EMPIRICAL STUDY OF FUNCTIONAL CLUES AND CUSTOMER LOYALTY IN THE HEALTHCARE SECTOR OF LAGOS STATE, NIGERIA

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Abstract

The purpose of this paper was to examine the relationship between functional clues and customer loyalty. However, the specific objective of this study was to determine the roles of functional clues in eliciting repeat purchase behaviour of customers. The study draws from the customer experience management strategy in investigating the methods in which customer loyalty can be built. The descriptive and inferential statistics were employed in this study. A survey of 365 healthcare customers from the selected four private hospitals in Lagos State, provided data for the study through questionnaire. Multi-stage sampling techniques were employed in the study. The data collected from the respondents were subjected to descriptive statistics in order to determine the sum, mean, standard deviation and the relative importance index. Using the Categorical Regression CATREG analysis, the study found that functional clues have positive influence on customer loyalty. It is therefore recommended, among other things, that health care managers must concentrate on understanding their patients' needs, desires, cultural attitudes and then design tailored, reliable products, services that will enable them to satisfy those needs and wants which will invariably lead to customer loyalty.

Keywords: Functional clues; customer loyalty; repeat purchase.

1 INTRODUCTION

The appropriateness of healthcare service delivery is an integral need of customers today. The health care consumers have extremely greater expectations and as such they require an extraordinary level of care, consistency, sensitivity and compassion. In other words, they require superior health care services
nowadays compared to how it was in the past (Lim & Nelson, 2000). Generally, delivering good quality health care is the moral responsibility or duty of all health care service providers (Zineldin, 2006) and getting sound quality health care is the right of every customer too (Pickering, 1991). Customers anticipate service firms to be acquainted with their profession and to preserve their essential service promises. Minor clues can serve as an indication that the service is excellent and has a reasonably greater influence on how customers evaluate their whole service experience—and thus help them to decide which services to make use of again. In selecting and consuming services, consumers seek and further process more information than what supervisors and service providers often realize. Customers often act like investigators concerning how they handle and manage “clues” entrenched in the service experience into an array of feelings (Berry, Wall & Carbone, 2006). Consumers think about these clues and their feelings when choosing to buy or not to purchase a product/service and when appraising the product/service before, during and after use (Berry et al., 2006). However, the health care sector in Nigeria has experienced numerous service delivery failures that have resulted in a loss position, despite the fact that Nigeria occupies a strategic position in Africa. The nation is critically below standard in the area of health care (Onwujekwe, Onoka, Uguru, Nnenna, Uzochukwu & Eze, 2010). The paucity of access to quality health care services and fragmentation of services has constrained many Nigerian patients to fall back to medical tourism in foreign countries to acquire quality medical services (Okeke, 2008). The delivery of healthcare service is poorly delivered and has experienced numerous backdrops and this development has undoubtedly led to a depletion in Nigeria’s foreign exchange reserves. Also, instead of improving the health care services in the nation, top officials of government regularly look for medical treatment overseas, most especially for the utmost rudimentary health care needs (Benson, 2011). The question now arises, what could the healthcare service providers in Nigeria do to restore the confidence of their customers and discourage the patronage of alternative medicines or travelling overseas for the same services that they can receive in Nigeria? Meanwhile, marketing strategy research has suggested that organisations with customer experience focused strategies in service delivery have a tendency to deliver superior performance that can retain customer satisfaction and loyalty (Mittal, Anderson, Sayrak, & Tadikamalla, 2005; Rust, Moorman, & Dickson 2002), but the roles which customer experience management plays in enhancing customer loyalty directly and indirectly in the health care sector of developing countries such as Nigeria are yet to be established. Functional clues represent the “technical quality of the healthcare offering, revealing the reliability and competence of the service” (Berry et al., 2006). Therefore, an empirical scholarly research is needed to improve the knowledge of the influence of functional clues on customer loyalty.

