

## MARKETING PLANNING IN HEALTHCARE INDUSTRY

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### **Abstract**

*The purpose of this paper is to develop a perspective on what is important or critical to the discipline of healthcare marketing by analyzing the marketing plan from the institutional (or organizational) perspective. This “salience issue” is complicated by the structural problems in healthcare such as new advertising programs, advances in medical technology, and the escalating costs of care in the recent economic situation of world economic crisis.*

*Reviewing a case study, the paper examines how marketing managers face increasingly difficult management and it emphasizes one more time the importance of marketing in the internal organizational structure. Also it shows the direct connection between the marketing strategy, the Quality of Healthcare and marketing planning in the internal organization of Private Healthcare Practice in Romania.*

*Also it concludes that marketing planning in healthcare has to be very precised in order to achieve some major objectives: customer care, financial stability, equilibrium between stakeholders and shareholders and future improvement in communication to customers.*

*The marketing strategies and programs discussed in this paper follow the analysis of the 4Ps of Healthcare Marketing Services and propose call to action plans and possibilities that might result in a more particular case study analysis of the Romanian Healthcare Market.*

**Key words:** marketing planning, healthcare marketing, quality healthcare, best practice in healthcare marketing

**JEL Classification** I, I11, M31, O10

### **Introduction**

The hospital industry has taken some major changes in the last years according to some famous researchers in the literature like Dawley et al. 1999 and Egger 1999[2]. All these changes since the 2000 faced the latest economical crises, and the price paid by consumers in order to get access to the healthcare services *on for fee revenues*. In the newly developed economies, attacked by economic crises, the hospitals had to undergo major restructuring or even closure trying to survive by emerging, acquiring facilities or marketing planning.

In particular this paper analyses the marketing plan on healthcare markets in order to obtain better results which may serve the stakeholders and shareholders’ interests.

It might be considered a base for a future analysis in healthcare marketing planning in quality of services.

Reviewing a case study, the paper examines how marketing managers face increasingly difficult management decisions and it emphasizes one more time the importance of marketing in the internal organizational structure. Also shows the direct connection between the marketing strategy, the Quality of Healthcare and marketing planning in the internal organization of Healthcare Hospital Practice in Romania. The methodology used proposes a model of analysis between 4 selected variables (price strategy, promotion strategy, quality of healthcare and marketing planning) and a structural equation model tested afterwards in Eviews program. The results are concluding to the analysis and presented in the body of the paper.

### **The Marketing plan**

Historically, *the mission of many healthcare institutions* is to provide a broad and general access to high quality services based on: a form or subscription, fee per payment, or some kind of healthcare insurance available also to US Markets and also European Ones.

The first step is the determination of the institution mission or purpose, whether that mission is still valid and useful, and of how the institution is viewed by its various publics - contributors. *Strategic Marketing Healthcare planning* must be approached with the idea that it is a dynamic process rather than a set of fixed of increasing *subscriptions*. Its final goal for hospitals, are efficient healthcare services and quality at a justified

level of price. A diversified program with exceptional physicians and satisfied patients must be established as a first step. This process of image-changing through marketing healthcare planning is design to take time, careful curriculum planning, and possibly even mission adjustments. Until recent years, *healthcare marketing* has been characterized as an activated process by which hospital management and others involved can affect the image for an institution. However, images and missions arise whether active marketing plans were implemented by hospitals or not.

The difference between a successful or unsuccessful image could be the difference between a witting or unwitting marketing process. The steps and importance of the elaboration of a strategic marketing planning are defined in Table 1 and Figure 1.

**Table 1. Steps in an elaboration of a strategic marketing planning and their importance**

Steps	Importance
1. Analyzing the Institution’s Image an Mission	15%
2. Market Analysis	20%
3. Positioning	15%
4. Marketing Mix	30%
5. The implementation of the Final strategic marketing plan	20%

**Source:** Ensuring a responsive health care planning function in developing regions of the world, Evaluation and Program Planning Magasine, Vol 18, no 3, 1995 [1]

**Figure 1 – The importance of different steps in the elaboration of a strategic marketing planning**



**Source:** Ensuring a responsive health care planning function in developing regions of the world, Evaluation and Program Planning Magasine, Vol 18, no 3, 199 [1]

## Marketing Strategy

The marketing strategy in the Healthcare Industry may imply the use of one of the three major strategies:

- a. Survival or defensive strategies

- b. Concentration strategy
- c. Collaborative or cooperative strategies

#### **Survival or defensive strategies**

In this case significant internal restructuring and cost control are being noticed along with collaboration or merging processes with other similar size hospitals. Each hospital evaluates the cost/benefits of each service they have and determine that service that one would give up in order that the other hospital could retain and receive the patients from the first hospital.

