

Mapping Hospital Growth Through Strategic Service Promotion Management

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Historically hospitals lagged behind manufacturing firms in their use of marketing. Today due to intensifying competition, cost pressures, service quality and productivity issues more and more hospitals are employing marketing practices. They are addressing all areas of marketing viz product, price, place, promotion and person. In this study we attempt to understand the various promotional practices used by private and corporate hospitals of Indore city (Madhya Pradesh, India) and also their impact on overall revenue of hospital. A survey based on self designed questionnaire was conducted, in person and online, in November 2011 and December 2011 to collect the primary data for the study. The questionnaire contained questions to gather information about various promotion practices used by hospital and to understand their impact on hospital's overall revenue. The samples comprised of private and corporate hospitals operating in Indore city and are already operational for minimum of 2 years. It had a balanced mix of small, medium and big size private hospitals of varying bed capacities. Thus our sample is good representative of private hospitals operating in Indore. As there are only 4 corporate hospitals operate in Indore city, we collected data from all the corporate hospitals. The total of 115 participants participated in the survey. The respondents were holding managerial positions in the hospitals. In our study we found that today marketing is an important activity in any hospital. We also found that hospital employ different promotion practices which largely depends upon hospital's existing stage in its life cycle. We also established the impact of these promotional practices on hospital's overall revenue. Our study may benefit healthcare executives, hospital management in formulating their marketing strategies.

1. Introduction

Marketing as a discipline developed initially in connection with selling physical products such as Cars, Cosmetics, Equipments etc. Hospitals typically lagged behind manufacturing firms in their use of marketing. There are several reasons why hospitals have neglected marketing. Many hospitals formerly believed that it was unprofessional to use marketing. Other hospitals had so much former demand that they had no need for marketing until recently. Today, as the competition intensifies, as cost rise, as productivity stagnates, and as service quality deteriorates, more hospitals are taking interest in marketing. Now, hospitals are taking the marketing all the more seriously than ever before and are addressing all the areas of marketing viz. Product, Place, Price, Promotion and Person. Hospital Service Promotion represents one of the main

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areas of future marketing management of hospitals.

Several studies have measured the effectiveness of hospital marketing activities by documenting, for example, the percent response rate from direct mail campaigns and the success rates associated with physician referral programs. Nevertheless, the cause and effect relationship between marketing activities and subsequent hospital utilization remains elusive largely because marketers have not been able to eliminate from consideration other factors that may prompt a person to seek healthcare services.

In this study, we have attempted to learn the various marketing strategies adopted by private hospitals of Indore city, (Madhya Pradesh, India) with specific relevance to services promotion by them. We have studied not only the various service promotion practices but have also attempted to register the impact of each practice on overall revenue of hospital. In section 2, we have discussed about the literature reviewed by us and elaborated about the findings and limitations of previous studies and how these studies helped us to establish the objectives of our study. In section 3 we have explained about the research methodology adopted by us for our study and defined the terms like “Private Hospital” and “Hospital Group Number” which we have used for the analysis purpose. In section 4 we have discussed about the findings of our study and summarised the conclusion in section 5 of this paper.

2. Literature Review

Marketing plans are becoming more customer and competitor-oriented and better reasoned and more realistic than in the past. The plans draw more inputs from all the functions and are team-developed. Planning is becoming a continuous process to respond to rapidly changing market conditions. Marketing planning procedures and content vary considerably among hospitals. A typical marketing plan studies the current market situation, analyse existing opportunities to formulate the marketing strategy. Marketing Strategy incorporates target segments, hospital's competitive positioning, promotional strategy etc.

