Service Convergence and Service Integration in Medical Tourism

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ABSTRACT

Purpose: The goal of this paper is to introduce and discuss the concepts of service convergence and service integration, illustrate them in the context of the medical tourism industry, and link them to factors that contributed to the success of a medical tourism firm.

Methodology: The basis for the conceptual development of service convergence and service integration is an in-depth case study of Bumrungrad International Hospital (BIH) in Thailand. Based on semi-structured interviews and archival data, BIH’s business model is analyzed and factors are identified that led to its success in the industry.

Findings: BIH’s success can be attributed to nine key initiatives that enhanced customer focus, operational efficiency and service quality. These initiatives supported BIH’s two-fold business model of product differentiation and globally competitive prices. The firm’s activities led to the integration of medical and hospitality services resulting in a new, enhanced product. Competitors adopted BIH’s service integration approach, which started the service convergence trend in the medical tourism industry.

Research implications: The conceptual foundations for service convergence and service integration are laid in this paper and can serve as the basis for future research.

Practical implications: Insights from BIH’s business model can guide firms in medical tourism and related industries on how to innovate and how to successfully implement their service products.

Originality: This paper introduces the term service convergence and discusses its mechanisms. Furthermore, it identifies success factors of a leading firm in the medical tourism industry and links them to service integration.
1. Introduction

Innovation drives the evolution of products. One type of innovation is the combination or integration of previously separate products into a new and enhanced product (Gallouj and Weinstein 1997). As the new, integrated product becomes increasingly popular, it replaces the previous products and thereby affects the related industries. For products that combine principles or technologies from different industries, industry boundaries can start to vanish and a convergence takes place.

For technology products the term technology convergence has been established and studied (Hacklin 2007). For example, a smartphone integrates phone, camera, computer, and web browsing and has replaced the previous stand-alone products for many applications and customers. The integration and resulting convergence of technologies has blurred the product and industry boundaries. Innovative companies, like Apple Inc., have been leading the technology integration and convergence trend for smartphones, and in the process redefined the computer and cell phone industry and revolutionized the product landscape.

Prior research has studied integration and convergence of technologies (e.g., Gauch and Blind 2014, Kodama 2013), and analyzed business models and success factors (e.g., Gambardella and Torrisi 1998), but none has yet studied this phenomenon specifically for service products or the service industry, such as healthcare, tourism, education or retail. The terms service integration and service convergence have not yet even been discussed in the literature. This paper seeks to fill this gap.

In Chapter 2, we begin by discussing the characteristics of services and service innovation and show the differences to goods. We propose a definition for service integration and service
convergence and show their relationship to each other. Lastly, we compare service convergence with technology convergence.

In Chapters 3 and 4, we provide a case study of Bumrungrad International Hospital (BIH). This firm has practiced service integration and has started the service convergence trend of medical and hospitality services in its industry. BIH customers can experience high-quality medical care in a hotel-like environment at globally competitive prices. We analyzed the firm’s business model, which included service integration activities. We discuss how the firms’ success has contributed to the service convergence trend in the industry. Chapters 5 and 6 present the results and conclusion.

The contributions of the paper are (1) to introduce and define the terms service convergence and service integration; (2) to illustrate them through a case study of a firm; and (3) to identify the firms’ activities that led to its success, and to derive managerial insights for service firms in industries where service integration and convergence is or could be of relevance.

2. Foundations of Service Integration and Service Convergence

2.1 Service Integration and Innovation

We draw from the literature on service science and innovation to explain the concept of service integration. We define service integration as a firm’s business model of integrating a supplementary service, often from another industry, with the firm’s core service product to create a more comprehensive, value-enhanced service offering for its customers.

Innovations are often categorized as either radical or incremental. However, this dichotomy does not capture the full scope and mechanisms of many innovations, particularly in the service industry (Henderson and Clark 1990). Gallouj and Weinstein (1997) distinguish between radical, improvement, incremental, ad hoc, recombinative, and formalism innovations. The integration of
medical and hospitality services by a hospital can be classified as a recombinative innovation. 
Recombinative innovations create a new service product by combining the characteristics of two 
or more existing service products. In our case, medical services are enhanced by combining them 
with hospitality services.

