Chapter 2

Review of Literature

2.1 Introduction:

The hospital services market represents one of the most lucrative segments of the Indian healthcare industry. Various factors such as increasing prevalence of diseases, improving affordability and rising penetration of health insurance continue to fuel growth in the Indian hospital industry. With continuous increase in demand, the industry is expected to witness growth of around 8% in 2011 over the previous year, but the question arises despite the growth in the sector will the beneficiaries or the Patient or their attendants so to say will be satisfied, if so the extent of their satisfaction with various parameters and its implication on Customer relationship management.

Healthcare adopted marketing approaches well after most other industries, and the marketing era was not considered to begin in healthcare until the 1980s. Health services are one of the most intangible of products. However they can be made concrete through managerial and advertising actions.
Service definition, “A service is any act or performance that one party can offer to another that is essentially intangible and does not result in ownership of anything (Kotler)⁰. Its production may or may not be tied to any physical product.”

2.2 Objective of the Review:

Objective of the review is to understand extend of the study carried out in the context of the Hospital services marketing and its implication on Customer Relationship management or may be in related areas or as a standalone topic. Understand the extent of facilities provided by various hospitals and the level of satisfaction derived by the patients or the
patient's relatives and subsequently the implication on Customer Relationship Management.

Thus aim is to provide extensive information and rational analysis of the Indian hospital sector with special emphasis to Pune City and also provide analysis of factors driving growth in the industry. This report will also serve as an investment guide for investors and help them in devising their strategies while investing in the sector at the same time ensuring customer relationship management. Thus help in correlation of the review with the objectives of the study.

2.3 Literature review by various Authors Nationally and Internationally:

According to Indian Healthcare - New Avenues for Growth report, India represents one of the most rapidly emerging healthcare products and services market in the world, with the worth of around US$ 45.8 Billion in 2009. Moreover, the industry has successfully been able to survive amid global financial turmoil owing to prevalence of chronic as well as communicable diseases, among which the most recent is Swine Flu. According to our newly updated research report “Indian Healthcare - New Avenues for Growth”, the potentials of the Indian healthcare industry are
immense and it is expected to rise exponentially owing to increasing per capita healthcare spending and deliberate investments in this sector by the private players. It is expected that this market will grow at a CAGR of around 21% during 2010-2013. The growth of the healthcare market will mainly be driven by factors such as changing demographics profile, epidemiological transitions and increasing health insurance penetration. Our report discusses about all such key drivers that are stimulating growth in the healthcare market.

India represents the second most populated country in the world. Our research finds that with a rapidly expanding economy and increasing urbanization, prevalence of a number of chronic diseases, such as cardiovascular, diabetes, arthritis and cancer, will increase rapidly in India. In addition to this, our report also explores that sectors such as medical tourism market and pharma outsourcing market will grow at a CAGR of around 31% and 34% respectively during 2010-2013. So, the country is well-poised to become a source of opportunities for players operating in these segments.

All-in-all, the research report gives a proper insight of the Indian healthcare market’s current and future performance. It will thus be a valuable asset for the new market entrants as it will help them in framing
their strategies accordingly and will have a positive impact on the customer relationship management

According to Thomas L. Powers, (Graduate School of Management, University of Alabama at Birmingham, Birmingham, Alabama, USA), Eric P. Jack, (Graduate School of Management, University of Alabama at Birmingham, Birmingham, Alabama, USA) Citation: Thomas L. Powers, Eric P. Jack, (2008) "Using volume flexible strategies to improve customer satisfaction and performance in health care services", Journal of Services Marketing, Vol. 22 Iss: 3, pp.188 - Title: Using volume flexible strategies to improve customer satisfaction and performance in health care services whose purpose for the research was: Responding to demand fluctuations is a difficult problem in the marketing of services. This problem is particularly difficult in the delivery of health care, as it requires a complex network of facilities, equipment and trained personnel. This paper aims to examine how health care organizations are deploying volume flexible strategies in response to these changing demand patterns3.

This research used interviews with hospital administrators and a survey of administrators at academic medical centers in the USA to identify the use of internal and external volume flexible strategies, their impact on the
creation of volume flexible capability, and their impact on performance outcomes.

