance to the considerations given by consumers of different income groups to different perceived risks. As healthcare is a utilitarian service, thus no compromise on part of the doctors' credibility and their expertise, continuous innovations on part of service quality and reduction of cost are the areas that demand keen focus and need to be addressed to in-house patients and their attendants, so that they spread it out further. Some special treatment facilities (No frills) for the lower income group of consumers should be given a practical shape by private healthcare players as a part of their social responsibility. Only 18 (17.6%) respondents were availing medical insurance, is an area that Private healthcare players should ponder into and try to fetch the maximum out of it.

It is being brought out through the study that Word-of-Mouth reduces the decision-making time (81.4% respondents agreed to this), thus is a fertile means for marketers to create the required hype for their products and services, so that people get very much aware of their existence and feel free to recommend them to their known ones.

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