

**THE EFFECT OF LOYALTY PROGRAMS ON THE SERVICE QUALITY IN
HEALTHCARE INDUSTRY**

By

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Thesis Submitted to the Faculty of Economics and Administrative Sciences of Epoka University
in Fulfillment of the Requirement for the Master of Science in Business Administration

Abstract of Thesis Presented to the Faculty of Economics and Administrative Sciences of Epoka University in Fulfillment of the Requirement for the Degree of Master of Science in Business Administration

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September 2015

ABSTRACT

The main purpose is to study the current situation in Albania related with the attitudes of Albanian society toward loyalty programs, healthcare loyalty cards usage in healthcare sector. The study aims also measuring the effect of loyalty programs on the service quality in Albanian healthcare sector. This thesis is descriptive quantitative in nature, aiming to develop a better understanding of the effect of loyalty cards on the healthcare service quality. The statistical package SPSS was used for data analysis. Finding indicates that the loyalty programs have positive effect on healthcare service quality. Moreover, loyalty card usage appears to play an important role in increasing the strength of association between loyalty programs and healthcare service quality. Results confirm the varying importance of some socio-demographic variables on the effect of loyalty cards on Albanian healthcare service quality. It has also been found that private hospitals have higher overall loyalty care than public hospitals. Study indicates that loyalty programs implementation is used overall in private hospitals but useless in public hospitals.

Keywords: Healthcare quality, Loyalty programs or Cards, Socio-demographic characteristics.

Abstrakti i Diplomës Paraqitur Fakultetit të Ekonimiksit dhe Shkencave Administrative të Universitetit Epoka në Përmbajtje të Kërkesës për Marrjen e Diplomës së Masterit Shkencor në Degën Administrim Biznes

EFEKTI I PROGRAMEVE TË BESNIKËRISË MBI CILËSINË E SHËRBIMIT NË SEKTORIN SHËNDETËSOR

Manisa Sulika

Shtator 2015

ABSTRAKT

Qëllimi kryesor i kësaj teze është studimi i situatës aktuale në Shqipëri në lidhje me qëndrimet e shoqërisë shqiptare ndaj programeve të besnikërisë, përdorimi kartës së besnikërisë në sektorin e shëndetësisë. Gjithashtu studimi synon matjen e efektit të programeve të besnikërisë mbi cilësinë e shërbimit në sektorin shëndetësor në Shqipëri. Kjo tezë ka natyrë përshkruese dhe sasiore, me qëllim zhvillimin e të kuptuarit më së miri efektin e kartave të besnikërisë mbi cilësinë e shërbimit shëndetësor. Analiza e të dhënave është bërë duke aplikuar paketën statistikore SPSS. Gjetja tregon se programet e besnikëri kanë efekt pozitiv në cilësinë e shërbimit të kujdesit shëndetësor. Për më tepër, përdorimi i kartës së besnikërisë luan një rol të rëndësishëm në rritjen e lidhjes mes programeve të besnikërisë dhe cilësisë së shërbimit të kujdesit shëndetësor. Rezultatet konfirmojnë rëndësinë e variablave socio-demografike të kartës së besnikërisë mbi cilësinë e shërbimit shëndetësor në Shqipëri. Gjithashtu është gjetur se përgjithësisht spitalet private kanë kujdes më të lartë besnikërie se spitalet publike. Studimi tregon se zbatimi i programeve të besnikërisë përdoret vetëm në spitale private.

Fjalë kyçe: Cilësia në shëndetësi, Programet/ Karta e besnikërisë, Karakteristikat socio-demografike.

ACKNOWLEDGEMENTS

I would like to thank my advisor, Dr. Vusal GAMBAROV for his guidance, assistance and his valuable contribution throughout the preparation and completion of this study.

Furthermore, I am very grateful to my family and I thank them very much for supporting me all the time for the completion of this thesis in the best possible way. I am and I will be thankful to them all my life, because they have been that contributed everything to the realization of this itinerary.

Special thank are owed also to my husband Ervin, who motivated and encouraged me in every single step and has been with me in every difficult moment that I passed for the realization of this thesis.

APPROVAL

I certify that an Examination Committee has met on _____ to conduct the final examination of Manisa SULIKA on her Master of Science in Business Administration Program thesis entitled "*The Effect of Loyalty Programs on the Service Quality in Healthcare Industry*" in accordance with Epoka University (Higher Degree) Regulation "*On second cycle study programs*". The Committee recommends that the candidate be awarded the relevant degree.

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DECLARATION

I hereby declare that the thesis is based on my original work except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at Epoka University or other institutions.

Manisa Sulika

September 2015

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LIST OF ABBREVIATIONS

SQ: Service Quality

T: Trust

CLP: Customer Loyalty Program

CO: Commitment

BL: Behavioral Loyalty

AL: Attitudinal Loyalty

SQORT: The total average of Service Quality

TORT: The total average of trust

AORT: The total average of Attitudinal Loyalty

BORT: The total average of Behavioral Loyalty

CORT: The total average of Commitment

CPORT: The total average of Customer Loyalty Program

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INTRODUCTION

Healthcare is the fastest growing service in both developed and developing countries (Dey et al., 2006). The main goal of the healthcare industry is to focus on patients, offering good services to people and improving the service quality of the daily lives. Patients are the customers of this complex system of systems. Quality improvement needs strategy. Albanians are not receiving the healthcare they need and at the time they need it in affordable cost for them. An efficient quality is built on better care, national healthy communities and reduced cost of quality healthcare for individuals, families, employers and government. All Albanians need to be healthier and less costly care because of improved necessary health services.

Healthcare system needs to be sustainable. Sustainability is dependent on the quality of given service (Alanezi et al. 2010). To define sustainability was provided by the World Conservation Union "For development to be sustainable it must take account of social and ecological factors, as well as economic ones; of the living and non-living resource base; and of the long-term as well as the short-term advantages and disadvantages of alternative action (Faezipour & Ferreira 2013). Researchers also agree that service quality means competitive advantages, long-term profitability, financial performance and it determines the goods and service demand (Carter et al. 2002).