Services with expensive equipment and staff but with fewer patients are abandoned in favor of those services which required less expensive equipment and staff but with more patients.

Such economical and natural analyzes between two or more hospitals led to better survival in the case of European Hospital System. Also the elimination of unprofitable services within a group of affiliated hospitals has resulted in more efficient use of resources among the group of hospitals and better profits.

#### **Concentration strategy**

The focus in this situation is to open one or few market niches or “condition groups”, or patient oriented classification of demands placed on hospital consisting of one or more related conditions. Example case [4]: *Shouldice Hospital*. This is a privately owned hospital outside Toronto which specializes in one specific condition group: inguinal hernia with more than 7000 operations yearly. Results: Doctors at *Shouldice* are 10 times more effective than others elsewhere because the management focuses on the most primary services being famous by procedure which ensure rapid recovery.

#### **Collaborative or cooperative strategies**

These strategies are aimed at combining the resources and services of 2 or more cooperating hospitals by economic reasons in order for the hospitals to combine resources.

These collaborative or cooperative strategies are meant for both purposes: survival or competitive enhancement of the hospital services in these tough times. Multiple hospital chains can pursue this strategy if they are nearby (in close by cities). Collaborative or cooperative strategies are similar to the survival or defensive strategies with the characteristics of: aggressive, not defense in nature.

## **Market Analysis**

### ***Patients Market***

A *hospital image* is of tremendous importance both in attracting patients and in soliciting donations, and when the image and strategic unit research is taking place, another type of study appears for a *determination of the needs of the potential patients*.

*Determining patient’s needs and wants* is not a simple case of interviewing current and potential patients, as it might be for a “regular product”.

Many times patients and community members do not know what they really want or need, partly because they are baffled by the complexity of the programs that the **Hospital Sales Team** is selling and because the consequences of changes made to suit patients wants may have unanticipated results.

### ***Fund-raising Market***

Some authors [5, [6] describe *nonprofit transactions* as attracting resources from donors and allocating those resources to *research*. There are two distinct groups of ‘consumers’ with whom to deal, and to be successful, *the hospital must satisfy both*. Shapiro goes even further in declaring that the *donor exchange* is of greater importance than is the client exchange. The financial viability of the organization depends on *resource attraction* rather than on resource allocation; thus poor servicing of clients does not ensure financial doom.

However, *in the case of private healthcare organizations*, the patient is at least paying for a big portion of the cost of his healthcare treatment, sometimes for a very large portion; the donor in this case must be seen as of equal or diminish importance but not of more importance. A *sampling of different types of donors* could help to get descriptive and demographic information about them. Those who are most generous could be studied most carefully for their attributes. Finding reasons that they contribute could help *focus promotions* on those hospitals

programs key attributes. Locating unfulfilled needs could also help to adjust promotions to the expectations on local consumers.

### Positioning

As has already been shown, during the market analysis for *patients and donors*, numerous strategies for dealing effectively with those markets may be put in practice. The more alternatives the hospital can generate, the more potential there will be for full responsiveness to the markets.

Once again, the ideas of *image and mission* will become important. If the image of the hospitals in the eyes of its markets is *less than ideal*, or if the mission of the organization is old for the markets' needs, or if the *mission* is identical with every other organization, changes-repositioning might be accomplished. Image is a nebulous term, and trying to improve a hospital image after it has been spoiled may imply different tactics including a new focus for public relations, new programs offerings, elimination of under sale cost programs, encouraging public involvement in healthcare concerns, and the list might go on.

*The next step for the marketing process* is to hire a *professional marketing consultant* and other individual specialists such as *research firms* or advertising agencies as their expertise is needed. It seems that in the traditional rivalry between *management and doctors*, a marketing consultant from 'outside' of the organization would not be seen as siding with either group and thus might facilitate a better cooperation to both groups.

A *marketing director or vice president* might then be hired to perform a number of tasks such as *conducting continuing studies, assisting in planning promotions, developing a communications system, advising appropriate people* concerning patient satisfaction, recruitment and *fund raising*.

It is also important to have a marketing manager, because it cannot be stressed enough that marketing, to be successful, must be a continuing process. Institutions, employees, patients are changing and they need constant monitoring.

## Marketing Programs in Healthcare

### 1. Product Strategy

For hospitals, the product – meaning *the healthcare service*- is an intangible combination of hospital service offerings, staffing precision and revenue, doctor's reputation, social offerings and the 'quality' of patient life like the quality of the services offered. Each and every healthcare institution is offering a unique product. A hospital product is so complex and it is difficult to define. Also the hospital must look to the careful hiring of good management, medical staff for the preservation of the *hospital integrity*. Part of the product is most obviously *the program services* at a particular institution or healthcare organization.

