

INTRODUCTION

Most observers consider 1977 the “official” launch data of marketing as a component of healthcare. The first conference on health-care marketing was sponsored by the American Hospital Association, and the first book on the topic was published in 1977. While formal marketing activities became common early on among retail-oriented healthcare organizations like health insurance, pharmaceuticals, and medical supplies, health services providers had long resisted the incorporation of formal marketing activities into their operations. Of course, hospitals and other healthcare organizations had been doing “marketing” under the guise of public relations, physician relationship development, community services, and other activities, but few health professionals equated these with marketing. To many, marketing meant advertising, and, until the 1970s, advertising on the part of health services providers was considered inappropriate.

The formal recognition in the 1980s of marketing as an appropriate activity for health services providers represented an important milestone for healthcare. The acceptance of marketing by health professionals opened the door for a variety of new activities on the part of healthcare organizations. This development led to the establishment of marketing budgets and the creation of numerous new positions within the organizations, culminating with the establishment of the position of vice president for marketing in many organizations. This development opened healthcare up to an influx of concepts and methods from other industries and helped to introduce modern business practices into the healthcare arena.

While most would agree that, after years of grudging acceptance, marketing has become reasonably well established as a legitimate healthcare function, the process has not been without its fits and starts. Healthcare has demonstrated surges of interest in marketing, followed by periods of retrenchment when marketing, and marketers, were considered unnecessary and/or inappropriate. Periods of prosperity for marketing have alternated with periods of neglect over the past 25 years. There have been periods of exuberant, almost reckless, marketing frenzy and periods of retrenchment. There has

been ongoing tension between those who eagerly accepted marketing as a function of the healthcare organization and those who doggedly resisted its intrusion into their realm. With each revival of marketing in healthcare, new wrinkles have been added that made the “new” marketing, if not better, at least different from previous approaches.

Once the dam broke and marketing made its initial incursion into healthcare, a stampede ensued as healthcare organizations, led by major hospitals, established aggressive marketing campaigns. Urged forward by marketers recruited from other industries, hospitals and other healthcare organizations embarked on a whirlwind of marketing activity. The effectiveness of these initial marketing campaigns did not match their proponents’ enthusiasm, and it was soon realized that marketing healthcare was not the same as marketing hamburgers. The approaches required for the healthcare arena were not easily adapted from other industries, and much of what was effective elsewhere was not necessarily effective in the healthcare industry. The evolution of marketing in healthcare is discussed in a later section within the context of developments in the healthcare field.

Today, healthcare is still struggling to find the appropriate role for marketing, and marketers continue to strive to find their niche within healthcare. The industry still suffers from a lack of standardization when it comes to marketing, and this has not been helped by the fact that few graduate programs offer coursework in healthcare marketing. Today, healthcare marketing appears poised to play a greater role in the new healthcare environment. But, as the chapters illustrate, this is likely to be a different kind of marketing than that envisioned in the mid-1970s when the first marketing efforts were introduced into healthcare.

Before the 1980s, marketing campaigns targeting healthcare consumers were relatively rare. In fact, the marketing activity that existed was primarily on the part of industry segments that were not involved in patient care (e.g., pharmaceuticals and insurance) and whose targets were not patients but other players in the healthcare arena (e.g., physicians and employers). Healthcare organizations did not need to market their services. The industry was product driven and most “producers” of services operated in semimonopolistic environments. There was an almost unlimited flow of customers (patients), and revenues were essentially guaranteed by third-party payers.

This situation began to change in the early 1980s. Along with a number of other significant changes in healthcare, competition was introduced for the first time. Healthcare organizations began to realize that to survive in this new world, they would have to adopt business practices long established in other industries. This involved, among other things, a shift from a product orientation to a service orientation. For the first time, then, the

market became a factor for the industry. These developments resulted in the introduction of marketing as a legitimate function in healthcare.

By the mid-1980s, marketing departments had been established in most of the large healthcare organizations. Once introduced to each other, marketing and healthcare passed through a tentative getting-to-know-you period. By the mid-1980s, however, it was a romance in full bloom with the two being seen everywhere together. Healthcare organizations were spending feverishly on their newfound consort, and marketers rushed to take advantage of the sudden burst of interest. Those without formal departments started developing marketing functions through other mechanisms. However, the introduction of marketing into healthcare resembled a shaky romance.

Hospitals were among the first to embrace marketing as a part of their operations. Other healthcare organizations followed their lead. As new forces emerged in the industry, often led by entrepreneurs rather than clinicians, the use of marketing techniques proliferated. Innovative healthcare programs, such as urgent care centers and freestanding diagnostic centers, began using marketing as a means of attracting patients from the established sources of care.

Unfortunately, in the early years healthcare executives did not see marketing for what it really was, and many expensive mistakes were made by the organizations pioneering healthcare marketing. Healthcare organizations failed to do their market research homework, rushed headlong into expensive media advertising, became obsessed with image rather than substance, and failed to evaluate their hastily contrived marketing initiatives. Perhaps the gravest error of all was to equate advertising with marketing.

As a result of these mistakes, by the late 1980s healthcare organizations were slashing their marketing budgets, disbanding marketing staff, and generally scaling back this relationship. Healthcare did not want to break it off altogether, but it did not want to continue spending on initiatives with uncertain benefits.

