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Take the First Steps to Becoming More Like Retail Businesses

SUBMITTED BY: CURTIS MILDNER, PRESIDENT
MARKET DECISIONS, LLC, PORTLAND, ME

Is your hospital being aggressive in the new retail battle for patients? It's easy not to make a break from the past. A focus on the crises of today and the lengthy "must do" list of typical hospital managers absorbs most of your time. Perhaps some in your hospital remain unconvinced about the need to change, saying hospitals are different than most competitive businesses, highly regulated and focused on the public good. Regardless of the availability of your time or the traction of the urgency to be more competitive, the evidence shows that retail competition is here and becoming more important every day.

Trends Driving Retail Healthcare Competition

1. Increased options for healthcare products and services and advertising of these options promotes consumer demand

2. Increased availability of healthcare information (Web MD, etc.) and incentives (Health Savings Accounts) promotes consumer choice

You may be losing patients already to hospitals that advertise more effectively or to hospitals that revamped a practice area and made a big splash about it. You may be losing lucrative inpatients and outpatient services to new specialty facilities or even your own physicians. You may be losing patients who are asking about price to get the most from their healthcare savings account. Thanks to the Internet, more and more customers are coming to the hospital armed with information and expectations. The money in healthcare assures that the future will bring even more retail competition for your patients.

Key Strategies

1. Highly efficient and low cost care for mass markets
2. Specialty care for niches of

consumers

Retail strategy is usually generally based on one of two simple value propositions. Some enterprises focus on low price at high volume while still offering fast, friendly service. Others offer speciality products or services, usually at a premium and often with amenities and an enhanced "shopping experience." Hospitals need to think of their strategies in terms of each of the alternatives.

The Strategic Case for Quick Care

1. Provide an alternative to expensive emergency room care
2. Develop expertise in providing efficient, low-cost but high-touch healthcare
3. Extend your brand in a visible location. Extend your brand identity to include convenient and cost effective services
4. Prevent your competition from gaining inroads into your territory

Quick care clinics are an example of a low price strategy. I went to one for treatment to see what the buzz is about. The "Minute Clinic" in a CVS pharmacy consisted of two tiny exam rooms in a corner (compare your facilities investment to this one). There was no receptionist, just a sign up sheet. The waiting area was just a few chairs, but no one was sitting in them. They were busy browsing and perhaps shopping in the store waiting for their name on the loudspeaker. I was greeted by a personable physician's assistant and for 15 minutes I had her full unhurried attention. My curiosity piqued, I asked about her typical patient. The practitioner responded, "Everybody." Surprised by the response, I repeated quizzically, "Everybody?" Yes, she said, "We get mothers coming in first thing in the morning to see if their kids are well enough to go to school, business people in a hurry before a trip and retirees that wander through the store."



This assistant loved her job far more than her old job at the hospital because she developed relationships with her patients; they were coming back again and again. We may have a different notion of what "quality of care" means, but her patients are voting with their feet. Patient satisfaction at clinics like this one is off the charts. I even received hand signed and addressed thank-you note for my visit. It's a simple formula: fast, convenient and friendly. Does this sound a bit like...McDonalds?

If you are thinking about giving up this 'low end' of the business, bruises, headaches and sneezes, do so with full awareness of the implications. Quick clinics will take advantage of their customer loyalty to expand their "menu." They are not just what they are today. They are a foot in the healthcare door for CVS and a new point of contact for patients. Older patients will look for the clinic to provide more services, or to recommend a provider of additional services. Younger patients will grow up with clinics and think first about their youthful experiences as their healthcare needs expand.

The Strategic Case for High End Specialty Care

1. Attract or retain the most profitable patients
2. Develop expertise in customer centric facilities and services
3. Extend your brand identity to include highly customer centric services
4. Prevent your competition from gaining inroads into your territory

At the same time, quick clinics are making healthcare fast and convenient; specialized clinics are catering to more desirable and profitable segments. Think women's health centers, holistic health retreats and even surgical centers dedicated to specific procedures. These operations can offer amenities and tailored and comprehensive services that attract patients and additional patient spending.

The Weinberg Center for Women's Health & Medicine at Mercy in Baltimore asserts that it was "carefully designed to offer women the quality of care they expect, the comfort and concern they desire, and an atmosphere of healing from the moment they enter." In addition to traditional medical services, an on site "Medi-Spa" offers rejuvenation treatments, spa services, Eastern therapies, and wellness programs. Guests can shop at a women's health boutique and manage their treatments at a concierge.