1.1 Objective of the Study

The specific objective of this study was to determine the role of functional clues in eliciting repeat purchase actions from customers of health care service firms in selected private hospitals in Lagos, Nigeria;

2 LITERATURE REVIEW

2.1 An Overview of the Nigeria’s Health Care Sector

The state of the Nigerian healthcare system is so poor to the extent that hospitals have turned into mere consulting clinics without drugs, water, electricity and functioning equipment. Perhaps most of these hospitals are not even qualified to be described as consulting clinics in that many consultants had migrated due to non-conducive working environment, and poor career prospects among others (Folakemi, 2012). There are several unethical practices in the Nigerian healthcare sector. These include the sales of drugs over the counter, bad processes, payment of doctors based on commission and medical doctors requesting patrons to go through unimportant diagnostic and curative processes. Others are medical doctors canvassing for money on behalf of their staff by referring patrons needlessly to their fellow specialists in the profession. Although, health authority has emphasized that the selling of drugs without medical prescription is illegal. Yeboah (2013) has however, lamented that the sales of drugs without medical prescription was common and widespread because all the outlets involved in the sales of drugs (pharmaceutical) persistently embrace unethical practices. There are also several other media reports of different unethical behaviours in the health care sector of the nation (see, for example, Gulf News, 2013), and many have happened with no sanction against any officer. Meanwhile, organisations that want to build a sustainable competitive advantage must deliberately deliver a branded customer experience to the customers through the delivery of reliable service quality, which is functional clues.

2.2 Functional Clues

According to Berry et al. (2006), functional clues signify the specialized quality of the service that the organisation is putting forth. Functional clues are those “what” of the service experience, uncovering the
dependability and ability of the service. Anything that demonstrates or proposes those specialized quality of the service—its vicinity or absence—is a functional clue. Functional clues corroborate the quality of service since they tackle the reason why the consumer goes to the marketplace (Berry et al., 2006). Allen and Ng (1999) propose that customers assess functional clues reasonably based on tangible attributes and that the customer satisfaction with physical attributes can result in repeat purchase or purchase intentions. For example in a hospital, the functional clue means the real or right diagnosis and treatment itself and also the efficacy of the service. Its appearance or nonappearance may have a great influence on the formation of customers’ experience. It is significant to perform the clue accurately the first time because consumer switching behaviour has been attributed to actual service failure (Keaveney, 1995). According to Berry et al. (1994), reliability is the capacity to accomplish the assured service consistently and correctly. Besides, in choosing services, no consumer is interested in patronizing a service that is considered unreliable. A consumer’s self-reliance in the actual service is the basis for even vying in any marketplace (Berry et al., 2006). Functional clues encompass certifying that services do exacting what they are expected to do in an efficient, reliable and consistent manner (Bloch, 2011).

Certainly, for any organisation that wants to provide great service experience, it is important for it to assess and handle the functional clues of its actual service excellently to satisfy customers’ service anticipations (Berry et al., 2006). Nevertheless, functional clues only cannot surpass the expectations of the customers; equally customers normally expect the organisation to be acquainted with their basic service and to offer the service as they have promised (Berry & Carbone, 2007).

2.3 Customer Loyalty

Loyalty is an archaic word that has conventionally been utilized to define trustworthiness and passionate commitment to a nation, a source, or an entity (Kumar & Shah, 2004). In recent times, the word loyalty has been applied within the context of the business/marketing situation to refer to a consumers’ readiness to remain the customer of a business over a lasting period of time, if possible on an absolute basis, and endorsing the organization’s products/services to others such as friends, family and associates (Oliver, 1999). Customer loyalty goes beyond behaviour and comprises things such as liking, preference and future intention to repatronize the organisation (Oliver, 1999). According to Ndubisi (2014:241), “loyalty is a deeply held commitment to rebuy or repatronize a preferred product or service in the future despite situational influences and marketing efforts that have the potential to cause switching behaviour”. Consumer loyalty in the service market can be described as a definite attitude and relation developed by the consumer towards his or her service provider. This relation is based on durability, long-term cooperation and acceptance of conditions of offered services (Harris, 2010). Consumer loyalty, or “attachment” to a financial institution, is a sign of mutual understanding and cooperation between the two. The development of consumer loyalty (faithfulness) is a goal achieved through a set of marketing activities. Being loyal, in turn, is “rewarded” with preferential purchase conditions. A loyal consumer is the one who is attached to his or her institution, who is indifferent to competitors’ incentives (so called “difficult to gain” customer) and who, according to some earlier arrangements, represent the interests of his or her institution (Schiffman & Kanuk, 2010). Consumer loyalty in the market means full acceptance of the market offer provided by a particular organisation. Such an attitude evolves through emotional experience and a certain state of consciousness (Doole, Lancaster & Lowe, 2005). Rai and Srivastava (2013) defined customer loyalty as the psychological dedication that the consumer has toward a particular product/service or organisation.