In assessing service quality some authors suggested that "...development that meets the needs of the present without compromising the ability of future generations to meet their own needs"(Faezipour & Ferreira 2013). Quality is directly proportional to customer satisfaction, meaning that high quality of the provided services creates better customer satisfaction (Lee et al. 2012). Service quality and customer satisfaction are commonly regarded preceding of customer loyalty (Bolton et al, 2000; Bowen and Chen, 2001). Loyalty program is commonly considered as an important factor of customer loyalty (Shi et al. 2014). Membership to a respective hospital service is represented by membership cards, the most commonly used loyalty program in healthcare. In order to get membership status, patients need to know the membership benefits and advantages. This mechanism is that membership benefits and advantages would attract attention to take part and consume healthcare services. However, those who are not associated with may stay loyal to the respective hospital service. Measuring the effectiveness of loyalty programs can be inspiring. Bolton et al, 2000 suggests that loyalty program operates likely as chairman, as a mediator (Shi et al. 2014). Also, loyalty program effects would assist marketers of the respective marketing department compute convenient master

plan in an aggressive business environment. The current theses study the effectiveness of loyalty programs by including members to survey and look over their attitudes and manners in healthcare sector.

Albania has a small site and population. Currently as a developing country, Albania is confronted with health care quality issues. According to the data from Global Health Index (<http://www.worldlifeexpectancy.com/country-health-profile/albania>, *World Health ranking, dated August 10, 2015*), Albania ranks 82 out of 192 countries. This suggests the intermediate level of healthcare in Albania. Health care services have been improving, but more needs to be done to have access by the poor people. According to the World Bank, 2014, Albania - Health System Modernization Project and Social Sector Reform Development Policy Loan Project (<http://documents.worldbank.org/curated/en/2014/06/19761190/albania-health-system-modernization-project-social-sector-reform-development-policy-loan-project>, *The World Bank, dated August 10, 2015*), the health sector faced a number of challenges: the increasing burden of chronic disease, inequitable sector recourse allocation (physical, human, financial), low service quality and efficiency, high costs and lack of transparency. Albania spends about 2.6 percent of GDP in health care where other countries with the same income level spend about 4.5 percent of GDP. Relatively there is low contribution by the public sector. Because of low public spending about 60 percent of sectoral funding is done out-of-pocket expenditures (<https://www.worldbank.org/content/dam/Worldbank/document/eca/Albania-Snapshot.pdf>, *Word Bank, dated May 22, 2015*). According to the World Bank report the high level of direct household spending that exists in this sector offers Albanian`s population a limited protection. There is a lack of health insurance coverage due to the economic barriers to access quality services.

The developed countries have been improving a lot in loyalty program field and the use of electronic loyalty cards method has become more and more popular. While in the developed countries these loyalty methods are frequently used, here in Albania are still at the first stage of development.

There are about 51 hospitals in the country and this number includes several specialist hospitals, a military hospital and a government hospital operating in Albania and each of them has the right to issue loyalty cards to the individuals that hold membership status with these hospitals. As it is known Albania is a small country with a transition economy and compared to other developing economies the number of hospitals operating here is larger. However the loyalty card usage in

healthcare service is negligible. There have to be many reasons explaining this situation and it should be analyzed from two different perspectives. First one is the idea of analyzing the behavior of Albanian society towards this phenomenon by asking the reasons of not using loyalty cards and what kind of obstacles do they face. It should be studied if this has to do with inadequate information, perception, culture, negligence or other factors. The other one is from the perspective of healthcare system development, if this is because of lack of information, promotional activities and policies, stimulation or other factors relevant to hospitals products and policies. In order to conduct this study, a survey with a sample size of 365 asking different question relevant to this topic has been used.

This master thesis is divided into many chapters. The first chapter is in the form of overviews of the theoretical approach and literature review studying the link between the service quality, healthcare service quality and the loyalty programs. Moreover, describing the loyalty card usage as loyalty program where appears to play an important role in attaining the stabilization of healthcare sector in such a strong competitive environment. Then it continues with explaining the varying importance of some socio-demographic variables on the effect of loyalty cards on Albanian healthcare service quality. It ends by results of the effect of loyalty programs in healthcare service quality where the SPSS statistical package analysis has been used.

CHAPTER I: LITERATURE REVIEW

1.1 Customer Loyalty

Hospitality management accept that it is difficult in today`s competitive market to survive by focusing in long run on gaining, attracting new customers. The cost of attracting new customer is higher than customers` involvement. The experiences exist in customers mind is competitors` differentiation point to provide such services or products to satisfy customers demand (Pine & Gilmore, 1998). Thus, the marketing objective is retaining customers that have direct impact on company profitability. Further, loyal customers will increase the sales through their loyal patronage behavior. Marketing staff of hospitality believe that taking care of patient relational engagement leads to customer longevity which is eventually linked with customer loyalty (Berry, 1983; Morgan and Hunt, 1994). Businesses have discovered as a key factor the importance of keeping possession on their existing customers. Thus, customer loyalty is a topic that has been presented since 90`s as a favored in general marketing schemes as well linked long run marketing relationship and its effectiveness (McCall and Voorhees, 2010; Sheth and Moorman, 2005). Including the customer loyalty subject matters in hospitality sector has been growing and many academics try to provide the research status quo (Bowen and Sparks, 1998; Dev et al. 2009).

It is not easy to explain customer loyalty, it is repeated purchase behavior that contain spiritual appearance beneficial attitude toward service provider (McAlexander et al. 2003; Petrick, 2004; Shoemaker and Lewis, 1999). Many studies give special importance that the value of customer loyalty is noteworthy. It is already known that loyal patients purchase and make regular visits higher than non-loyals do. As stated by Kotler, Bowen and Makens, customer loyalty is *“how likely customers are to return and their willingness to perform partnership activities for the organization”* (1999. pp. 351). In a similar way, in explaining the customer loyalty according to Griffin two factors are evaluative on loyalty increase. First is customer emotional retaining and second factor is repurchasing behavior (Shoemaker and Lewis, 1998). One of the most crucial hypotheses of loyalty marketing is that a miniature increase in loyal customers conducts an increased profitability to a business, there exist a positive relationship that 5% increase in customer retention resulted in 125% increase in their study done in service sector (Reinhold and Sasser, 1990). Also, it is studied that retaining existing customers is six times less expensive than planning and building a new strategy to attract new customers (Petrick, 2004).