The California Health and Longevity Institute offers holistic healthcare packages. A day long program includes "personalized consultations, a healthy-eating cooking experience, and spa pampering." A longer program includes "a complete physical with testing...and preventive health breakthroughs integrated with Eastern medical therapies, and one-on-one consultations." Instead of a hospital, guests can stay at a Four Seasons Hotel and dine in a gourmet restaurant.

The Heart Hospital of Austin, Texas, tells patients that by specializing it has "reinvented the way cardiovascular healthcare is delivered," providing the "best patient care, achieving better outcomes." Here patients have private rooms and order meals from a "hotel room service."

First Steps

1. Try it
2. Build Expertise
3. Build a Knowledge Base

Some hospitals have already begun to invest in a new enterprises like "quick care" or "specialty healthcare." Of course, acting does not mean they will be successful. The business landscape is littered with companies that unsuccessfully tried to reinvent themselves or jump into a business they knew little about. Many of the current efforts by hospitals will also fail. It is extraordinarily difficult to change an organization's mindset and to be successful in entirely new enterprises.

I suggest three ways to increase your chances of success. First, get started quickly but start small. Your leaning curve begins only when you

act. "Small" is not just practical but it reduces risk. Second, recognize that new approaches and skills will be necessary to succeed. Draft a few of your most innovative staff to investigate, plan and act. Partner with others to add the necessary skill and expertise. Finally, build an arsenal of facts to direct your strategy. Conduct practical market research and use it to guide decisions. Expand what you know to change how you act.

What Hospitals Need to Know

1. Consumers' Perceptions of Your Hospital.
2. Service Strengths and Weaknesses
3. Market Position in Geographic Markets
4. What Consumers Really Want

I hope your hospital is the preferred healthcare provider in your area, but what if it is not? I have found situations where a prominent hospital was the provider of last resort in its service area! Before any competitive or new business efforts can be successful, a hospital's brand image needs to be restored if it's in trouble, and protected if it is not. Usually when there are problems or a need to strengthen a brand it requires addressing both the actual experience and the deeply rooted perceptions of your hospital. The precise actions that need to be taken can be clarified by market research. I recommend a telephone survey among residents in your service area and the use of a sophisticated analytical method, perceptual mapping, to identify actionable insights. Standard survey questions will determine how customers rate your facilities, services and practice areas—relative to the competition. Perceptual mapping then creates a matrix or map that is a picture of how consumers compare and categorize hospitals. It shows which hospitals are considered similar to yours and which are different and it describes the key criteria consumers use to draw these distinctions. This tool provides information on what needs to be done and this leads directly to how to do it.

As part of the branding research, perceptions of your hospital's strengths and weakness, relative to the competition, are determined. Not only does this provide direction and focus for both operational and marketing efforts, but it also can help establish the desirability of new enterprises. If your hospital is not the preferred source for "women's health," perhaps a new specialty clinic can help address that. If emergency room care at your hospital is not perceived to be fast and

efficient, perhaps a "quick clinic" can help address that.

Most hospitals know where they stand with respect to share of market—or share of services and procedures. However, few take it as far as most other retail businesses and understand share by area. Convenience, which is in part based on location, is a critical component of retail choice. I typically find that share of specific hospital services, as well as preferences for service providers, varies dramatically in the areas north, south, east and west around a hospital campus. By collecting data on the perceptions and actual use of facilities, services and practice areas by area, decisions can be made on what actions need to be taken and where to do it. Fortunately, collecting the necessary information requires only a standard survey design, and enough completed interviews in each area to allow comparisons.

For millennia, healthcare has been providing care driven by science and technology, not customer service or responsiveness to patient needs. As more choices are provided, patients will not only seek out providers offering the best medical outcomes but also one that provide the best healthcare experience. Unfortunately, most hospitals are ill equipped to make such customer centric choices, and the current emphasis on collecting data on a hospital's quality of care helps hospitals understand how and where they stand—but not what to do about it.

Every successful consumer and major retailer not only measures customer satisfaction but also routinely conducts research to more fully understand customers' experiences, how they think, how they act and how to better serve them. Most often this research includes focus groups, as no approach is better than using a skilled researcher to listen to consumers directly. I have never conducted focus groups that have not identified easy opportunities for significant changes. When thinking about revamping a current service, conduct focus groups. When thinking about renovating patient care areas, conduct focus groups. When thinking of adding new services or services in new places, conduct focus groups.

It's easy to be intimidated by the need to think more like a retail business. The challenge of turning an entrenched hospital organization into a competitive machine is daunting. But there is no need for the "slows." Small actions on new enterprises and efforts to build an information base to guide strategy can get you started [now](#). ■