In conceptualizing customer loyalty as a dependent construct, it is significant for organisations to understand that loyalty is the outcome of positive marketing strategy in a competitive marketplace that produces value for the customers (Oliver, 1999). This is because loyal customers generate constant revenue as a result of repeat purchase and reduction of cost based on reduced promotional costs, which increases profits (Li & Green, 2011). Empirical studies also indicate that organisations that deliver total customer experience gain the loyalty of their customers (Smith & Wheeler, 2002). If health care customers are not loyal to the organisations, then, the organisations will be at a disadvantage and will have to invest in different marketing strategies in order to gain customer loyalty (Ndubisi, 2012). Meanwhile, functional clues represent the dominant of all service/product because these clues tackle the problem that takes the consumer to the healthcare organisation (Berry et al., 2006) and can determine whether customers will patronize the organisation or not. The research problem addressed here is to examine how the functional clues can influence repeat purchase actions of customers in healthcare service firms in Nigeria using Lagos as a study. Hence, the research question is: What roles do functional clues play in eliciting repeat purchase actions by customers in healthcare service firms in Nigeria? Following from this, the null hypothesis of the study is:

H₀: Functional clues do not play any significant role in eliciting repeat purchase actions by
customers in the healthcare service firms in Nigeria.

3. METHODS

To determine the role of functional clues in eliciting repeat purchase actions from customers of healthcare service firms in selected private hospitals in Lagos, Nigeria.

Data Characteristics: The data for this objective is quantitative in nature. The quantitative data consists of the socio-economic characteristics of customers sampled as well as their responses on the role of functional clues in repeat purchase.

Data Source: The data for this objective were derived from the customers of selected private healthcare organisations. Data from the healthcare customers of the organisations on the role of functional clues on repeat purchase were sourced via the administration of structured questionnaire.

The questionnaires were administered to the healthcare customers of the four private hospitals during the working hours of the week days. Accidental sampling techniques was adopted in administering the questionnaire to the healthcare customers during the waiting time of the week days. Four hundred (400) questionnaires that is 100 questionnaires were administered to the customers of each of the four private hospitals, and 365 copies of questionnaires representing about 91.25% were retrieved. The response rate is deemed reasonably high for surveys of this type, and thus regarded satisfactory. It is worthy to note that the help of the total quality department of the healthcare organisations in giving approval to the researcher as well as the administration of the questionnaire contributed to the high response rate achieved in the surveys. On functional clues, respondents were asked to respond to the statements on a 5-point Likert scale, where 5 = strongly agree, 4 = agree, 3 = undecided, 2 = disagree and 1=strongly disagree.

Data Analysis: The data collected from the respondents were subjected to descriptive statistics in order to determine the sum, mean, standard deviation and the relative importance index. Tables were used to present the frequencies and percentages so as to give adequate understanding of the respondents’ characteristics and their view on the role of functional clues in eliciting repeat purchase. The categorical regression analysis with optimal scaling technique otherwise regarded as CATREG in SPSS which accommodate nominal and ordinal variables, was used to investigate the influence of functional clues on repeat purchase.

4. RESULTS

The relative importance index (RII) provides a descriptive interpretation of the most important element (Doloi & Young, 2009). Therefore, in this study, the RII was considered appropriate in examining which components of the functional clues are ranked highest in eliciting repeat purchase of healthcare services among the customers of the four private hospitals investigated.

