

A Study on a Plan for Improving the Added Value of the Medical Service Industry

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Abstract

One field that the information society has recently taken much interest in and has continuously implemented is medical services.

Health tourism services which emphasize today's patient-oriented management rather than the past hospital-oriented management are highly value-added. As interest in physical fitness increases in keeping with such trends of the society at large as the declining birth rate and increasing life expectancy, and the medical market is opened, the added value of medical services that attract and manage domestic and foreign patients from the global market and satisfy their diverse desires with domestic medical competitiveness such as excellent medical staff and technology is on the spotlight. Hereupon, this study intends to suggest the possibility of developing competitive domestic medical services into a highly value-added industry in keeping with changing environment.

1. Introduction

Recently the Korean Government revealed that it would nurture medical services intensively as a new growing industry. The medical industry deserves attention because of its high added value.

Medical services are a professional service industry that depends on professional manpower owing to their characteristics and is composed of interaction with patients and simultaneously conflicting responses of the interested parties.

Medical services are attracting attention as a new value-added industry, thanks to continued GNP growth, the expanding leisure industry (5-day workweek),

improved educational standards, transportation development, and the like.

And, because of the nature of medical services, the consumption and production of medical services should occur at the same time.

According to the Ministry for Health, Welfare and Family Affairs (a routine report to President on March 25, 2008), "While, in foreign countries, medicine and tourism have been combined to emerge as a new future growing industry, we are getting nowhere even when we have the best medical workers" 1), which indicates that the performance of revenue growth in the medical service industry is insufficient.

Whereupon, this study intends to present basic research data on the medical service industry, and so contributes to the strengthening of the competitiveness of medical services as the future value-added industry.

1) The Seoul Shinmun, Health Tourism, Until When Will it Keep Sleeping?, the editorial on Wednesday April 2, 2008.

2. The Past Organization and Today's Organization for Medical Services

1) The Past Hospital-Oriented Organization and Today's Customer-Oriented Organization

The modern market environment and industrial structure have changed from quantitative growth to qualitative growth.

The customer-oriented organization makes it a top priority to help generate profits through the enhancement of competitiveness and the sustained providing of high-quality products and services.

Table .1 Comparison between the Past’s Hospital-Oriented Organization and Today’s Customer-Oriented Organization

	Past’s Hospital-Oriented Organization	Today’s Customer-Oriented Organization
1. Product and Service Planning	Short-term oriented, reflexive management, MBO	Long-term oriented, preventive management, customer-oriented strategy
2. Performance Measurement	Traditional financial performance, short payback period	Customer satisfaction, market share, long-term profitability, quality
3. Attitude Towards Customers	Customers are impatient, and only cause pain.	Customer’s voice is important.
4. Quality of Products and Services	Provided according to the requirements of an organization.	Provided according to customers’ desires.
5. Focus of Marketing	Seller-oriented, indifferent to customer defection	Market share and profitability are attained by means of customer satisfaction
6. Process Management	Focus on error and defective goods inspection	Focus on the prevention of errors and defective goods
7. Supplying Attitude	Customers may wait.	Supply should be made quickly.
8. Thoughts on Human Being	The root of all troubles and the burden of an organization	The greatest asset of an organization
9. Criterion of Decision-Making	Product-oriented, management by opinion	Customer-oriented, management by data
10. Improvement Strategy	Crisis management	Continuous improvement
11. Business Form	Each works independently	The management cooperates.
Source: Johnson A. Edosomwan. Customer and Market – Driven Quality Management. ASQC Quality Press. 1933.2		

Table 1. shows the comparison of service satisfaction made by Edosomwam (1993) between the past’s hospital-oriented organization and today’s customer-oriented organization.

1) As for product and service planning, today’s organization is long-term oriented, and focuses on preventive management and customer satisfaction/customer delight, while the past organization is short-term oriented, does business and

provides services extemporaneously without considering future circumstances, and focuses on reflexive management and management by objectives.

2) As for performance measurement, today’s organization measures performance on the basis of customer satisfaction, market share, long-term profitability and quality control, while the past organization measures performance on the basis of financial performance and payback ratio.

3) As for an attitude towards customer, today’s organization employs the customer delight strategy for customer satisfaction, while the past organization neglected customers.

4) As for the quality of products and services, it depends upon the level of customers’ desires in today’s organization, while it depends upon the capability of an organization in the past’s organization.

