

What Kind of Marketing Organization is Your Health System?

By Karen Corrigan

Marketing departments emerged in health care organizations in the early 1980s when prospective payment methodologies made it evident that certain clinical programs were more profitable than others. Hospitals began to compete for patients for those services and procedures that produced better financial outcomes. Many of these early marketing programs were administered by existing public relations or community relations functions, and had a strong communications focus. Over the next two decades, marketing practices matured to include other aspects of the discipline such as research, sales and referral development, segmentation, product development and brand building.

Today, marketing management systems differ significantly across health care organizations. Some are expansive, core business functions with strong growth accountabilities aligned to strategic planning, business development, clinical operations and financial management initiatives. ROI expectations center on overall growth, profitability, brand equity and creation of sustainable competitive advantage.

In other health systems, marketing is configured more functionally to support the development and deployment of marketing tactics aimed at research, promotions and sales. Success is measured by research metrics such as increased consumer awareness and preference, by response metrics such as increased call center or web traffic, and by sales metrics such as referrals, ER visits and procedure volumes.

Some hospitals, however, have not evolved at all from those early days when marketing relied on a narrow set of tools (e.g. press releases, health fairs, advertising, newsletters) to promote programs and services. The marketing department orientation is production – number of news releases, advertising campaigns, breadth of circulation – making it difficult to link marketing expenditures and activities to business outcomes.

Why such a difference? It can largely be explained by an organization's approach to marketing which is shaped by a variety of factors including strategic focus, growth objectives, culture or even leadership understanding of the marketing discipline.

The following describes different marketing orientations. One approach is not necessarily "right" where another is "wrong" – what is important to understand is that each path requires a

specific configuration of core competencies, staff capabilities, processes and investments aligned to organizational vision, strategy and business objectives in order to produce results. Misalignment occurs when management wants to achieve significant improvements in strategic growth, for example, but has a production-oriented marketing operation.

MARKETING ORIENTATIONS

■ Product-driven

A product-driven marketing orientation assumes that as long as a health system has excellent outcomes and a top notch safety record, business will find its way to the front door. Performance improvement, leading edge clinical technologies, physician talent and development of clinical centers of excellence are core areas of focus. Awards and recognitions (such as "Top 100" designations) reinforce the organization's quality achievements. Physician influence trumps consumer choice. The clichéd expression "build it and they will come" is an entrenched belief, as is the assumption that clinical quality alone will create competitive advantage.

■ Sales-driven

Sales-driven health systems primarily view marketing as a tactical tool or set of tools to drive volume to clinical services or programs. Filling beds, getting appointments, and securing contracts are primary goals. Consumer promotions, physician referral development and managed care contracting are core capabilities. The focus is on more volume for existing services. These are all good things, but a purely sales-driven organization may miss opportunities to discover new niches, create new products and lines of business, or enhance points of differentiation that grow overall revenue potential.

■ Market-driven

Market-driven organizations place greater emphasis on market research to better understand customer needs and discover market opportunities that can be addressed in unique ways. Designing and developing services, programs and access points to attract key customer segments are priorities for the marketing operation, making R&D a core competency requirement. Marketing planning is more strategic than in sales-driven organizations, encompassing segmentation and targeting, product positioning and design, pricing, promotion and channel strategies

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– and is a more integrated process through which value is created. Because growing overall market potential and profitability is as important as growing market share, marketers must have a strong P&L mindset.

■ Relationship-driven

Relationship or customer-driven organizations place significant emphasis on mass customization as a competency to create one-to-one relationships, enabled by sophisticated, enabling CRM technology that recognizes, supports and delivers customized messages, offerings and solutions for valued customers. Today, some of these capabilities are embedded in call center and CRM systems, but new advancements, such as the widespread implementation of electronic health records and growth in social media communities offer health systems unprecedented opportunity to better understand and predict the needs of patients and customers – and proactively design the marketing strategies, tactics and programs that stimulate and drive demand.

■ Market-DRIVING

Market-driving companies are those that re-set the rules of competition through value innovation – radical, disruptive moves that create new markets, transform customers into fans, and build such distinct points of competitive advantage that they are difficult to duplicate. Think Apple, which continually breaks its own sales records, most recently having sold over 1 million

units in the first 24 hours of the iPhone 4S launch. Innovation is the core competency – and success comes from developing deep insights into core human desires, discovering unmet needs, and bringing creative, profitable ideas to market. Who are the market-DRIVING health systems?

■■■ SUMMARY

Marketing is a strategy-critical business competency aimed at achieving organizational growth and profitability by understanding the needs and wants of customers and delivering to those more effectively than competitors. This requires a purposeful, comprehensive and integrated approach to better understand markets, develop and deliver quality healthcare services, build effective business models, and create loyal customers. Health systems must consider their market orientation, and determine whether that approach is congruent with strategic aspirations. Marketing capabilities, organizational structure, activities and investments must be configured to deliver on the growth objectives.

This has never been more crucial. The new economics of healthcare reform, competition for physician talent, increased merger and acquisition activity, entry of new competitors and escalating consumer expectations are converging to change the underlying basis for competition. And will challenge even the most successful of today's healthcare systems.



About the Author

Karen Corrigan is a leading proponent for market-driving strategies that create value, transform organizations and build economic prosperity. Over the course of her career, she has worked as a health system executive, chief strategy officer, chief marketing executive and entrepreneur. Today, her clients include a diverse group of health systems, start-up companies, technology partners and other businesses in private and public sectors. Karen is the publisher of Chief Marketing Officer, a blog for healthcare marketing executives and growth strategists.

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