1.2 The Direct Review of Customer Loyalty

Many studies tried to recognize the factors that affect the nature of customer loyalty (Dick and Basu, 1994; Lee and Cunningham, 2001; Yang and Peterson, 2004). In this thesis, elements that affect customer loyalty were classified in to two big groups: one related to direct review and the other related to indirect review. Direct review factors are marked out as factors linked internally, that effects the organization to work for its customers directly and openly. The service provider ability is to make easy its strategies and tactics. Be at variance with, indirect review are described as external factors related to the customers determine the brand with respect to the brand competition. External elements, factors are limited controlled by the service provider (Duffy, 2003; Kotler et al., 2010).

1.2.1 Commitment

Commitment can be determined as an emotional association and value-driven between the patient and service provider (Akehurst, Comeche and Galindo, 2009). It is a necessary ingredient effective long-term relationship (Dwyer and Galindo, 2009). As analyzed by Evanschitzky, Iyer, Plassmann, Niessing and Meffert (2006), it was concluded that there exist a strong relationship between commitment and loyalty. Also, there are other research studies that show the positive relationship between the customer`s relationship commitment and customer loyalty (Ou et al., 2011). Further, commitment has a significant relationship on attitudinal loyalty (Kaur and Soch, 2012). Overall, also research results show that successful commitment has a positive relationship with successful loyalty (Ranganatan, Madupu, Sen and Brooks, 2013). Worth commitment is the ethic of sustained profit of being loyal to a specific brand (Mattila, 2006). Complying with the literature, customer commitment was determined as an exchange partner`s willingness to support an important enduring relationship (Garbarino and Johnson, 1999).

1.2.2 Satisfaction

Satisfaction makes reference to the essential response out- coming from the service experience (Oliver, 1993). Many academicians outline satisfaction to customer loyalty as a positive loyalty decisive factor (Bowen and Chen, 2001; Lam et al., 2004; Yang and Peterson, 2004). The satisfaction was explained by some research studies as a positive emotional voice after the

assessment of all features of a social working relationship (Van Der Wiele, Boselie and Hesselink, 2002).

In addition, according to Fornell (1992), explained satisfaction as an overall evaluation of service performance based on customer's total revenue and cost experience. There are many research studies that describe the relationship between satisfaction and customer loyalty. Satisfaction has a positive and direct effect on loyalty (Yap, Ramayah and Shahidan, 2012). The higher satisfaction gives higher customer loyalty (Thomas, 2013). Satisfaction is a factor that influences customer loyalty (Miller et al., 2013). Customer loyalty and satisfaction are dependent to each other, if customer is satisfied, his loyalty increases.

1.2.3 Trust

Rotter (1997) determines trust as "a generalized expectancy held by an individual that the world of another ... can be relied on". In his study he proposes that "one of the key drivers in every organization is trust between individuals, and the existence of any social group is highly dependable on it". Moorman et al., (1993) define trust "as a willingness to rely on an exchange partner in whom one has confidence". Which is understood that trust is patient positive emotion that relies and believes on his or her partner? Other scholars related trust as one of the most raise for efficient relationship marketing and define it as "existing when one party has confidence in an exchange partner's reliability and integrity" (Morgan and Hunt, 1994).

In the last five years, trust is explained as customer believe where service provider offers a promise with the best benefit and customer offers the honesty in their relationship (Yap et al., 2012). Same scholars concluded that trust has a positive effect on customer loyalty and they think when a customer generates a trust with the service provider, customers should not just focus on present positive service outcome but to believe and continue the future relationships. In addition, Miller et al., (2013) stated that trust one of the direct factors that effects customer loyalty.

1.2.4 The Trust- Commitment- Loyalty Association

With reference to McKnight et al., (2002), they associated trust-commitment based on the theory of (Fishbein and Ajzen, 1975). Consequently, the response by the customer can be modeled by: Belief, attitude, intention and behavior. Following the model trust is expressed by *belief* which leads to

customer commitment expressed as *attitude*. Trust is the essential and fundamental factor long-run orientation of the customer. Based on this argument for the impact of trust on attitudinal aspect of loyalty (*commitment*) became aware more maintenance and support. The argument defines the positive effect of trust on behavioral aspect of loyalty which finds theoretical and empirical maintenance (Jarvenpaa and Tractinsky, 1999).

Based on above research results we can create methodically that:

- Trust is positively linked with commitment.
- Commitment is associated with greater loyalty.
- Trust is associated with greater loyalty.

1.3 The Indirect Review of Customer Loyalty

1.3.1 Loyalty programs

Customer loyalty program tell of the well coordination and membership marketing which aims the asset of strengthening the continuing exchanges between the patient and service provider (Lacey and Sneath, 2006). Likewise, loyalty program is a marketing program that is goal to construct customer loyalty by providing particular behavior to beneficial customers (Yi and Jeon, 2003). In addition, Butcher defines “a customer loyalty program`s primary purpose is to build a relationship with the customers that turns them into lung-run loyal customers, who ideally will obtain their lifetime demand for specific product or service from the company sponsoring the loyalty programme” (2002, pp. 39). The attractiveness considered for customers joining the membership loyalty card program was the benefits and free rewards, such as discounts, coupons and points accumulated (Wright and Sparks, 1999).

