

Marketing of Hospital Services

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Content

- Introduction
 - Definition
- Marketing Mix
 - Product
 - Price
 - Promotion
 - Place
- Additional elements of service marketing
 - People
 - Process
 - Physical evidence

Content

- Other key marketing elements
 - Target marketing
 - Segmentation
 - Positioning
- Role of marketing in healthcare
- The purpose of marketing
- Concepts of marketing
- The main skills of marketing
 - Marketing research

Content

- Product design
- Distribution
- Pricing
- Advertising
- Sales promotion
- Sales management

Introduction to Marketing

- **Definition**

- Marketing is the process of planning and executing the conception, pricing, promotion, and distribution (4Ps) of ideas, goods and services to create exchanges (with customers) that satisfy individual and organisational objectives¹
- The American Marketing Association offers the following definition:
 - *Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.*

Introduction to Marketing

- Marketing takes place when at least one party to a potential transaction thinks about the means of achieving desired responses from other parties.
- Thus marketing takes place when
 - A physician puts out an advertisement describing his practice in the hope of attracting new patients.
 - A hospital builds a state-of-the-art cancer center to attract more patients with this affliction.
 - In US healthcare system when a health maintenance organization (HMO) improves the benefits of its health plan to attract more patients.
 - A pharmaceutical firm hires more salespeople to gain physician acceptance and preference for a new drug.
 - Satisfying customer needs (creating utility) through the exchange process

Introduction to Marketing

- **Marketing Mix**
 - Product
 - Price
 - Promotion
 - Place
- **Additional elements of services marketing**
 - People
 - Process
 - Physical Evidence

The 7 Ps of Services Marketing²

- The first 4 elements of services marketing mix are the same as those of traditional marketing mix
- Next three are additional elements
- In case of services the implications of even the traditional 4Ps are a bit different:
 - Product:
 - In case of services, the 'product' is intangible, heterogeneous and perishable.

The 7 Ps of Services Marketing²

- Its production and consumption are inseparable.
- There is a scope for customizing the offering as per customer requirements and
- The actual customer encounter therefore assumes particular significance.
- Too much customization, however, would compromise the standard delivery of the service and It may adversely affect its quality.

The 7 Ps

- **Pricing:**

- Pricing of services is tougher than pricing of goods.
- Goods can be priced easily by taking into account the raw material costs
- In case of services attendant costs - such as labor and overhead costs - also need to be factored in.
- A hospital while fixing charges has to take into account not only the material costs and costs of drugs but also the cost of the specific facility such as OT or ICU but also labour costs
- The final price for the service is then arrived at by including a mark up for an adequate profit margin

The 7 Ps

- **Place**

- Service delivery is concurrent with its production and consumption and cannot be stored or transported,
 - Service providers have to give special thought to where the service would be provided.
- A Coronary Artery Bypass Graft Surgery cannot be provided other than in a specially designed OT with appropriate equipment and specially trained and skilled staff
- Similarly, Critical care to a patient can only be done in an ICU

The 7 Ps

- **Promotion:**

- A service offering can be easily replicated
 - Promotion becomes crucial in differentiating a service offering in the mind of the consumer.
- Thus, service providers offering identical services such as airlines or banks and insurance companies invest heavily in advertising their services.
- This is crucial in attracting customers in a segment where the services providers have nearly identical offerings.

The 7 Ps

- **People:**

- People are a defining factor in a service delivery process,
- A service is inseparable from the person providing it.
- Thus, a restaurant is known as much for its food as for the service provided by its staff.
- The same is true of hospitals and nursing homes
- Consequently, customer service training for staff has become a top priority for many organizations today

The 7 Ps

- **Process:**

- The process of service delivery is crucial since it ensures that the same standard of service is repeatedly delivered to the customers.
- Therefore, most companies have a service blue print (SOP)
- The blue print provides the details of the service delivery process
- This often includes details of defining the service script and the greeting phrases to be used by the service staff.

The 7 Ps

- **Physical Evidence:**

- Since services are intangible in nature most service providers strive to incorporate certain tangible elements into their offering to enhance customer experience.
- Thus, there are hair salons that have well designed waiting areas often with magazines and plush sofas for patrons to read and relax while they await their turn.
- Similarly, restaurants invest heavily in their interior design and decorations to offer a tangible and unique experience to their guests.