While intuitively appealing to many healthcare executives, the adoption of marketing by hospitals has been highly variable. The inconsistency in the adoption of marketing was a result of number of factors, namely the perceived lack of relevance to hospitals operating in highly regulated, yet revenue-rich, environments of the 1970s and early 1980s (O'Connor, 1982; Novelli, 1983). As these environments became more competitive and resource – limited, marketing was strongly advocated as a means for hospitals to achieve organizational objectives and a competitive advantage (Allen, 1988; Clarke and Shayavitz, 1987; Kotler and Clarke, 1987). Although many hospitals embraced marketing by the late 1980s, concern continued that marketing was being more talked about rather than operationalized in hospitals, and identifying the results of marketing efforts was difficult (Clarke and Shayavitz, 1987). In addition, Clarke and Shayavitz (1987) reported continued confusion over the substance of hospital marketing – was it simply promotion and advertising or identifying and meeting customer needs?

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By the mid-1980s, the concept of a marketing orientation began to guide the thinking of many healthcare executives and researchers. Kotler and Clarke (1987) were the first researchers to clearly define and operationalize the concept of marketing orientation in healthcare organizations.

Because marketing focuses on promoting exchanges with target markets for the purpose of achieving organizational objectives, the adoption of marketing orientation is seen as necessary to facilitate an organization's effectiveness (Kotler and Clarke, 1987). Effectiveness, according to Kotler and Clarke (1987), is further reflected in the degree to which an organization exhibits five major attributes of a marketing orientation:

1. Customer Philosophy: Are customer's needs and wants used in shaping the organisation's plans and operations
2. Integrated Marketing organization: Does the organization conduct marketing analysis, planning, implementation and control?
3. Marketing Information: Does management receive the kind and quality of information needed to conduct effective marketing?
4. Strategic Orientation: Does the organization implement strategies and plans for achieving its long-run objectives?
5. Operational Efficiency: Are marketing activities carried out cost effectively?

The above attributes have been used in a number of studies to measure the existence of a marketing orientation in hospitals and to measure the relationship of marketing orientation to other indicators of organizational performance. A study of 80 hospitals by McDevitt (1987) concluded that larger hospitals have more of a marketing orientation; however, marketing orientation was not related to other operational characteristics such as occupancy rate. McDevitt also found that the extent of marketing tasks completed in hospitals varied considerably among facilities in his study. A study of 153 hospitals by Naidu and Narayana (1991) showed that only 20 percent of hospitals have a high degree of marketing orientation and that marketing orientation is positively associated with bed size, for – profit ownership, and occupancy rate. These researchers also concluded that a marketing orientation is critical to the success of hospitals in a competitive environment.

Naidu, Kleimenhagen, and Pillari (1992) concluded from a survey of 176 hospitals that hospitals had made extensive progress in moving toward a marketing orientation as earlier defined by Kotler and Clarke (1987). These authors noted that marketing is effective in the healthcare industry and found that a high marketing orientation in hospitals is positively related to the existence of a marketing department, bed size, and competition in the area. Furthermore, these researchers suggested that a professional marketing director be appointed to lead the marketing function.

In their study of marketing practices in multihospital systems, Tucker, Zaremba, and Ogilvie (1992) found that systems that were innovators, as compared to non-innovators, tended to use marketing information and formalized communications systems – key components of an integrated marketing information dimension of a marketing

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orientation. These researchers also found that innovative systems tend to have a broader scope of marketing activities than less- innovative systems.

McDermott, Franzak, and Little (1993) studied the existence of a marketing orientation in a sample of 347 community acute care hospitals. Defining marketing orientation in terms of market intelligence activities, interfunctional coordination, and organizational responsiveness activities, they found that the adoption of marketing orientation by hospitals is positively associated with financial performance. Naidu, Kleimenhagen, and Pillari (1993) studied the adoption of product line management in 154 acute care hospitals. In this study, hospitals that use a product line management approach were found to have a high marketing orientation score. Raju, Lonial, and Gupta (1995) studied the relationship of hospital market orientation and performance. They found that different dimensions of market orientation are associated with specific measures of performance and that responsiveness to customers and to the competition are most closely linked with financial performance of hospitals. Bhuian and Abdul-Gader (1997) developed and tested a scale to measure hospital orientation by focusing on a range of marketing intelligence activities, which include many of the areas contained in Kotler and Clarke's (1987) concept of marketing orientation. Using confirmatory and factor analysis, these researchers found their model to be helpful in explaining marketing orientation of 237 not-for-profit hospitals. Loubeau and Jantzen (1998), in their national cross sectional study of 235 acute care hospitals, found that marketing orientation is much higher among those hospitals that have strong affiliations with other providers. In addition, these researchers found that higher manager care penetration rates are related to lower marketing orientation scores.