According to the research done by Omar and Musa (2009), resulted that benefits provided by loyalty program holds an important role in the building of store loyalty, where membership card made customers are more loyal to the service provider. Moreover, other researchers define that customer loyalty program effects positively and partly the satisfaction and trust (Ou et al., 2011). Loyalty program membership has a notable impact on customer continuing purchase behavior (Meyer- Waarden, 2008). Also, there were some studies that defined loyalty program providing discounts and free rewards with no direct impact on long-term customer loyalty, but help the commitment building (Evanschitzky et al., 2006).

There are different names given to these programs. For example, in hotel sector guest frequent, while in other industries bonus program, patient card etc. These program names fundamentally do not differentiate, differentiators are on the types and benefits offered (Butcher, 2002). Furthermore, loyalty program is an essential association between program benefits and service provider loyalty (Suh and Yi, 2012). Becoming part of loyalty program means gaining the exclusivity of the privileged customer, identified group and likely sharing association value (Ahearne et al., 2005). So, loyalty programs are functional in building the barricade that makes patients to insert to their respective service. These barricades are classified as economical, sociological, psychological and

relational, in which patients may lose or grow their trust and commitment with the respective service provider (Morgan and Hunt, 1994).

1.3.1.1 Loyalty Construct

The first aspect of customer loyalty program is the degree of emotional attachment (*attitude*) defined as attitudinal loyalty. Among hospitality industry journals attitudinal loyalty (55%) sustains more consideration than behavior loyalty (14%). Some of the most usual subjects on attitudinal loyalty were related to satisfaction, repurchase intention and customer perceived value (Bowen and Chen, 2004; Gupta et al., 2007; Hanaia et al., 2008; Scogland and Siguaw, 2004).

The second dimension of customer loyalty is the degree of repeated purchase (*behavioral*) defined as behavioral loyalty. Generally, behavioral loyalty investigates subjects related to the successes of loyalty action plan and rewards programs (Lucas and Bowen, 2002; Taylor and Long- Tolbert, 2002).

Finally, the third aspect of customer loyalty is the degree of attitudinal perspective (*composite*) defined as composite loyalty. Results display a substantial focus of attention on composite loyalty (Baloglu, 2002; Jang and Mattila, 2005). Studies on composite loyalty explored the aspect of commitment satisfaction relationship and how they influence customer retention (Gustafsson et al., 2005).

From the above dimensions there are four types of loyalty:

Figure 1: Loyalty Typology based on Attitude and Behavior,

		<i>Attitude</i>	
		Low	High
<i>Degree of repurchase</i>	High	Spurious/ Inertia Loyalty	Premium/ True loyalty
	Low	No/ Low loyalty	Latent Loyalty

Source: Backman and Crompton (1991).

Premium or True loyalty is explained as high level performance both of attitude and behavior dimensions, shown on figure 1. Spurious or Inertia Loyalty takes place when a customer has low

emotional association and high level of repurchase to the company. Latent Loyalty occurs when strong attitude and less repurchase to the company exist. In case there is no emotional attachment and no repeat of visit means No or Low loyalty has been performed by customer. According to Baloglu (2002), customer's offerings are as the most considered open to the Spurious/ Inertia Loyalty.

1.3.1.2 Loyalty Program Membership

In terms of loyalty program membership, there are two varieties that are: *open* and *limited*. An open loyalty program can be connected by every individual with no need for procedures and official criteria. Limited one cannot be connected by every individual. There is a formal official procedure to become a member of loyalty program like joining tuition fee and some defined criteria as minimum income level and top repurchase volume.

In terms of welfare and benefits provided, there two varieties that are: *financial* and *soft benefits*. Even known on economics financial benefits are on the center as tangible which can be recognized by every individual, member of the loyalty program and lead to savings in different forms. Discounts and coupons known as hard benefits are financial benefits. These benefits can easily be followed as a model by competitors.

The soft benefits are unusual presents like reward provided psychologically, relationally, emotionally and functionally benefits (*example: special events, preferential treatments, services, priority check-in etc*) which the customers are interested in. In contrast to hard benefits these are intangible, company and product related. Soft benefits can not easily be followed or copied as a model by competitors (Butcher, 2002).

Loyalty programs and received value are narrated to each other. To provide enable continuity to customer loyalty, loyalty programs act as mediator for predictor values (Ramaseshan et al., 2008).

Therefore based on above mentioned literature it can be concluded:

- Loyalty programs are linked with high level of commitment,
- Loyalty programs are linked with high level of trust,
- Loyalty programs are linked with greater loyalty.

1. 4 Service Quality

Quality has become an enlargement principal segment of our lives. Every individual is looking for quality services or products to increase the quality of life. This aspiration for a good quality has been a starting point also by firms and corporations to consider as essential the process of improving the quality of productivity and services. Quality improvement brings the improvement of processes, structures, connection, delays, decreases the costs, increases the level of market share, and a positive company image. As a result, productivity and profitability increases. Therefore, it is important to define measure and improve the quality service in healthcare industry. Quality has been defined as: “value”: “excellence”: “confidence to specifications”: “confidence to requirements”: “fitness for use”: “meeting and exceeding customers` expectations`”: and “consistently delighting the customer by providing products and services according to the latest functional specifications which meet and exceed the customer`s explicit and implicit needs and satisfy producer or provider”.

One of the intense effects on service quality and the efficient implementation in many service fields were done by Parasuraman et al. (1985), who introduced the SEVQUAL model, as an instrument aimed at evaluating customer perception of service quality in the service providing industry by examining the bellow features:

- Tangibles: the physical attributes of the service, equipments, facilities, tools, and staff.
- Reliability: giving promised service (*the ability to perform the promised service in an adequate and reliable manner*).
- Responsiveness: showing the interest to help customers and provide prompt services (*capacity to solve customer problems and to serve customers quickly*).
- Assurance: guarantee competence, credibility, and security to customers by service provider`s staff using their knowledge (*knowledge, politeness and reliability of the employees*).
- Empathy: the ability to understand and share the feelings of customers (*care and personalized attention given by the service provider to the customer*), (Parasuraman et al., 1988).

