Closing the Gap Between Hospital Marketing and Finance: A Bridge Too Far?

Why focusing on the customer experience, instead of trying to calculate marketing's return on investment, is the best way for healthcare marketers to demonstrate a tangible contribution to their organizations' balance sheets.

Healthcare marketing executives continue their struggle to demonstrate—in quantitative terms that their C-suite managers consider valid—the incremental revenue and profitability that can be legitimately attributed to their efforts to increase the volume of patients and procedures. Three sad truths explain why the quest to prove the economic value of healthcare marketing tactics has been largely unsuccessful:

Mass media tactics don't always drive revenue. A century-long effort by consumer-based businesses to crack the return on investment (ROI) code has yielded no strong correlation between traditional media campaign effectiveness and actual sales (Nail 2005). The nation's largest and most innovative advertisers—ranging from General Motors to Amazon.com—have sharply reduced reliance on print and TV campaigns in favor of marketing communications tactics that build long-term relationships and loyalty with prospects and customers.

Consumer healthcare spending is largely nondiscretionary. A sizable percentage of healthcare marketing will always be wasted on consumers with no need (or immediate need) for healthcare services. This dynamic is true for many businesses, but healthcare is particularly inefficient. Even when it is feasible to tailor media tactics to target audiences, most hospital campaigns fail to do so; witness the proliferation of highway billboards and other broad-scale marketing methods.

Most hospitals are not equipped to track utilization. Although seasoned marketers find media campaign results helpful for planning purposes, they understand that their CFOs are seeking demonstration of yield, which is based on tracking downstream patient activity. Unfortunately, care delivery at most hospitals is decentralized. Customer data are locked in separate silos, making it nearly impossible to track the customer revenue trail from initial inquiry, to scheduling, to admissions, to billing.

Regardless of marketing budget size or campaign effectiveness, third-party influence—not marketing tactics—continues to drive hospital selection and revenue. According to Press Ganey Associates, publishers of the annual Health Care Satisfaction Report, friends and family are the most common sources of information on healthcare options (Press Ganey 2006). Additionally, the J.D. Power and Associates' National Hospital Service Performance Study, which measures satisfaction among recently discharged patients, finds that 75 percent of patients use reputation-related information as their primary criteria in selecting a hospital (J.D. Power and Associates 2005).

Physicians remain as key sources of influence. A Dartmouth Medical School national study of hospital selection by Medicare patients admitted for major, nonemergency surgery showed that for 31 percent of those patients, their doctor was the sole decision-maker. Another 42 percent made the decision together with their doctor (Wilson, Woloshin, and Schwartz 2007).

Choose Your Poison

If these assumptions and market dynamics are valid, then healthcare marketers should consider two conclusions:

First: They are currently trapped in a no-win game, in which the information required to accurately value their professional activity is unavailable to them, and their best efforts to calculate marketing ROI are largely discounted by senior managers. Evidence supporting this view can be found in a recent survey, which showed that only 34 percent of more than 200 hospital CEOs would firmly commit to an increase in their hospitals' marketing budgets, even if presented with an ROI on current marketing initiatives (Advisory Board 2004).

Second: In a game where the rules do not allow you to win, it's time to change the rules. Healthcare marketing professionals have a clear choice: They can do nothing, maintain ownership of a function that is viewed largely as a necessary evil by their senior managers, and learn to live with the associated career risk in the face of shrinking hospital margins. Conversely, they can enhance their job security and professional satisfaction by assuming a leadership role in an initiative designed to:

- Build C-suite understanding of the current marketing ROI challenge.
- Establish a new way to generate and measure revenue growth.
- Create reasonable metrics associated with this new approach.

Time to Retire Marketing ROI?

Before attempting to change the rules of the ROI game, healthcare marketers must first rewire their own brains, by thinking and acting as though they work for a consumer service provider whose market dynamics are similar to those of a credit card company, a public utility, a hotel, or the corner gas station.

Marketers should forget that they are selling healthcare and address the #1 priority of all successful consumer businesses: improving the customer experience. This "experience"—which is much broader than the clinical treatment patients receive—begins with a customer's initial contact and continues long after hospital discharge.

