

CHAPTER I

INTRODUCTION

1.1. Introduction

Hospital is a healthcare institution that Organize complete individual health services which can be held by the government, social organizations, and the private sector, Health services in hospitals can be in the form of inpatient, outpatient and emergency services. (Kemenkes, 2020). Hospitals are also an important part of health system development and are a vehicle for coordination and integration of care. Activities for the education of medical doctors, nurses and other health professionals as well as for clinical research are also often organized by hospitals. The roles and organization of hospitals differ substantially depending on the health care organization and the hospital's place in the system. A effective management structure will guarantee that people, services, infrastructure, and the supply chain all work together to provide high-quality care (World Health Organization, 2022a).

Population and economic growth in Indonesia accompanied by increased costumer purchasing power have also contributed to the development of the hospital industry. The number of hospitals in Indonesia, based on official government data, continues to grow every year (Kemenkes, 2020). The increasing number of hospitals in Indonesia can indicate a demand or need for health services in the community.

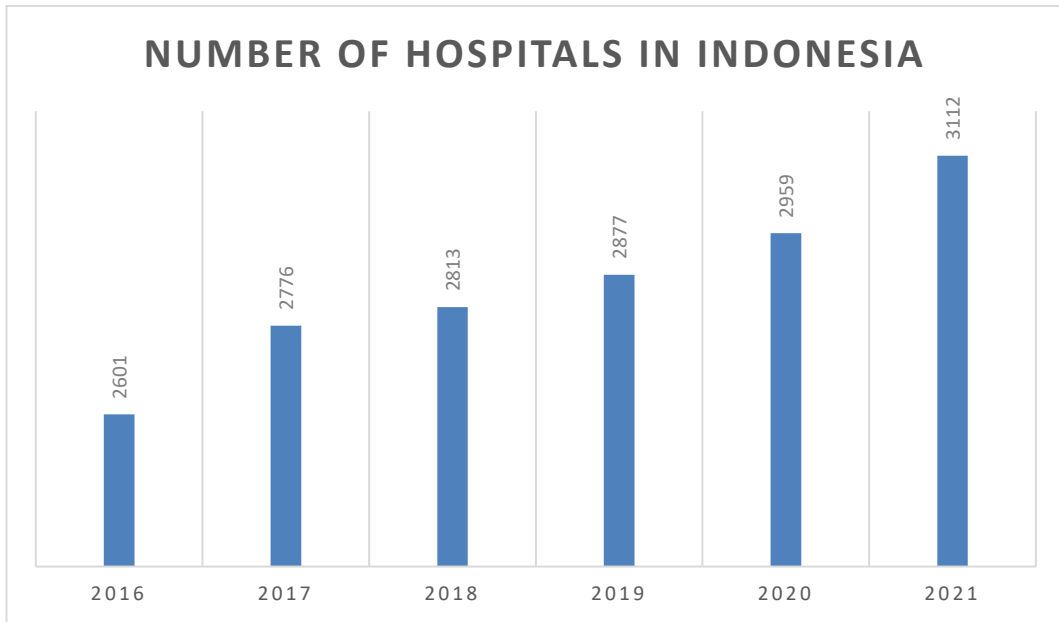


Figure 1.1 Number of Hospitals in Indonesia

Source : BPS (2023)