During literature review we realized that not many studies have been performed to establish the relationship between various hospital service promotion practices with their existing life cycle stage and its contribution in hospital's overall marketing strategy. Again, we realized that there are no studies conducted to study the impact of these practices on hospital's overall revenue. In this study we attempt to address these important areas.

3. The Methodology and Model

The research was conducted with the following objectives:

1. To study various Service Promotion practices employed by various private and corporate hospitals in Indore city and to study their relation with hospital's current life cycle stage.
2. To study impact of Specific Service Promotion practice on overall revenue of hospital.

3.1 Definitions

In our Study, we categorized hospital as "Private Hospital" if it has private ownership and is operating only in Indore City. However, any hospital having private/trust

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ownership but is operating in multiple locations in India is considered as “Corporate Hospital”.

3.2 The Study

The present study explores the participation of private and corporate hospitals in marketing practices, specifically in the area of service promotion management. The study also focuses on the various service promotion practices adopted by private hospitals and their impact on the overall revenue of hospital. We considered only private and corporate hospitals for this study because government hospitals do not need any marketing practices.

3.3 The Sample

The sample comprised of private and corporate hospitals operating in Indore city and are already operational for minimum of 2 years. It has a balanced mix of small, medium and big size private hospitals of varying bed capacities. Thus our sample is good representative of private hospitals operating in Indore. As there are only 4 corporate hospitals operate in Indore city, we have collected data from all the corporate hospitals. The total of 115 participants participated in the survey. The respondents were holding managerial positions in the hospitals. Figure 1 shows the sample distribution. The distribution is based on number of beds in hospital.

3.4 Tools for Data Collection and Analysis

A survey based on self designed questionnaire was conducted, in person and online, in November 2011 and December 2011 to collect the primary data for the study. The questionnaire contained questions to gather information about hospital, and various service promotion practices being used by them. The questionnaire was also designed to understand what impact a specific service promotion practice has on the overall revenue of hospital service.

For the purpose of analysis the respondent hospitals were grouped based on the bed capacity. The following groups were defined:

Table 1: Defining Hospital Group Number and Sample Distribution

Group Number	Bed Capacity	No. of Respondents
1	Less than 25 Beds	30
2	26-50 Beds	30
3	51-100 Beds	30
4	101-200 Beds	15
5	201-600 Beds and Corporate Hospitals	10

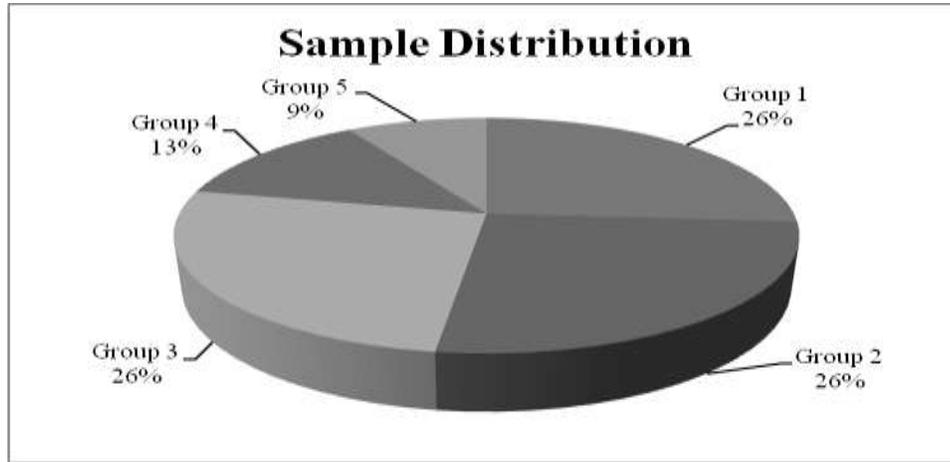


Figure 1

Respondents were posed with questions related to 8 important service promotion practices and were requested to rank their preferences. Each survey was then reviewed, coded, and prepared for computer analysis. Data from the survey was analysed using SPSS 10.0 software. Basic demographic analysis of the facilities included bed size, ownership status, presence of marketing department, hospital age etc. Percentage method was used for the purpose of data analysis.