Despite its increasing occurrence and importance in industry, innovation in services, 
specifically innovation originating from the service industries, had not been systematically studied 
by researchers until the 1980s. A landmark paper by Barras (1986) was one of the early 
contributions to a theory of innovation in services. According to Barras (1986), technological 
advances are the primary driving force behind service innovation. Later studies showed, however, 
that non-technological forms of innovation, so called service-oriented approaches, are also highly 
prevalent (Gallouj and Weinstein 1997). In our case study, we observed the latter, i.e., service 
innovations for service products that are not associated with technologies or goods.

Innovation in the service industry is unique due to a lack of standardization and 
formalization, greater decentralization of innovation activities within the firm and industry, and 
limited contributions by research and development departments (Ettlie and Rosenthal 2011). 
However, service innovations can result in a competitive advantage because of the improvements 
in service novelty, quality and customer satisfaction (Hertog et al. 2010, Lovelock and Wirtz 2011).

The term service integration has often associated with a number of other concepts in the 
service literatures. For instance, in a service delivery network (SDN), two or more organizations 
work together to provide a connected overall service experience to their customers (Tax et al. 
2013). The SDN goal of offering a more satisfactory service product coincides with the goal in 
service integration, but the means are different. The SDN concept regards firms as service
experience integrators that build a network with other service firms. Service integration goes one step further and creates a service product that is under full quality and financial control of the firm with “one face to the customer” service delivery. In addition to SDN, service integration has been used in conjunction with the “flower of service” (Lovelock and Wirtz 2011) and “product bundling” (Kim et al. 2009).

2.2 Service Convergence

We define service convergence as the tendency of previously separate service offerings from different industries to evolve towards an integrated service product. Convergence describes a product-level and industry-level phenomenon that occurs over time. It is related to, but still different from, service integration. Service integration is a firm-level activity, an enabling and driving force behind the dynamic (i.e., temporal) process of service convergence.

The interplay between service integration and service convergence is as follows: as a growing number of firms adopt the integration of services, the once novel integrated service product becomes ubiquitous, and the previously separate service products begin to converge into one. The convergence of the services is a dynamic, reinforcing process that involves service integration by firms, and customer expectations / market demand. Widespread service integration at the firm level fuels service convergence at the product and industry level as more and more customers demand and consume the product. Similarly, in response to service convergence in the marketplace and customer demand, more and more firms adopt service integration as a business model. Figure 1 illustrates this dynamic, reinforcing process.
The starting point of service convergence is a firm’s innovative integration of services. This innovation can be an “outside-in” or an “inside-out” service-logic innovation (Michel et al. 2008). Outside-in means that an existing customer demand is the innovation driver to which a firm responds, while inside-out means that a firm’s innovation results in a product that changes the role of the customer and its interaction with the service.

The term service convergence has not yet been used in the literature and this phenomenon has not yet been studied. However, the concept is related to technology convergence (Han et al. 2009), from which we derived this new term. It is defined as the tendency of previously different technologies, often provided by different firms or industries, to be combined into one product (Neely 2002). The two concepts of technology convergence and service convergence have further similarities and differences with respect to products, convergence drivers and enablers, and competitive pressures; see Table 1.
Table 1: Differences and similarities of technology convergence and service convergence