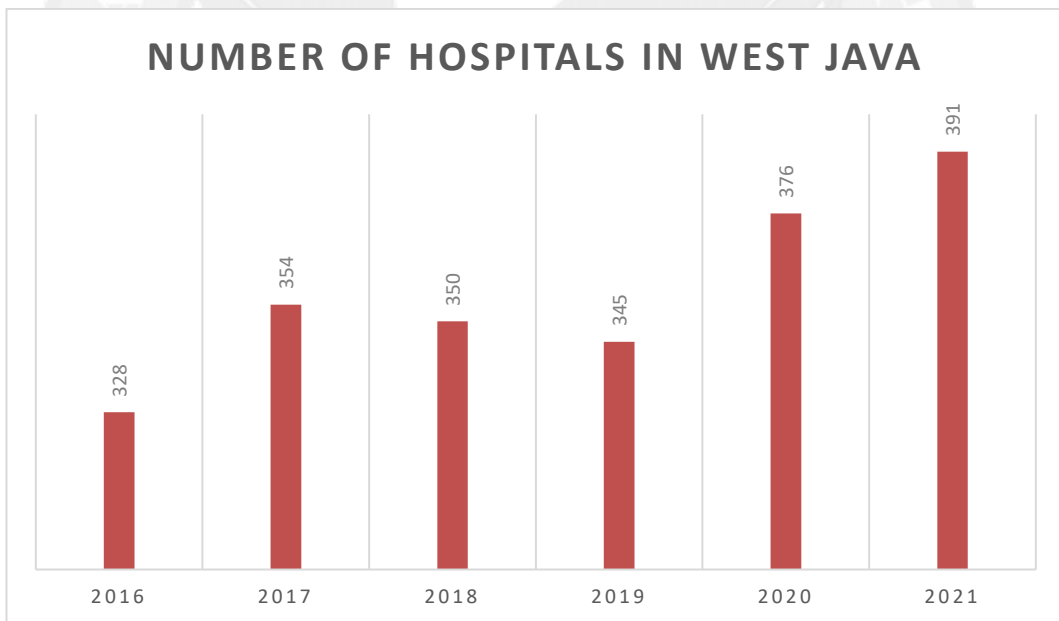


Figure 1.2 Number of Hospitals in West Java

Source : BPS (2023)

Based on table above, The Growth of Hospital in Indonesia is positive from 2601 in 2016 to 3112 in 2021, This is also same compared with hospital growth in west java, from 321 in 2016 to 391 in 2021, this number is just decreased in 2018 and 2019. From the data, we can conclude that the demand of healthcare in west

java is still very big and need consideration, this also means that the competition map on this area is tight because each hospital both private and public need to trying hard to hook the patient to their hospital.

Currently the government and the private sector are collaborating in health services in Indonesia, the role of the government in this case is to provide direct services to the community, for example through public hospitals and Puskesmas also acting as a regulator and guarantor for the quality of health services. The government regulates policies in the health sector, and establishes health service standards followed by technical supervision in the private health business sector (Kemenkes, 2020).

Hospital ownership in Indonesia shows that hospitals in Indonesia are owned and operated by various parties as depicted in the table below.

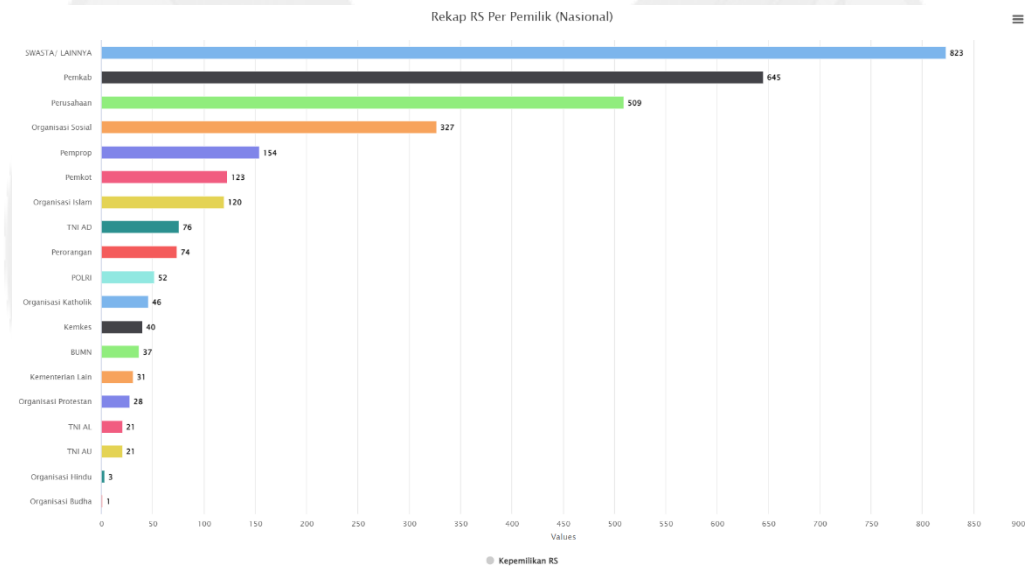


Figure 1.3 Number of hospitals by ownership

Source: Kemenkes (2020)

The biggest contributor to the number of hospitals in Indonesia is the private sector, the second is local government, then companies (here it is still a mixture of state and private companies), followed by social organizations.