There are many research studies that recognize the possibility related to the SERVQUAL applications that answered its relating to, suitable soundness and unsteady dimensionality. Moreover, another researcher developed a model in service quality that be composed of three aspects that may decrease the use of implement ability of the aspects to other type of firm (Sower, Duffy, Kilbourne, Kohers and Jones, 2001), which defines that SERVQUAL model is the right one to be used by stakeholder of service quality in the healthcare sector.

In the service quality literature, the SERVQUAL model has been proven as valid and reliable in dental schools patient clinics, a type of shop (Carman, 1990), hospitals (Babakus and Mangold, 1992) and university level (Boulding et al., 1993). Many academicians have insisted that service quality is determinant factor of service loyalty (Gremler and Brown, 1996).

Empathy, reliability, responsiveness and tangibility known as the dimensions of service quality have positive impact to customer loyalty (Al- Rousan et al., 2010). Also, some other research results show trust and satisfaction as mediator between service quality and service loyalty (Ou et al., 2011). There exist a significant positive relation between service quality dimensions and customer loyalty (Mosahab et al., 2010). Furthermore, service quality is received as a form of customer attitude based on it's depend on the purpose of the difference between service performance and expectation (Bakti and Sumaedi, 2013). In addition, it is defined that the better perceived service quality, the higher is the customer's intention to be part of membership program of respective service provider (Baker and Crompton, 2000).

Linking these views:

- Trust is the mediator between service quality and customer loyalty.
- Loyalty program effects indirect service quality thought the mediators Trust and Satisfaction.

1. 5 Service Quality in Healthcare Industry

Healthcare service quality is even harder to determine than in other sectors. Characteristics such as heterogeneity, intangibility and simultaneity make service quality measurement difficult in this sector. Healthcare service is an intangible product; however it depends on customer and service provider associations too. Townsend (1986) defines quality as quality in fact and perception. Perception of quality by the service provider is named quality in fact, while quality perception is that from patient`s point of view. According to the Zineldin (2006) has explained quality in the circumstances of healthcare sector as an art of doing the right thing in right time for the right person and having best results.

As it is mentioned above, the most well- known, proven and useful instrument assessing healthcare service quality is that of Parasuraman et al., (1985, 1988), the SERVQUAL model (Aghamolaei et al., 2014; Butt and de Run, 2010; Buyukozkan, Cifci and Guleryuz, 2011; Chaniotakis and Lymperopoulus, 2009, Ladhari, 2009; Rashid and Jusoff, 2009; Zarei, Arab, Froushani, Rashidin and Tabatabeei, 2012). Many of the above mentioned researchers determined the service quality based on patient`s perspective. Studies have been done on analyzing hospitals of developing countries such as Turkey, Iran and Qatar.

Aghamolaei et al., (2014) has analyzed the service interval of a hospital in Iran based on SERVQUAL model. Further, more than 45 research studies were examined considering the aspects of healthcare service quality from the patient`s perspective through SEVQUAL model (Pai and Chary, 2009). According to a study done by Mosadeghrad (2013) in Iran healthcare service quality is explained as *“consistently delighting the patient by providing efficacious, effective, and efficient healthcare services according to the latest clinical guidelines and standards, which meet the patient`s needs and satisfies providers”*.

In addition, the research of Buyukozan et al., (2011) analyzed the performance of the quality of service provided by some accredited hospitals in Turkey. The elements evaluated consisted of tangibles, responsiveness, reliability, assurance, empathy, and professionalism. As stated by the Carter et al., (2002), it is principal for hospitals perceive deeply the customer`s perception of service quality to arrange the supply to optimal health services.

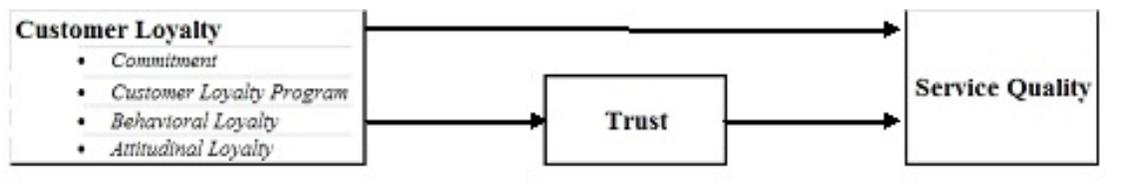
There is no attention in service quality literature on loyalty under different pricing conditions, willingness to pay premium price and to continue loyal when prices increases. Some scholars have done empirical studies on the relationship between service quality and individual service quality feature (Boulding et al., 1993: Cronin and Taylor, 1992). A research were done by taking as center the repurchase intention and customer willingness to recommend, while a positive relationship exists between these elements. The other study examined by Cronin and Taylor did not found the positive relationship between service quality, willingness to recommend and repurchase intention. Finally, responses to a negative service experience results and has been remained as inactive customers reply.

CHAPTER II: METHODOLOGY

2.1. Aim of Study

The main purpose of this thesis was to find the effect of loyalty programs to service quality in Albanian healthcare industry context. A quantitative research methodology is used for the investigation of the analysis in order for a more effectiveness in the result.

Figure 2: Research Model



2.2. Research Method

The survey was filled by online response on survey questions developed through Google forms and in by vital card holder patients in the premises of American Hospital in Tirana, Durres, Fier and Kosovo from an intercept survey by face to face. During the face to face survey filling researcher cleanly explained the meaning of the questions and let responders more understand the subject, than filling the questionnaire easily and quickly. After a data collection a total of N = 500 questionnaires were distributed by the researcher and n = 365 (40 by hand and others by e_mail) filled questions were received 73 % valid response rate. Data collection took three weeks.

2.3 Data Collection

The data collection in this research study was online and hard copy survey respondents through questionnaire method, the locations of the data collection are American Hospital, Epoka University, Beder University, Sigal, Intersig, Sigma, Raiffaisen Bank, KPMG, Deloitte, BKT, Evita sh.p.k, Diamant Plus sh.p.k, Swissmed sh.p.k., Gulistan Foundation, Trimed sh.p.k, Infosoft and DIAL-ALB sh.p.k.