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<thead>
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<th>Technology Convergence</th>
<th>Service Convergence</th>
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<tr>
<td>Definition</td>
<td>Tendency of previously different technologies, often provided by different firms or industries, to be combined into one product</td>
<td>Tendency of previously separate service offerings from different industries to evolve towards an integrated service product</td>
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<td>Types of Industries</td>
<td>Technology / R&amp;D intensive industries</td>
<td>All types of service industries</td>
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<td>Example: Industry Level</td>
<td>Convergence of telecommunications and computer industries</td>
<td>Convergence of college education and hospitality/fitness industries</td>
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<td>Example: Product Level</td>
<td>Smartphones, VOIP communication, Internet-connected TVs</td>
<td>Room and board offered by universities</td>
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<td>Convergence Drivers and Enablers</td>
<td>Push factors: - Technological advances/feasibility - Cost decreases of technologies - Government (de-)regulation</td>
<td>Pull factors: - Customer needs/desires - Competitive forces - Globalization</td>
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<tr>
<td>Capabilities Development</td>
<td>From external: mergers &amp; acquisitions, licensing, outsourcing</td>
<td>From internal: in-house product development, partnering</td>
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One primary difference between service convergence and technology convergence is that the latter is driven by technological advances (e.g., Internet, digital cameras, display technology, miniaturization), which create new product opportunities. In contrast, service convergence is driven by consumer needs and businesses who are seeking competitive advantages. Technology convergence can be further driven by government (de-)regulation and decreasing costs of technologies. In service convergence, the drivers tend to be competitive forces, globalization or both. The globalization of industries, such as in medical tourism, led not only to a greater customer
base, but also to greater competition. For technology convergence, these drivers and enablers are push factors, as technological and regulatory changes push firms and industries towards convergence. In service convergence, on the other hand, pull factors are present; firms and industries pull the opportunities towards them.

3. Research Setting

In this section, we provide background on the medical tourism industry in Thailand and on BIH.

3.1 Medical Tourism in Thailand

Thailand has become one of the best-known and most frequented medical tourism destinations in the world (Pickert 2008). Starting in the 1970s, patients traveled to Thailand for its expertise in cosmetic surgeries and sex change operations. Today, the most popular medical services are health check-ups, LASIK surgery, dental work, surgical operations, rehabilitation, and cosmetic surgery (Kasikorn Research 2007).

According to the Thailand Medical Tourism Cluster, the country has over 19,000 doctors and 100,000 nurses working in 956 public and 309 private hospitals. The medical tourism industry in Thailand has witnessed a steady patient growth from less than 600,000 foreign patients per year in 2001, to over 1.4 million in 2009 (Supakankunti and Heberholz 2012).

Thailand’s popularity as a medical tourism destination can be attributed to the high quality of its medical services, low prices, and the flexible and convenient access to health services. Thailand is also a well-known tourism destination, which helps to entice patients to combine their medical procedure with a vacation. Costs of medical procedures are typically 50% to 80% lower than in the U.S. (York 2008). Compared to its main competitors in Asia, Thailand is cheaper than Singapore (20-40%), but more expensive than India (10-20%) (American Medical Association 2007).
3.3 Bumrungrad International Hospital (BIH)

BIH is the largest private hospital in Southeast Asia. The American Medical Association (2007) considers it “the world’s most famous medical tourism destination”. BIH attracts over one million patients annually, of which 400,000 are international customers from over 200 countries (BIH Annual Report 2011).

BIH was founded in 1980 with a strategy to provide medical services for well-to-do Thais. During the economic boom of the 1990s, an increasing number of Thais were able to afford high quality healthcare. The Thai government, however, had invested primarily in its basic infrastructure to maintain its economic competitiveness, but social infrastructure developments, including hospitals, were lagging behind. In response, private hospitals expanded their capacity and new ones were built.

Due to the economic crisis of 1997, Thai patient demand dropped sharply, affecting BIH’s revenues. To overcome its financial difficulties and utilize its excess capacity, BIH decided to expand its customer base and market its services to foreign patients. The hospital hired a team of international managers to lead the effort and as a result, the number of international patients increased from 50,000 in 1996, to 350,000 in 2005 (De Sam Lazaro 2005). In 2002, the hospital became the first internationally accredited healthcare institution in Asia. BIH has a licensed capacity of 538 beds (inpatients) and 4,500 outpatients per day, with 484 beds in operation as of Dec 31, 2011. BIH has a team of 1,200 full and part-time physicians and 900 nurses. Foreign patients account for 40% of total patients and contribute 60% of total revenue. Revenues in 2011 were around 11 billion Baht ($350 million) with a 12.5% net profit margin. Inpatients and outpatients contributed equally (50%) to total revenue (BIH Annual Report 2011).
From an international perspective, BIH is a low-cost provider since medical procedures in Thailand are less expensive than in the developed world. However, to attract international customers, low prices must be combined with a high quality of care. BIH has to provide equal or higher quality medical services compared to customers’ home countries.