Besides that, other elements are State owned Enterprises, or in Bahasa called Badan Usaha Milik Negara (BUMN), which are companies that are owned mostly, wholly or partially by the government, and the government gives control. (dpr.go.id). State-Owned Enterprises have a dual task in practice, namely, apart

from being a foreign exchange earner, they are also a government tool in managing economic policy.

BUMN have long been a concern in improving a country's economy. Therefore efforts to make the efficiency and effectiveness of the management of BUMN companies continue to be carried out so that they can make a large contribution to the state. In some countries, a BUMN Holding Company has even been formed to manage BUMN companies so that they can compete with private companies. BUMN companies in Indonesia besides managing their core business also have hospitals which were originally used to support the company's operations. However, in its development, the BUMN hospital must be able to focus more on its management and be able to compete with other public and private hospitals. So that the potential of these BUMN hospitals can further develop and become a business corporation that is able to compete at the national and international levels, it needs to be synergized through the establishment of a BUMN hospital holding. PT. Pertamina Bina Medika was appointed by the Ministry of BUMN to become the BUMN Hospital Holding under the name Indonesia Healthcare Corporation (IHC) (Saifudin, 2018).

IHC is one of hospital chain in Indonesia, A hospital chain is a collection of hospitals that share centralized strategic leadership. The characteristic of chain hospital is (Baxter, 2016) :

- A chain can be owned publicly or privately.
- A devolved management team controls all sites in the chain for the group, having assigned decision-making responsibility for their individual hospital (s). They operate under the parameters set by the overall chain leadership.
- A centralized group headquarters; uniform governance, standards, and processes; and consolidated back-office services are some distinguishing features (e.g., HR, Finance, Procurement, Legal, Media, Communications, and PR). Below this is the overview of Hospital chains in Indonesia.