Healthcare institutions are also facing demands *to increase research activities* especially to the Hospital in the United States or European Community. Each institution will have to go through a process of redefinition to determine its best service, and then it will proceed with marketing that product to its most receptive, specific audience. Ideas for adding *new programs* will surely have arisen during the analysis of the patients market.

Product may include: *subscription programs* related to *living conditions*, both in the community and on the hospital venue; recreation etc there can even be created *pre hospital services* or "polyclinic" services.

Other product/service considerations are the personnel, including doctors, nurses, management staff and even the patient themselves; the hospital, the buildings, the equipment and the facility; and the activities being pursued such as recreation one or "recovery programs".

### 2. Distribution Strategy

For most hospitals, the location is *fixed, in neighborhoods for the Private Practice* but a few have explored the possibility of other types of services, including "emergency" or "polyclinic" services covering different geographic areas of the cities. Also in the European Union there is a direct direction between the numbers of citizens and number of beds of Public Hospital/Clinics.

Also in some European countries managers will in some cases, discover that renting space for polyclinic services outside the hospital *might be considerably cheaper* than providing additional service on the hospital venue.

### 3. Pricing Policy

*Price promotions* once thought of as tools for short-term sales tactics, are increasingly being used on a regular and continuous basis and may have implications for long-term marketing strategy. The *price promotions* have the potential to be a strong competitive tool and organizations are increasingly using them as such. However, their popularity has resulted in unforeseen effects that may negate the long-run effectiveness of these techniques. But in the case of private practice in the hospital industry price promotion may refer to different consulting discounts, or abonnement to the clinics or hospital services. Also *pricing* which might include subscriptions or fee per payment services, or other financial offerings.

Also comparing *subscription rates* among competing healthcare institutions might also prove helpful because healthcare managers will need to watch the relative importance of subscription costs closely, because with these difficult economic times, pricing could become the major factor instead than prestige when deciding to choose the services of a specific hospital/clinic institution. Through continual monitoring of the hospital's image, the important prestige factor can be studied and adjusted when it becomes necessary.

Adults are probably more concerned about *costs services* because many are using their own discretionary incomes to pay for their hospital services *in these difficult economic times*.

#### 4. Promotion strategy

When the product, distribution and pricing strategies have all been determined, it is time to market the offerings. Promotion, as in the general marketing of the hospital, can happen consciously or unconsciously [7]:

- a) *Conscious promotion* including advertising, direct mail, emailing etc
- b) *Unconscious promotion* through **word-of-mouth** especially through patients, and management.

*Public relations offices* will hopefully be able to control rumors and promote positive news releases that are free to the hospital. One of the *first promotional tasks* is to learn how patients make their decisions about which hospital to attend with the hope that the hospital can 'be there' with the right information at the right place and with the best medical team to assist the decision-making process. This might be the case of birth assistance hospitals- maternities.

The hospital needs to offer an informational service for virtual patients to part decision-making process through *publications* in a defined order. First, the publications should make the public aware that the hospital exists. The best publications for this task are *press releases in the media*. Also, joint advertising with *vendors* allows hospitals to buy the type of highly visible media space that they could not afford otherwise. Next, publications should create inquisitiveness *through mailings* and other distribution of materials (brochures for example) to the possible customers.

This can be seen with *the emailing and Internet access*. Also through newsletters are filled with *preventive medicine tips* from health professionals and splashed with information on various *self-improvement programmers* that are offered through the hospital. The point is to get people to use the hospital not only in times of illness but also in times of good health through preventive medicine. Also the *reply cards in general catalogs* or medical ones, articles in papers distributed through pharmaceutical units, *participation to different conferences* or community involvement can stimulate people to action.

The impersonal nature of the mass media, especially of advertising, works less than personal counseling and promotion by *“word of the mouth”*. Finally, **patients can refer the hospital** to friends and relatives.

*Public appearances* by sales and management staff with prospective clients or sales personnel visits to different businesses, *client's visits to hospital venue to open Days marketing programs can improve image etc* [8]