4. The Findings

Our study found that almost all the hospitals are currently using marketing practices. Table 2 provides the group wise details. The marketing team varies from one man Public Relationship officer (PRO) in case of small hospitals to separate marketing department in case of big and corporate hospitals.

Table 2: Currently Following Marketing Practices?

	Group 1	Group 2	Group 3	Group 4	Group 5
Yes	90%	95%	100%	100%	100%
No	10%	5%	0%	0%	0%

4.1 Service Promotion Strategy- Group 1 Hospitals

Group 1 hospitals are in their early stage of life cycle. These are typically owned by specialist doctors. These hospitals are designed to address their speciality requirements. Hence these hospitals have limited resources, low bed capacity, low marketing budgets. However their revenue requirement is also less. Hence they don't have to go full fledged on marketing as they have limited requirement on revenue side. Having low bed capacity means that addressing bed requirements can be easily done through referral doctors using PRO. This is also suitable solution considering low marketing budgets of these hospitals. As these are owned by specialist doctor who want

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to establish himself in his own speciality, they promote their services by organising health checkup camps. Targeting OPD/IPD patients becomes obvious choice. Figure 2 summarises the results.

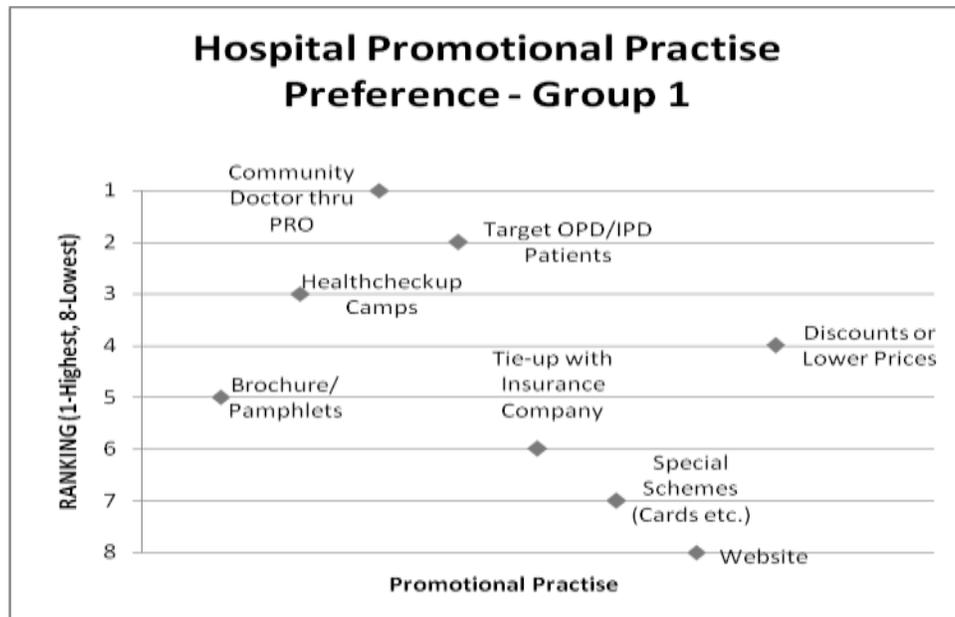


Figure 2

4.2 Service Promotion Strategy- Group 2 Hospitals

Group 2 hospitals are typically in the early growth stage of hospital's life cycle. Hence it is imperative for them to retain their revenues while finding new ways of growing the revenues. The same is reflected in the responses as registered by Group 2 respondents. To support their growth initiatives, these hospitals start diversifying in new areas of operations. This warrants increased marketing budget and better utilization of resources. New ways of promoting like brochures, pamphlets are employed for this purpose. Figure 3 gives brief of the responses of Group 2 respondents.