4. Methodology and Findings

4.1. Methodology

Since this research focuses on the unexplored topic of service convergence, we used the case study research approach, as advocated by Eisenhardt (1989) and successfully applied by Normann and Ramirez (1993), Wenz et al. (2014) and others in similar settings. Our findings are based on a single case exploratory study and the data collection process involved semi-structured interviews that began in 2009 and continued until early 2012. We conducted three rounds of interviews with a total of eleven top-level BIH executives. We interviewed medical professionals (medical directors, physicians) as well as business professionals (chief executive officer, chief operating officer, chief financial officer, chief quality officer). The interviews focused on the business model that led to BIH’s success in the medical tourism industry. All interviews were in English and lasted on average two hours.

4.2. Findings

BIH adopted a two-fold business model by combining low cost medical services with ancillary non-medical services that they adopted from the hospitality industry. The firm was able to attract foreign customers through competitive pricing, and most importantly by differentiating itself from traditional hospitals in developed countries. The business model of integrating high-quality medical services with first-class hospitality services allowed them to differentiate themselves from their competition in both the emerging and the developed world.
We identified nine key initiatives that BIH had undertaken to integrate medical services with non-medical services. These initiatives and their resulting competitive advantages emerged from the analysis of the interviews with the hospital leadership. See Figure 2 for BIH’s business model that resulted in service integration, which in turn spurred service convergence in the medical tourism industry.

4.2.1 Service Excellence

BIH’s stated goal is to provide the highest level of service to its customers. As BIH’s CEO James Matthew Banner has succinctly expressed, “if a hotel, an airline, or an airport can have a five-star status, BIH should have one as well. Service excellence in a hospital is no longer just about the treatment and should include non-medical aspects as well.”

BIH considers the customer experience for non-medical services an important part of its quality planning process. It has adopted practices that are usually only found in other service industries such as hospitality.
The non-medical services offered at the hospital can be broadly classified into three groups: international customer services, food and shops, and lodging services. BIH has a dedicated service center with over 100 interpreters. All BIH staff members speak English. Patients are further supported by international insurance and medical coordinators, as well as travel and embassy assistance. BIH has an on-site visa extension counter, an in-house travel agency and offers free airport transfers. The dining and shopping facilities are luxurious and include a 24/7 international food court, convenience stores, a drugstore, bookstores, a gift shop, a flower shop, a hairdresser, and a bank.

According to its executives, “creating the feeling of wows” is important for BIH customers. The feeling of “wow,” academically referred to as customer delight, creates more customer loyalty than mere customer satisfaction (Füller and Matzler 2008). Moreover, delighted customers are more likely to tell other people about their positive experiences. From BIH’s viewpoint, the best salespeople are the customers, an insight that has also been confirmed in numerous research studies (e.g., Kano et al. 1984).

Anticipating the needs of its customers is an ongoing task at BIH. For example, since road traffic has been cited as an obstacle for local patients, extended medical services such as home visits or satellite outpatient clinics in shopping malls are under consideration for future service expansions.

4.2.2 Extended Customer Perspective

BIH has committed considerable time and effort to identify who its customers are, what services they need, and how they want these services to be delivered. The obvious customer is the patient, but BIH has recognized that its customer base is broader. BIH’s customers are also the patients’ companions, including friends and family members. Patients from Asia and the Middle
East often travel in big groups and it is not unusual for inpatients to be accompanied by 10 to 20 guests.

