Numerous activities are involved in developing a marketing plan and implementing a marketing campaign. The process begins with a decision to carry out a marketing effort and ends with an evaluation of that effort. This chapter provides a guide through the steps involved in this process. It identifies the players involved in the marketing process and describes the manner in which the many components of the process come together to create a marketing campaign.

Organizing the Marketing Initiative

Although circumstances vary from situation to situation, all marketing campaigns operate under the assumption that the following conditions are in place:

- The organization is promoting well-defined products that lend themselves to marketing.
- The initiative fits within an established overarching strategic plan.
- Adequate information is available on the potential target audiences.
- The marketers have an in-depth understanding of consumer behavior.

Marketing is not an act, but a process. As such, certain steps must be followed, regardless of who is responsible for the marketing function. The sections that follow discuss each of these steps and consider their relevance to both plan development and campaign implementation.

The steps involved in the marketing process are as follows:

1. Organize the project.
2. Define the target audience.
3. Determine the marketing objectives.
4. Determine the resource requirements.
5. Develop the message.
6. Specify the media plan.
7. Implement the marketing campaign.
8. Evaluate the marketing campaign.

**Organize the Project**

The first step in any marketing process involves organizing for the effort or, in other words, planning for planning. An organization must lay appropriate groundwork before the campaign can be implemented. Whether the campaign is a long-term planning effort or a short-term promotional initiative, a campaign champion needs to be identified. A *champion* is someone who believes in the value of the idea or approach and supports it in the face of possible obstacles and even opposition from within the organization.

The planning phase is the foundation on which the rest of the process is built. To create an effective marketing program, marketers must understand the problem being addressed, the audiences being targeted, and the environment in which the program will operate. Market research is used to analyze these factors and to develop a workable strategy for effecting behavior change. As noted earlier, marketers are assumed to already have a body of relevant knowledge on the service area and its population.

**Define the Target Audience**

A marketing program has as its core the wants and needs of its consumers. As discussed earlier in the book, these wants and needs are determined through market segmentation analysis and market research methods that identify the target audience and its thoughts, feelings, and behaviors in relation to the service being offered. These methods include quantitative research, which generates objective data on the target population, and qualitative research, which provides insight into why people think what they think or do what they do. The actions taken to complete this step depend on whether a marketing plan or a specific marketing campaign is being pursued.

**Determine the Marketing Objectives**

The objectives of a marketing plan should be determined within the broad context of the organization’s strategic plan. If the focus is on a specific marketing initiative, the objectives that are set should be in keeping with those of the overall marketing plan. Here, as elsewhere, the objectives established should be specific, should include quantifiable concepts, and should be time limited. The marketing objectives should be based on the stage at which the consumers are located in the purchase decision-making process.
**Determine the Resources Required**

A well-thought-out marketing budget is critical. The *marketing budget* is the section of the overall marketing plan or project plan that indicates projected revenues, costs, and profits.

The resources required for marketing include the dollars necessary not only for direct marketing (e.g., creative development, media time) but also for personnel, production facilities, and other resources required to carry out the project.

The marketing budget for a specific initiative should consider such direct costs as personnel expenses, market research costs, creative costs, production costs, media expenses, and a variety of other resource requirements. For initiatives built around advertising, media costs are likely to be the main expense and include the cost of advertising through various channels of communication, such as print, electronic, outdoor, and direct mail. Indirect costs may also be significant. Even if the campaign is outsourced, the marketing agency will require some time with internal staff, and there will also be some overhead costs. (Budgetary issues are covered in a later section.)

**Develop the Message**

This phase of the marketing program involves development of the marketing message and promotional materials. Concepts and materials are typically developed on the basis of the results of the research conducted in the planning stages of the project. The message is a combination of symbols and words that the sender wishes to transmit to the receiver. The message embodies the campaign theme—the primary topic, subject, motif, or idea around which a promotional campaign is organized—as well as the campaign slogan that the sender wants the receiver to identify with the product or service.

These concepts and materials are then tested on a group of target consumers to learn how well they resonate and to determine the best approach to use to achieve the program’s objectives. Focus groups, consumer panels, and other methods can be used to test messages, materials, and proposed tactics on the target audience. Marketers may have to go back and forth several times between development and testing to make necessary changes to the messages, materials, or overall strategy.

Positioning concepts must be developed by the marketing staff and evaluated by members of the target audience. *Positioning* refers to the way the product is perceived by the target audience relative to similar products. Generally, positioning is based on the product’s key selling point. Marketers typically select the best positioning statement that emerges after testing different concepts in focus groups or in-depth interviews.
Using the information obtained from concept testing, marketers create the “final” materials and then test them through different executions. These materials may include slogans, posters, news clips, videotapes, brochures, public service announcements, and product packaging. Members of the target audience can be used to test for memorability, impact, communication effectiveness, comprehension, believability, acceptability, image, ability to persuade, and other key attributes of the marketing materials.