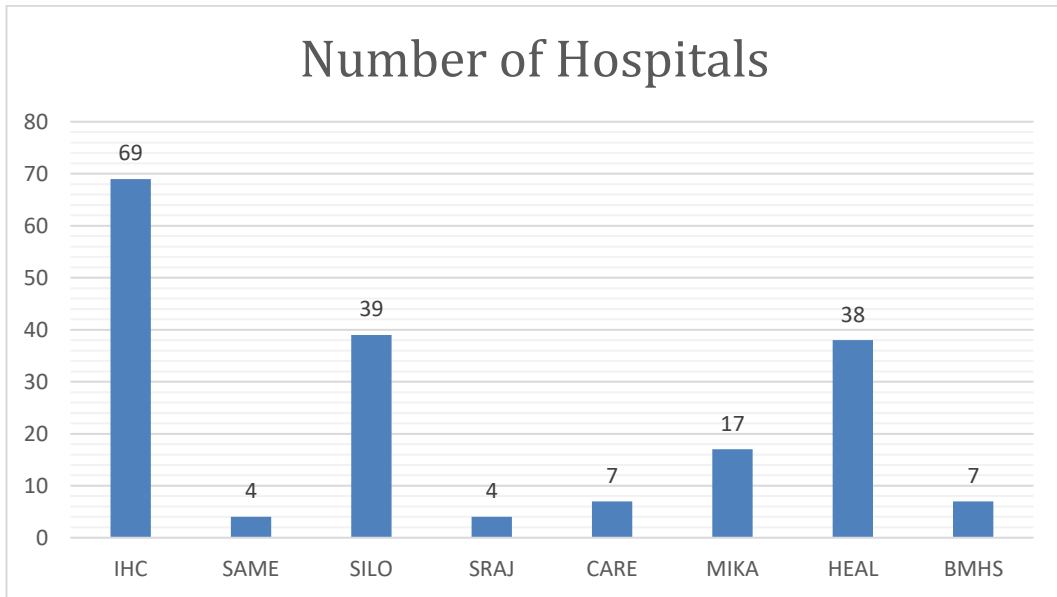


Figure 1.4 Number of hospital chain in Indonesia

Source : Annual report each Corporation 2021

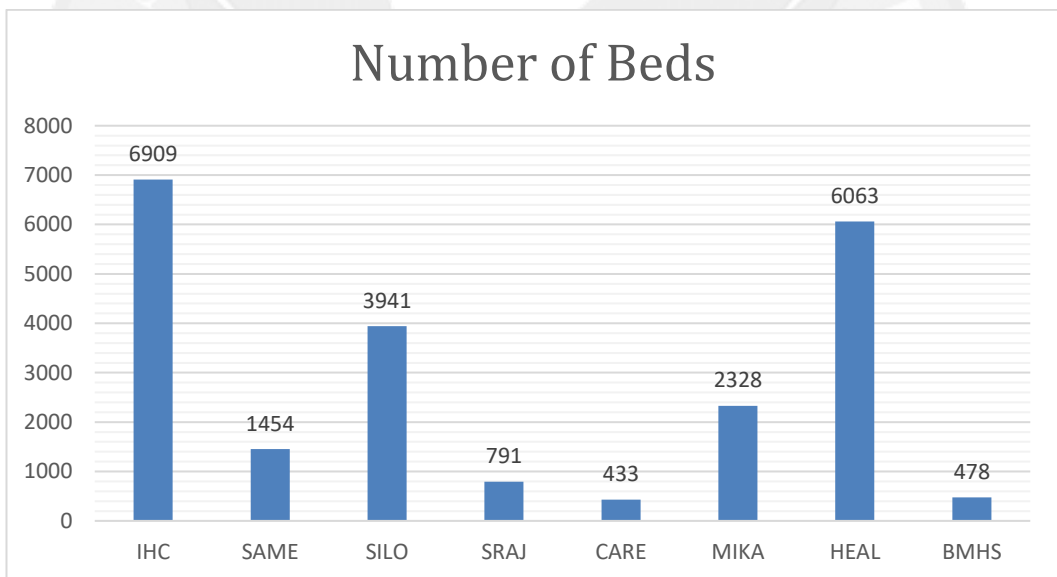


Figure 1.5 Number of bed at hospital chain in Indonesia

Source : Annual report each Corporation 2021

According to the data presented above, in terms of the number of hospitals and beds, IHC still outperforms other competitors with 69 hospitals and 6909 beds, followed by Hermina Group (HEAL) with 38 hospitals and 6063 beds. Then the Siloam group (SILO) with 39 hospitals 3941 beds, MIKA or Mitra Keluarga group with 17 hospitals and 2328 beds. In 5th position there is the EMC group or SAME

in short with 4 hospitals and 1454 beds, followed by SRAJ Mayapada Group with 791 beds and 4 hospitals. BMHS or Bunda group with 478 beds and 7 hospitals, and CARE or metro healthcare with 433 beds and 7 hospitals. The data above shows the capacity of hospitals in absorbing patients, especially inpatients.

Chain hospital supposedly, has its own advantages compared to ordinary hospitals because that means the hospital has one brand, this also means the hospital has their own uniqueness, has a standard operation, and more compete each other.

One of the BUMN hospitals in the province of West Java is the Pertamina Hospital, Pertamina Hospital is a type C hospital in the Cirebon district area. Established in 1973, Pertamina Hospital was originally part of the Cirebon state-owned company Health which manages the health facilities of BUMN employees and their families. In addition, Pertamina Hospital also provides services to employees/other BUMN families in the Cirebon area as well as BUMN retirees and their families. Located on Cirebon Main Street which is located on the Pantura line, Pertamina Hospital has become one of the choices of Cirebon residents in meeting their needs for optimal and affordable health services. Pertamina Hospital started its project to transform into a type B Hospital at the end of 2022 because the needs of the people in West Java, especially Cirebon are very large, for that Pertamina Hospital needs to increase revenue and improve management so that the project can be achieved quickly.