5) As for the focus of marketing, in today’s organization, market share and profitability are achieved through customer satisfaction, while the past’s seller-oriented organization neglected the maintenance and management of customers with unilateral selling methods not considering consumers and customers.

6) As for process management, today’s organization focuses on the prevention of defective goods, while the past organization on the inspection of defective goods.

7) As for a supplying attitude, today’s organization quickly responds to and supplies customers’ needs, while the past organization was slow in meeting customers’ desires.

8) As for thoughts on customers, today’s organization considers customers its assets, while the past organization employed unilateral selling methods, regarding customers as its hindrance.

9) As for the criterion of decision making, the management of today’s organization is customer-oriented, while the management of the past organization was product-oriented.

10) As for future strategy, today’s organization makes continuous improvements, while the past organization had no constructive improvement and only acted according to circumstances.

11) As for business form, today’s organization pursues cooperation with the management, while the past organization performed independent business operations.

3. The Necessity of Medical Services

Table 2. Changes in World Tourist/Tourism Revenue

Year	Tourist (mil.)	Growth Rate (%)	Tourism Revenue (billion USD)	Growth Rate (%)
1950	25.3	-	2.1	-
1960	69.3	10.6	6.9	10.6
1970	165.8	15.5	17.9	6.6
1980	286.0	1.0	105.3	26.4
1990	455.9	6.9	264.1	19.3
2000	686.0	6.6	473.4	3.5
2001	684.1	-0.3	459.5	-2.9
2002	702.6	2.7	474.2	3.2
2003	691.0	-1.7	514.4	8.5
2004	759.0	9.8	544.0	7.7
2005	759.0	5.5	--	--

Data: WTO World Tourism Barometer(2006. 1), Tourism Highlights 2005, Compendium of Tourism Statistics 1993-1997.

According to the statistics of world health tourism in <Table 2>, tourists increased 5.5 % from 25.3 million to 808.0 million in 1950-2005; and tourism revenue increased 7.7 % from 0.21 billion USDs to 54.4 billion USDs during the same period.

<Table 2> shows well the worldwide importance of medical services, as their added value increases in keeping with the improvement of living standards and demographical ageing.

4. Future Prospect for Medical Services

As the development of the information and communication industry since the end of 1990 gives patients access to information on the levels and prices of overseas medical services, and expenses for overseas travel are lowered, patients go abroad in search of the optimum medical service in price and quality; and now patients select the optimum medical service beyond national borders rather than using exclusively their own domestic medical services that are regulated by the government. 2)

The future medical industry is in the spotlight as a highly value-added industry in keeping with demographical ageing, improvement in the quality of life, increasing interest in physical fitness, the development of information, and the like. From this perspective, it is essential for the government to prepare a system for the systematic nurturing of

medical services and to bring the importance of medical services to attention.

2) Seoul Development Institute, Research Report on a Plan for the International Marketing of Seoul Health Tourism, 2007

According to Song, Byeong-Rak (2006), the medical industry is an industry that is to be pursued by South Korea that is poor in resources; and, if the level of domestic medical technology becomes globally competitive and is raised to the global standard, the people will be benefited from it.

Furthermore, the medical industry will become an important shortcut to making South Korea's medical technology known; will be able to maximize additional revenues through providing quality medical technology to Southeast Asians including Chinese; will promote long-term economic exchanges of medicine; and will generate synergetic effects in combination with the tourist industry. 3)

3) Song, Byeong-Rak, The Way of Korean Economy, Pakyoungsa, 2006, p. 131.

5. Conclusion

At this moment when the information society has arrived, it is the core sought after by services to create profits for an organization. Particularly, since interest in physical fitness increases as the quality of life is emphasized and the era of demographical ageing has arrived, medical services are recognized as a highly value-added industry.

With the change of times, the past hospital-oriented medical services transitioned to customer-oriented medical services; and the high growth rate of medical services measured worldwide showed the importance of medical services.

Therefore, this study intends to understand the importance of medical services that can benefit from the demographical ageing era, improvement in the standard of life quality, and the information society, and that can bring national or local revenues; and to study the necessity for a new system and consciousness therefor.

And studies should be conducted more and systematically with regard to medical services that have high potential for development.

6. Reference

- [1] The Seoul Shimun, Health Tourism, Until Will It Keep Sleeping?, Wednesday, April 2, 2008
- [2] Seoul Development Institute, Research Report on a Plan for the International Marketing of Seoul Health Tourism, 2007
- [3] Song, Byeong-Rak, The Way of Korean Economy, November 11, 2006, p. 131
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