CHAPTER 1

HEALTHCARE MARKETING – AN OVERVIEW

1.1 HEALTH AND HEALTHCARE

Health is and has been a common theme in most cultures. All communities have the concept of health as part of their culture. However, what constitutes health is still a matter of debate. The definition of health is very elusive and there is no standard yardstick to measure it.

DEFINITION AND DIMENSIONS OF HEALTH

Among definitions still used, probably the oldest is that health is the ‘absence of disease’. However, even in ancient cultures it was realized that the mere absence of disease is inadequate to describe health. The ancient Indian and the Greek cultures considered health as equivalent to harmony which was defined as ‘being at peace with the self, the community, god and cosmos’. Subsequently, the definition of health had undergone tremendous change.

Today, the Webster dictionary defines health as ‘the condition of being sound in body, mind or spirit, especially freedom from physical disease or pain’ while the Oxford English Dictionary defines it as ‘soundness of body or mind; that condition in which its functions are duly and efficiently discharged’.

The most widely accepted definition of health is that given by the World Health Organization, in 1948, in the preamble to its constitution which states the ‘Health is a
state of complete physical, mental, and social well being and not merely an absence of disease or infirmity’. In recent years this definition has been amplified to include ‘the ability to lead a socially and economically productive life’.4

Health is multidimensional. The WHO definition envisages three specific dimensions i.e. the physical the mental and the social. Many other dimensions have been cited and include emotional, vocational, spiritual, cultural, environment and preventive. As the knowledge base grows the list may be expanding further.5 All these dimensions function and interact with each other.

The physical dimension of health is probably the easiest to understand, examine, measure and assess using a standard yardstick.6 It is the only dimension that lends itself to scientific research. It is for this reason that, to most people, it is considered as the most important dimension of health, and at most times considered synonymous with the overall meaning of health. In this study also, the word ‘health’ will be used mainly in its physical context.

Modern medicine has evolved various tools and techniques for the assessment of the physical health. At an individual level these include history of the individual’s symptoms, history of risk factors, family history of illnesses, clinical physical examination of the various parts and systems of the body and various laboratory and radiological examination. These are compared against the ‘normal’ limits, which are set by examining a large number of people who are free from disease.7 If there is any deviation or difference from the presumed normal, an abnormality is inferred and necessary intervention, including pharmacological and non-pharmacological are instituted. At the community level, the physical health of the community is assessed by indicators like life expectation, birth rates, death rates, infant mortality rates and other such indices that are compared across various communities.8

Despite of its apparent importance, health has long been a neglected entity. At an individual level, health is usually relegated secondary to other needs. At an individual level health is considered much below other needs like wealth, power, prestige,
security and knowledge. At the national level, the state spending on health is far below other areas like defense. At an international level, health was not considered important enough to be a part of the covenant of the League of Nations, the predecessor of the United Nations, when it was first drafted after the First World War. It was introduced later.

However during the last few decades there has been recognition, at an individual level, of health as an essential element for the satisfaction of the basic human needs and for improved quality of life. At the national level many governments, especially those in the developed countries, are paying more and more emphasis on health and healthcare and making it an essential aspect of their governmental strategies and plans and making health and its maintenance as a major social investment. At an international level it has been recognized as a fundamental human right and a social goal. The World Health Assembly, in 1977, decided that the main social targets of all the governments around the world and of the WHO in the coming decades would be 'the attainment by all citizens of the world, by the year 2000, of a level of health that will permit them to lead a socially and economically productive life'. This declaration is also referred to by the often quoted motto 'Health for All'.

Health is fundamental to national progress. In terms of resources for economic development of a nation, human resources are now considered to be the most important. This human resource needs to be in the best of health to be able to contribute positively to the development of the society.

**HOSPITALS AND HEALTHCARE INSTITUTIONS**

Since most of the significant health problems require a level of medical treatment and personal care beyond the range of services normally available in the patient’s home, society has developed formal institutions for the care intended to help meet the more complex health needs of its members. These institutions are been generically termed hospitals.
The word hospital is derived from the Latin word ‘hospitium’ which means a place where guests (hospes) were received. The adjective of the word hospitilium, ‘hospitalis’ came into use and adopted as hospitals. From houses of mercy to tools of confinement, from dwellings of rehabilitation to places for clinical teaching and research, from rooms for birthing and dying to institutions of science and technology, the hospitals have undergone immense transformation over time.

