

# Loyalty Programs for Hospitals : An Insight for E-commerce companies

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## Abstract

*Ecommerce has come a long way from being perceived merely as a mode of buying and selling over internet to encompass the complete online process of delivering, and servicing products and services. However, there is a strong conviction among the players in Ecommerce arena that the offerings which are more differentiated in terms of customer experience defines the path from landing on the website to the payment of the product/service. The present study intends to explore the right value drivers to be incorporated in a Loyalty program meant for hospital staff for an Ecommerce website selling hospital products for the niche but huge segment in India. The study covered large, medium and small sized hospitals in the National Capital Region (NCR) of India. The results of study showed that loyalty program for the hospitals should be based more on the drivers of emotional connect than on those of process improvement.*

## Keywords

*Customer Life Time Value (CLTV), Customer Loyalty, E commerce, Customer Retention*

## 1. Introduction

In the retail circles, loyalty is the buzz word. Intense competition affect the company is difficult to increase the number of customers, enter new markets on the other hand also requires considerable cost. Research states that the cost needed to get new customers is six times greater than the cost to retain customers. Every producer wants to create and retain a customer who engages in continued profitable business with him. Customer Loyalty is the measure of success of the supplier in forging a long term relationship with the customer. Thus customer loyalty is when a supplier receives the ultimate reward of his efforts in transacting and building relationship with its customer. Customer loyalty tends the customer to voluntarily choose a particular product against another for his need. Further, when a loyal customer has repetitive requirement of the same product, such customers may be described as being 'brand loyal'. On the other hand he may also require different products of the same manufacturer which counts as the company specific loyalty. True loyalty is created when the customer becomes an advocate for the organisation, without incentive. Very recently the interest in the subject has risen considerably. It is believed that loyalty can be attained, but the firm has to consistently work at it and it is not possible to make all of your customers loyal.

### 1.1 Loyalty in Ecommerce

The fact that post 1990s' Dot com debacle, India had more supply than the demand for venture capital and there was no sector other than IT that was expected to put this surplus supply of capital to best use. Then came retail from nowhere, followed by Ecommerce. Today Ecommerce is the hottest target for startups and investors alike. All this and other things have made the

Ecommerce space extremely competitive and as is expected, the cost of acquiring a new customer is going up swiftly. Therefore, Loyalty and customer retention are becoming increasingly important not on as a way to increase profitability per customer but also, in many cases, creating an entry barrier for the competition to capitalize on a channel of acquisition.

## 2. Review of Literature

A detailed review of literature on web-metrics, online customer acquisition, loyalty and retention was done. Following are the excerpts:

**Hinz, Hann and Spann (2011)** compared a fixed threshold price setting with an adaptive threshold price setting. A seller who considers an adaptive threshold price has to weigh potentially greater profits against customer objections about the perceived fairness of such a policy.

**Ramanathan (2010)** finds that “satisfaction with claims” is the single most important criterion valued as critical by online customers. “Comparative prices” and “Refunds/returns” are desirable criteria. “Management accessibility”, “Payment process” and “Privacy experience” are satisfiers while “on-time delivery” is a dissatisfier. The findings point to the need for providing great emphasis on including accurate, timely and relevant information on its products. Pricing of products and ability to handle returns are important as a good performance can boost customer loyalty but a bad performance could move customers away. Good website design that instills a sense of privacy in the minds of the customer, and security of payments will alter customers’ perceptions in favor of the website, but a poor logistics performance will be viewed negatively.

**Zorn and Murphy (2009)** find that in saturated markets up to 30% of customers quit their relationship with a firm each year. Therefore, companies must acquire valuable customers constantly and avoid customers that constantly switch their relationship with a firm in response to competitive offerings. Most models to assess the customer life value (CLV), the discounted difference between a customer’s revenue and sales costs, have limitations such as ignoring customer acquisition. They note that customers differ in motivations to consume. Some consume media randomly to kill time; others consume media selectively in a goal-directed manner (Hoffman and Novak 1996; Rubin 1984). Different consumption motivations, hedonic and utilitarian (Hirschman and Holbrook 1982) could influence CLV. The researchers thus conclude that the commitment of a consumer with a company and the relationship length could depend on the consumption mode – utilitarian or hedonic. Whereas price fairness and economic incentives interest utilitarian oriented consumers, affective incentives should interest the hedonic oriented consumer. For the acquisition of new customers, it seems appropriate to focus on customers interested in a hedonic consumption. However, firms could acquire prospects interested in a utilitarian consumption, but with a high CLV, by offering loyalty programs in the retention phase.