To accommodate the patient’s companions, BIH owns and operates a hotel connected to the hospital. On-site lodging is an important non-medical service, as many of the international patients travel with families who value the option of staying as close as possible to their patient relatives.

The needs of companions were also considered in the design of patient services, including restaurants, stores, travel and visa services, interpreters, and local and airport transportation. Not only does BIH generate additional revenues through patients’ companions, it also recruits future inpatients when companions recall the first-class services they had experienced as guests here. Word-of-mouth recommendation from companions who had positive experiences also draws wide circles for reaching additional, future customers.

4.2.3 Transparent and Competitive Prices

One of the steps taken by BIH to improve its medical services is to make the prices of different medical procedures easily available to the patients. Three-quarters of BIH’s customers are self-pay patients. Self-pay patients are price conscious and demand accurate cost estimates prior to their visit. With consultations from BIH physicians, patients act as their own reviewers regarding treatment necessity and cost. The CEO of BIH gave the following example: “If a doctor asks a patient to have an MRI, a patient would ask, how much it costs and what alternatives exist to lower the costs?” If the price is perceived as too high, patients will not buy the product, or even worse, decide to switch to another hospital. He added, “as long as we can help patients save money, they will keep on coming back. As for any business, long-term relationships should be a goal of a
hospital.” In addition, listening to the requests of self-pay patients helps to keep hospital costs down and to identify unnecessary procedures that can be eliminated.

4.2.4 Optimized, Lean Processes

BIH maintains low cost with processes that are well defined and streamlined. BIH applies lean principles, i.e., elimination of non-value added service elements and process re-design to save customers time and money. For example, a study that analyzed outpatient visits found that most of the patient’s time was spent waiting. In response, waiting times related to dispensing medicine and paying bills were reduced. BIH initially had separate counters for these two processes, each at different locations in the hospital. The two counters were later combined into one counter, near a physician’s practice room. To have the medication available at each physician’s office, BIH invested in a hospital-wide robotic medicine dispensing system that automatically fills prescriptions and delivers, via pneumatic tubes, the medicine from a central location to the counter. While the patient awaits the delivery of medicine, s/he can pay the bill and schedule follow-up appointments at the same counter.

4.2.5 Continuous Improvements and Constant Audits

BIH strives for a continuous improvement of its medical and non-medical services through monitoring and regular evaluations. Typically, internal quality audit teams perform this task by considering all BIH stakeholders – inpatients, outpatients, companions, prospective customers, and even retailers renting hospital space. In addition, external evaluators are occasionally hired to address specific issues. Early on, BIH recognized the benefits of accreditation procedures, such as the one administered by the Joint Commission International (JCI 2014). The interviewees emphasized that seeking awards and recognition does not imply that BIH has to win every time.
The goal of an application is to learn from external experts who visit BIH as part of the evaluation process. Their feedback provides valuable input for process improvement and quality planning.

4.2.6 Multi-Disciplinary Approach in Design and Problem Solving

BIH takes a multi-disciplinary approach when making improvements or implementing new systems. For example, the hospital utilized principles from engineering and psychology in the design of a new parking garage. The parking garage prominently displays fruit signs on every of its eleven levels (e.g., banana on the third level, mango on the fourth level). The same symbols appear in elevators and at information counters. This mnemonic device has helped customers to find their cars more quickly. Moreover, bright lights are common in all areas, psychologically signaling cleanliness and safety. Ergonomic principles have been applied to improve inpatient rooms for both physicians and patients. For example, the location of computer consoles where nurses and doctors enter, record, and review medical information has been chosen purposefully.

4.2.7 Mix of International and Local Patients

Understanding the relationship between medical services for local and international patients, and how these services support one another is crucial for planning and deploying organizational strategies. BIH caters to both medical tourists and local patients. Even though medical tourists are more profitable, local patients provide a steady and reliable customer base. Demand by foreign patients can fluctuate drastically, as the latest global economic downturn and recent socio-political turmoil in Bangkok has shown. Higher patient numbers also allow for a wider range of health services and economies of scale and scope.