Numerous success stories—ranging from Virgin Atlantic Airways, to Whole Foods, to Harley-Davidson and Lexus—as well as a growing body of academic research support what experienced marketers have long understood: consumer decisions are based on emotion and subsequently justified by logic. The customer experience, therefore, is focused not only on the mechanics of delivering an outcome, but also on the quality of the service delivery itself. For example, the concept of customer experience should manage the efficiency and outcome of a consumer's call to a hospital contact center, as well as how the customer felt throughout and following the entire process.

The customer experience outcome is unrelated to measurement of customer (or patient) satisfaction—which, according to market researcher Frederick Reichheld, can be a red herring, as satisfaction can be very different from behavior. Reichheld's and Sasser's research (1990) showed that, on average, 84 percent of customers are satisfied, but only 41 percent remain loyal. As many as 80 percent of customers will claim to be satisfied, but will not remain loyal.

The ultimate goal of customer experience is brand loyalty and repeat business. Regardless of how and why a customer knocks at your hospital's door—through advertising or word of mouth—loyalty is a market variable that can be tracked and measured. Reichheld's and Sasser's study also demonstrated the ROI of customer experience: a 5 percent increase in customer loyalty can produce profit increases ranging from 25 percent to 85 percent.

Successful design and management of the customer experience produces "ambassadors," customers who repeatedly use your service and proactively recommend it. Customer experience seeks to limit the number of "terrorists," those who are dissatisfied with your service and tell others about their experience. According to one estimate, an ambassador can be worth 70 times more than a typical customer in total margin over the length of a relationship (Heskett et al. 1994).

A Cocktail-Napkin Game Plan

Hospital marketers intent on redirecting their facilities toward more meaningful measures of ROI can expect to face resistance regarding the need to improve the customer experience. A recent survey by management consulting firm Bain & Company demonstrated how most organizations misread the market: 80 percent of the 362 firms surveyed believed they delivered a superior customer experience, but only 8 percent of their customers agreed (Allen, Reichheld, and Hamilton 2005).

Because managing the customer experience involves the inexact science of understanding and shaping customer emotions, it is often discounted as a marketing strategy. However, in markets where the consumer has difficulty discerning relative quality and value—particularly true in healthcare, even with increased transparency—the customer experience is often the only way to differentiate brand and establish competitive advantage.

So how does a hospital marketer begin to redirect a hospital from a tactically based, short-term marketing orientation to a more strategic approach? Forget about the three-ring binders and elaborate plans, and consider the following:

1. ***Have a heart-to-heart with senior managers.*** Either formally or informally, depending on existing levels of trust and communication, the change process must begin with honest discussions with C-suite executives about the shortcomings involved in the existing marketing ROI process. If positioned as an exploration of ways to improve financial results and organizational transparency, that process is likely to increase the marketer's professional stature and open the door to consideration of viable alternatives.
2. ***Propose a proven, credible means to enhance the customer experience.*** Together with your management team, explore participation in existing third-party evaluations that will identify and address the scores of operational and cultural factors involved in influencing customer loyalty. The Malcolm Baldrige National Quality Award, the J.D. Power and Associates Distinguished Hospital Program, and the Press Ganey Compass Awards all embody the high standards necessary to move the needle of customer experience.
3. ***Stop the customer experience bleeding immediately.*** Customer experience involves significantly more than a call center. Regardless of what drives customers to your hospital's door, how efficiently that initial customer touch point is managed has an immediate and significant impact on the revenue potential of the caller, and also on whether he or she will become a brand ambassador or a terrorist. Sloppy or unsophisticated management of phone and web-based customer inquiries results in significant lost opportunities for revenue generation. The hospital call center is the most appropriate place for marketers to demonstrate tangible economic contribution to their organizations' balance sheets.

Despite weariness from running on the ROI treadmill and support for the customer experience logic, many hospital marketers remain understandably reluctant to initiate C-suite conversations that they fear may lead to budget cuts and staff reductions. The unfortunate outcome of not taking the initiative to bridge the gap between marketing and finance is likely to be the catalyst for a more one-sided discussion, one in which the bosses will hold those marketers accountable for their lack of initiative in driving necessary change. At worst, they are likely to be replaced by the head of marketing from their local beauty salon or community bank—the one who understands customer experience.

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