Both parties—healthcare and marketing—could probably be blamed for the shaky initial relationship. The marketers that healthcare imported from other industries failed in their effort to convert existing marketing techniques to healthcare uses. The first rule of marketing, of course, is to know your market, and marketers did not. They were offering quick fixes and short-run answers in an industry that required long-term initiatives.

By the early 1990s, healthcare executives realized that marketing did not consist of spending truckloads of money on mass-media advertising. Progressive healthcare organizations began to assess their marketing objectives in a more reasonable light. They began to try to understand the market, their customers, and their customers' motivations.

Marketers, too, had learned some important lessons. Few marketing techniques could be transferred unmodified from other industries. The messages and the methods had to be tailored to healthcare. Sensitive issues that are not factors in other industries had to be addressed in healthcare. Furthermore, marketers were faced with the unique situation in which certain consumers were “desirable” and others were not.

Today, healthcare marketers have a much better understanding of the market and their customers. Fairly sophisticated market research techniques have been put into place. An appreciation for what works and does not work in terms of marketing initiatives has evolved. New techniques have been developed specifically for the healthcare market, and a core of professional healthcare marketers have emerged.

The rest of this book will be devoted to the development of an understanding of marketing as a field and its application to healthcare. The chapters introduce the reader to the concepts, methods, and data used in healthcare marketing, providing the information required for developing an appreciation of the role of marketing in healthcare along with the tools necessary to plan and implement marketing initiatives.

The book provides sound grounding in basic marketing concepts, along with background on the factors that drive marketing approaches and consumer behavior in healthcare. It presents nuts-and-bolts information on the marketing process and its management. It also critiques the marketing techniques currently in use in healthcare and introduces emerging techniques being adapted for healthcare.

The Audience

This book is designed primarily for use by students of healthcare administration and by those studying marketing (typically in MBA programs). Under various guises (e.g., healthcare administration, hospital management, public administration), most programs offered for those with an interest in healthcare administration include a component on healthcare marketing. This text should provide the core of information necessary for those courses.

Many business administration programs offer healthcare marketing as a component of their marketing concentrations; this book should serve that audience as well. It should also serve as a reference work for academicians involved in healthcare administration or marketing but who are not directly involved in the healthcare marketing arena.

This book is also a useful reference work for practitioners in the field. Healthcare administrators who require an understanding of the marketing

process, health planners, and those directly involved in marketing activities are expected to benefit from its contents. Marketing firms and advertising agencies with an interest in healthcare should find the book useful as an introduction to the unique aspects of healthcare marketing.

Organization of the Book

Designed to serve as a comprehensive guide for students in marketing and healthcare administration, the text surveys the field of healthcare marketing, beginning with basic marketing concepts (as applied to healthcare) and exploring all components of healthcare marketing.

Part I provides an overview of marketing and its applications to healthcare. Chapter 1 addresses the history of marketing overall and its recent experience within healthcare. Chapter 2 follows up on this discussion with a description of the unique aspects of healthcare that create challenges for marketers. The changing context of healthcare is described in Chapter 3 to provide the marketer with an appreciation of the volatile nature of the contemporary healthcare arena. Chapter 4 introduces and defines the basic marketing concepts that are used throughout the text, exposing the student to the language of marketing as a prerequisite to further study. Chapter 5 describes the current status of marketing in healthcare and identifies the contexts in which marketing is presently taking place.

Part II introduces the reader to the nature of healthcare markets, the consumers who populate them, and the factors that influence the demand for health services. Chapter 6 provides an overview of the “market” for health services and examines the ways in which healthcare differs from other industries in this regard. Chapter 7 focuses on the nature of healthcare consumers and the variety of constituents healthcare organizations serve. It notes the unique characteristics of the end users of health services and the manner in which healthcare decision making differs from this process in other industries. Chapter 8 addresses the notion of “product,” describing healthcare products and services and distinguishing them from the products and services that marketers generally promote. Chapter 9 introduces the notions of healthcare “need,” “want,” and “utilization” and discusses the factors that influence the demand for health services and the ultimate level of utilization.

Part III focuses on the practical aspects of healthcare marketing, describing marketing strategies and marketing techniques—both traditional and cutting edge—as they relate to healthcare. Chapter 10 discusses the notion of marketing strategies, describing the strategy-development process

and indicating means of implementing strategies. Chapter 11 distinguishes between public relations, advertising, and other traditional marketing activities. Chapter 12 presents contemporary marketing techniques, often adopted from other industries, and their potential contribution to health-care marketing.

Part IV presents a practical guide to managing and supporting the marketing process in healthcare. Just as the concept of marketing is relatively new in healthcare, so is the notion of “managing” the process. Chapter 13 provides an overview of the marketing process, tying together various components discussed earlier in the text. It provides an overview of the issues involved in managing and evaluating marketing initiatives. Part IV also describes the various functions that are necessary to support the marketing effort, from the initial market research to technology-based approaches to managing the customer base. Chapter 14 presents an overview of the marketing research process, describing the uses of research by marketers and reviewing basic research techniques with application of healthcare. Chapter 15 introduces the reader to marketing planning. Notwithstanding its late introduction in the book, marketing planning should be an early and constant consideration in the marketing process. Chapter 16 examines the categories of data that are used for marketing research and planning, indicating the manner in which these data are generated and the sources from which they can be obtained.

Part V includes a single chapter—Chapter 17—on the future of healthcare marketing. The current status of the field is summarized and prospects for the future are considered. The factors that are likely to influence the future course of marketing are considered, and speculation on the future characteristics of healthcare marketing, and marketers, is offered.