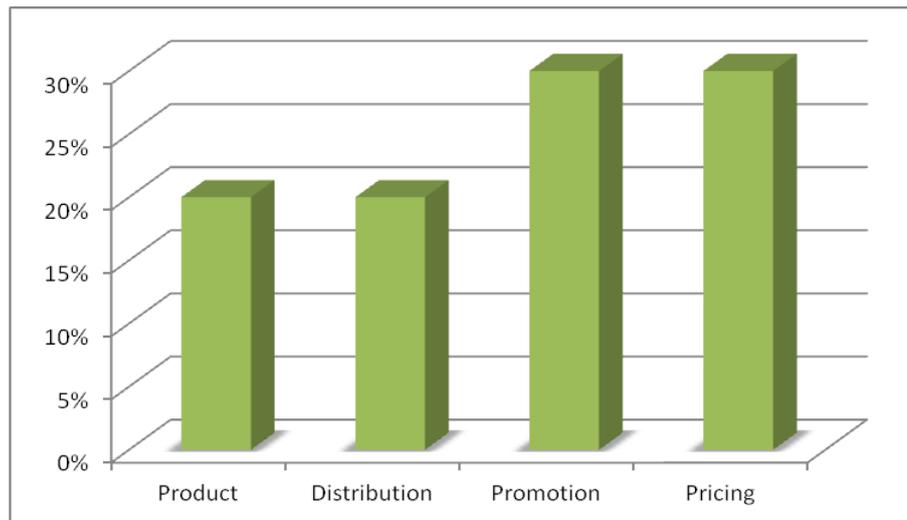
Also Hospitals might need to experiment with their own publications, personal contacts, and other promotional techniques to determine how their clients respond to the different stimuli. *Over time, a balanced communication mix, using media and personal selling, that is most effective at a minimum cost should be accomplished.*

*Shapiro* capsule the idea of *fund raising* into the statement that it entails arousing donors into making that first contribution and then periodically getting them to repeat their contributions in larger amounts.

He has found *medical publications* and *participation at different types of events*, if they are well done, to serve two important purposes; they give a positive image of the institution if they are well done, and they provide the virtual clients with a feeling of belonging.

The idea of making **the patient a partner** in the care experience is also being explored. [9]

In the latest years, due to the economical crises there is a current trend in the area of Services and allocation for the Hospital Industry where specific policies like price and costing: fee per service allocation and also promotional activities related with price, have undertaken a major importance versus product and distribution strategies. If we might have an allocation between marketing programs it might look like this: Product and Distribution – 20 %, Pricing and Promotion – 30%, see Table 2.



**Table 2: Key characteristics distribution of the 4P's in Healthcare Market Industry**

### Methodology Case Study

In order to make the analysis of the impact of the Marketing planning on Private Healthcare Sector in Romania we developed a Model of Study with 4 variables: price strategy, promotion strategy, quality of healthcare and marketing planning. (See Figure 2) and we defined the following hypothesis:

#### Hypothesis

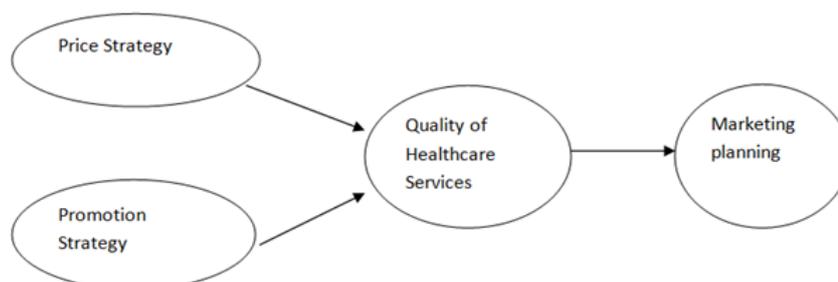
- H1: Price strategy influences the quality of services
- H2: Promotion strategy influences the quality of services
- H3: Quality of Services influences Marketing Planning

We have obtained the answers of 55 Managers and CEO's of Private Hospitals and clinics from Romania based on a Questionnaire which was send by email to all the CEO's and Marketing Managers from more than 150 private Healthcare Entities in Romania. The analysis was conducted between February 2013 and April 2013. Before and after sending the Questionnaire we phoned all the participants.

#### Model of Study and Results

We used the structural equation modeling in order to make the analysis between all the 4 variables. The nature and the direct relation between the variables was tested by the correlation coefficient which have shown that there is a direct connection between the variables and that all the Hypotheses defined before [H1, H2 and H3] are correct.

**Figure 2 – Proposed Model**



## Conclusions:

*Each of the marketing mix strategies* must fit into a coordinated plan with inner consistency and a *singular mission*. Before the final adoption of the plan, marketing managers will have to consider the hospital's moral obligations to society being also at least the same importance as the actual revenue.

Also the implementation of the plan will have to have the support of all “actors” involved in: *administration, management, doctors, patients and donors and also the community as important stakeholders and also it has to be so convincing in order for the shareholders to approve it.*

The current recession period is a time for learning, both for professional marketers and for people involved in the healthcare process. The marketers need to understand that healthcare organizations have responsibilities to both culture and society.

Marketing planning in the Healthcare Industry is a long term action and provides a long term perspective on how do you want your Public/Private Healthcare System to look over the years.

The proposed case study shows the direct connection between the Marketing Strategies and Marketing Planning and is based on a very structured and detailed analysis that shows that price strategy, promotion strategy have a direct impact on the quality of healthcare and marketing planning.

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