One way to increase revenue is to increase the number of patients in the hospital, because a company's development is heavily reliant on its revenue, A company's revenue may be significantly impacted by customer loyalty. Here are a few ways that client loyalty might affect sales:

1. **Repeat Purchases:** Loyal clients are more inclined to come back to a business and make more purchases. They now have regular transactions because they have grown to trust the brand and its goods or services. The repeat business brings in steady income and helps the business maintain its financial stability.
2. **Higher Spending:** Consistent consumers prefer to make larger purchases than infrequent or new customers. They are more inclined to invest in expensive goods or services and to make further

purchases or upgrades. The company's revenue is benefited by their higher average order value.

3. **Cross-Selling and Upselling:** Attempts at cross-selling and up-selling are more likely to be accepted by loyal customers. They are willing to upgrade to more recent models or buy supplemental products. By advertising similar or improved services, businesses can increase income by utilizing client loyalty effectively.
4. **Positive Word-of-Mouth:** Repeat consumers are more inclined to tell their friends, family, and coworkers about a company. Loyal customers' positive word-of-mouth advertising can draw in new clients, growing the clientele and, ultimately, boosting sales.
5. **Lower Marketing Costs:** Due to marketing and advertising expenditures, gaining new clients might be costly. However, since they are already familiar with the company and its products, devoted customers demand less marketing spending. Businesses can lower client acquisition costs and redirect those resources into revenue-generating activities by maintaining current customers and encouraging loyalty.
6. **Customer Advocacy:** Reliable customers may develop into ardent defenders of the brand. They might offer endorsements, post favorable reviews, or interact with the brand on social media. This advocacy increases brand recognition and credibility, drawing in new clients and having a beneficial effect on sales.
7. **Long-Term Customer Value:** Compared to one-time buyers, loyal consumers have a higher lifetime value. Their long-term, consistent patronage produces income over and beyond the first sale. Businesses can enhance the long-term worth of their customer base by encouraging customer loyalty.

In conclusion, customer loyalty affects income through driving repeat purchases, raising customer spending, enabling cross-selling and upselling opportunities, producing favorable word-of-mouth, lowering marketing expenditures, promoting customer advocacy, and optimizing long-term customer

value. Businesses can increase revenue and enhance their financial performance by putting a high priority on client loyalty and executing tactics to foster it.

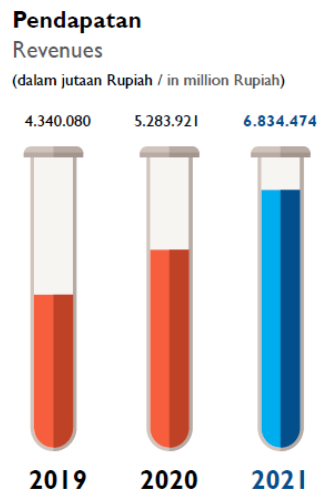


Figure 1.6 Revenue of Pertamedika IHC

Source : Pertamedika IHC annual Report 2021

The increase in IHC revenue each year is, of course, due to an increase in the number of patients, particularly during the era of national health insurance, known in Indonesian as Badan Penyedia Jaminan Sosial Kesehatan (BPJS Kesehatan) or simply shortened to BPJS, BPJS patients have an increasing contribution every year, the total coverage of BPJS participants to the total population has increased significantly from 14.8% in September 2017 up to 82% in 2020. (bpjs-kesehatan.go.id). of course this is a big opportunity for hospitals to work on these BPJS patients.

Even though there has been an increase in revenue, when seen in the annual report, there is a gap between the target and achievement, namely the number of inpatient visits.