The results show that there is a positive relationship between the use of internal volume flexible strategies, volume flexible capability, patient satisfaction, and organizational performance.

Although the measures used in this study were adequate for this exploratory research study, they require further development to improve their reliability as well as to capture additional dimensions of the constructs examined. The results validate the impact of these strategies and indicate that internal volume flexible strategies are positively related to patient satisfaction and organizational performance. Although health care organizations have implemented these strategies, little is known about their use or the impact that they have on satisfaction and performance – this work addresses this gap.

According to Dr. S. Dhinesh Babu and Mrs K Rajalakshmi, trichy Marketing is a function by which a marketer plans, promotes, and delivers goods and services to the customers. In the services marketing, the providers are supposed to influence and satisfy the users. When people buy services offered by a service provider in a true sense, they buy the time, knowledge,
skill or resources. Marketing the service is meant marketing something intangible. It is like marketing a promise. The applications of marketing principles in the services sector are the main things in the services marketing. It is the managerial process of managing the service.\(^4\)

### 2.4 Customer Relationship Management

CRM can transform the role and financial impact of healthcare organizations' marketing initiatives: When customer relationship management (CRM) came on the health scene approximately six years ago, some viewed it with skepticism and primarily saw it as a way to refine rather than reinvent marketing. More progressive marketers adopted the CRM techniques of compiling all patient/consumer and market data into a centralized database and used data mining to more narrowly define target audiences based on health characteristics rather than general demographics\(^5\).

The goal was more market share, and CRM, unlike advertising or other mass marketing techniques, allowed marketers to personalize direct mail and to track campaign results. However, almost no one was using CRM close to capacity, as a resource that could fundamentally change marketing and its status. The emergence of new healthcare trends and technology has
irrevocably changed the way organizations recruit and retain patients, with CRM as one of the new core competencies.

"CRM has allowed us to think differently about how we can approach one customer at a time," says Lori Mouton, director of marketing and public relations at Port Huron Hospital in Port Huron, Mich. Concentrating on one customer at a time is a hallmark of CRM that has transformed the role and impact marketers can have in their organizations as they relate to the following healthcare trends.

Trend #1: Serious Financial Shortfalls

It has been more than a decade since Hillary Clinton's plan for national insurance was debated and debunked, yet the number of uninsured individuals continues to grow. The most recent Census Bureau report indicates the number of Americans without health insurance increased by 1.4 million between 2002 and 2003, representing 15.6 percent of the population or 45 million people, including 8 million children.

This situation may put healthcare marketers in an interesting and complex position. Many healthcare organizations have a mission to serve any person requiring care or have to provide a certain amount of indigent services each year but don't necessarily promote it. However, because
traditional marketing and advertising reach a broad audience, they may bring in more uninsured than insured individuals.

Mouton believes CRM data gives both marketing and planning operations the information necessary to fulfill the organization’s mission and business objectives. "As a nonprofit, it is our responsibility to care for all patients regardless of their ability to pay, and our mass marketing and communications efforts help reach everyone in our community. While we primarily use our CRM database to target patients with a higher likelihood of having insurance, we’re also considering ways to use the data to help uninsured and underinsured individuals better access our healthcare system."

On the West Coast at Sharp HealthCare, Jared Solomon, advertising and CRM manager explains, "The reality is that to provide community service to the uninsured, healthcare organizations need to attract as many insured patients as possible. CRM allows organizations to target individuals who are insured as well as build loyalty among repeat insured patients, which leads to improved financial performance."

Solomon agrees marketers can use CRM to help educate consumers about treatment options, affordable coverage and state programs for the
uninsured. "This proactive approach reduces the demand for expensive reactive care, which is often absorbed by the health system and, ultimately, taxpayers."

Trend #2: Fewer Marketing Dollars, Increased Pressure for ROI

Marketers in almost every industry have been asked to achieve more with less as CEOs and CFOs scrutinize every expense. Some have found that embracing CRM technology can increase marketing efficiency and prove results.