Using the relative important index or RII formula, The Relative Importance Index (RII) for each of the variables used to investigate the role of functional clues on repeat purchase was computed as follows

$$RII = \frac{\sum_{i=1}^{5} w_i f_{iA}}{N}$$

where,

- $w$ = The weight age of the respondents
- $A$ = 1, 2, 3, 4, 5
- $f_{iA}$ = The frequency of every respondent
Table 1: The Role of Functional Clues on Repeat Purchase

<table>
<thead>
<tr>
<th>Component of Functional Clues</th>
<th>Total Score</th>
<th>RII</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>The competence of the health care service provider</td>
<td>1513</td>
<td>0.829</td>
<td>1</td>
</tr>
<tr>
<td>The right diagnosis by the health care organization.</td>
<td>1486</td>
<td>0.816</td>
<td>2</td>
</tr>
<tr>
<td>Administration of the right treatment by the health care</td>
<td>1478</td>
<td>0.810</td>
<td>3</td>
</tr>
<tr>
<td>organization</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The reliability of the health care services</td>
<td>1473</td>
<td>0.807</td>
<td>4</td>
</tr>
<tr>
<td>The assured service of the health care organization</td>
<td>1473</td>
<td>0.807</td>
<td>4</td>
</tr>
</tbody>
</table>

**Source:** Researcher’s Field Survey, 2017

The Table above shows the descriptive statistics of the role of functional clues on repeat purchase actions based on customers’ perspective using the relative important index. Functional clues in this context refer to the reliability and competence of the services provided by the health care organization. This aspect of the research was designed to measure the customers’ perspective on the role of functional clues on their repeat purchase actions. From the result, it is evident that the competence of the health care service providers has the highest RII value of 0.829 and ranked as the first. The right diagnosis is ranked the second with the RII value of 0.816, while the administration of the right treatment is ranked the third with the RII value of 0.810. Meanwhile, both the reliability of the healthcare service and the assured services of the healthcare services have equal RII value of 0.807. A critical review of the RII values shows all the statements on the functional clues play important roles in eliciting repeat purchase actions of customers in the healthcare sector. Generally, the result is an indication that the respondents agreed with all the statements concerning the roles functional clues on the repeat purchase actions.

5. TEST OF HYPOTHESIS

Table 2: Model Summary of the Role of Functional Clues in Repeat Purchase

<table>
<thead>
<tr>
<th>Multiple R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Apparent Prediction Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>.840</td>
<td>.705</td>
<td>.692</td>
<td>.295</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Functional Clues: The assured service, the reliability of the health care services, the right diagnosis, administration of the right treatment and the competence of the health care service

Dependent variable: Repeat purchase

The ANOVA of the regression analysis of the roles of functional clues on repeat purchase. It is evident from the result that the regression model has $F (16,348) = 52.029$ and $P < 0.000$. This means that the null hypothesis ($H_0$) is rejected since P-value is less than 0.05. Consequently, from ANOVA Table, the functional clues are statistically significant to repeat purchase actions.

Table 3: ANOVA$^a$ of the Role of Functional Clues in Repeat Purchase

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>257.398</td>
<td>16</td>
<td>16.087</td>
<td>52.029</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>107.602</td>
<td>348</td>
<td>.309</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>365.000</td>
<td>364</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 4: Regression Coefficients of the Role of Functional Clues in Repeat Purchase

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Coefficients</th>
<th>Standardized Coefficients</th>
<th>Bootstrap (1000) Estimate of Std. Error</th>
<th>Df</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The reliability of the health care services</td>
<td>.083</td>
<td>.113</td>
<td></td>
<td></td>
<td>.536</td>
<td>.465</td>
</tr>
<tr>
<td>The competence of the health care service</td>
<td>.328</td>
<td>.152</td>
<td></td>
<td></td>
<td>4.636</td>
<td>.001*</td>
</tr>
<tr>
<td>The right diagnosis of the health care organization</td>
<td>.296</td>
<td>.157</td>
<td></td>
<td></td>
<td>3.564</td>
<td>.014*</td>
</tr>
<tr>
<td>Administration of the right treatment by the health care organization</td>
<td>.130</td>
<td>.109</td>
<td></td>
<td></td>
<td>1.418</td>
<td>.227</td>
</tr>
<tr>
<td>The assured service of the health care organization</td>
<td>.249</td>
<td>.143</td>
<td></td>
<td></td>
<td>3.018</td>
<td>.018*</td>
</tr>
</tbody>
</table>