Other Key Marketing Elements³

- **Target marketing**

- This is the process of aiming marketing efforts to meet more precisely the needs and wants of the customers

- **Segmentation**

- Segmentation means the breakdown of customers into segments that will respond to more precisely targeted marketing mixes

- **Positioning**

- This means distinguishing a brand from its competitors so that it becomes the preferred brand in defined market segments

Role of Marketing in Health Care⁴

- Marketing plays an important and pervasive role in the healthcare marketplace
- Till 1980, the concept was alien to healthcare
- Today, one can witness a great deal of marketing taking place in all healthcare organisations
- It is now very common to see that:
 - Virtually every hospital places ads in newspapers and magazines to tout its facilities and services
 - Hospital salaried physicians give talk shows in TVs, hold camps, deliver popular health related lectures

The Purpose of Marketing

- There are quite different opinions about marketing's purpose
- One view is called the transaction view
 - This view says that its aim is to get an order or make a sale
 - Accordingly, marketing is to use salesmanship and advertising to sell more stuff
 - The focus is on doing everything possible to stimulate a transaction
- The other opinion about marketing can be called the customer relationship building and satisfaction view

The Purpose of Marketing

- Here the focus is more on the customer and less on the particular product or service
- The marketer aims to serve the customer in such a way that he or she will be satisfied and come back for more services or product
- The marketer expects that the satisfaction level will be sufficiently high that the customer will recommend the seller to others
- Example:
 - Physician who develops an excellent service reputation will attract many new patients as a result of word-of-mouth recommendation
 - Also, if patients develop new medical problem they will return to the same physician for treatment and advice

The Purpose of Marketing

- Some marketers question the use of the terms such as consumers and patients
- The traditional view of a consumer or patient is that of someone who is passively consuming something
 - Today's customers are also producers
 - They are actively sending messages about their experiences, creating new uses,
 - This they do by using internet and other sources to provide new findings to the physician

The Purpose of Marketing

- They also lobby for more and better benefits
 - Predicting the current environment, Peter Drucker viewed marketing as playing the role of serving as the customer's agent or representative
- More and more organisations are moving from the transaction view to the relationship view of marketing
 - In this environment , the New Marketer's job is to create a long-term, trusted, and valued relationship with customers
 - This means getting the whole organisation to think about and serve customers and their interests

Concepts of Marketing

- **Organisations focus their marketing effort on target markets**
 - Based on the target market concept, the customer-focused marketing philosophy has the acronym CC DV - Create, Communicate, and Deliver Value
- **Value is the fundamental concept underlying modern marketing**
 - Value is not what the supplier believes but it must be perceived by the customer
 - Marketer's job is to turn invisible value into perceived value - CCDV now gets converted to CCDVT, where T is for *Target Market*
- **The value should be for the well-defined target market**
 - Example: if the nursing home decides to serve a high-income market, it must create, communicate, and deliver the value expected by high-income families

Concepts of Marketing

- The marketing acronym needs to be extended further to CCDVTP
 - P stands for profitably
- The marketing aim is to *Create, Communicate, and Deliver Value to a Target market Profitably*
 - Even a non-profit organisation must earn revenues in excess of expenses in order to continue its charitable mission
 - The marketing mix 4Ps are already present in the CCDVT
- Marketers recognise that the 4Ps represent the set of the seller's decisions, not the buyer's decisions

Concepts of Marketing

- For a customer to be interested in an offering, the customer must have awareness of the offering
 - The customer also must find it acceptable, available at the right time and place, and affordable
 - Professor Jagdish Sheth calls these attributes the 4As of marketing
- The final concept in marketing is Positioning
 - An organisation or company positions itself to be the place of choice for its target market
 - Ex: A hospital might position itself as having the most advanced medicine or the best patient service, or being the most efficient hospital

Concepts of Marketing

- Good positioning requires looking at how to best implement 4As of that target market
- The steps of *segmentation, targeting, and positioning* is represented by the acronym STP
- All these when combined gives a more robust model of marketing strategy
 - First segment, next target position, then determine the 4As, and finally appropriate 4Ps are set
- it is said that marketing's purpose is to create value for the customer and profits for the organisation and its stakeholders