**Pfeifer, Conroy & Haskin (2005)** note that there is a difference between customer lifetime value (CLV) and customer profitability (CP). Both of these terms are used to talk about one of the major advantages of interactive marketing: the ability to identify and capitalize on customer differences. Unfortunately, in the enthusiasm for identifying customer differences, interactive marketers have neglected to create a clear distinction in the meanings of these two terms. It should be seen that ‘value’ in CLV points to present value and valuation as used in financial theory and ‘profitability’ in CP means accounting profitability. Thus, CP is usually an accounting summary of events from past and present, whereas CLV is forward looking.

**Weischedel, Matear and Deans (2005)** observe that even though automatically generated web metrics are a crucial tool for all companies with a web presence, the direct correlation between web metrics and strategic decision-making has not been tested. Web metrics can create a distinct advantage and benefit when they are used for strategic decision-making in this environment. According to the established link between Internet use and improved business performance (Rao et al., 2003), businesses that apply the empirically supported data will be in a better position to create a competitive advantage within their industry. Although e-businesses differ from traditional companies, the way of business and marketing might remain unchanged.

**Verhoef and Donkers (2005)** found indeed that customer loyalty differs among channels. It is also found that the acquisition channels had some effect on cross-buying. However, these effects are weaker than those for loyalty. Cross-buying, requires a second step in the relationship, which is probably influenced by the firm’s subsequent marketing interventions. It is also proven by research that direct mailings will attract less loyal customers, perhaps because they usually focus on price. This is the case for the mailings we considered. It is also found that TV and radio performed poorly. Bolton and colleagues (2004), however, argued that mass-media channels providing brand-related information would attract loyal customers. Perhaps the brand-related information in a direct-response commercial is not enough to prevent customers from defecting early.

**John (2003)** has repeatedly mentioned that acquisition cost per new customer is way higher than the same for a solicited customer.

The objectives of the current study are:

- To identify the value drivers for the key stakeholders in the hospitals.
- To identify their preferred communication and delivery channels.
- To generate insights from the study that is vital inputs to designing a loyalty program.

## 4. Research Methodology

The methodology adopted for the study is as follows:

#### 4.1 Research Design

The study was conducted in two parts. The first part was exploratory research using qualitative methods. Interviews of Ecommerce company executives' viz. the Channel sales head, relationship executives were initially used to generate the concerns in retention of customers, and the value drivers. Interviews of hospitals executives' viz. head nurses, Medical Superintendents and, in large hospitals, the marketing heads. The purpose of the interview was to identify the right stake holders in the hospitals to target the loyalty program and to brainstorm a few value drivers to begin with.

The second part of the study involved a field survey of hospital executive and staff of the prospective hospitals using structured questionnaires. The purpose was to identify the usefulness or value products offered as part of loyalty programs in customer's daily life.

#### 4.2 Research sample

The respondents were staff of hospitals mainly the head nurses, medical Superintendents and, in large hospitals, the marketing heads who are major stakeholders of E commerce companies offering hospital products. A total of twelve hospitals, two each from a large, a medium and one small sized hospital in the National Capital Region (NCR) area were covered for survey.

#### 4.3 Research instrument

A field survey was carried out in selected hospitals using a structured questionnaire. The questionnaires comprised on 22 items on various value drivers. The responses were recorded on a 5 point scale with 1 being 'Not at all useful' to 5 meaning 'Extremely Useful' to the respondent.

### 5. Data Analysis

During part one of the study, exploratory research was carried out in the form of interviews with company executives and hospital staff. As a result of the interviews

following rewards were found useful to be incorporated into the loyalty program: items of routine use by staff such as tiffin boxes, table cloth with mat, wrist watch, water cooler etc.

Additionally, it was found that the right people the loyalty program should be targeted to is nursing staff. This was because the real last-mile logistics of E Commerce Company's delivery and registration of the parent id done by the nursing staff itself. Other stakeholders are hospital owner/proprietor, Marketing head, Medical Superintendent and department heads.

During part two of the study, the analysis of the interviews of the stakeholders of loyalty programs in a hospital was done. It was found that the Top management (Department heads and proprietors) preferred a reward that is useful to all nurses such that no differences originate between the nurses working in the labour room and those working elsewhere merely because of such a reward program. It was also explored that the preferred delivery channel for the of E Commerce Company's product is courier and nursing staff does not have any problems keeping the inventory of the boxes. Further, the channel relationship executives are a critical factor in the whole process. They build an everlasting and trustworthy relationship with the head nurse and the department heads. A change of person handling such a responsibility can even result in closing down of transactions with the concerned hospital. It was observed that needs and wants of all nurses, whether working in a large hospital or a smaller one, are not much different. It was also observed that a reward given at some personal occasion (such as getting married or leaving the hospital) carry more value than the same reward given at any other time.