**PERBANDINGAN ANTARA PROYEKSI
DAN REALISASI TAHUN 2021
KINERJA OPERASIONAL TAHUN 2021**

**COMPARISON BETWEEN PROJECTION
AND REALIZATION IN 2021
2021 OPERATIONAL PERFORMANCE**

Uraian / Description	Target 2021	Realisasi 2021/ 2021 Realization	Pencapaian (%) / Achievement (%)
Bed Occupancy Rate (BOR)	64,2%	61%	95,02%
Jumlah Kunjungan Rawat Jalan (kunjungan) / Total Outpatients (visit)	5.174.941	5.844.218	112,90%
Jumlah Kunjungan Rawat Inap (kunjungan) / Total Inpatients (visits)	284.503	242.967	85,40%
Average Length of Stay (AvLOS) (hari / days)	3,9	4,7	83,00%
Jumlah Kunjungan Penunjang Medis / Total Medical Support Rate	7.100.883	9.604.802	135,30%

Figure 1.7 Comparison between Projection and Realization IHC

Source : Pertamedika IHC annual Report 2021

It can be seen from the data above that the achievements of inpatient services were not on target, namely as much as 85.40% compared to the achievements of inpatients which reached 112.90%. Of course this is a problem, however, it is not explained in detail about the causes of inpatient services below target, but we can assume that the lack of achievement is due to the lack of patients who want to be treated at the IHC Hospital.

Patient comfort and experience in the hospital is one of the factors that will determine whether the patient will refer the decision or choice in undergo the further health services. Once again, the level of satisfaction is the most important element in patient retention. Patient satisfaction with a hospital service will result in loyalty, or customer loyalty. It should be noted that patient satisfaction is a great asset for the hospital since it has the potential to inspire a desire for patients to undergo health services again in the long run (Kessler, 2011). So, to create patient satisfaction a hospital should be able to develop a system to get more patients and of course to be able to maintain its patient. Thus, it can be concluded that competition through marketing strategies that support service quality by prioritizing patient comfort and experience, is a key element to be able to survive in evolving healthcare industry recently.

Hospital chain correlate the brand image of the hospital. Image is an object composed by the person beliefs, thoughts, and impressions about it, which are impacted by a variety of external circumstances, The perception of costumers— both potential and dissatisfied ones—as well as other business-related groups like

investors, agents, and investors, is represented by an image. This evaluation differs across people and organizations (Paradilla, 2022).

Brand image is the customer's concept of a brand. Brand image refers to the customer's view of a brand, which is largely a subjective and perceptual phenomenon formed by customer interpretation, whether rational or emotional.

Brand image is not inherent in technical, functional, or physical concerns of the product. Marketing efforts, context variables, and perceiver attributes all impact and mold it. Once it comes to brand image, impression of reality is more important than actual fact (Dobni, 1990).

Competition can help the hospital's reputation. Shifting the paradigm of government hospitals, which have a less sparkling reputation in the community, to customer-centered services will assist the government in creating the exceptional image of the hospital that the public desires.

The hospital's brand image is essential since it might be related to patient satisfaction. According to Faullant, Matzler, and Füller (2008), previous research findings suggested a favorable relationship between image and loyalty, as well as a relationship between the model and customer value.

"Customer perceived value is the gap between the perspective of the customer's judgment of the advantages acquired compared to the costs incurred by customers," writes Kotler (2003).

The statement in the line above says that the customer's perceived value is all of the customer's appraisal of the benefits derived from a product for what the product will receive and deliver to the buyer or customer. "Customer perceived value is a trade-off between total customer value and total customer cost," writes Fernandez (2007). Overall customer value (the sum of the values acquired by customers), i.e. the numerous benefits that customers are expected to receive from certain products or services. Whole customer cost (total consumer cost) refers to the numerous activities that customers anticipate will occur during the process of using the product or service.