2.4 Questionnaire Design

In order to archive the purpose of the study, a quantitative research method in the process of the research study has been managed thought questionnaire as compulsory. The survey questions were designed to meet the aim of study. Consequently, this study demonstrated a survey based on the first mentioned literature, and it has been modified and developed in order to be suitable with the research. The survey questions in this study have been organized in two sections separately: Section 1 was about the attitude measurement of customer loyalty, healthcare service quality, trust, commitment, behavioral loyalty and attitudinal loyalty items. This section was in total 22 questions and Likert scale summated rating method has been used. The scales represent the attitude of strongly disagree, disagree, uncertain, agree and strongly agree respectively. The section 2 was about demographic profiles, which include questions like gender, age, status, education, employed, sector, occupation, income level and other descriptive information on American Hospital Vital card membership.

2.5 Results and Data Analysis

This chapter presents the results of the quantitative research related to the hypothesis raised for this thesis. Data were obtained using questionnaire to measure the effect of loyalty programs to the service quality. The final sample of the completed questionnaires was $n = 365$. Respondents gave their answers fulfilling the questions in the survey and SPSS statistical package was used for the analysis of data. The correlation and regression analysis were used to analyze the gathered data in order to see the correlation between loyalty programs, service quality and trust as main mediator variables. This chapter presents the results of this quantitative research study related to the hypothesis raised for this study.

2.5.1 The Demographic and Behavioral Structure of Respondents

Table 1. Demographic Analysis

The information provided by hospitals in terms of using loyalty cards (Usefulness)		Do the hospital service agents ask you to pay with discount through loyalty cards?	
Very useful	0.30%	Never	1.10%
Useful	0.80%	Rarely	1.10%

Less useful	0.50%	Sometimes	3.60%
Inadequate	32.10%	Often	57.30%
No information	65.80%	Always	36.70%
No answer	0.50%	No answer	0.30%
How often do you use loyalty card in hospital? (Frequency)		Education	
Once a week or more	4.40%	High School	1.90%
1-3 times a month	15.90%	Bachelor	9.30%
Less than once a month	15.60%	Master	83.80%
Less than once in three months	62.70%	Higher than Master degree	4.10%
No answer	1.40%	No answer	0.80%
Gender		Status	
Female	82.20%	Single	10.40%
Male	16.70%	Married	87.40%
No answer	1.10%	Divorced	0.50%
		No answer	1.60%
Occupation		Age	
Student	3.60%	18 -25	9%
Teacher	3.30%	26 - 35	70.10%
Housewife	3.80%	36 - 45	17.80%
Private Company Employee	86.30%	46 - 65	2.70%
Government Official	1.40%	No answer	0.30%
Businessman	1.40%		
No answer	0.30%		
Income			
0 - 400 Euro			15.90%
400 - 800 Euro			64.70%
800 - 1200 Euro			16.20%
> 1200 Euro			3%
No answer			0.30%

The table above shows the overall information about demographic data obtained from the questionnaire directed to vital card holders, patients of American Hospital. Responders included 82.20% female and 16.70% male. As it is shown in the table majority of responders were master levels of education. Furthermore, majority of the age participated in the survey was that of 26-35 years old, followed by 36-45 years old.

2.5.2 Reliability Analysis

The main characteristics of quantitative data used for this research are in descriptive statistics. Descriptive statistics are illustrated in the table below summarized as sample, number of items, mean, minimum, maximum and standard deviation. Cronbach's alpha coefficient is also given in order to see if the instruments used in this case questionnaires are reliable to be used or not.

Table 2. Scale Items

Variables	Mean	St Deviation	Alpha Coefficient
The hospital employees are polite to me	4.556	0.54997	0.936
It is easy to get service and help in this hospital	4.458	0.60354	0.936
Staff assistance is provided timely and appropriate	4.381	0.59315	0.936
Service and cost of service level is consistent with what client requires and can afford	4.37	0.78982	0.933
The hospital technology looks modern	4.534	0.55178	0.938
The hospital has a great deal of integrity	4.46	0.58524	0.936
The hospital is caring with my health, not only with earning profit	4.458	0.70045	0.933
The hospital is truthful with their customer, it does what it promises	4.416	0.66857	0.934
I have the great trust to this hospital	4.488	0.65716	0.935
I trust that this hospital provides the stable service quality	4.425	0.63154	0.936
My relationship with hospital is important	4.441	0.62455	0.935
I am committed to the hospital	4.43	0.77649	0.934
This hospital long-term business existence is meaningful	4.474	0.6135	0.935
I often focus on the promotion activities such as discounts	4.422	0.68945	0.934
I often get better discounts with loyalty programs than in-hospital promotions	4.406	0.71481	0.934
Always willing to solve cardholders queries offering high quality reward gifts	4.436	0.72198	0.933
I impatient to use this hospital service in the future	4.375	0.82138	0.933
I don't change this hospital, even I have problem with the services	4.362	0.7988	0.934
I will always continue to choose this hospital before others	4.419	0.72032	0.933
I encourage friends to choose this hospital before others.	4.458	0.67651	0.934

I continue to go to this hospital.	4.477	0.6269	0.935
It is good to go and get services from this hospital.	4.54	0.61276	0.935

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.937	.936	22

Values for the reliability interpretation according to Nunually (1978),

- $\alpha \leq 0.9$ Excellent
- $0.7 \leq \alpha < 0.9$ Good
- $0.6 \leq \alpha < 0.7$ Acceptable
- $0.5 \leq \alpha < 0.5$ Unacceptable

As it is shown in the table above, alpha coefficient is high for every variable, meaning that reliability of these questionnaires is high. As recommended, reliability with alpha value above 0.70 shows that instruments used is reliable.

For the analysis of hypothesis, SPSS statistical package is used. To measure the between variables, the degree of correlation is expressed as correlation coefficient. If the correlation coefficient is near to 1, relationship is strong and positive, if it is near 0, relationship is weak and if correlation coefficient is near to -1, strong and negative.