The primary reason for medical tourists to come to BIH is its expertise in certain medical specialties. The top five specialties, including cancer and cardiology, account for one third of total revenues (BIH Annual Report 2011). Mr. Banner stated that “a successful hospital needs a critical
mass of local patients to support medical specialties that feed into sub-specialties that are needed to attract and serve international patients.” Bangkok has a sizable local patient population who demands the first-class and, by Thai standards, high-priced medical services BIH offers. Local demand has helped sustain several sub-specialties that attract international patients, and allows for highly profitable health services to be offered.

4.2.8 Technology Investments

BIH has made extensive investments in information technology (IT) to run its operations more efficiently and effectively, and also to better serve inpatients, outpatients, and prospective customers. IT systems have assisted BIH’s international medical coordination office in creating treatment plans for patients prior to their arrival. Centralizing the database to handle all of BIH’s outpatient-related procedures through Microsoft’s healthcare platform has been critical to improving system efficiency and accuracy. The IT linkage with insurance providers has reduced the time for insurance coverage approval and has increased billing accuracy. Appointment confirmations via text messages have been well received by customers and have improved operational performance by reducing patient no-shows.

BIH leadership also emphasized the significance of technological infrastructure investments such as the recent installation of an automated medicine dispensing system. Prescription filling errors have been reduced resulting in higher patient safety. In addition, the central storage of medicine has lowered the hospital-wide medication inventory, meaning that less medication needs to be discarded due to expiration.

Furthermore, investments in the latest medical technologies are essential for BIH to stay at the forefront of high-acuity treatments. They also attract international patient as well as first-class
physicians. An image-guided radiotherapy (IGRT) machine is an example of a recently purchased cutting-edge technology.

4.2.9 Global Markets and Competitors

BIH executives spend a considerable amount of time analyzing and understanding ongoing international events and their impact on strategy and operations. This understanding is essential for business planning and defending BIH’s global leadership position. For instance, the recent development of Thailand’s neighboring countries, including Vietnam, Myanmar and Cambodia, has led to economic growth and foreign investment in factories and manufacturing firms in these countries. However, social infrastructures including healthcare facilities have not kept up with the economic expansion in terms of availability and quality. As a result, many expatriates from these neighboring countries come to Thailand for medical services. To attract these customers, BIH has established representative offices in Vietnam, Myanmar, Cambodia and 13 more countries to help prospective patients plan their medical visit and to coordinate with local insurance companies.

Moreover, BIH closely monitors its key competitors in the domestic market and in the region. BIH’s main local competitors include BNH Hospital, Bangkok General Hospital and Samitivej Hospital. Regular benchmarking studies ensure that BIH’s is on par or ahead of domestic and international competitors.

5. Managerial Implications and Discussion

BIH has successfully adopted a two-fold business model of low cost and differentiation. BIH’s focus on the operational efficiency enabled it to lower costs while offering a wide range of high-quality medical services. The second aspect is differentiation, which was achieved by the adoption of a customer-centric model focused on service quality that was achieved through service integration.
BIH developed its business model without explicitly applying the service integration framework. The innovation happened organically and was driven by customer needs, business opportunities and market forces. Adopters of this innovation, however, can use the service integration framework to replicate BIH’s successful business model. Candidates for service integration are those services that are in the petals of the “flower of service”, or even those that are not yet part of the flower, but are still relevant for the customer.

BIH’s business model relies on service integration, but also on service delivery networks. To achieve a high-quality, low-cost, one-face-to-the-customer service product, BIH chose service integration for their hotel and concierge services. Other supplemental services, such as in-hospital stores and a food court, are provided via partners. BIH still chose and controlled which services are co-located and part of the BIH experience.

In deciding whether to practice service integration or to rely on service partners, firms should consider customer perception, the need and ability of their firm to run operations, and revenue opportunities. A hotel connected to the hospital is an important element in the customer experience at BIH. One-stop convenient booking and price quotes for medical and hotel services reduces barriers and increases satisfaction for international customers. Operational quality can also be better controlled with BIH as the owner and operator. Consequentially, BIH’s best option was to build a co-located hotel that matches in design and features their hospital and customers’ expectations. Furthermore, hotel ownership offers an additional revenue and profit stream.

