

MARKET-ORIENTATION AND MARKETING IN THE HOSPITAL OF THE FUTURE: ATTRACTING ATTENTION - PLEASANT, DIFFERENT FROM ANY OTHER PROVIDER - SUCCESS FACTORS FOR 'ENTREPRENEURIALY CONDUCTED' HOSPITALS

HERIBERT FASTENMEIER

General Manager of Klinikum Ingolstadt GmbH, Krumenauerstraße 25, 85049 Ingolstadt, Germany; Tel.: (0049841) 8 80 – 1000; E-mail: Heribert.Fastenmeier@klinikum-ingolstadt.de.

MIRELA LEUCA

Student of Ingolstadt School of Management, Kupferstraße 26, 85049 Ingolstadt, Germany; Tel.: (0049841) 8 80 – 1001; E-mail: Mirela.Leuca@ku-eichstaett.de.

An array of dramatic changes in the health care industry has been exerting great pressure on health care providers to seize new opportunities for survival and growth. A positioning as a successful health service provider can be achieved under the new market conditions by practicing a customer-orientated and ethically liable management. An instrument for achieving market and customer orientation in order to encounter sustainable competitive advantage and profitability in the hospital service sector is the implementation and the adequate use of Hospital Marketing and its tools.

1. Introduction

The financially secured 'wealth-hospitals', which are organized according to an economic plan, where the patients are being medicated without considering economic factors, such as exuberant length of hospital stays and a generous employment of resources, and their impact on profitability belong to the past. The hospitals are facing nowadays completely new challenges due to the increased competition and the need for efficiency and are undergoing a radical change phase of so far unknown magnitude. Under these circumstances, the individual health provider must accept quickly the market prevailing principles and laws, as in any other industry normal at all times, and position itself in both the medical and the economic dimension as a successful health service provider by means of customer-orientated and ethically liable management.

This new perspective and way of doing business should be especially interesting for hospitals, where in the past the only thought was the practice of 'learned medicine' in order to heal the patients. These are the hospitals, where the unexpressed corporate motto that 'unsatisfied patients could address themselves to the hospitals in case of a disease and after that they could very well set them aside' ruled. Nowadays all the hospitals must accept and consider the changed market conditions and the huge new challenges in order to encounter a steady success and profitability. Typical for the past was also the opinion that the topic

'hospital marketing' was only relevant to the building-up of the business segment of consulting companies. The massive change and restructuring of the market for health services implies great changes not only on the supplier side but also in the scientific environment.

This paper provides the managers of hospitals with the opportunity of getting informed about the possibilities of dealing with the radically changed, increasingly dynamic and hard market and competitive conditions in order not only to secure the existence or survival of their institutions, but to achieve a sustainable competitive advantage and to improve steadily. From this background, the particular difficulty lies in the fact that the terminus 'Marketing' applied to the hospital landscape is still very young especially in Germany and due to this fact no consensus on this topic has been reached so far. Other European countries are in a more advanced status, others at the very beginning. The courage for this short presentation was reinforced by the multitude of personal discussions with managers, colleagues, head physicians, heads of the Marketing and the PR departments from different hospitals in the South of Germany, that recognized this topic as being especially urgent and important, but they were helpless.

2. The challenges faced by the hospitals nowadays

The technological progress allows us, in the hospitals, to practice new and sophisticated treatments; in the meantime pictures are being broadcasted live from the surgery rooms to hospitals located on other continents or on advanced training events in order to reach there the specialists in order to virtually weave and make use of their medical special competence. The progress in the medicine helps at developing revolutionary ways of treating complicated or in the past incurable diseases and still we are not able sometimes to provide the patients in their rooms in the hospital with a warm soup instead of a cold one or to bring them from the entrance into their rooms, through long halls without losing or alienating them. Relatives lose their patients in the hospital, letters at the discharge are not being received by the doctors responsible for the further treatment, the service spectra of hospitals are unknown, and it is difficult even for the employees to find their way in their institutions.

Considerable amounts of money are being spent in order to celebrate hospital jubilees, but no or little money is invested in market research in order to identify the needs and the wishes of the 'target customer groups'. The hospitals are still being managing methods and inefficient processes, which were developed years ago and do not apply to the DRG-system and the modern consumer needs anymore²³⁸. These examples are enough in order to illustrate the dilemma the hospitals nowadays are facing: on one hand, accusations of holding out too many beds, on the other hand, it can happen that due to overloaded capacities one patient is being sent from one hospital to the other, keyword the so-called 'hospital rally'. Other accusations such as 'hospitals earn their money from sick people' and in the same time 'they spend inefficiently money from taxes, health insurance and donations due to mismanagement' are also directed to them and to their managers. At the same time, too many employees and still no satisfying service for the 'target groups'²³⁹.

²³⁸ O.V.(1) (2004), p.3

²³⁹ O.V.(2) (2004), p.5

This conflict is being enforced by the legal reformation of the health sector planned for the future, which not only permits, but also encourages more competition in the market for the typical hospital services. Very different internal and external challenges, such as health reforms, DRG and the ambulant service provision, overcapacities, increased competition, integrated health provision, electronic patient card, medical provision centres, third party certification, DNP's, 'minimum amount', internationalization, patient sovereignty, telemedicine, work time and tariff models, must be quickly managed by the hospitals in order to secure a sustainable existence and profitability.