FUNCTIONING OF HOSPITALS AND HEALTHCARE INSTITUTIONS

Healthcare is one of the largest and most important industries in the world and hospitals are among the most complex and dynamic institutions in our society.

The present day shape of hospitals and its complexity is due to the shift in the delivery of health care from an individual to an organizational process and the unprecedented development in science and technology. In order to meet the growing demand of people for better medical facilities and also to treat complicated medical cases, hospitals have become very sophisticated institutions with highly trained manpower, sophisticated biochemical equipment and latest methods and instruments for preventing and treating diseases and promoting health.

The healthcare delivery system through a hospital is characterized by diversity. Diversity of providers of service, who are organized in a variety of ways and practice in a number of settings, the diversity of specialties and services provided, the diversity of range of equipment used and the diversity of patients utilizing the hospital services.

In view of this diversity, hospitals and healthcare institutions are classified and compared in many ways. These include classifications based on; type of service
provided, ownership and control, length of stay, size, facilities and organization provided, financial structure and others.

A brief overview of the different types of hospitals and healthcare institutions and their functioning is given. The text borrows from Encyclopedia Britannica, the Colliers Encyclopedia, a review of hospitals by Snook and is based on personal experience.

GENERAL HOSPITALS

The word ‘hospital’ when applied to a healthcare facility conjures the image of a general hospital. A brief description of a general hospital is necessary to understand the complexities and intricacies of functioning of a hospital.

General hospitals are termed ‘general’ in the sense that they admit all types of medical, surgical and maternity cases. They are usually for acute illnesses and short-term care. These have an organized medical staff, professional nursing staff, diagnostic equipment including radiology and laboratory, operating rooms, delivery rooms, a pharmacy, physical therapy and an emergency unit. They are geared to deal with most kinds of medical and surgical outpatients and inpatients and emergencies.

General hospitals vary in size. The larger ones may have all or some of the additional facilities including intensive care unit, coronary care unit, renal dialysis unit, advanced surgical units like cardiac surgery and plastic and reconstructive surgery, specialized burn unit, radiation therapy unit, physical therapy and rehabilitation. Specialized medical and nursing personnel man these facilities. They usually have number of ancillary department including medical engineering, dietary, laundry, and medical store for the smooth functioning of the hospital. They also have general services department responsible for maintenance, transport, purchasing and stores and also departments dealing with accounts and finances.

The management usually rests with a governing body or a hospital board, which selects a chief executive answerable to the board. Senior administrative officers
responsible for specific areas like medical, nursing, finance, personnel and general services assist the chief executive.

The medical staff is usually organized into department and medicine, surgery, obstetrics and gynaecology, ophthalmology, radiology, pathology and like. Each department had a heads looking after the affairs of the department. Depending on the size of the hospital and the specialties available the department may have subspecialty units. Medical department may have neurology, nephrology, pulmonology and other units. The departments are by themselves highly specialized but equally interdependent on each other for the overall patient care.

The administrators and the various heads of the department are organized into various committees and boards who deal with different administrative matters and the functioning of the hospital. There are also committees to review the professional work, mortalities and quality of medical care.

General hospital may be affiliated to medical colleges and impart professional training at undergraduate and postgraduate levels to medical and nursing student. They may also be affiliated to schools of pharmacy, physical therapy and other ancillary training. Most of the general hospitals are also actively engaged in professional medical research.

General hospitals provide a high quality of comprehensive medical care covering all aspects of a patient’s illness.

**SPECIALIZED HOSPITALS**

These are hospitals that specialize either in one type of disease (tuberculosis hospital), or one group of diseases (mental hospitals) or one type of patients (children hospital). Leprosy and tuberculosis hospitals have been in existence for centuries. These were primarily built to isolate these patients rather than provide them with specialized care. Over the years this role had been reversed. These hospitals provide comprehensive
treatment for all aspects of the disease including medical and surgical, physical, occupational and rehabilitation.

Psychiatric patients have been traditionally admitted to mental hospitals usually termed asylums. It was done to keep these patients away from the community and here the inmates stayed long, usually many years and most of the times till their death. Better understanding of the mental diseases and behaviours by the medical profession and the general public, modern medication and better rehabilitation programs have helped return most of the psychiatric patients early to the community. With these developments the role of mental hospitals is steadily decreasing. Psychiatric department and wards are now a part of most of the large general hospitals.

