

Essentials of Health Care Marketing

**THIRD
EDITION**

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Preface

Health care as an industry is again undergoing a dramatic transformation. As to be expected of a segment of the economy that accounts for such a significant proportion of the gross domestic product, ever greater demands are placed on the value of what is provided for the dollars that are spent to deliver care to patients. It is in this ever-demanding environment that health care marketing as a discipline is now being required to be practiced today.

In the early days of health care marketing, the debate was whether marketing was appropriate for a profession. Now, there are several trends in the environment that place greater demands on organizations to be effective marketers to respond to patients. These trends, discussed throughout the chapters of this revised edition, are involved consumers, the Web and its impact on many levels of organizations and consumers' behaviors, and transparency of information. Consumers are now able to access information and form social networks to communicate about their experiences with health care providers and health systems. The Web provides a platform on which data can be gathered, communicated, and accessed to alter the landscape for buyers, providers, and patients in ways that change the marketing approach for many organizations. Governments are requiring what some organizations are voluntarily providing: information about the quality of care and service delivery on a far more transparent basis. All of these factors change the competitive landscape among health care organizations. Finally, it should be noted that more than ever before, as in other industries, there is a global health care marketplace that is emerging as health care consumers seek value in shopping, changing the value equation in ways not previously seen.

These factors continue to make the marketing concepts that have long been practiced in other industries increasingly relevant in health care. Value, consumer shopping, transparency, and global competition are evermore present now for health care providers. While no one can dispute the fact that there are unique aspects to an industry where, as in the United States, the federal government can mandate provider systems purchase electronic health record systems or that there be a movement to payment

toward accountable care organizations, these structural issues themselves have marketing implications around using the data to increase loyalty or reinforce patient satisfaction.

Health care is truly a dynamic industry. Marketing is a core functional aspect of business. It is the understanding and application of these principles within the evolving health care industry that is essential as technology changes, consumers demand greater value, and the competitive landscape increases.

Introduction

This book is divided into three main parts. Part I, “The Marketing Process,” looks first at what marketing is, the nature of marketing strategy, and the environment in which marketing operates. Chapter 1 provides a perspective on the meaning of marketing, how marketing has evolved in health care, and the marketing process. Additionally, this chapter outlines how marketing health care is evolving in light of a changing industry. As we move further into the 21st century, Chapter 1 begins to cover the concept of the accountable care system (ACS) structure, something that had never been contemplated when the second edition of this text was published. As this third edition discusses, some early versions of the ACS structure are now appearing in the marketplace. Chapter 2 provides an overview of marketing strategy and an understanding of the strategic options available to a health care organization. It also presents a discussion of having a differential advantage for a health care organization as an important part of marketing strategy. In health care, a key differential advantage that is unique and has been recognized is trust, which this edition discusses and is critical to understand. Chapter 3 focuses on the environment in which health care marketing plans and strategy are formulated, and the impact that the environment has on these plans. There are multiple dimensions of the environment to consider: technological, sociological, competitive, and regulatory. One of the most significant trends discussed in this edition is transparency of information on quality and price. This information is mandated, and is provided both voluntarily by the organizations themselves and by third-party sites. Chapter 3 provides an overview of this new environmental dimension. In the United States, there has also been significant consolidation among insurers since the last edition of this text was published. This third edition discusses that trend and provides the government formula that is used to assess overall competitiveness in a market. An added discussion about the significant change in international competition and the response from corporations in the United States as a possible outlet for their employees as a cost-competitive source of care is also included.

At the core of marketing is the consumer, which is covered in Part II, “Understanding the Consumer.” The consumer can be the individual patient, the referral physician, a company buying care for its employee base, a judge making a referral for a mental health consultation for a person under state care, or an insurance company deciding with whom to contract. Chapter 4 provides an overview of consumer decision making as it pertains to both consumers and organizations. The external search process for consumers has changed dramatically with transparency and with Web access. Chapter 5 describes the marketing research process and the alternative methodologies used within marketing research. Increasingly, organizations are using data mining techniques to analyze their customer base and the Web to conduct surveys; both of these concepts are discussed within Chapter 5. The refinement of marketing strategy often occurs as a result of market segmentation, which is discussed in Chapter 6. Marketing organizations have recognized that gaining customer loyalty is the key to long-term success; this concept is the focus of Chapter 7. And, while the previous edition highlighted the importance of customer recovery, this edition introduces the new dimension of the customer recovery paradox for consideration.

The last section of this book, Part III, covers the “Marketing Mix.” The Four Ps—product, price, place, and promotion—are the basis on which all organizations develop their marketing plans and strategies. Chapter 8 reviews concepts involved in the product or service. In the adoption of health care products and technologies this revision identifies some criteria that are unique to health care. Chapter 9 discusses pricing objectives and strategies and how not only objective but also subjective considerations play a role in positioning an organization. This edition introduces the five forces model and how it interacts with pricing. Delivery of services is the concept of distribution presented in Chapter 10. In today’s health care marketplace, the Web offers “virtual clinic” models of care. Moreover, as is discussed in this edition, the health care market may be aligning to a form of delivery resembling a traditionally retail structure. Three chapters in the text, 11, 12, and 13, are devoted to the promotional mix. Understanding the promotional mix and the communication process is the focus of Chapter 11. In this third edition, major additions to the discussion have been the Web as a strategic communication platform and the nature of a Web 2.0 world. Because there has been significant attention paid to the use of push and pull strategies among physicians, this aspect of the discussion has also been highlighted to note the greater concern over conflict of interest that many health care organizations are experiencing with their medical staffs and gifts received from third-party vendors as a marketing tactic. Advertising, historically seen as the only role of marketing, is the focus of Chapter 12. An important addition in this chapter is the discussion of the Web and social media as a component of advertising and the multiple tactics available to health care organizations in this new environment. Chapter 13, the last chapter of the promotional mix, involves sales and sales management. Here, too, the Internet has had an impact, as seen in a new concept of e-detailing discussed in the chapter. Chapter 14, the final chapter, provides an overview of control and monitoring. Measuring the outcome of

marketing decisions is necessary in order to continue to refine effective marketing strategies. This edition highlights the components of an effective measurement system for any health care organization.

Finally, it is important to note that new to the third edition is Appendix A, “A Sample Business Planning Manual.” This is provided to help readers of this text understand the structure of all the components of a detailed and well-constructed business plan. Marketing, finance, human resources, and operational components are all part of the plan structure provided in Appendix A. This appendix also includes questions throughout that need to be addressed in developing a plan for a new service to be implemented.

■ Chapter Organization

Readers of this book will find that six key sections appear in each chapter. These are: Learning Objectives, Conclusions, Key Terms, Chapter Summary, Chapter Problems, and Notes. All Key Terms appear with their definitions in the glossary. At the end of the book is an index for the reader’s convenience.

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