With printed materials, the readability of the text is crucial, particularly for audiences with low health literacy. The readability of printed text may be assessed by checking sentence length and the number of polysyllabic words. Word processing programs with built-in readability calculators can simplify this task. Readability testing is generally recommended for materials that include a lot of text, such as long print advertisements, brochures, and information kits. It is often helpful to have health communication peers and representatives of intermediary organizations review them as well.

When the process reaches a certain point, it is customary to develop a marketing brief that presents the specifics of the campaign (see Exhibit 13.1). Development of a brief is essential if the organization is going to seek bids from several marketing agencies. Even if most aspects of the project are to be handled in-house, the brief should be fashioned so as to get everyone to buy in to the marketing project and its objectives.

**EXHIBIT 13.1**
**Developing the Marketing Brief**

In dealing with marketing agencies, clients commonly present a brief as a starting point for project planning. If the healthcare organization is in the process of selecting an agency, prospective agencies will base their presentations on the brief. The brief contains the specifics of the proposed campaign to the extent that they are known on the front end. The marketing sophistication of the healthcare organization will determine the sophistication of the brief. Even a bare-bones brief will give agencies something to which they can respond.

A brief typically includes the following components:

- A description of the product or service to be marketed
- Situational information on the company and the product
- The objectives of the marketing campaign
- The proposed strategy
- The anticipated budget
Chapter 13: Managing and Evaluating the Marketing Process

Specify the Media Plan

Projects will differ in the extent to which they emphasize the use of media. Few projects, however, will have no media component. Even those that do not involve advertising are likely to distribute press releases or other communiqués that end up in the media.

The steps of the media planning process are as follows:

1. Define the objectives.
2. Identify the audience.
3. Establish a media budget.
4. Evaluate media options.
5. Select the type of medium.
6. Determine the specific form of that medium.
7. Negotiate media relationships.
8. Develop the media schedule.
9. Implement the plan.
10. Evaluate the plan.

The media plan outlines the objectives of the advertising campaign, the target audience, the media vehicles that will be used to reach that audience, and the schedule for communication of the message. This step applies more directly to the marketing campaign than to overall plan development. For example, if the plan is to advertise, the marketer needs to consider whether print or electronic advertisement will work best. If electronic, will radio, television, or the Internet be used? If television, will the advertisement appear on network or cable channels? If cable, which channel(s) and time slots are appropriate?

In addition, the media plan must consider the reach, frequency, and waste involved, all of which must be balanced. Reach refers to the number
of people exposed to an ad; frequency refers to the number of times a person sees the ad in a defined time frame; and waste refers to the number of people the ad reached but who were not part of the target audience. This last issue is particularly important in healthcare marketing, given that the healthcare organization may not want to encourage the patronage of some categories of patients (e.g., patients of a certain payer class).

**Implement the Marketing Campaign**

Marketing implementation turns marketing strategies and plans into marketing actions to accomplish marketing objectives. During the implementation phase, the program is introduced to the target audience. Preparation is essential for success, and implementation must be monitored to ensure that every element proceeds as planned. The process shifts at this point from the planning function to the implementation function and from the concept people to the operational staff. Planning in marketing is different from other types of planning in that the same people are likely to be involved in both planning and implementation.

To approach plan implementation systematically, marketers need to develop a detailed marketing project plan and an implementation matrix. The project plan systematically depicts the steps in the planning process and specifies the sequence they should follow. The project plan also indicates the relationships between tasks and the extent to which completing some tasks is a prerequisite to accomplishing others.

The implementation matrix should list every plan action and break down each action into tasks, if appropriate. For each action or task, the responsible party should be identified, along with any secondary parties that should be involved in the activity. In addition, the matrix should indicate resource requirements (e.g., staff time, money) and specify the start and end dates for each activity.

The resource requirements listed in the implementation matrix should be priced and combined to determine total project resource requirements. This information feeds back into the fourth step in the marketing process, where required resources are estimated. Once identified, the extent of the resource requirements may have to be addressed in relation to available funds and any other fiscal constraints. (See Chapter 15 for an additional discussion of marketing plan implementation.)

**Evaluate the Marketing Campaign**

Evaluation of the marketing initiative should be top of mind from the outset of the process and, in fact, should be built into the process itself. Project evaluation should include ongoing monitoring of the process, including the use of benchmarks and/or milestones for assessment along the way. Although
evaluation is important for all types of planning processes, it is particularly important in marketing planning. Because the objectives of the marketing process are usually highly focused and there is likely to be concern over the return on investment, measures of marketing effectiveness are essential.