OTHER SPECIALISED HEALTH CARE FACILITIES

In recent times many specialized health care facilities have developed catering mainly to advanced therapeutic, diagnostic and rehabilitative needs. These differ from a traditional definition of a hospital, as there do not have inpatient facilities. There are specialized diagnostic laboratories, specialized radiological facilities, specialized physiotherapy centres and the like. By focusing on a limited market they may offer advanced facilities and personal care not commonly available in the general hospitals.

LONG-STAY INSTITUTIONS

Historically long-stay hospitals or ‘homes’ as they are usually termed have been used to house the elderly, the infirm and those with chronic irreversible and disabling diseases. Left in these institutions by family and friends, who were unable to care for these patients at home, the patients lived here usually till their death.

Today these institutions, which are an extension of the general hospital, help a patient to prepare for return to home and family life. They also help to conserve expensive hospital space and resources for the acutely ill.
GOVERNMENT HOSPITALS

This the term given to hospitals, irrespective of their size, which are established by the government, which also provides funds for their functioning and is responsible for formulating policies and managing the hospital.

Traditionally the responsibility of health care of the population rested with the state, which provided both preventive and curative medical care to its subjects. In all countries including India various state run (government) hospitals have been set up in different parts of the country and with the growth in the awareness and demand for health services and the simultaneous growth in science and technology, these hospitals have grown in number, size and complexity. These hospitals, that are conspicuous institutions of the society, consume significant amount of resources.

Over the past few decades there has been an increasing dissatisfaction with the organization and management of these government hospitals both in India and abroad. Lengthening queues and inordinate delay in management, indifferent and dissatisfied doctors, impersonal and inefficient staff, and poor planning and policies have now become a hallmark of these institutions. Despite using significant amount of resources of the community these hospitals have not been able to deliver the expected benefits to the community in terms of disease prevention and management and health promotion.

PRIVATE HOSPITALS

With the failure of the government hospitals, small private hospitals began to mushroom. They were called ‘nursing homes’ in Britain, Indian and many other parts of the world. They were able to provide simple nursing and basic medical procedures and accommodation to the patient who was generally under the care of a general practitioner or a visiting consultant. Medical practice in developing countries including India is now characterized by a proliferation of such health care delivery
systems in small towns and cities, usually owned by the doctors themselves, and providing basic medical care apart from accommodation. Gradually many of these nursing homes grew in size and complexity. Maternity and diagnostics were added to their services. Many started performing basic surgeries. Some became more specialized and offered specialty treatments.

These private health care delivery systems are characterized by different kinds of healthcare providers who practice in a variety of settings with varied specialties, services and equipment. Many of these have now developed into large hospitals offering multi-disciplinary and multi-specialty outpatient and inpatient services and a variety of laboratories and investigative services under one roof. These private hospitals have been largely successful in giving quality care to people who are able to afford these services.

Many of these large private hospitals are managed by religious orders and missions and are mainly non-profit and charitable in nature. More recently there has been a development of private hospital managed by a company, business consortium or shareholders.

Lately, however, there has been a growing public sentiment against these private healthcare delivery systems. Over-treatment, exaggerated costs, misinformation and unaccountability are the major concerns. Most believe that the prime concern of these hospitals is profit rather than patient care. With the widening of the gap between expectation and their fulfillment, there has been a growing patient dissatisfaction with these private healthcare centers.

**FOR-PROFIT AND NOT-FOR-PROFIT HOSPITALS**

As mentioned, private hospitals may differ in the profit motive. Most of the early private hospitals were established and managed by religious orders and missions or by group of philanthropist to provide for the poor of the community. Many are still owned and operated by them. These hospitals are non-profit (or not-for-profit) and
charitable in nature. The governing board usually serves without any remuneration. The hospital charges are usually low and many poor patients may be given treatment free of charge. Any profit the hospital makes is put back into the hospital itself, mainly to expand the facilities or to acquire new equipment. Deficits are usually made up by donations and from fund-raising from the community.

Traditionally, a single doctor or a group of doctors for the care of their own patients established the for-profit hospitals. A new phenomenon is the development of wholly independent private hospital run by a company or a business consortium. There are also investors owned hospital corporations that build, own, and operate hospital chain. Many of them are publicly owned and their stocks are traded in the major stock exchanges.

**PRIMARY AND TERTIARY HOSPITALS**

This classification is based on integration of hospitals network into a co-coordinated health service. Examples are seen in socialist countries noticeably the former Soviet Union and to some extent in India.

Primary care hospitals are usually small general hospitals at the community levels with basic medical, surgical, maternity care and diagnostic facility.

