After studying this chapter, you will be able to

➤ explain the history of marketing in healthcare;

➤ discuss how the marketing/public relations department fits into the larger healthcare organization; and

➤ describe the healthcare “customer.”
Case Study: The American Marketing Association, Haworth Press, and Marketing Efforts in Healthcare

Marketing in the healthcare arena has grown primarily because of three factors: changing healthcare policy, changing consumer expectations, and changing attitudes regarding the stigma of marketing by the healthcare profession. Accompanying these changes was the evolution of journals that focused on healthcare marketing. This case describes the history of academic and professional publications as they pertain to healthcare marketing and illustrates how the study of healthcare marketing evolved.

Academic studies, reports from marketing events in healthcare organizations, and theories about marketing as it applied to healthcare were published to help professionals learn about and practice marketing in healthcare. It took time for marketing to earn its place as an accepted part of the healthcare arena. Simply put, prior to the 1970s hospitals did not have a marketing department, nor did they employ a person titled “director of marketing,” “director of public relations,” “vice president of public relations,” or “chief marketing officer.”

Marketing did not have a place at the table in strategic planning, decision making, and budget allocation when the American Marketing Association published the first issue of the Journal of Health Care Marketing (JHCM) in 1980. In JHCM’s first “From the Editors” column, B. J. Dunlap and Don Dodson (1980–1981, 4), founding editors of the journal, wrote that the purpose of the journal was to “serve as a bridge between the academicians and the practitioners who have an interest in marketing for nonprofit organizations, specifically focusing on that which is of a health care nature.”

In 1983, Haworth Press, publisher of scholarly articles on healthcare and social, information, and library sciences, issued Health Marketing Quarterly, a journal focused on the marketing of group practices. Its founding editor, William J. Winston, emphasized that its articles were practical and written for practitioners. Four years later, Haworth published the Journal of Hospital Marketing, which was designed as an applied journal—that is, a journal “for practitioners, and by practitioners” (Winston 1986, 1). Both of Haworth’s journals were founded by Winston, who had an unwavering commitment to marketing’s legitimate place in healthcare.

Changes were made to all three journals throughout their publication history. JHCM’s name was changed to Marketing Health Services in 1997, and the Journal of Hospital Marketing became the Journal of Hospital Marketing and Public Relations in 2002. In 2007, Haworth Press was bought out by the Taylor and Francis Group, and the Journal of Hospital Marketing and Public Relations was placed under the auspices of Routledge. Finally, in 2010, Health Marketing Quarterly incorporated the Journal of Hospital Marketing and Public Relations. Today, the American Marketing Association publishes Marketing Health Services and Routledge publishes Health Marketing Quarterly. Both journals remain...
focused on marketing issues in healthcare, featuring articles, commentaries, case studies, and tools for healthcare marketing professionals.

With the success of these journals, the practice of marketing in healthcare also earned acceptance as part of the healthcare arena. Simply put, hospitals now usually employ a director of marketing, director of public relations, vice president of public relations, or chief marketing officer, and marketing has a place at the table in strategic planning, decision making, and budget allocation.

Changes in healthcare policy, healthcare consumers’ expectations, and attitudes about marketing by the healthcare profession all helped to bring about this acceptance. Today it is common practice for people to receive a text reminding them that their prescription is ready; make an appointment through physician practices’, clinics’, and hospitals’ websites; receive pamphlets about proper nutrition for persons with diabetes; and be surveyed about their outpatient surgery experience. All of these marketing efforts have been discussed, criticized, and refined via various avenues, including the journals featured in this case study.

THE HISTORY OF MARKETING IN HEALTHCARE

DEFINING HEALTHCARE MARKETING

The focus of healthcare marketing is meeting the needs of patients, physicians, the public, and payers. The American Marketing Association (2007) defines marketing as “the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.” The definition of healthcare marketing was built on this definition. As stated in Chapter 1, healthcare marketing is a fine-tuned art and science that creates, communicates, and delivers offerings that have value for healthcare consumers. It is important to note that healthcare marketing does not exist in a vacuum. Professionals who work in healthcare marketing departments are part of the strategic team, whether a large team assembled for hospital-based initiatives or a small team formed for clinic-based projects.