Not every ancillary should be integrated. A service partner, instead of BIH itself, provided the food service in BIH’s food court. However, BIH controlled food variety, quality, price, and service design by selecting and monitoring food vendors. Actively managing the service delivery
characteristic of partners is important, as customers associate the experience of these ancillary services with BIH.

Regardless of way in which ancillary service are integrated and managed, we recommend that a firm should continue to focus on its core service product. In the case of BIH, medical services remains the core product, while integrated hospitality services give BIH its competitive edge.

The success of BIH’s service integration in the marketplace, and its adoption by other hospitals, has led to service convergence. Hospitals that integrate hospitality services to cater to medical tourists have transformed the medical tourism industry and its products. From a firm and customer perspective, hospitality and medical services have converged into a unified product. Customers increasingly expect the integrated service experience, and firms continue to adopt and expand upon hospitality services. BIH’s innovation has triggered the convergence process. Its success in the marketplace has encouraged other hospitals to adopt its strategy, which has further amplified customer expectations and fueled demand. Parts of the medical and hospitality industry have converged, with the result being a transformed medical tourism industry.

The convergence is not only affecting the medical tourism industry, but also the hospital and hotel industries. Domestic hospitals, i.e., those primarily catering to patients living nearby, are competing with medical tourism hospitals in other countries for a subset of their patients. To remain globally competitive, domestic hospitals could extend their product offerings, for example, by integrating or partnering for lodging and food services. Customer expectations and convergence tendencies in the medical tourism industry affect domestic hospitals.

Similarly, in the hospitality industry, hotels can respond to service convergence in the medical tourism by expanding their health services offerings. BIH is already attracting customers who might have previously considered staying at a wellness hotel.
6. Conclusion

We introduced the concepts of service convergence and service integration and provided definitions for these terms. Service integration was contrasted to related service concepts to identify its unique characteristics. We showed the relationship between service integration and service convergence. Service convergence is the emergent phenomenon of a firm’s service integration activity at the product and industry level. Service convergence was defined and further discussed by analyzing its similarities and differences to technology convergence.

Through a case study, we illustrated the role service integration played in the business model of a successful medical tourism firm. Based on semi-structured interviews with the hospital leadership, we found that BIH’s key to success was built around its innovative integration of medical and hospitality services. BIH’s nine initiatives and sources of competitive advantage describe how the firm successfully adopted a two-fold strategy of low cost and differentiation via service integration.

BIH offers a one-stop, one-face-to-the-customer service product, which integrates service offerings from two different industries: healthcare and hospitality. With competitors adopting similar strategies, healthcare and hospitality services are converging in the medical tourism industry. We discussed how business success and customer expectations drive the service convergence process.

The paper provides managerial guidelines for executives from other hospitals and other service industries as it demonstrates how to successfully combine a core service – healthcare, in the case of hospitals – with complimentary services. Firms in healthcare, tourism or other industries can innovate and achieve a competitive advantage by integrating services from related industries into their main service product. With progressing service convergence, i.e., an increasing
number of firms integrate their services, other firms are eventually forced to adopt service integration to keep up with the competition and meet customer expectations.

Further research is needed to confirm and quantify the described trends in the medical tourism industry. The case study design of a single firm can only be a starting point. It does not allow for triangulation of data or inter-firm comparisons. In addition to multi-firm case study, an industry-level data analysis would be necessary to confirm the service convergence trend we described.

Despite these limitations, the paper makes important and valid contributions to the management and service science literature. A key step in future research would be the development of quantitative measures of service integration and convergence. Combined with firm and industry level data, the analysis of these phenomena in the medical tourism as they occurred over time would be possible. Comparisons with other industries would shed further light on industry and firm characteristics that either accelerate or inhibit service convergence and service integration.
References


