

Market Forces Have Never Been More Disruptive; Yet Marketing Continues To Be Undervalued

BY ROB FEY

Fact: The competitive landscape of hospitals is changing rapidly: Million of dollars are flying out of the front doors of hospitals annually with former physician partners turning into competitors and disruptive technologies spurring other for profit competitors. Adding fuel to the fire baby boomers are comparison-shopping like never before and along with self-directed health plans are changing the way health care is being purchased.

Yet: Hospitals spend less on marketing than gas stations (.007 vs. 1%) even though pharmaceutical companies have proven direct to consumer marketing produces \$4 for every \$1 spent. Furthermore the staffing for marketing and sales functions are so sparse that they make working at Wal-Mart look attractive.

So what gives?

The glory days of marketing in the 1980's, which focused on growing revenues, has been replaced by an expense management mantra as the focal point in most boardrooms. As a result, many great health care marketing leaders have left the industry because they are tired of fighting an up hill battle where bureaucracy wins out over moxy.

In many organizations, marketing has been left to taking orders for brochures rather than realigning what the organization offers to meet the changing needs of the various outside constituents.

Hospitals spend millions of dollars on new technology yet fail to spend proportionately to fund marketing to

insure returns are realized. For example, many hospitals have invested millions in the next generation of imaging technology to support heart and cancer services. Yet a parallel investment in a sales rep to sell the benefits of this new technology is rarely funded even though this type of position is proven to cover their costs in one month and produce a 10-1 return on investment.

The Antidote

First and foremost hire change agents in marketing positions, not caretakers. Don't Then let them represent the market forces by developing and honing products and services that meet the higher expectations of splitter constituents such as occasional referral sources or patients who use the hospital for a limited number of services. The perceptions and expectations of occasional users are often vastly different that core users. To grow market share, providers must capture new clientele who often have different and higher service expectations.

Secondly, budget-marketing efforts in relationship to potential return, not fungible resources left over in the budget. A marketing plan has it's own physics that is similar to a plane taking off. At 149 miles per hour a plane is on the ground. At 150 MPH it is in the air. Likewise marketing plans have similar laws of physics. Plans require integrated tactics, and ample reach and frequency in order to "take off". Do it right or not at all. The plans in between with a few tactics and a few months of support don't have enough velocity to break through. You don't buy half of a building, half a practice or half a piece of equipment; so don't buy half of marketing plan to maximize the asset.

Consider using part time or outsourced staff to make things happen. Other industries outsource everything, why can't health care get the needed help from part time organizations. Outsourced staff can be less expensive, hired and fired faster, can flex with changing needs and in many cases are more productive and experienced than

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full time staff.

Investments in marketing plans should be correlated to long term upside returns not short-term break-even points. The lifetime value of a new patient should be considered over the life of the program. The average person spends over \$300,000 in their lifetime on healthcare. A 40 year old will spend \$262,000 on health care over the next 30 years. So marketing expenditure to capture new patients should consider long-term value of these new patients to the health system as well as short-term payback methods.

Lastly, take some risks. If a football team is down 21-14 with less than one minute to go in the game they don't stick with the traditional play calling. So if your organization is losing the market share battle, why should you stick with the same game plan? The rate of change in health care is accelerating and this requires accelerated marketing. ⁿ

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