For example, a physician clinic may employ the best-trained, smartest physicians, but if the environment is off-putting, patients may choose to go elsewhere for care. Even though meeting patients’ clinical needs is the most important outcome of a physician–patient encounter, research indicates that the environment of a physician’s office also has an impact on the patients’ total care experience (Altringer 2010; Bitner 1992; Fottler et al. 2000). Dr. Mary Jo Bitner (1992), a professor and researcher recognized as one of the founders and pioneers in the field of service marketing and management, presented the health clinic as a service organization that performs actions within an environment of elaborate physical complexity. As such, the service scape of the clinic should focus on eliciting a desired response from patients. Bitner asked
In the case of the hospital, what beliefs, emotions, and physiological responses will encourage patients to get up and walk around the facility if that is the desired behavior for their recovery? (1992, 64)

Architecture is one way to communicate value to patients. The floor plan, placement of furniture, and room decor all contribute to the image of the clinic (e.g., professional, clean) and the quality of its service (e.g., the ease of navigating the designed space, providers’ diplomas on the walls).

Dr. Myron Fottler, professor of health services administration and executive director of health services administration programs at the University of Central Florida, and colleagues (2000, 101) used the term healthscape to define service areas that meet or exceed patients’ needs and reinforce the quality of care. For instance, Mayo Clinic has an atrium featuring a grand piano that anyone is welcome to play. The daughter of one Mayo patient described the atrium as a place where people come “to heal together and share what brings [them] hope and joy” (Hume 2009). The value delivered by the healthscape of Mayo Clinic is part of what marketing is all about.

However, healthcare administrators and providers in hospitals, clinics, and other settings did not always use or condone marketing in healthcare. In fact, marketing’s history in healthcare can be traced back to discussions in the field of marketing during the late 1960s. Philip Kotler, known as the “father of social marketing,” and Sidney J. Levy (1969), recognized as one of the main contributors to the field of marketing and consumer behavior in the twentieth century, proposed that the concept of marketing be broadened to arenas outside of the sale of products, such as toothpaste, soap, and steel (10). They emphasized that the marketing concept of serving and satisfying human needs fits well with the purpose of hospitals—serving the sick and satisfying the health needs of consumers. Dodson (1985) asserted that marketing was introduced into the healthcare field when Kotler (1975) extended this line of thought, proposing that the basics of general marketing (e.g., distributing information to educate, motivate, and service target markets) applied to healthcare. The case study at the beginning of this chapter mentioned that today, customers receive texts notifying them that their prescriptions are ready, indicating that pharmacies have clearly adopted Kotler’s stance and engage in marketing activities such as texting to serve its market and satisfy its customers’ health needs.

The Evolution of Marketing in Healthcare

As stated at the beginning of this chapter’s case study, marketing in healthcare has grown primarily because of changes in healthcare policy, consumers’ expectations, and attitudes about marketing by the healthcare profession. Let’s examine these three factors.
Chapter 2: The Growth of Marketing Efforts in Healthcare

Changes in Healthcare Policy

As discussed in Chapter 1, healthcare policy began to change in the 1970s. Payment shifted from primarily UCR reimbursement to include cost containment mechanisms, such as DRGs and HMOs. This shift brought hospitals and clinics to consider the importance of knowing what services they provided, how they provided them, and who received them. After the introduction of predetermined fee schedules for reimbursement, healthcare providers were reimbursed more for some services than they were for other services and, over time, turned to marketing as a tool to help them create communications to educate and promote their services to prospective patients. In 1986, Winston stated that changing payment mechanisms had the greatest impact on healthcare marketing (26). The term *easy money* was used in publications to refer to payment structures prior to the introduction of cost containment policies (Clarke 1978; Gavin 1980–1981). Roberta Clarke (1978), associate professor at Boston University’s School of Management and former president of the Society for Healthcare Planning and Marketing, proposed that the availability of easy money in the 1960s allowed for unregulated, unmonitored growth of health centers, which did not consider that this easy money could disappear. Marshall P. Gavin, president of Primecare Corporation, a company that provided marketing services for medical centers, asserted in a guest editorial for the *Journal of Health Care Marketing* that the period from post–World War II to the 1970s was a time of easy money, and healthcare costs continued to increase unchecked. Nonetheless, by the 1980s, Gavin (1980–1981, 5) noted succinctly, “Times have changed.”