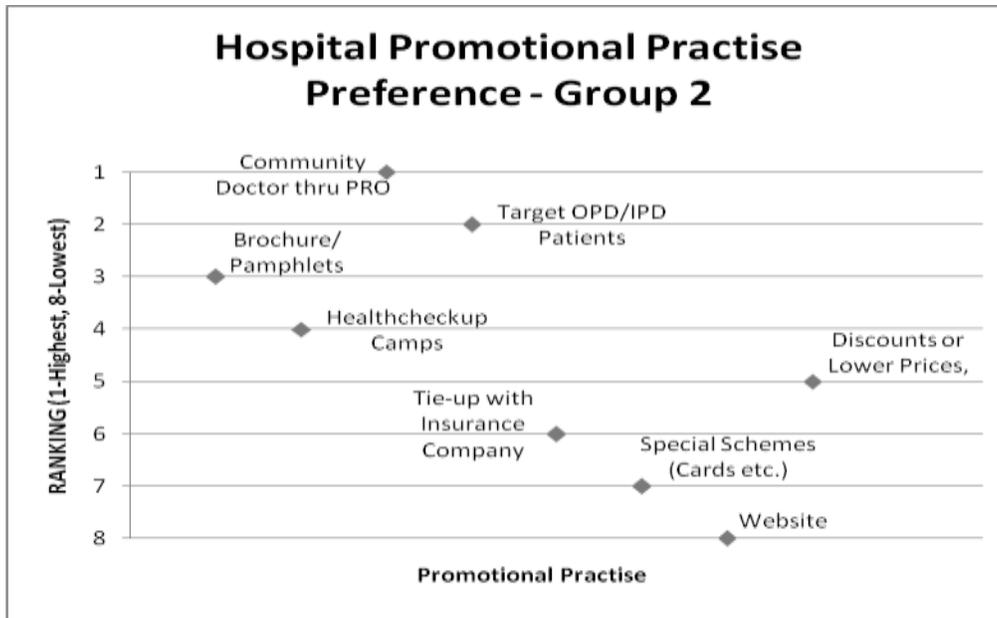


Figure 3

4.3 Service Promotion Strategy- Group 3 Hospitals

Group 3 hospitals are still in the advanced growth stage of hospital's life cycle. Having invested into growth through infrastructure, they need to establish themselves into new markets. It again requires hospital to pace its growth so that it grows while retaining its revenues. They introduce new promotional techniques like tie-up with insurance companies which help them fetch new revenue, and special schemes like membership cards etc which help them retaining their revenues through increased customer loyalty. The hospital strives to strike the balance between these two types of measures. Figure 4 summarises the results.

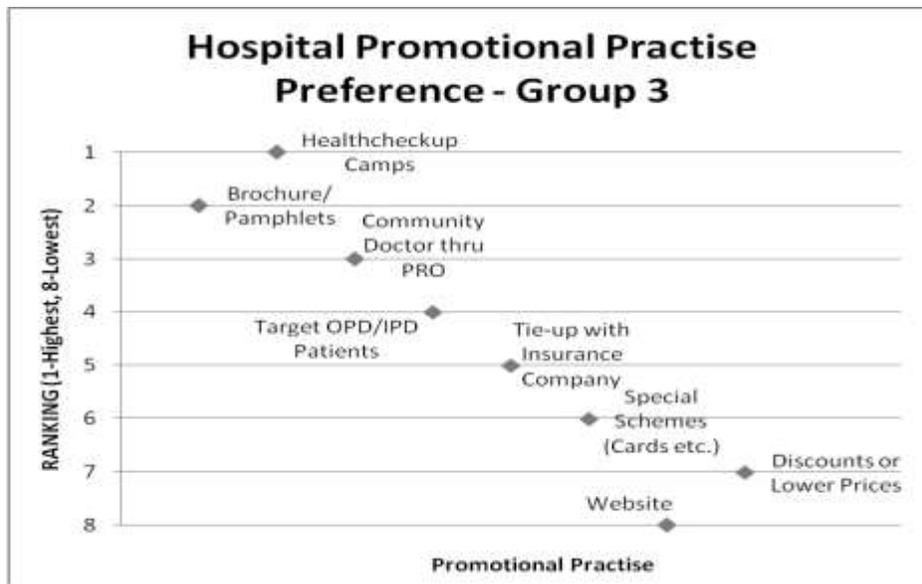


Figure 4

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4.4 Service Promotion Strategy- Group 4 Hospitals