Concepts of Marketing

- It however, does not mean that the organisation should give the customer whatever they want
- Customers' desires and needs must correspond with the mission or purpose of the organisation
- **Example:**
 - A rehabilitation hospital does not need to open a cardiac bypass programme just because some of its patients have heart disease
 - A further problem arises when the customer wants something that is not in his or her best interest
- **Example:**
 - A patient may request an antibiotic to treat a cold or ask for a narcotic for nonmedical reasons

The Main Skills of Marketing

- There are seven traditional marketing skills. These are:
 1. Marketing research
 2. Product design
 3. Distribution
 4. Pricing
 5. Advertising
 6. Sales promotion, and
 7. Sales management

The Main Skills of Marketing

- **Marketing research**
 - Effective marketing must start with marketing research
 - This in turn consists of other skills
- **Example:**
 - A hospital is planning to build a second facility in one of several neighbouring cities
 - It needs to conduct systemic marketing research to find which site is the most promising

The Main Skills of Marketing

- The marketing research will use both secondary and primary data
 - Secondary data comes from existing sources
 - Information about the population's size, age, income and education distribution as well as land costs and transportation resources
 - Primary data may come from focus groups to gather customer reactions to different proposals
 - In depth interviews may be conducted with specific community members
 - Surveys may be conducted to get more accurate picture about customer attitude, needs

The Main Skills of Marketing

- Product design is the second marketing skill
- Example:
 - A manufacturer of hospital beds wants to design a product that patients can more easily adjust on their own
 - It will assign a product team to design the new bed consisting of an engineer, a designer, and a marketer
 - The marketer will supply some preliminary data about how patients feel about different features of the hospital bed
 - After development the marketer might test it with several patients

The Main Skills of Marketing

- This example talks about a physical product
 - The same principle apply to service
- Many patients complain about their experiences in emergency department
 - The complaints may include long waiting time, crowded facility and perfunctory services
 - These inputs can be provided to the hospital administration to redesign the emergency services

The Main Skills of Marketing

- **The third traditional skill is distribution**
 - Marketers have to choose places in which their products and services will be readily accessible and available to the customer
 - Marketers work with different types of wholesalers, jobbers, brokers, retailers, and transportation companies
 - The knowledge is very useful in activities ranging from pharmaceutical distribution to setting up a regional or national chain of in-store medical clinics

The Main Skills of Marketing

- Pricing is the fourth traditional skill of marketers
 - Marketers have gained much of their experience through setting prices and adjusting them for different markets and in different circumstances
 - They are guided by both internal constraints as well as the realities of the marketplace
 - Internal constraints could be company's production cost and cost structure
 - Realities of marketplace could be price elasticity of demand
 - In the realm of health insurance, marketplace also demands flexibility to customise the product, with an attendant set of fixed and optional services and their varied prices

The Main Skills of Marketing

- The fifth traditional skill is the use of advertising
 - Marketers have extensive experience in working with ad agencies
 - These agencies design messages, choosing media, setting budget, and evaluating outcome of advertising campaign
 - The marketers must advise the organisation about the best media mix to use,
 - The media may be chosen among newspapers, magazines, radio, television, and billboards
 - The marketers may advise regarding emphasis in different media

The Main Skills of Marketing

- **The sixth traditional marketing is sales promotion**
 - This includes the use of incentives to stimulate trial or purchase of a product or service
 - Sales promotion includes a wide variety of incentives
- **Example:**
 - Community leader might want 100 percent of citizens to get a flu vaccination to achieve a big turnout, they may offer a discount for family members, a free booklet for staying fit

The Main Skills of Marketing

- The seventh traditional marketing skill of marketers is management of sales force
- Example:
 - The General Electric (GE) Medical Products division uses a well trained sales force to sell sophisticated imaging equipment to hospitals
 - The equipment is expensive so hospitals must be convinced not only that they need this technology but also they should prefer to purchase it from GE
 - GE's professional sales force will explain the benefits of buying this equipment as justifying its high cost
 - Thus GE needs to hire, train, compensate, motivate, and evaluate hundreds of skilled professional salespeople

The Main Skills of Marketing

- **Additional skills**

- Many suggest that besides these seven skills, organisations need some newer marketing know-how:
- Direct marketing (mail and e-mail)
- Telemarketing
- Public relations
- Product placements
- Sponsorship
- Event management
- Internet marketing
- Blogs and podcasts

End of Part 1