His voice was prophetic. Times have changed. Even with cost containment measures, healthcare costs continue to rise. As shown in Exhibit 2.1, the share of gross domestic product—the monetary value of all goods and services produced annually in the United States—attributable to expenditures on healthcare has steadily increased.

Healthcare providers have come to recognize marketing as a means of survival and growth. Consider the changing trend regarding length of stay in a hospital. In 1970, the median length of stay for childbirth was four days. By 1992, the median had dropped to two days (CDC 1995). As Clarke (1978) suggested, the general decline in patient days (length of stay in a hospital) affected hospitals’ income. Consequently, hospital administrators thought about further diversifying their services and became more open to marketing efforts in healthcare. For example, with shorter inpatient hospital stays, attention turned

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*Source: OECD (2010).*

**Exhibit 2.1**
Total Expenditures on Health as a Share of Gross Domestic Product in the United States
to outpatient services. Organizations began to offer outpatient surgery, emphasizing the amenities they provided for family members waiting for a patient undergoing a procedure.

One prominent example was the “Blue Blazer” campaign started by a regional medical center in the 1970s. The hospital hired college students who were interested in working in medicine (pre-pharmacy, premed, pre–allied health, and pre-nursing). They wore blue blazers and helped make patients’ family members comfortable at the surgery center. They parked cars so that family members could enter the center immediately rather than navigate the parking garage; accompanied them to waiting areas; and brought coffee, tea, and pastries for them to enjoy while the patient was in surgery. Family members knew that those wearing a blue blazer were at their service. While the Blue Blazers could not answer medical questions, they were willing and eager to listen to family members, fetch needed items, and attend to them in general. A pamphlet describing this service was displayed in the waiting rooms of local physicians’ offices; billboards featuring the young, healthy-looking Blue Blazers were posted at key traffic points in the surrounding area; and the students were interviewed on a local television midday talk show to promote the service.

The result was positive. The regional medical center was operating at capacity within four months of launching the Blue Blazer campaign and increased its outpatient operations shortly thereafter. Drawn in by the service, customers (in this instance, patients and their family members) began to request that surgeries be performed at the regional medical center instead of elsewhere.

Let’s consider the campaign in detail via a healthcare marketing lens. The regional medical center’s administrators became aware that changing healthcare policy was negatively affecting the way they usually earned their money. With the decline in the length of inpatient hospital stays, they turned their attention to outpatient services. First, the administrators needed to determine their target market—the segment of the population they wanted to attract and engage. In this case, the target market was patients’ family members. Second, they needed to determine what services and actions would attract this target market to the regional medical center for outpatient surgery. The regional medical center was in an urban environment, with parking mainly at a garage two blocks away from the outpatient center. Family members had been driving to the center to drop off patients at the entrance and then leaving to find a parking space. Providing a parking service—at no additional charge—was meeting a need. It was a service that had value. Third, the administrators needed to spread awareness of the Blue Blazer service. They did so in three ways—written communication in pamphlets, placed in physicians’ waiting rooms; visual communication via billboard placement; and oral and visual communication via the talk show interview. Finally, the medical center had to deliver the services it was promoting.
Changing Consumer Expectations