#### 5.1 Demographic profile

The demographic profile of the respondents is as follows

**Table 1: Demographics**

Respondent No	Age	Gender	Marital Status	Education	Family Size
1	25-35	Male	Married	Sr. Secondary	5-7
2	25-35	Male	Married	Graduate	5-7
3	18-25	Male	Unmarried	Sr. Secondary	2-4
4	18-25	Female	Unmarried	Sr. Secondary	2-4
5	25-35	Female	Married	Graduate	5-7
6	18-25	Female	Unmarried	Sr. Secondary	2-4
7	18-25	Female	Unmarried	Sr. Secondary	2-4
8	25-35	Female	Married	Sr. Secondary	5-7
9	25-35	Female	Married	Sr. Secondary	5-7
10	25-35	Female	Married	Graduate	5-7
11	25-35	Female	Unmarried	Graduate	5-7
12	18-25	Female	Unmarried	Graduate	2-4
13	18-25	Female	Unmarried	Graduate	2-4
14	25-35	Female	Married	Graduate	5-7
15	25-35	Female	Married	Sr. Secondary	5-7

Source: Compilation of data obtained using Questionnaire

The data in table 1 shows that 80% of respondents were females and almost half of the respondents were married. In addition, almost half of the respondents were graduates. 60% of the respondents were in the age group of 25-35 years. The respondents belonged to SEC B1 and A3 profiles.

## 6. Findings

**Insights on emotional appeal of rewards:** The final stage analysis of the data collected through the questionnaire revealed following insights:

- DMRC Smart card, Mobile recharge voucher and Tiffin Box were found to be most useful (A mean of

4.67, 4.56 and 4.54 respectively) by all the respondents on their daily life.

- Unmarried respondents preferred Tiffin Box, T-shirt/ Top and Shampoo & conditioner to be most useful (A mean score of 4.57, 4.43 and 4.43 respectively).
- Married respondents preferred Thermos Flask (4.63) and Memory Card (4.25) in addition to the above items.
- Male respondents preferred DMRC Smart Card, Headphones and T-shirts (Mean = 5.00) most followed by Mobile Recharge Coupon (4.67), Desktop speakers (4.33) and Wallet (4.33).

Item	Average (male)	Average (Female)	Average (All)	Average (married)	Average (Unmarried)	Overall
Tiffin Box	4.00	4.83	4.42	4.75	4.57	4.54
Thermos Flask	4.33	4.33	4.33	4.63	4.00	4.32
DMRC Smart Card	5.00	4.50	4.75	4.63	4.57	4.67
Mobile Charge	4.67	4.50	4.58	4.50	4.57	4.56
T-Shirt / Top	5.00	3.50	4.25	3.25	4.43	4.04
Memory Card	4.33	4.08	4.21	4.25	4.00	4.17
Shampoo & Conditioner	2.67	4.33	3.50	3.63	4.43	3.76
Head / Ear Phones	5.00	3.33	4.17	3.50	3.86	3.92
Desktop Speakers	4.33	3.42	3.88	4.00	3.14	3.72
Wallet / Purse	4.33	4.08	4.21	4.00	4.29	4.18

All in all, Tiffin Box, T-Shirts/Tops, Wallets/purses and Thermos Flasks came up as near to 'extremely useful' items by the target group and Alarm Clock, Wrist watch and Hair Dryer were found to be either 'Not at all Useful' or 'Not Useful' by the respondents.

**Insights on process:** Following insights on the process improvement could be derived out of the study:

- The boxes must be delivered through the courier. This seems to be the most preferred channel of delivery by the hospital staff.
- The courier must bear the name of the department head / proprietor because this will keep him updated on the progress of relationship of Ecommerce company with the hospital. This relationship can be used for cross selling, up selling and referrals because it will ensure Top-of-mind-recall of the company.

- Preferred mode of communication is a phone call 2-3 times a week and a visit at least once a week (Daily in case of hospitals falling in A category)
- There should be one present given to the department as a whole. The examples of such an item can be Mineral water cooler and a tea / coffee vending machine among others.
- Rewards should be presented at a few memorable moments in the life cycle of the staff members. Such moments in the life cycle are:
  - ◆ Marriage
  - ◆ Leaving the hospital
  - ◆ The most caring person // Nurse/Care-giver of the year
  - ◆ Getting the first 4 wheeler in house

## 7. Conclusions

A loyalty program is expected to be highly effective if the rewards ensure an emotional connect with the customer. Another school of thought states that a benefit resulting from the improvement in processes that connect the customer touch points is considered highly valuable to the customer. In the findings of the study we observed a few drivers of better emotional connect and some drivers of process improvement. Although both the ways to look at customer pain points are effective in generating a valuable solution, it can be concluded that a loyalty program for the hospitals should be based more on the drivers of emotional connect than on those of process improvement. This can be inferred from the following premises:

- ♦ 'Nurses' are the TG of the Loyalty Program: An unconcerned nurse has very low motivation to fill the registration details properly and may not deliver the box or the right box or the box with all the items. Further, the day's inventory of boxes is also to be managed by the nursing staff itself. This makes it more important for nursing staff to stay loyal to Lapis India so that accurate data and proper expedition of box delivery is ensured to the right end customer. Thus, the Loyalty program should be majorly targeted at nursing staff and not anyone else.
- ♦ Further the SEC profile (B2, A3) of our target group (Nurses), interviews with them and their responses to the questionnaire further revealed that they value relationships and emotional connections more than the processes. Mostly, an improvement in process motivates them only if the improvement saves their time or increases their income; which is not the case with our suggested improvements in the processes. Thus, the drivers of emotional connect should be used majorly as the inputs to designing the loyalty program for nurses.
- ♦ Further, the right kind of rewards for our target segment must be a tangible gift rather than a reward point. This can be explained better by their SEC profile. Therefore, under the loyalty program, rewards in the form of gifts that are most useful in their daily life should be planned instead of an intangible form of rewards such as points.
- ♦ Additionally, it can be inferred that an individual reward is a greater motivation for a nurse than a collective reward. However, as our research revealed, the same individual reward becomes even more valuable when given at some personal occasion. Nevertheless, this conclusion is also derived from the arguments in favour of emotional connect because a personal occasion carries with itself an emotional bond and a gift received at such an occasion leaves long lasting impression.
- ♦ Furthermore, given the mobility of our segment among the hospitals in the locality, nurses are the best brand ambassadors for Lapis India. As they move and if they are loyal, they can be the best lead

generators for the company. Thus, referrals are also possible if the loyalty program is targeted at nurses. Finally, the benefits that ensure an emotional connect are more valuable to the TG than those that improve the processes.

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## QUESTIONNAIRE

Dear Sir/Madam,

The purpose of this questionnaire is to conduct research work. Information given will be kept confidential and will be used for research and academic work only

### Part I - DETAILS OF RESPONDENT

<b>Name of respondent</b>					<b>City</b>			
<b>Age</b>	<input type="checkbox"/> 18-25	<input type="checkbox"/> 25-35	<input type="checkbox"/> 35-45	<input type="checkbox"/> 45-60	<input type="checkbox"/> >60			
<b>Gender</b>	<input type="checkbox"/> Male		<input type="checkbox"/> Female					
<b>Marital Status</b>	<input type="checkbox"/> Married		<input type="checkbox"/> Unmarried					
<b>Education level</b>	<input type="checkbox"/> High school	<input type="checkbox"/> Graduate	<input type="checkbox"/> Postgrad	<input type="checkbox"/> Others				
<b>Family size(number of family members)</b>	<input type="checkbox"/> 2-4	<input type="checkbox"/> 5-7	<input type="checkbox"/> 8-10	<input type="checkbox"/> More than 10				
<b>Part II</b> <i>Directions: Please indicate your level of usefulness of the following items in your daily</i>	<b>Not at all Useful</b> (1)	<b>Not Useful</b> (2)	<b>Neutral</b> (3)	<b>Useful</b> (4)	<b>Extremel y Useful</b> (5)			
<i>Please Tick (?) the appropriate box</i>								
<b>Kitchen &amp; Home</b>								
1. Tiffin Box	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
2. Bed Sheet	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
3. Thermos Flask	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
4. Table Cloth with Mats	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
<b>Electronics</b>								
5. Wrist Watch	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
6. Alarm Clock	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
<b>Part II</b> <i>Directions: Please indicate your level of usefulness of the following items in your daily life.</i>	<b>Not at all Useful</b> (1)	<b>Not Useful</b> (2)	<b>Neutral</b> (3)	<b>Useful</b> (4)	<b>Extremel y Useful</b> (5)			
<i>Please Tick (?) the appropriate box</i>								
7. Pen Drive	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
8. Head Phones // Ear Phones	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
9. Desktop Speakers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
10. Micro-Memory Card	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
<b>Personal Care</b>								
11. Shampoo & Conditioner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
12. Deo Spray // Perfume Spray	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
13. Hair Dryer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
14. Shaver	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
15. Sun-Screen // Moisturizer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
16. Hand Sanitizer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
<b>Part II</b> <i>Directions: Please indicate your level of usefulness of the following items in your daily life.</i>	<b>Not at all Useful</b> (1)	<b>Not Useful</b> (2)	<b>Neutral</b> (3)	<b>Useful</b> (4)	<b>Extremel y Useful</b> (5)			
<i>Please Tick (?) the appropriate box</i>								
<b>Fashionables</b>								
1. Earrings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
2. Leather Wallet // Purse	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
3. Pens	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
4. T-Shirt // Top	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
<b>Miscellaneous</b>								
5. Delhi Metro Smart Card	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
6. Mobile recharge voucher	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			