Techniques for evaluating marketing campaigns focus on two types of analysis: process (or formative) analysis and outcome (or summative) analysis. Both have a role to play in the project, although outcome evaluation is particularly important in the marketing process. Process evaluation assesses the efficiency of the marketing effort, and outcome evaluation addresses effectiveness. Campaign effectiveness can be measured in a variety of ways, and most projects will involve more than one means of evaluation—particularly in healthcare, where the intangible benefits of a marketing initiative may be as important as the tangible ones.

While the marketing initiative is under way, process evaluation should take place intermittently during each stage of the project. Process evaluation includes media monitoring and analysis, as well as evaluation of program activities. The key indicators to track include awareness of the product being marketed, advertising awareness and recall, knowledge level, attitudes and perceptions, images of the product and users, experience with the product, and behaviors (trial and repeat).

At this stage, the target audience should be asked specific questions about the product or campaign, in addition to the earlier, general questions about attitudes and behaviors regarding the marketing approach. For example, the penetration of the message within the target audience should be determined. How many consumers can recall seeing the television commercial or reading the newspaper ad? How often have they seen it? What image did the ad convey? While some of these factors will be revisited to determine the outcome of the campaign, they also serve as markers for evaluating the process.

Outcome evaluation judges whether the marketing campaign induced the desired change (e.g., an increase in consumer approval or greater patient volume). The impact of the marketing program is often difficult to assess accurately, however. For example, can one public service announcement cause a drop in morbidity and mortality from heart disease? Probably not, but several such efforts may combine synergistically to become a contributing factor in health status improvement. Because marketing campaigns are relatively short lived, the effect of a particular spot on overall trends cannot be determined. However, one can at least compare mortality and morbidity rates before and after implementation of, say, a social marketing program.

When marketers seek mass media coverage for their promotional activities, they need to be able to evaluate the outcomes of these activities. The most effective way to determine media “hits” is by subscribing to a clippings service. In addition, a media monitoring service, such as Arbitron, for example, may be
used to track the frequency with which a program’s public service announcements are broadcast. Today, access to the Internet makes tracking media attention much easier.

The most effective way of establishing a cause-and-effect relationship between healthcare marketing efforts and changes in behavior and health outcomes is to conduct an intervention study in one or more communities, using matched communities as controls. Assuming that there are no significant differences between the intervention and control communities, marketing activities may be linked with precision and reliability to changes in the communities.

The Players in the Marketing Process

The extent to which the staff of the healthcare organization is involved will be a function of the extent to which marketing is internalized in the organization. The nature of the organization’s marketing arrangement will influence the manner in which the process is carried out. A number of options are available to a healthcare organization in terms of marketing arrangements, each of which has different implications for the organization.

One option is for the healthcare organization to outsource its marketing function. Outsourcing was typical of many organizations in the early years of healthcare marketing and is still common among smaller organizations, such as physicians’ offices, that cannot support an in-house marketing function. In this case, all of the activities related to the marketing process are handled by an entity or entities outside the organization. The process can never be fully outsourced, however, because the client organization must provide information on the product to be marketed, offer feedback on marketing strategies, and approve the materials that are developed.

The second option is for the healthcare organization to outsource most of the marketing function but still carry out some activities in-house. Organizations that choose this option typically have a marketing professional on staff but no one else capable of fulfilling required tasks. In this case, the in-house marketing director would coordinate the process but leave most of the tasks to contracted agencies outside the organization. Conversely, a large organization such as a hospital may have the staff it needs to fulfill required marketing tasks in-house but no formal marketing function. It might have copywriters, graphic artists, printing facilities, website developers, and other personnel who could contribute to the marketing function, but no one to direct it.

The third option is to keep administration of most aspects of the marketing process in-house, although even healthcare organizations that have an internal marketing department are likely to continue to outsource some aspects of the process. The organization may not have personnel with certain
specialized skills or the ability to handle certain activities. For example, the
department is not likely to have the contacts and skills necessary to negotiate
media purchases or implement a direct-mail campaign.

A small number of healthcare organizations are able to support nearly
all of the functions required for marketing. Most multi-facility health systems,
for example, have a centralized marketing department. This department coor-
dinates the marketing activities for the system and ensures that all corporate
entities convey a consistent message. Even these organizations, however, may
rely on outside parties for a handful of functions.