Efforts to increase the efficiency of hospitals and other health care organizations are receiving increased attention in the European countries. Some of the most dramatic indications of the need for increased operational efficiency of care are being produced by the state and the health insurance industry. The search for successful strategies to contain hospital costs, while improving quality and outcomes, must intensify to keep pace with the existent economic pressures. Such strategies to control hospital costs could include reengineering, addition or deletion of programs and services, reductions in personnel, performance improvement, outsourcing services, modifying staffing decisions to improve productivity or the implementation of case management, that promises to control costs by streamlining inpatient production processes, thereby reducing lengths of stay in acute care hospitals with the consequent reduction in consumption of costly inpatient resources²⁴⁰. Qualitative enhancements attributed to case management include improving the quality of care and increasing both staff and patient satisfaction. This process of increased efficiency will require the development of specific length of stay reduction initiatives with physicians, long-term care providers and other groups. In order to achieve the desired results, these activities will need to become an active part of hospital operations. Not pursuing these actions will threaten the survival of many institutions.

The challenges named above hold both chances and risks, as in each conflict, and they constitute the prerequisite for organizational change and sustainable, success and profit-orientated development²⁴¹. The unpleasant consequences can be reduced and sometimes even avoided by making use of appropriate instruments; meanwhile the enhancement of the positive conflict effect can be achieved and encouraged with the same 'munitions'. As it can be seen, the handling in situations of conflict is of essential importance, as it determines the sustainable success of hospitals in the market of hospital services²⁴².

3. Hospital Marketing: dimensions, implementation, implications

One of the instruments that could be used in order to manage successfully the new challenges and be able to achieve a sustainable profitability position in the market for health care and services is Hospital Marketing, fact also sustained by the positive results encountered in many hospitals, where the modern marketing tools have been successfully implemented. The achievement of the desired effects by making use of these instruments implies the necessity of getting rid of old behaviour patterns and of modifying the structures both in the hospitals and in the whole health care market. The postulate of orientation at the implicit market functions will determine also the future of those hospitals

²⁴⁰ Lagoe, Morreale (2005), p.82

²⁴¹ Altmann (1997), pp.67

²⁴² Bamberg (1992), pp.57

that are still against any form of market openness and orientation or of those, whose leaders want neither to consider the happening market changes nor to react adequately.

Hospital Marketing includes following categories and will elementary change the process structure and operations:

1. The dimensions of Hospital Marketing: service-mix, access-mix, consideration-mix and promotion-mix.
2. The legal principles and conditions for a market-orientated hospital management: the requirements of the legislator and the support of market-orientated behaviour patterns.
3. The target groups of Hospital Marketing that are relevant for success: referring physicians – marketing, patient – marketing, health insurance company – marketing, community – marketing, employee – marketing, cooperation partner – marketing, promoter – marketing.
4. The hospital as a Brand: attracting attention in a pleasant way, different from the others, aiming at building strong brand recognition and brand value; building a hospital brand²⁴³.
5. The implementation of Hospital Marketing: possible implementation alternatives and the presentation of the ideal implementation process for doctors, nurses and administration.

Why should one build up a hospital brand? The answer lies in the functions and the value a brand possesses. Branding represents a strong alternative for hospitals of establishing a competitive advantage that can influence the consumer behaviour by taking part at building up consumers' preferences and helps it differentiate itself from the competitors. At the same time, a brand permits a differentiated, target group specific market activity. The value and the potential of a brand are determined by its power, and the power of a brand is determined by the degree of loyalty and recognition it enjoys. The value of a brand resides in those characteristics that maximise sales. A known brand can put the basis for a positive image of a hospital and can also be means of communication with positive effects on the hospital's identity due to the high brand recognition it enjoys²⁴⁴.

The way towards it is long, but we must accept that Hospital Marketing is neither a temporary fashion nor an instrument for elitist executives to distinguish themselves from others. Hospital Marketing is rather a mature, tested and broad toolkit which is available to and must be adequately used by each hospital employee²⁴⁵. The time has come to regard the hospital landscape as any other industry, where a company can solely survive and grow if it achieves a sustainable competitive advantage leading to above-average returns by means of continuous, consequent and highly professional management activities. The question that rises is not if, but when do hospitals start to adjust to the needs of their relevant markets and begin implementing hospital Marketing. As showed above, this performing instrument can and must be adopted by all types of hospitals in order to ensure their existence on the market.

²⁴³ Mayer (2005), pp. 13

²⁴⁴ Aaker (1996), pp.14

²⁴⁵ Bleicher (1991), pp.27

The actual legal changes provide the hospital with a good opportunity to perform the above described restructuring and implementation. As already mentioned above, Marketing is a continuous process and it also implies Relationship Marketing, which aims at establishing and developing relationships with the target groups of the hospital and at making them satisfied. Each adoption or implementation phase, after it has begun, must be uninterruptedly continued, developed and improved. From a long term perspective, none of the phases can really be finished, as all of them are inter-coordinated and determine each other permanently. If none of the phases of this loop were being continuously modified, the information standing at the basis of these stages would become obsolete. The use of out-dated specifications and demands would not allow the presence of flexibility in the market for hospital care and services²⁴⁶.

4. Conclusions

The hospitals must adopt and implement not only medical and technological progress, but must also consider the new market conditions and start reacting adequately. What does this mean for the hospitals? It is imperative that hospitals concentrate more and more on their target groups and try to best satisfy their needs by aiming at the same time at operational efficiency and economic profitability. These are the hospitals of the future, the ones that are going to dominate the market: the ones that are able to think and act as any other profitability- and market-orientated company, meanwhile not forgetting their social responsibility and commitment - that of healing sick persons. If a hospital orientates itself undeviating at the wishes and needs of its target groups, nobody can accuse it of holding too many or few beds, of exploiting sick persons, of wasting money or offering bad service. The instrument, which allows a hospital to handle and to react in time at external effects, is the Hospital Marketing.

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²⁴⁶ Mayer (2000), pp.14; Thill (1996),pp.15