2.5.3 Factor Analysis

Table 3. Factor Analysis: Loyalty Principal Component

Loyalty Component Matrix ^a			Rotated Component Matrix ^a			Component Transformation Matrix		
	Component			Component		Component	1	2
	1	2		1	2			
CO1	0.642	0.401	CO1	0.198	0.73	1	0.733	0.68
CO2	0.718	-0.384	CO2	0.788	0.206	2	-0.68	0.733
CO3	0.642	0.49	CO3	0.138	0.796			
CLP1	0.703	-0.444	CLP1	0.818	0.152			
CLP2	0.713	0.322	CLP2	0.304	0.72			
CLP3	0.785	-0.313	CLP3	0.788	0.304			
BL1	0.753	0.169	BL1	0.438	0.636			

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

BL2	0.726	-0.27
BL3	0.765	0.122
AL1	0.721	-0.186
AL2	0.612	0.3
AL3	0.672	-0.061

Extraction Method: Principal Component Analysis.
a. 2 components extracted.

BL2	0.716	0.296
BL3	0.478	0.61
AL1	0.655	0.353
AL2	0.245	0.635
AL3	0.534	0.412

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 3 iterations.

Table 4. Factor Analysis: Trust Principal Component

Component Matrix^a

	Component	
	1	
T1		.690
T2		.702
T3		.753
T4		.657
T5		.754

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Table 5. Factor Analysis: Service Quality Principal Component

Component Matrix^a

	Component	
	1	2
SQ1	0.765	-0.351
SQ2	0.444	0.752
SQ3	0.748	-0.34
SQ4	0.615	0.544

Rotated Component Matrix^a

	Component	
	1	2
SQ1	0.836	0.097
SQ2	-0.011	0.873
SQ3	0.816	0.097
SQ4	0.243	0.785

Component Transformation Matrix

Component	1	2
1	0.855	0.519
2	-0.519	0.855

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

SQ5	0.583	-0.25
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Extraction Method: Principal Component Analysis.

a. 2 components extracted.

SQ5	0.628	0.089
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Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

According to the Component Matrix correlation, between loyalty items and trust variables resulted to have a consolidated positive significant correlation. All loyalty and trust component values are higher than 0.5. Moreover, second component at service quality correlation (SQ2=0.444 < 0.5) has been extracted.

2.5.4 Testing

H1: There is a significant relationship between loyalty and trust as main mediator effecting service quality.

Loyalty programs and trust resulted to be significant strong positive related to each other ($r=0.839$; $p<0.01$). Results from the analysis done concluded that the changes in loyalty programs give changes in trust.

Table 6. The regression analysis results loyalty and trust

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.839 ^a	.705	.701	.25245	.705	214.684	4	360	.000

a. Predictors: (Constant), AORT, BORT, CORT, CPORT

Table 7. The Coefficients^a for loyalty and trust

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.871	.130		6.689	.000
	CORT	.236	.047	.256	5.066	.000
	CPORT	.159	.046	.194	3.468	.001

	BORT	.148	.038	.205	3.906	.000
	AORT	.262	.043	.279	6.088	.000
a. Dependent Variable: TORT						

In the regression analysis of loyalty programs and trust, trust is considered dependent variable and loyalty programs is considered the independent variable. A regression analysis for this model is: $Y = 0.871 + 0.701 X$. According to the regression results, R square = 0.705 (Meaning that 70.5% change in loyalty programs can be explained by a change in trust). Adjusted R square = 0.701 (Increasing in loyalty programs leads to increases of trust of 70.5%), Multiple R = 0.256 (Commitment); 0.194 (Customer program loyalty); 0.205 (Behavioral Loyalty); 0.279 (Attitudinal Loyalty) which shows respectively the positive relationship between variables.

H2: There is a significant relationship between trust and service quality

Loyalty programs and trust resulted to be significant strong positive related to each other ($r=0.791$; $p<0.01$). Results from the analysis done concluded that the changes in loyalty programs give changes in trust.

Table 8. The regression analysis results of Trust and Service Quality

R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
				R Square Change	F Change	df1	df2	Sig. F Change
.791 ^a	.626	.625	.26118	.626	607.099	1	363	.000

Table 9. The Coefficients^a results of Trust and Service Quality

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.211	.133		9.139	.000
	TORT	.730	.030	.791	24.639	.000
a. Dependent Variable: SQORT						

In the regression analysis of trust (T) and service quality (SQ), service quality is considered dependent variable and trust is considered the independent variable. A regression analysis for this model is: $Y = 1.211 + 0.625 X$. According to the regression results, R square = 0.626 (Meaning that 62.6% change in trust can be explained by a change in service quality). Adjusted R square = 0.625 (Increasing in trust leads to increases of service of 62.6%), Multiple R = 0.791 (79.1%) which shows strong relationship between variables.

H3: There is a significant relationship between Loyalty Programs and Service Quality.

Below is given the regression analysis for loyalty programs and service quality. Service quality is dependent variable and a loyalty program is the independent variable.

Regression equation: $Y = \alpha + \beta_1 X_1 + e$

Y → is the dependent variable

α → is the expected intercept parameter

β_1 → is the expected slope, how much of Y changes, with a change in X_1

X_1 → is the independent variable

e → is the error term Regression equation:

$Y = 1.439 + 0.627 X$ R square = 0.631 (Meaning that 63.1% change in loyalty programs can be explained by a change in service quality). Adjusted R square = 0.627 (Increasing in loyalty programs leads to increases of service quality of 63.1%) Multiple R = 0.301 (Commitment); 0.161 (Customer program loyalty); 0.281 (Behavioral Loyalty); 0.131 (Attitudinal Loyalty) respectively, which shows the positive relationship between variables.

Table 10. The regression analysis results for loyalty programs and service quality.