Obviously, the extent to which the marketing process is incorporated
into the client organization’s operations will determine the extent of its con-
trol over and responsibility for the marketing function. Even with totally
outsourced marketing functions, time, energy, and money will be required
of the client organization. For example, if key staff members have to spend
two person-days explaining a complicated service to external marketers, the
organization will incur considerable direct and indirect expenses. Diverting
resources from other functions to the marketing campaign may also involve
unanticipated opportunity costs.

The planning process can involve a variety of personnel and depart-
ments or organizations depending on the extent of outsourcing involved. If
marketing is fully internalized in the healthcare organization, most of these
components will be found in-house. If the process is partially outsourced,
some will be found in-house and others will be contracted out. If the process
is entirely outsourced, nearly all of these components will be external to the
organization. Following are some of the entities that may be involved in the
marketing process.

**Agencies**

The term *agency* covers many different entities in the marketing industry. It
could refer to a full-service marketing agency, creative shop, media indepen-
dent, à la carte operation, or other entity. The term could even be applied
to an in-house entity that carries out agency functions. Although agencies
may be referred to informally as *advertising agencies*, they usually provide a
wide range of services beyond advertising support. A *full-service agency* is an
organization that can offer start-to-finish services to its clients. An *à la carte
agency* is a specialty shop that offers custom services. In an à la carte agency,
different services are handled by separate specialized sub-agencies.

Some of the functions that marketing agencies perform are as follows:

- Plan marketing campaigns
- Design creative components
- Schedule and buy media
Buy and integrate other promotional materials
Provide administration and accountancy functions for the process
Implement marketing campaigns
Monitor and evaluate the results of marketing campaigns

For healthcare organizations that intend to outsource some or all of their marketing functions, choosing an appropriate agency is an important step. This decision should not be taken lightly, and it requires organizations to do some meaningful research on available options (see Exhibit 13.2.)

**EXHIBIT 13.2**
Selecting a Marketing Agency

Any healthcare organization involved in marketing will have to search for an agency at some point, unless the organization has a professional in-house marketing staff. Many organizations have limited experience dealing with marketing agencies, and the people involved in the search for an agency may be relatively unfamiliar with this task. Many of the decisions involved in selecting an agency are a matter of common sense, but even so, the issues associated with marketing health services make this decision a critical one.

As in selecting any type of consultant, the client organization should have its requirements well defined before engaging in discussions with prospective agencies. Some health professionals might argue that they know little about marketing and thus rely on the agency to propose guidelines for the project. Even so, the organization should have a well-developed description of the service to be marketed, the ultimate goal of the campaign, and potential interfaces with other organizational components to present to prospective agencies.

With requirements in hand, the organization should develop a list of potential agencies. Only in unusual circumstances should the organization consider an agency that does not have experience in healthcare marketing. Healthcare is different from other industries, and healthcare marketing is different from marketing in other industries. Not only is there the danger of a highly visible gaffe if the agency does not know healthcare, but there is also the issue of the time required to explain basic aspects of the organization and its services to an untrained marketing professional.

Given that relatively few marketing agencies have experience in the healthcare industry and even fewer specialize in healthcare, this list...
is likely to be short. For the most part, healthcare organizations tend to be followers, and in this situation, an organization might benefit from being a follower rather than a leader. Ideas should be solicited from other healthcare organizations about available agencies and their capabilities. A positive experience with a particular agency on the part of another healthcare organization is probably the best indicator of a good prospect.

Agencies that appear to be qualified in healthcare marketing or are recommended by colleagues should be asked to present their credentials for review, including examples of current or past work, descriptions of staff capabilities, and the company’s history. A brief should be presented to the prospect firm that contains the specifics of the proposed campaign, including situational details, objectives, proposed strategy and tactics, target market data, budget and timescales, and information on performance evaluation. As mentioned in Exhibit 13.1, the healthcare organization’s marketing sophistication will determine the extent of the brief, but the prospective agency must be given something to which it can respond.

In many industries, standard operating procedure is to consider several agencies before a decision is made. The intent, of course, is to select the best possible agency for the campaign. Given the nature of healthcare and the services being marketed, however, this practice seems like a waste of everyone’s time. Nine times out of ten, the healthcare organization does not need the best agency; it needs a good one that can meet its needs. Here again, recommendations from other healthcare organizations ought to assist in the decision.

The agency that the organization chooses must be able to understand the product and the market; have strong research and planning, media planning, and media buying capabilities; be creative; have adequate internal resources; and be able to develop effective campaigns. For health professionals in particular, the agency must be easy to work with. Easy in this case means an agency that understands healthcare and the constraints that healthcare organizations face in marketing, understands the time demands made on health professionals, and has an appreciation of the client organization’s mission. Because marketing resources are likely to be limited, the sooner the topic of costs can be broached, the better.