The US Public Health System has published *Healthy People* objectives since 1991. *Healthy People 2000, Healthy People 2010, and Healthy People 2020* all focus on ten-year goals directed toward its vision: a society in which all people live long, healthy lives (HHS 2012). By educating consumers about their health and focusing on wellness and prevention, the initiative aims to bring about a healthier, more informed population. Not only do people learn how to be healthier and prevent illnesses; their efforts reduce their healthcare costs and that of their payer, if they have access to insurance (e.g., employer-provided health insurance via organizations such as Blue Cross/Blue Shield; or the government—Medicare for Americans aged 65 or older, Medicaid for low-income Americans, and Tricare for veterans). The return has been impressive. For instance, Johnson & Johnson’s wellness programs, designed to educate Johnson & Johnson’s employees about their health and focused on wellness and prevention, have achieved what *Healthy People* initiatives strive to do. Johnson & Johnson’s programs have saved the company about $250 million in healthcare expenditures—roughly $2.71 for every dollar spent by the company (Berry, Mirabito, and Baun 2010). Clearly, education of healthcare consumers translates into positive outcomes cost-wise (reduction of costs) as well as health-wise (healthier consumers).

The initiative has also spurred an interest among consumers to be more involved in their healthcare rather than merely a patient. Past research found that healthcare consumers in Europe shared this interest (Tritter et al. 2010). Patients also have established expectations about their care experience. For instance, patients want healthcare providers to communicate with them and treat them with courtesy and respect (Liu et al. 2008; Otani, Herrmann, and Kurz 2011) and encourage them to participate in decision making about their care (Squires 2012). Patients also expect to be seen promptly, within 30 minutes of their scheduled appointment time (Hill and Joonas 2005).

Changing Attitudes Regarding the Stigma of Marketing by the Healthcare Profession

The first formal meeting on marketing sponsored by the American Hospital Association in 1977 marked the beginning of the field of healthcare marketing (MacStravic 1990). The first book on marketing in healthcare also was published that year (MacStravic 1977). The entrance of marketing into the healthcare arena was by no means smooth, quick, or readily embraced. It was resisted by healthcare providers and administrators and stigmatized as a practice that had no place in the field.

Sociologist Erving Goffman (1963) defined *stigma* as a discredited attribute. Consequently, those who have the attribute are looked upon negatively. For example, consider the stigma attached to people with mental illness. Many people do not understand mental illness, and the behaviors of those with mental illness make many people uncomfortable. As a result, social interaction with the mentally ill is taboo, and they are often ostracized.
Marketing is typically associated with selling, and selling was considered to be inappropriate for the healthcare profession (Robinson and Cooper 1980–1981). Its perceived inappropriateness arose from the theme that marketing clashed with tradition in the healthcare profession, which centered on the “intimate relationship” between physicians and patients (Cebrzynski 1985, 1). Moreover, some healthcare professionals viewed marketing as “frivolous and unnecessary and, at the worst, it was unethical” (Bryan and Gauff 1986, 11).

The American Medical Association (AMA) code of ethics of 1847 described advertising (a part of marketing) as “the ordinary practices of empirics, highly reprehensible in a regular physician” (Leake 1975, 224, as cited in Rizzo and Zeckhauser 1990, 480). Professors Rizzo (economics and preventive medicine) and Zeckhauser (political economy) (1990) offered a history of restrictions on physician advertising. In brief, the Federal Trade Commission (FTC) brought a complaint against the AMA in 1975 because the AMA did not allow physicians to advertise. The AMA responded in 1976, stating it was opposed to solicitation (an attempt to gain patients), not advertising (an avenue to informing). The clarification did not appease the FTC, and by 1982, the courts had sided with the FTC. Professionals, including physicians, could advertise—and they did, as evidenced by the introductory statement of a 2012 article on hospital advertising: “Nowadays, marketing has become a prominent function for healthcare organizations” (Nanda, Telang, and Bhatt 2012, 28).

**Marketing/Public Relations Departments**

Marketing in healthcare is no longer stigmatized as long as the marketing message is true, accurate, and ethical. Hospitals and clinics have departments and units dedicated to marketing activities. The names of these units vary among organizations. For example, one hospital might employ marketing personnel in its “marketing and public affairs office,” another hospital might have an “office of marketing and public relations,” and yet another might have a “department of business development, marketing, and community relations.”