R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
				R Square Change	F Change	df1	df2	Sig. F Change
.795 ^a	.631	.627	.26028	.631	154.205	4	360	.000

Table 11. The Coefficients^a results for loyalty programs and service quality.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.439	.134		10.717	.000
	CORT	.257	.048	.301	5.347	.000
	CPORT	.122	.047	.161	2.585	.010
	BORT	.187	.039	.281	4.801	.000
	AORT	.115	.044	.133	2.594	.010
a. Dependent Variable: SQORT						

CONCLUSION

To sum up, this study investigated the link between loyalty programs and service quality. As a first step, it was studied the current situation in Albania related with the attitudes of Albanian society toward loyalty programs, healthcare cards usage in healthcare sector. It has been developed a SPSS statistical package for data analysis.

After the frequency, descriptive analysis, reliability and factor analysis it has been applied regression analysis for loyalty programs and service quality where it has been found a moderate positive relationship between these two variables. Moreover, another regression analysis has been applied for loyalty programs and trust, where moderate strong relationship exists between these two variables, too. Third and last regression analysis has been applied for trust and service quality. Most importantly, factor analysis allows concluding that there exist relations between changes in loyalty programs, trust and service quality in healthcare sector.

This master thesis analyzed empirically the variables and each other was based on hypothesis. *Hypothesis 1* aim was to investigate correlation between loyalty programs and service quality. Analysis concluded that between these two variables there is a significant positive correlation. Increasing in loyalty programs leads to increases of service quality of 63.1%.

Hypothesis 2 aim was to investigate correlation between loyalty programs and trust. Results indicated that relationship between them is significant and strongly positive. Increasing in loyalty programs leads to increases of trust of 70.5%.

Hypothesis 3 aim was to investigate correlation between trust and service quality. Results concluded that trust and service quality are significant strong related to each other. A 62.6% change in trust can be explained by a change in service quality.

LIMITATIONS

Difficulties are obtained in the fulfillment of questionnaires in a sincere way from patients and many of them hesitated to fulfill it.

Another limitation has to do with the fact that in the case of Albania, no researches are done in this topic and this research can be used as a starting point for other researchers, who can be based on the data obtained from this research.

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BIO-DATA OF THE AUTHOR

The author, Manisa Sulika was born in Berat/ Albania in 1991. She has pursued her Bachelor studies in Banking and Finance Department at Epoka University. During her university life, the author has attended many conferences, training programs, internships and workshops, where she has gained a very good experience. In 2014 she started the Master of Science in Business Administration at Epoka University.

The author has started her professional career in 2014 as an Inventory in Charge Manager at American Hospital, Tirana /Albania.

APPENDIX

Questionnaire

This survey seeks to gather information on the usage of loyalty cards in healthcare service from the Albanian consumers. This information will remain strictly confidential and anonymous and it will be used only for academic research purposes by the students of Epoka University.

Do you have American Hospital membership card (Vital card)?

- Yes
- No

Part I

Please fill (tick) to make your answer for the following questions: representing the attitude of strongly disagrees, disagree, uncertain, agree and strongly agree respectively.

	Strongly disagree	Disagree	Uncertain	Agree	Strongly Agree
The hospital employees are polite to me(SQ1)	<input checked="" type="radio"/>				
It is easy to get service and help in this hospital (SQ2)	<input checked="" type="radio"/>				
Staff assistance is provided timely and appropriate (SQ3)	<input checked="" type="radio"/>				
Service and cost of service level is consistent with what client requires and can afford (SQ4)	<input checked="" type="radio"/>				
The hospital technology looks modern (SQ5)	<input checked="" type="radio"/>				
The hospital has a great deal of integrity (T1)	<input checked="" type="radio"/>				
The hospital is caring with my health, not only with earning profit (T2)	<input checked="" type="radio"/>				
The hospital is truthful with their customer, it does what it promises (T3)	<input checked="" type="radio"/>				
I have the great trust to this hospital (T4)	<input checked="" type="radio"/>				
I trust that this hospital provides the stable service quality (T5)	<input checked="" type="radio"/>				
My relationship with hospital is important (CO1)	<input checked="" type="radio"/>				
I am committed to the hospital (CO2)	<input checked="" type="radio"/>				
This hospital long-term business existence is meaningful (CO3)	<input checked="" type="radio"/>				
I often focus on the promotion activities such as discounts (CLP1)	<input checked="" type="radio"/>				

	Strongly disagree	Disagree	Uncertain	Agree	Strongly Agree
I often get better discounts with loyalty programs than in-hospital promotions (CLP2)	<input type="radio"/>				
Always willing to solve cardholders queries offering high quality reward gifts (CLP3)	<input type="radio"/>				
I impatient to use this hospital service in the future (BL1)	<input type="radio"/>				
I don't change this hospital, even I have problem with the services (BL2)	<input type="radio"/>				
I will always continue to choose this hospital before others (BL3)	<input type="radio"/>				
I encourage friends to choose this hospital before others.(AL1)	<input type="radio"/>				
I continue to go to this hospital. (AL2)	<input type="radio"/>				
It is good to go and get services from this hospital.(AL3)	<input type="radio"/>				

Part II

Please fill (tick) to make your answer for the following multiple questions:

The information provided by hospital in terms of using loyalty card is:

- Very useful
- Useful
- Less useful
- Inadequate
- No information

Do the hospital service agents ask you to pay with discount through loyalty cards?

- Never
- Rarely
- Sometimes
- Often
- Always

How often do you use loyalty card in hospital?

- Once a week or more
- 1-3 times a month
- Less than once a month

- Less than once in three months

Gender

- Male
- Female

Age

- 26 - 35
- 18 - 25
- 46 - 65
- 36 - 45

Status

- Single
- Married
- Divorced

Education

- Primary
- High school
- Bachelor
- Master
- Higher than Master degree

Occupation:

- Student
- Teacher/Lecturer
- Housewife
- Engineer
- Self-employed
- Private Company Employee
- Government Official
- Businessman/ Entrepreneur
- Other

Monthly income level

- Less than 400 Euro
- 400 - 800 Euro
- 800 - 1200 Euro
- More than 1200 Euro