Group 4 hospitals have established themselves to certain extent and are at the very advanced stage of hospital's life cycle. They have established themselves in the specialities they are operating in. They start strengthening themselves, reducing their dependency on external agencies. They start focusing on more specialised work. They prefer reaching patients who need services relating to their speciality through community doctors. Discounts or lower prices are no more required to generate revenue. Hospital can demand and obtain its price, hence this option is least preferred or not exercised at all. To Figure 5 reflects the outcome of Group 4 respondent's survey.

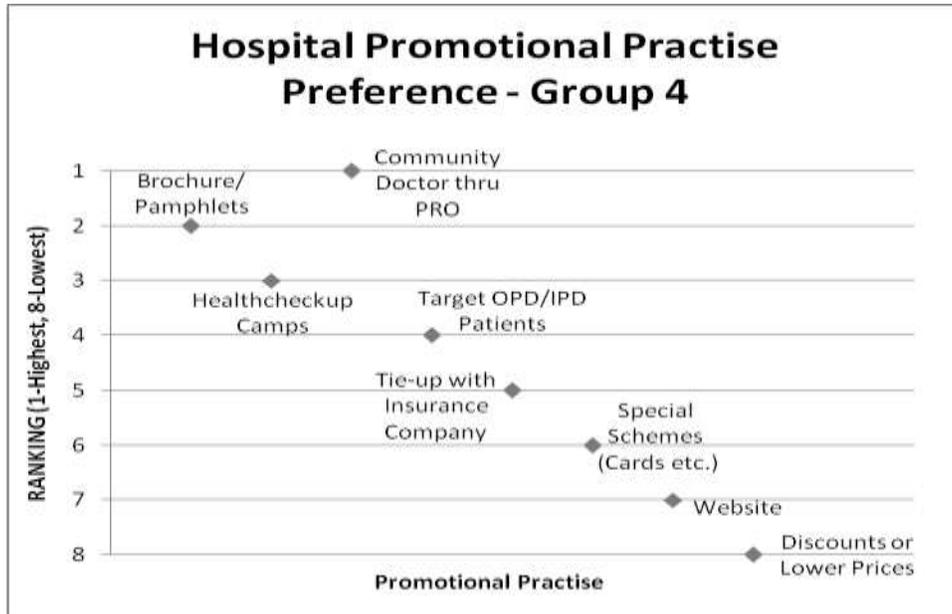


Figure 5

4.5 Service Promotion Strategy- Group 5 Hospitals

Group 5 hospitals ranked health checkup camps as most preferred promotion practice, followed by in house promotion practices like brochures. These are the hospitals which have created the image of best healthcare through most qualified doctors using best and latest technology. To increase their geographical reach and to attract more specialized work they promote through mediums like websites, medical tourism etc. New initiatives like educating OPD/IPD patient to make him use more services using dedicated team are introduced. Special schemes continue to play important role to retain patient loyalty. Community doctors are still the source for patients. Figure 6 summaries the findings.