The term public relations, however, is different from the term healthcare marketing. According to the Merriam-Webster online dictionary, public relations refers to “the business of inducing the public to have understanding for and goodwill toward a person, firm, or institution.” Public relations in healthcare centers on conveying information from the healthcare organization to patients, physicians, the public, and payers. Healthcare marketing is broader than healthcare public relations. In addition to communicating information, healthcare marketing is about creating and delivering healthcare offerings.

In many healthcare settings, the appointment of public relations officers predated the introduction of marketing officers. The public relations office assumed marketing tasks, and the name of the office remained. Whatever they are called, the missions of these...
departments are the same: They create, communicate, and deliver offerings that have value for healthcare patients, physicians, the public, and payers.

**Healthcare “Customers”**

At the core of this text is the recognition that **healthcare customers** are more than one entity. They include patients, physicians, the public, and payers. Patients use services provided by clinics, hospitals, and physician practices. Physicians are customers of hospitals and clinics, not because they use services but because they refer their patients to hospitals and clinics. If physicians’ needs are not met, they may refer their patients elsewhere.

The public is a customer because the community has a responsibility to protect the health of its residents, and decisions made by hospitals, for example, impact the public. Should a hospital build a new cardiovascular center? Purchase the latest technological robot for heart surgery? Hold smoking cessation classes? Support breast cancer awareness activities? Answers to such questions affect the public’s ability to access healthcare and learn about wellness and prevention. They also affect healthcare providers’ ability to serve the public.

Last, but not least, payers also are customers. Payers include private insurance companies (e.g., Blue Cross/Blue Shield), the government (Medicare for older Americans, Medicaid for low-income Americans, and Tricare for veterans), and self-payers (individuals who pay out of pocket). Persons who work in marketing/public relations/community relations departments may not be at the table negotiating reimbursement with third-party payers or phoning patients to remind them to pay the remainder of their bill, but nonetheless, payers provide the money hospitals, clinics, and physician practices need to continue to conduct business and thus are customers, too.

Healthcare marketers work with all four entities to plan, implement, and evaluate healthcare initiatives, practices, and programs. They want patients, physicians, the public, and payers to think about their healthcare facility when contemplating health and healthcare.

**Chapter Questions**

1. Differentiate between the terms public relations and healthcare marketing. Look at five hospital websites. What do they name the department engaged in healthcare marketing? What is the relationship between public relations and healthcare marketing in US hospitals?
2. Provide examples of situations in which patients, physicians, the public, and payers are healthcare customers.
3. Explain why healthcare marketers became more valuable to healthcare organizations as consumer expectations changed.

References


We aren’t causing people to experience conditions—we are allowing them to experience them.

Mayo Clinic provides a grand piano in its atrium for anyone to play. This healthscape brings people together to laugh and share stories. Access the blog post “Mayo Clinic Music Fun” at http://sharing.mayoclinic.org/2009/04/07/mayo-clinic-music-fun/, and read about the impromptu and planned events that have occurred around the piano. Check out some of the videos and links, and scroll down to read some of the comments people have made about the post. Also peruse some of the pages hyperlinked at the

Chapter Exercises
end of the second column (e.g., News Blog, Online Health Community). Write a few paragraphs in which you

➤ explain why the healthscape is marketing for Mayo Clinic,

➤ identify the customers served by the atrium and the events that occur around the piano, and

➤ elaborate how the atrium and these events offer value to Mayo Clinic’s customers.

Next, choose one of the pages you perused and answer the following questions:

➤ How does it serve as marketing for Mayo Clinic?

➤ What customers does it serve?

➤ How does it offer value to customers?

2. *The public is a customer, too.*

Consider the statement that the public is a healthcare customer. Go to the website of your local hospital (if you have more than one local hospital, select one of them), and see if it features a link to wellness and prevention services. If it does not, go to the website of another hospital in your region. Explain why this linked site is a marketing effort to educate the public about wellness and prevention as well as a marketing effort on behalf of the hospital. In your explanation, identify and consider other customers (patients, physicians, and/or payers) the site addresses. Finally, explain how the linked site offers value to the customer.