Some agency characteristics may be more important in healthcare than in other industries. There is always concern over the extent (continued)
EXHIBIT 13.2 (continued)

to which the agency’s culture and management style fits with that of
the healthcare client. There is also the issue of potential conflict with
existing business handled within the agency network. A healthcare or-
ganization that incurs significant costs as a result of treating smoking-
induced health problems may not find a comfortable fit with an agency
that maintains cigarette firms among its major accounts.

Once an agency has been selected, the organization must ne-
gotiate contractual terms. A variety of factors must be considered in
developing the project budget, and as already noted, this net should
be widely cast. The healthcare organization needs to be aware of any
hidden costs, particularly if it is a neophyte in the marketing arena.
Agencies without healthcare experience may assume that everyone
knows certain expenses will be incurred. The contract should cover
not only the amount of remuneration but also the terms and timing
of payments, issues of nonperformance and termination, and ultimate
decision-making authority. In most cases, some type of confidentiality
agreement will also be required as part of the contract.

Clients

The healthcare organization is typically the client in the marketing process,
and the other entities strive to serve the needs of the client. If the market-
ing function is internalized, the client is typically another department in the
organization. The client should not be considered a passive customer in the
marketing process but should play an important role in

- stating the justification for the marketing campaign,
- selecting and briefing the marketing agency,
- providing input into and approving campaign plans,
- integrating promotional planning into marketing planning,
- evaluating and controlling the campaign, and
- financing the campaign.

Media Suppliers

Media suppliers include commercial television companies, commercial radio
companies, newspaper and magazine owners, companies that create posters
and other artwork, and other organizations that make media available to the
campaign. A complex marketing campaign may require the marketing team
to coordinate the activities of a variety of media suppliers.
Suppliers of Promotional Materials

A number of other specialist suppliers exist, including printers, producers of promotional gifts, exhibition organizers, and corporate event planners. These specialist services are bought directly by client companies or managed through advertising agencies.

Marketing Consulting Firms

Marketing consulting firms vary with regard to the services they offer. Some offer only one or more specialized services (e.g., market research, media planning, evaluation), and others offer a full range of services. Their input may be broad (e.g., determining the overall strategic plan) or narrow (e.g., providing a targeted mailing list).

Components of a Marketing Department

The following sections describe some of the components that healthcare organizations endeavoring to establish in-house marketing capabilities would need to include in a marketing department. Even if the organization retains external marketing resources, it should be familiar with these components.

Creative Department

The creative department typically houses the “idea people” and deals with words and pictures. This department typically directs activities related to copy, graphics, and art. It creates the visual and/or audio portions of posters, billboards, brochures, television/radio spots, and promotional websites.

Media Planning and Buying Department

The dual job of determining media needs and negotiating for ad placement is an industry in its own right. This area is fairly specialized and may be difficult to comprehensively bring in-house. Media-buying experts know the most suitable type of medium, the best time slots, and the best prices for advertisements. The more central media are to the campaign, the more important this function becomes.

Production Department

The production department is ultimately responsible for producing the promotional material, whatever form it may take. This task may be as simple as translating art from the creative department into printed materials or as complicated as producing a video for television. Like media buying, this function...
is difficult to fully bring in-house because of the specialized equipment and expertise involved.

**Account Management Department**

External agencies assign an account manager to each of their clients, and the account management department is the healthcare client’s primary contact during the campaign. Likewise, in-house departments assign a dedicated contact to each internal client. Either way, account manager responsibilities include attending all planning meetings, writing activity reports, coordinating tasks, presenting agency (or in-house department) findings, and feeding comments from agency personnel back to the client. The account manager has ultimate responsibility for the client’s satisfaction.

**Traffic Department**

The traffic department is responsible for delivering the artwork or film to the magazine or television station on time. When the promotional campaign involves a number of different media, this process can become complicated.

**The Marketing Budget**

Budgeting is an essential financial discipline that poses tricky problems in marketing given the difficulty in determining likely demand and likely cost involved in achieving a sales target. Two types of budgets need to be set: annual and campaign specific. The annual budget is the expenditure the organization expects to make on marketing in the coming fiscal year. The organization also must set a budget for each marketing campaign. The cumulative campaign budgets for the year should approximate the annual budget.

