

Managing customer relationships through E-business decision support applications: a case of hospital–physician collaboration

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Abstract

Customer Relationship Management (CRM) is a valuable concept for hospitals to establish long-term physician relationships. Given predetermined reimbursement amounts, clinical interventions by physicians can significantly impact hospital profitability and quality. Therefore, disseminating quality and cost information to physicians can build lasting relationships, while insuring financial stability.

This paper presents a CRM approach adopted by a hospital through a web-based Physician Profiling System (PPS). We discuss physician involvement in PPS development and present a high-level cost-benefit analysis. Post-deployment results indicate that PPS strengthened relationship with physicians, improved efficiency of clinical operations, while simultaneously improving patient satisfaction. © 2001 Elsevier Science B.V. All rights reserved.

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1. Introduction

As competition and the cost of acquiring new customers continue to increase, the need to build and maintain customer relationships has become a fundamental priority for businesses. Customer Relationship Management (CRM) is critical not just in traditional buyer–seller relationships, but also in

nontraditional customer–supplier relationships. For instance, the relationship of hospitals with physicians, insurance companies, and patients' employers is unique and does not fit the traditional customer–supplier model. Although patients are the end-customers of hospitals, the physicians who admit their patients to the hospitals are also valuable co-customers [38]. Therefore, it is important for hospitals to build strong and long-term relationships with physicians just as they do with patients and insurance companies.

The purpose of this paper is to present a CRM approach in which a healthcare organization de-

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signed and developed an Intranet-based system, called Physician Profiling System (PPS), to build relationships with one vital customer constituency—the physicians who practice medicine at the hospital. The paper presents empirical evidence of stronger relationships between the organization and physicians, in addition to financial and quality improvements, resulting from the CRM initiative. The outline of this paper is as follows. In Section 2, we briefly review the CRM literature followed by the CRM perspective in healthcare. Section 3 reviews physicians' decision-making process and the requirements it places on hospital CRM. Section 4 presents the case study of the development and deployment of a web-based information system to support CRM in a hospital and the ensuing outcomes. We also present empirical data to demonstrate the impact of the CRM application on physician retention, hospital quality and performance. Finally, we present conclusions, limitations and areas for further research in Section 5.

2. Review of literature

This section briefly reviews the CRM literature and also examines approaches to strengthen physician relationships, while pursuing quality and performance improvement goals.

2.1. Customer relationship management

CRM is a process through which a seller or service provider manages customer expectations to ensure a long-term relationship and ongoing alignment with dynamic customer needs. The need for CRM arose from the increasing cost of acquiring a customer. It is cheaper for companies to retain existing customers than to acquire new customers [3]. CRM has its roots in 'relationship marketing'—defined as an "overt attempt of exchange partners to build a long-term association, characterized by purposeful cooperation and mutual dependence on the development of social as well as structural bonds [30]". In relationship marketing, a company uses a combination of marketing, communication and service approaches to identify individual customers, creates a relationship between the company and the

customer that stretches over many transactions, and manages the relationship to the benefit of both the customers and the company [35]. Thus, the objective of CRM is to create loyal customers so that the relationship flourishes over a long period of time.

CRM is becoming a priority because information technology (IT), particularly, the Internet, is making it easier for customers to find alternate providers for products and services. However, when appropriately utilized, IT can help retain customers by building and managing the relationship [34]. From a planning viewpoint, building loyalty at any cost may not be the right strategy. Customer loyalty is comprised of *hard-core loyalty*—when customers exclusively and repeatedly purchase one brand, and *reinforcing loyalty*—when the customers may switch brands among product alternatives [35]. The cost of turning customers into hard-core loyalists has to be viewed through the reality that some customers will continue to try different services. Therefore, one-to-one marketing in CRM may be most successful approach when the organizations concentrate on obtaining and maintaining market share, as opposed to capturing the entire market, perhaps emphasizing IT as an enabler [34].

CRM is best initiated through establishing customer relationship teams to execute the plan of an organization. The CRM team should consist of individuals with:

- (a) technical skills to train the customer in the technical aspects of the product or service;
- (b) knowledge with legal matters, such as setting up contracts and terms of cooperation;
- (c) management expertise to plan, coordinate, and control financial, delivery, and logistics activities in the relationship; and
- (d) boundary-spanning competence, such as the organization's relationship with third parties, that can be useful in promoting the relationship with the customers [13].

2.2. CRM approach in healthcare

As cost control becomes a business imperative, CRM is beginning to take hold in healthcare resulting in a realignment of the hospitals' relationship

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