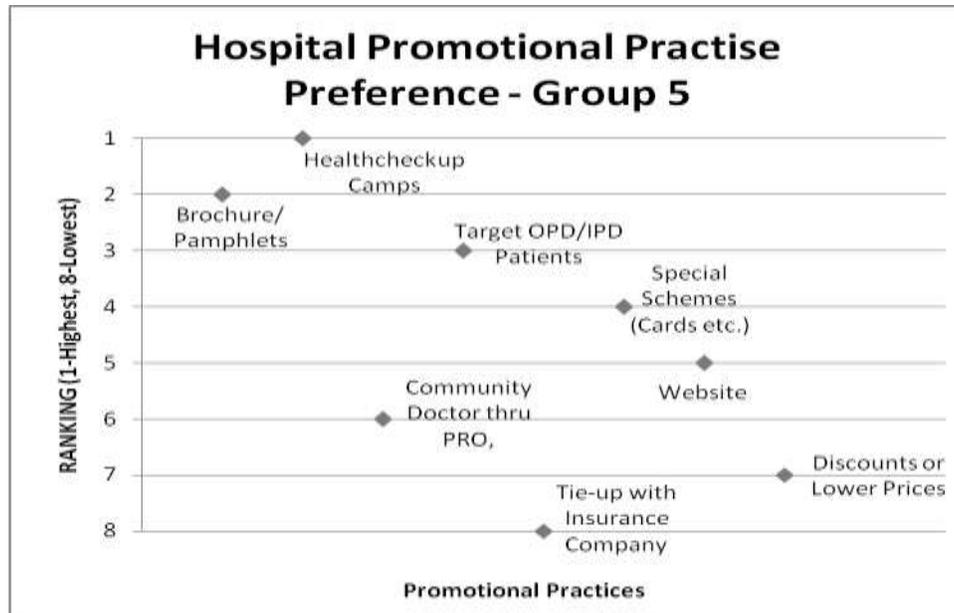


Figure 6

4.6 Impact of Service Promotion Practices on the Overall Revenue of Hospital

One of the objectives of our study was to understand the impact of specific service promotion practice on hospital revenue. Table 3 summaries our findings.

Table 3: % Variation in Hospital Revenue Due to Various Service Promotion practices

Promotion Practice	Group 1	Group 2	Group 3	Group 4	Group 5
Brochure/Pamphlets	6%	8%	10%	10%	7%
Health checkup Camps	7%	5%	11%	11%	7%
Community Doctor thru PRO	12%	11%	9%	12%	2%
Target OPD/IPD Patients	8%	10%	7%	8%	7%
Tie-up with Insurance Company	6%	1%	10%	7%	5%
Special Schemes	5%	1%	5%	4%	4%
Website	1%	1%	2%	7%	5%
Discounts/Lower Prices	6%	5%	5%	4%	3%

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As can be observed in Table 3 above the impact of various promotion practices is different for different group of hospitals. Again the impact of same practice is different in different groups. The promotion practice which translates into maximum revenue increase can be treated as most efficient promotion practice for that particular group of hospital. Table 4 lists the most efficient promotion practice for different group of hospitals below:

Table 4: List of Most Efficient Promotion Practice in Different Group of Hospital

Hospital Group	Most Efficient Promotion Practice
Group 1	Community Doctor through PRO
Group 2	Community Doctor through PRO
Group 3	Health Check up Camps
Group 4	Community Doctor through PRO
Group 5	1.Brouchures/ Pamphlets 2.Healthcheck up camps 3.Target OPD/IPD patients

5. Summary and Conclusions

This research assesses the marketing orientation of private and corporate hospitals in Indore city and with specific focus on service promotion practices.

Our study has three specific conclusions:

1. Our study concluded that today hospitals employ marketing function as important part of hospital activity. Hospitals have realised that to remain competitive they have no option but to make use of marketing. They make use of all the marketing variables including “promotion”.
2. Our study established the relation between hospital’s current stage in its life cycle with their service promotion practice.
3. We established the impact of specific “service promotion practice” on hospital revenue of varying bed capacities.

Our study findings have several implications. Healthcare executives may benefit from knowing how other hospitals are designing marketing and service promotion functions. From managerial perspective, these findings are useful in demonstrating organizational response to ever increasing patient expectations. Hospitals may utilise our findings to formulate their marketing strategy as per their current stage in hospital’s life cycle. Again they may utilise our findings to map their future growth. However, this study has a limitation that it was conducted using data from hospitals in a single city. This limits its generalisation to other cities and states of India.

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