Other than for accounting purposes, organizations use their marketing budget to

- set milestones for accomplishment of tasks,
- put all activities in financial terms,
- monitor activities to ensure they are on budget,
- motivate staff to control their spending,
- devolve responsibility and make managers accountable for their actions,
- communicate objectives, and
- increase coordination between all business units, departments, and relevant staff members.
Numerous factors affect the marketing budget. Many of them are obvious, but others are not and may be overlooked by those not familiar with marketing planning. In addition to direct costs, indirect costs and opportunity costs are likely to be incurred. In general, organizations must budget for the following expenses:

- Salaries and benefit costs of marketing personnel
- Market research costs
- Creative costs
- Production costs
- Printing costs (if applicable)
- Postage (if applicable)
- Cost of promotional items (if applicable)
- Media costs
- Evaluation costs

Expenses that are indirectly attributable to the marketing campaign may include the following:

- Administrative expenses or the cost of management and secretarial, accounting, and other administrative services:
  - Salaries of directors, management, and office staff
  - Rent and associated expenses
  - Insurance
  - Telephone and postage
  - Printing and stationery
  - Heating and lighting
- Distribution and selling expenses:
  - Salaries of marketing and sales directors and managers
  - Salaries and commissions of sales staff
  - Traveling and entertainment expenses of salespeople

As noted elsewhere, non-marketing staff will likely have to devote a considerable amount of their time working with marketing personnel to develop the marketing plan or marketing campaign. In addition to incurring direct costs for staff time, an organization may experience considerable disruption in its operations as a result of non-marketing staff involvement in a marketing campaign.

A number of miscellaneous factors may also affect the size of the promotional budget, including
• the geographic market to be covered,
• the type of product (industrial, consumer durable, or consumer convenience items),
• the distribution of consumers, and
• external factors (e.g., competitors’ promotional budgets).

Return on Investment

Healthcare administrators have been concerned about the cost and perceived benefit of promotional activities since the inception of healthcare marketing. Of particular concern is return on investment (ROI) of marketing dollars. This concern has been heightened with the financial pressures most healthcare organizations have to confront in the current environment, including smaller profit margins, pressures to cut costs, and increasing marketing costs.

ROI is an indicator of value received in exchange for marketing dollars invested. ROI is typically calculated as a percentage return on the use of specific assets (financial or otherwise). Everyone is familiar with the concept of depositing money in a bank account and receiving interest from the bank. If the annual interest rate paid by the bank is 5 percent, a deposit of $100 will accrue $5 in interest by the end of the year. Thus, ROI is 5 percent.

Of course, the calculation is much more complicated in healthcare. For a straightforward example, consider the calculation of ROI for a direct-mail campaign promoting an urgent care center. ROI would be calculated in terms of the value gained from the direct-mail campaign (e.g., revenue or some proxy for revenue, such as patient volume) reduced by the cost of implementing the campaign. The direct costs in this instance would include expenses associated with developing the campaign, such as advertising agency fees, the printing of promotional material, and postage and handling costs. The revenue directly associated with the campaign would be calculated in terms of any increase in revenue at the urgent care center resulting from the direct-mail campaign. Thus, if the promotional campaign cost $10,000 and $20,000 in new business was generated, ROI would be 100 percent. Remember that, in some cases, the return may be less than the investment, resulting in a negative ROI.

Even this straightforward example involves a great deal of ambiguity. First, the direct costs do not consider the organization’s total investment in the campaign. The indirect costs associated with the campaign would include the cost of any market research previously conducted with regard to the urgent care center, the staff time involved in working with the ad agency to design promotional materials and profile the target audience, and staff time spent evaluating the effectiveness (including ROI) of the effort, not to
mention the overhead associated with the office space and equipment used for the project. Typically, the fully allocated costs of such a campaign greatly exceed the direct costs.

Second, calculation of the benefits of the campaign is problematic because no time frame has been defined. If the duration of the campaign is six months, should the marketer wait until the end of the campaign to begin measuring changes in revenue, begin measuring during the campaign, or allow for some lag time to determine the ultimate benefit of the campaign? After all, few consumers are likely to have an immediate need for urgent care services, but nine months down the road they may have a need and remember the promotional piece they received.

Third, the effect of a marketing campaign is difficult to isolate in healthcare. If the urgent care center recorded an increase in revenue in the aftermath of the direct-mail campaign, how much of the increase could be attributed to it? Healthcare is unique in that many other factors may influence a consumer’s choice of health services provider, and in this case, factors such as changes to health plan provisions, an increase or a decrease in competition, or even demographic changes within the service area may influence the volume of business and hence the revenue.

The indirect benefits of a marketing campaign are additional factors to consider in calculating ROI in healthcare. At first, the urgent care center may concede that, at best, it will break even as a result of the campaign. However, in looking at the big picture, the hospital that owns the urgent care center may be counting on the center to make referrals to the specialists on its staff, which would result in subsequent hospital admissions by these specialists. Thus, a considerable amount of time may pass before the effects of the campaign unfold (see Case Study 13.1).