Service quality is regarded as infrastructure, personal quality, access, and health service-processes, and it refers to patient preferences, demands, and expectations in order to realize customer value and satisfaction (Pham et al., 2020),

Furthermore, good service quality is judged not only by the luxury of facilities, modern technology, and physical appearance, but also by professional attitudes and behavior, as well as the high level of devotion of hospital staff. Furthermore, service quality will have an impact on the hospital's image (Kalaja et al., 2016), because health services are a category of product that is both credential and intangible (mosadeghrad, 2013).

The research position is to adopt the research model of Akob et al. (2017) with one independent variable, namely service quality, whose effect will be tested on one dependent variable, namely patient loyalty, through the mediation of 3 (three) variables, namely brand image, perceived value and patient satisfaction. This research model will be tested empirically on patients who have undergone inpatient services at Pertamina Cirebon Hospital. In addition to making new contributions to hospital management science, the findings of this study can provide useful managerial implications for improving the quality of patient-centered medical services.

1.2. Research Problem

Inpatient services at IHC hospitals are still below the target, therefore it is necessary to find out how to increase it. Patient loyalty is important for hospitals to increase inpatient numbers. Loyal patients are more likely to continue using medical services, follow prescribed treatment plans, and maintain relationships with specific healthcare providers.

Based on the phenomenon that has been described above, then the research problems could be formulated in the forms of research problems as follows:

1. Does service quality have positive impact towards brand image in Pertamina hospital?
2. Does service quality have positive impact towards perceived value in Pertamina hospital?
3. Does service quality have positive impact towards patient satisfaction in Pertamina hospital?
4. Does brand image have positive impact towards perceived value in Pertamina hospital?

5. Does brand image have positive impact towards patient satisfaction in Pertamina hospital?
6. Does perceived value have positive impact towards patient satisfaction in Pertamina hospital?
7. Does perceived value have positive impact towards patient loyalty in Pertamina hospital?
8. Does patient satisfaction have positive impact towards patient loyalty in Pertamina hospital?

1.3 Objective of the Study

From the above research question, the objective of the study could be explained in detail as follows

1. To analyze the positive effect of service quality towards brand image
2. To analyze the positive effect of service quality towards perceived value
3. To analyze the positive effect of service quality towards patient satisfaction
4. To analyze the positive effect of brand image towards perceived value
5. To analyze the positive effect of brand image towards patient satisfaction
6. To analyze the positive effect of perceived value towards patient satisfaction
7. To analyze the positive effect of perceived value towards patient loyalty
8. To analyze the positive effect of patient satisfaction towards patient loyalty

1.4 Benefit from this Study

The study's academic benefit is to make recommendations to future researchers according to the suggested model. The proposed model will contribute to a better understanding of the variables that influence showing components to provide the best service and treatment so that patients are satisfied, which could lead to loyalty.

As a practical benefit theoretically, this research was conducted using referral research models based on service quality and brand image, its effect of these variables on customer perceived value and patient satisfaction, and the effect of loyalty (intent to re-visit) Pertamina hospital.

1.5 Structure Writing

This paper is organized into five chapters, each with its own purpose. This research is clearer and more complete because these five chapters are tied to one another. The following is systematic thesis writing

CHAPTER 1 INTRODUCTION

This chapter outlines the research background, research difficulties, research aims, theoretical benefits, and practice, as well as thesis writing systematics.

CHAPTER 2 REVIEW OF LITERATURE

This chapter will discuss the underlying ideas that support this study. It describes the independent factors, intervening variables, and the variables' direct influence on each other. The hypothesis and research models gave further information.

CHAPTER 3 RESEARCH METHODOLOGY

This chapter covers research locations, research objects, units of analysis, research types, operationalization research variables, population, and sample, as well as determining the number of samples and sampling methods, data collection methods, descriptive statistical data analysis methods, and inferential statistics, including the outer and inner models and research instrument test results.

CHAPTER 4 RESULTS AND DISCUSSION

This chapter will discuss the research findings, including respondent characteristics, study construct descriptions, data analysis research in the form of an outer model, an inner model, and commentary.

CHAPTER 5 CONCLUSION AND SUGGESTIONS

This chapter discusses the study's findings, managerial implications, limitations, and future research recommendations.