Dependent Variable: Repeat Purchase

Examination of the results in the above Table revealed that three factors emerged as the significant predictors and contributed most to explaining the role of functional clues in eliciting repeat purchase actions by the customers sampled. These predictors are the competence of the healthcare services providers, the right diagnosis by the healthcare service providers and the assured services of the healthcare organization. These three predictors have the following p-value (0.001, 0.014 and 0.018, respectively). The Table also shows that the competence of the healthcare service organization has the highest beta value of ($\beta = .328$) which contributes most to explaining the role of functional clues in repeat purchase of healthcare services. This is followed by the right diagnosis of the healthcare organization ($\beta = .296$) and the assured service of the healthcare organization ($\beta = .249$) respectively. This means that the competence of the healthcare service makes the strongest unique contribution to explaining repeat purchase actions of customers than the other variables investigated in this research.

6. DISCUSSION OF FINDINGS

The hypothesis on the role of functional clues was discussed based on the findings of the study and the review of literature. As noted in the above literature review "functional clues are concerned with the technical quality of services offered by the service providers to the customers. Functional clues are the "what" of the service experience, revealing the reliability and competence of the service. Anything that indicates or suggests the technical quality of the service—its presence or absence—is a functional clue" (Berry et al., 2006: 44). As found in the review of literature, functional clues represent the quality of service since they are the reasons why the consumers go to the marketplace (Berry et al., 2006). As no past studies have tested empirically, the role of functional clues on repeat purchase actions in the health care sector of Nigeria, the discoveries of the current research present fresh insights on the roles of functional clues on repeat purchase actions of customers in the health care sector of Nigeria. The result of the current study supported the hypothesis showing that functional clues play significant role in eliciting repeat purchase actions ($p = 0.000$). The results of this research also show that functional clues model explains roughly 71% of the difference in repeat purchase actions (see Table 2).

Employing the relative importance index (RII), it was also found out that the customers viewed the
competence of the healthcare team as the highest predictor of repeat purchase actions as it was ranked the highest, which also corroborated the result obtained from the categorical regression analysis. Likewise, the customers of the healthcare organizations also ranked the right diagnosis and the administration of the right treatment second and third, respectively. Therefore, in total, the customers were positive concerning their experiences with the hospitals and their assessment of the role of functional clues in repeat purchase actions. This findings appear to be in line with the previous study by Zafar, Zafar, Asif, Hunjra and Ahmad (2012), which revealed that the competence of service providers perform a significant role in customer loyalty in the Pakistani banking industry.

Hence, the research findings from the hypothesis using the categorical regression analysis means that the assured service, the reliability of the health care services, the right diagnosis, the administration of the right treatment and the competence of the health care service providers have a collective impact on repeat purchase actions of healthcare service customers. Also the finding reveals that the competence of the healthcare service providers makes the strongest unique contribution to explaining repeat purchase actions of customers while the other variable significantly affect repeat purchase actions at different lower levels. Therefore, it can be inferred from this study that persistent competence of the healthcare service providers will invariably lead to repeat purchase actions of customers. This finding agrees with the work of Sarwar, Abbasi and Pervaiz (2012) who found out that the confidence customers have for the organization is strongly correlated with their loyalty in Pakistani cellular service companies. In addition, another study carried out by Berry et al. (1994) revealed that reliability, which is the capacity to accomplish the assured service consistently and correctly is one of the key factors in choosing services as no consumer is interested in patronizing a service that is considered unreliable. This implies that functional clues play a significant role in eliciting repeat purchase actions of customers in the healthcare sector in Nigeria.

7. CONCLUSION AND RECOMMENDATION

The result clearly shows that functional clues have a very strong influence on repeat purchase actions of healthcare customers in the healthcare sector. To this end, healthcare organizations should thoroughly offer reliable healthcare services to the customers; they should spot prospective causes of service breakdowns rather than looking for a way of solving already created errors. In general, healthcare organizations should pay close attention to customer loyalty building. This should be a guiding philosophy that must be inculcated in the culture of the healthcare organization, which must also be inculcated in all healthcare experts or staff by the management of the healthcare organizations. Healthcare experts should deliberately concentrate on understanding their customers and their preferences with a clear understanding of patient needs, desires, cultural attitudes and then design tailored, reliable products or services that will enable them satisfy those needs and wants and also meet their expectations.

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