**CASE STUDY 13.1**
**Measuring ROI for a Marketing Campaign**

Southwest Regional Medical Center (SRMC) believed it could boost its orthopedic presence by establishing an orthopedics service line (the Orthopedics Center of Excellence). To support the center, SRMC recruited three new physicians, bought state-of-the-art equipment, renovated a nursing unit, added nurses and technicians, developed and linked a dedicated Web page to its enterprise website, conducted educational programs for referring physicians, made sales calls to primary care physicians, placed articles in local publications, and advertised on

(continued)
CASE STUDY 13.1 (continued)

radio and television and in print media. The total investment in the first year for programmatic changes and marketing was $1.6 million.

To determine ROI for the service line, SRMC compared its increase in income over the Center of Excellence’s first year of operation to the incremental revenue it generated. In the year before the service line was established, orthopedics-related services generated $4.5 million in net revenue. In the 12 months after the formal launch date, the center generated $7.9 million in net revenue. On the basis of incremental gain and net revenues, SRMC realized ROI of 76 percent. This ROI figure assumes that the gain resulted from the Center’s creation and would not have occurred otherwise.

Some argued that, in addition to direct investment in the service line, indirect contributions (e.g., spillover services provided by other departments) should be figured into the calculation and added to the total cost. SRMC’s administrators asked the marketing team to isolate ROI for the programmatic investments and marketing expenditures. The team found this task to be extremely difficult, given the extent to which the different aspects of the service line were intertwined. The marketing team determined that it would need to employ more sophisticated accounting processes to factor out ROI for specific components of the service line.

This case highlights the potential pitfalls of taking ROI analysis too far. Calculating ROI for the entire investment makes sense, but attempting to calculate ROI for every individual element probably does not. SRMC concluded that its evaluation efforts would be better spent developing other indicators of tangible and intangible benefits of the service line initiative, such as top-of-mind awareness of the Center among the public, new referral sources, consumer inquiries, and so forth. Although SRMC was pleased with the overall ROI generated through enhanced operations and the multipronged marketing effort, it was justifiably cautious about carrying ROI analysis too deep into the program.

Discussion Questions

- What factors influenced SRMC to consolidate its orthopedic services under the service line model?
- What programmatic changes were made to establish the Center of Excellence?
In summary, the following factors affect the marketer’s ability to calculate ROI in healthcare:

- Significant time often elapses between implementation of a marketing campaign and utilization of the service promoted in the campaign.
- Routine checkups aside, most health service utilization is not planned but a spontaneous response to an unanticipated event.
- The accounting systems many healthcare organizations use are not designed to generate the type of data necessary to accurately measure ROI.
- Health professionals, particularly healthcare marketers, typically have limited knowledge about the intricacies of financial management and accounting systems.
- Because of the complexity of healthcare, the impact of marketing on operations and utilization is almost impossible to isolate.
- Healthcare involves so many intangibles that traditional measures of ROI may not be applicable.

**Marketing Management**

Marketing management is an art and science in its own right and is particularly challenging in healthcare (see, for example, Kotler and Keller 2008b). Marketing management can be defined as the analysis, planning, implementation, and control of programs designed to create, build, and maintain beneficial exchanges with target buyers for the purpose of achieving organizational objectives—in short, oversight of the marketing process from start to finish. The last component, control, includes, among other things, measuring and evaluating the results of marketing strategies and plans.

Strong marketing management is particularly important in the healthcare industry. Most healthcare organizations have limited marketing experience. They often have diffuse objectives and a range of customers, and they...
may have a variety of stakeholders with competing agendas. In any case, there is likely to be considerable skepticism on the part of healthcare administrators with regard to the efficacy of marketing, so strong controls are required.

The negative potential of marketing is also a growing concern in healthcare. Organizations must be careful not to convey the wrong image or appear to be recklessly expending resources on marketing. The damage done by a poorly conceived, targeted, or implemented campaign may be hard to rectify.

There are two aspects to marketing management: (1) managing the process (e.g., forecasting, planning, monitoring, and controlling) and (2) managing the people inside and outside the organization who are involved in the process. The first aspect emphasizes oversight of the structures and resources that support and carry out the functions involved in the marketing effort. The second aspect involves the direct management of the personnel who perform these functions. Neither of these aspects is likely to be in place in most healthcare organizations, but they are both necessary for marketing to be integrated into the corporate structure.

Summary

Many activities are involved in developing a marketing plan or implementing a marketing campaign. The marketing process begins with a decision to embark on a marketing initiative and ends with an evaluation of that initiative. The extent to which the staff of the healthcare organization is involved in the process depends on the extent to which the marketing function is internalized.