According to Bill Oakes, director of business development at Johnson Memorial Hospital in Franklin, Ind., "Several studies have concluded that traditional retail/service marketing does not impact healthcare volumes within a specific market or measurably change market share." He also says there is no way to effectively track a return on investment (ROI) to traditional marketing. "In an era of diminishing marketing resources, it is irresponsible for marketing officers to squander hospital resources or allocate resources to marketing actions that cannot be measured for their effectiveness in their impact on hospital volume and revenue." Without bottom line results, marketing becomes a dispensable commodity
Sharp HealthCare's Solomon agrees. "One of the main strengths of instituting a CRM system is providing a causal relationship between marketing campaigns and downstream revenue. By loading mail lists, call center and Web center data, managed care enrollee lists and medical office and hospital encounter information into the CRM system, users can query the database for reports that demonstrate the impact of a particular marketing campaign."

However, he cautions that because organizations vary in structure, some may not perceive the need to measure return on investment in this manner, nor have the resources to invest in a CRM system. Still, Solomon does believe a CRM system makes sense "for most medium- to large-sized healthcare providers, particularly those in highly competitive environments that operate on thin margins."

Better Business Development: Because the CRM database is a powerful tool from which to extract information on market share, service utilization, debt collection and predicted need for services, marketers can offer more value to the business planning and development functions. "We can provide more strategically relevant information to the hospital’s planning process, we can better drive our business development/service line analysis
process, and we can more accurately measure the effectiveness of our most important lines of business,” says Oakes.

Trend #3: Health Savings Accounts and Consumer-directed Health Plans

In September 2004, the Office of Personnel Management gave a big push to the consumer-directed health plans (CDHP) movement when it announced that several health savings accounts (HSAs) would be available to federal employees. Almost unnoticed, legislation clearing the way for tax deductible HSAs was a part of the Medicare Prescription Drug, Improvement and Modernization Act of 2003.

Many managed care plans and employers are moving to create these options. According to a recent survey from Deloitte Consulting LLP, the number of employers offering consumer-driven plans is on the rise, up to 19 percent in 2004 from 11 percent in 2003. Of the total 314 companies surveyed, another 14 percent said they would offer some type of CDHP by 2006.

The emergence of these plans and the shifting of a greater financial burden to consumers’ means consumers will probably be more careful about when and where they get their care.
As these options develop and achieve more prominence, individuals will need more information about them as well as good preventive care. According to Johnson Memorial Hospital’s Oakes, "These movements will put a premium on a hospital’s ability to segment, target, capture, monitor utilization and measure success in future marketing efforts. We’ll be using CRM to monitor our success in attracting segments in our market and comparing that success to our competitors through the available public data."

Where CRM Is Heading: Mouton, Solomon and Oakes agree that CRM should continue to evolve to meet healthcare marketing challenges and market trends. Over the next several years, Mouton hopes Port Huron’s continued reliance on CRM will result in increased market share and customer loyalty.

Oakes believes that "CRM has to produce results in a way that a greater understanding of the limitations of traditional marketing in healthcare is recognized. We have to challenge ourselves to measure what we do in a more businesslike fashion, and CRM could be the most effective tool to do that."
While Solomon says CRM can improve financial performance and overall brand strength, implementing a CRM system can be a significant investment and often may be the largest barrier to adopting CRM. "It is important to gain CFO acceptance and buy-in prior to the launch of a campaign. This includes agreement on ROI metrics, what constitutes contribution margin, and the importance of holding out a control group or subtracting market share to satisfy challenges such as 'they would have come in anyway.'"

Such findings suggest that the reinvention of marketing fueled by CRM allows both marketing and healthcare providers to use their resources more strategically and wisely. Healthcare marketers today have two choices: sit on the sidelines and watch as other organizations reap the strategic and financial benefits, or make changes that produce more effective communications and revenue, and offer marketing a broader organizational role besides have a better customer satisfaction and thereby have positive implications on Customer Relationship Management.

References:

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4. Marketing Mix for Hospital Services in Globalized Era, by Dr. Dhinesh Babu (Professor)& Mrs. Rajalakshmi (Lecturer)

5. CRM grows up: CRM can transform the role and financial impact of healthcare organizations' marketing initiatives; by Nancy V. Padiisson

Reading