In terms of marketing arrangements, a healthcare organization has a number of options, ranging from total outsourcing of the marketing function to developing the full range of marketing capabilities in-house. Each option has different implications for the organization. The organization’s circumstances will determine the extent to which these tasks are internalized, and the extent to which the process is incorporated into the operations of the organization will determine the amount of control and responsibility the organization will retain. Even in the case of an outsourced marketing function, staff can expect to spend substantial time interacting with marketing consultants.

The management of the marketing process requires the coordination of a sequence of activities, which include establishing a planning team (and identifying a champion), defining the product, identifying the target audience, specifying marketing objectives, and developing a marketing strategy. Subsequent steps include developing the message and identifying the mechanism for delivering it. Finally, the marketing concept needs to be pretested and modified as appropriate before the marketing campaign is implemented.
Evaluation of the marketing initiative should be top of mind from the outset of the process and, in fact, should be built into it. There are two types of evaluation techniques: process (or formative) analysis and outcome (or summative) analysis. Both have a role to play in the project, although outcome evaluation is particularly important, given that it judges whether the initiative induced the desired change.

Campaign effectiveness can be measured in a number of ways, and most projects will involve more than one means of evaluation—particularly healthcare projects, in which evaluation of the intangible benefits of a marketing initiative is often as important as evaluation of the tangible ones. The ability to measure return on marketing investments has become increasingly important in today’s competitive environment. Healthcare marketers must be able to demonstrate the benefits (both tangible and intangible) that result from marketing activities.

The planning process can involve a variety of personnel and departments, depending on the extent of outsourcing involved. Health professionals should become familiar with agencies, marketing consulting firms, media suppliers, and other players in the marketing arena. Every marketing initiative will require interaction with at least some of these entities. If the healthcare organization seeks to internalize the marketing function, it must be sure to include a creative department, a media planning and buying department, a production department, an account management department, and a traffic department.

The marketing budget is used to set annual goals for all marketing activities as well as to guide the implementation of individual marketing initiatives. The budget should consider direct, indirect, and hidden costs. In healthcare, indirect costs are often significant, especially if personnel are pulled away from their core functions to work on the marketing effort and the operation of the healthcare organization is disrupted as a result.

**Key Points**

- The marketing of any product is not a single activity but involves a complicated set of sequential activities.
- Healthcare organizations have a variety of options with regard to their involvement in marketing—from outsourcing the marketing function completely to bringing the function completely in-house, and everything in between.
- Because the organization’s staff will always have to spend some time working with contracted marketing agency experts, marketing activities cannot be completely outsourced.
• A considerable amount of organizational activity is required at the beginning of a marketing campaign (e.g., conceptualizing the product, profiling the target audience).
• During the organizational stage, the steps in the marketing process are laid out (i.e., define the target audience, determine marketing objectives, determine resource requirements, develop the message, and specify the media plan).
• A project plan should be developed to integrate the disparate activities involved in the marketing effort, and an implementation matrix should be created to facilitate it.
• Campaign evaluation is an important but often neglected aspect of the marketing process.
• The process should be evaluated to assess the efficiency of the process, and outcomes should be evaluated to assess the effectiveness of the process.
• The healthcare organization must interface with a variety of entities in the marketing arena, and health professionals should develop a working knowledge of these entities’ functions.
• An in-house marketing department would incorporate most of the functions carried out by entities in the marketing arena.
• The marketing budget—whether for the overall marketing effort or for a particular campaign—should be carefully thought out and managed.
• Marketing activities typically involve considerable indirect costs in addition to direct costs.
• Emphasis on return on marketing expenditure (ROI) is increasing in healthcare, and marketers should be familiar with the various methodologies for measuring ROI.
• Marketing management involves managing both the marketing process and the people involved in the marketing effort.

Discussion Questions

• Why is careful planning of a marketing campaign considered so important?
• What is a marketing brief, and why is it so important to the marketing process?
• What role might the marketing agency play in developing and implementing the marketing plan?
• How active a role should the healthcare organization play in the marketing process if the actual marketing is outsourced?
Chapter 13: Managing and Evaluating the Marketing Process

- What component units are usually included in a marketing department, and what functions do they serve?
- What indirect costs must an organization factor into its marketing budget?
- Why is strong marketing management probably more important in healthcare than in other industries?
- In what ways is evaluation in healthcare somewhat different from evaluation in other industries?
- Why should marketers evaluate a marketing project in different ways?
- Why might different approaches be used to evaluate different marketing techniques?
- Why is measuring return on marketing investments more of a challenge in healthcare than in other industries?