Secondary care hospitals are those at a district level. There are usually divisions for surgery, medicine, maternity, pediatrics and other departments like eye and orthopedics. They have comprehensive diagnostic and radiological facility. They are able to meet most of the medical need. Patients who cannot be managed at the primary hospital are referred to these secondary hospitals.

Tertiary care hospitals are usually large general, teaching hospitals associated with major medical centers that have highly trained specialists and highly sophisticated equipment. They are usually abreast with the latest development in medical science
and technology. They serve as referral centers for complicated medical problems that the primary and secondary hospitals cannot manage.

This type of division represents the principle of progressive patient care. Less serious cases are handled at the periphery, which is more accessible and personal. More serious cases are progressively referred inwards. The tertiary hospital, which acts as a core, accepts only the very serious and complicated cases. This also helps to conserve the resources of the tertiary hospitals to deal with the complicated the cases.

DIFFERENCE BETWEEN HOSPITALS AND OTHER SERVICE ORGANIZATIONS

As evident, the hospital has been and continues to be one of the most complex organizations in existence. Most healthcare organizations and hospitals are significantly different from other service industries and this difference is quite striking. This complexity of the hospital and its difference from other service organizations results from a number of attributes.

1. Within the institution there is a wide diversity of objectives and goals for different personnel and subsystems. Various segments of the hospital are responsible for, or involved in, patient care, education, research, accommodations and their problems, carrying out complex medical and surgical procedures. These various activities are sometimes contradictory and often in conflict.

2. The diversity of personnel ranges from the most highly skilled and educated physicians and administrators to the unskilled and uneducated employees. Patient care involves the most highly trained surgeon and also the uneducated ward-helper. Coordinating their work is a complex problem. Hospital work requires high degree of specialization but an equally high interdependence and a little control over the professional members.
3. The hospital is in continuous operation, round-the-clock and round-the-year. This involves high costs and substantial personnel and scheduling problems.

4. In most areas of hospital operation there is a dual line of authority. Hospital administrators are responsible for a wide variety of management problems and physicians are responsible for patient care. Often these two seemingly distinct areas of activity overlap and in fact, most of the employees have two or more line of command.

5. Hospitals deal with complex problems that are non-deferrable, concern life and death and therefore there is a limited ability to tolerate errors or ambiguities. Apart from the physical stress this puts a lot of responsibility and a psychological stress on the personnel especially in areas that deal directly with patient care. This is not usual for other service organizations.

6. Hospitals provide facilities and personnel for a service which the recipient usually does not elect to receive which he is anxious to forget which he does not often understand. Hospital employees deal with people who are emotionally and physically upset. Along with other medical skills the personnel should also have a full understanding of the abnormal human behavior.

7. There is major problem of measuring the product or the service the hospital has to offer. The patient care that is provided at the hospital is not amenable to precise measurement. Measurements from the provider and those from the consumer side differ greatly. In the past the measurements from the providers point of view were considered as the only measurements. Lately however the focus has shifted to the patients’ assessment of their care.

All these attributes are unlikely to change. With the increase in the medical scientific knowledge and the increase in technology the complexity of the healthcare organizations and hospitals will further increase.
1.2 THE CONCEPT OF HEALTHCARE MARKETING

Healthcare is one of the largest and most important industries in the world and hospitals are among the more complex and dynamic institutions in our society. The healthcare delivery system is characterized by a diversity of providers of service, who are organized in a variety of ways, practice is a number of settings with great variations within these settings, the diversity of specialties and services provides, the diversity and range of equipment used and the diversity of patients utilizing the services.\textsuperscript{18}

The present day shape of hospitals and its complexity is due to the shift in the delivery of health care from an individual to an organizational process and the unprecedented development in science and technology. In order to meet the growing demand of people for better medical facilities and also to manage a variety of complicated medical cases, hospitals have become very sophisticated institutions with highly trained manpower, sophisticated biomedical equipment and latest methods and instruments for preventing and treating diseases and promoting health.

Forty years ago, 'management' was a very bad word in the hospital organizations. It meant 'business' to them, and business was the thing that the hospitals never considered themselves to be in.\textsuperscript{19} In fact most of the hospitals believed, as many of them in Indian still do, that they do not need anything that might be called management.

However gradually these thought began to change and with it came the recognition of the need for basic management principles in the working and administration of the hospital.

Even with the advent of professional hospital management, one of the areas that had constantly remained outside the perspective of the management of the hospitals was marketing of their services. This was because the demand always outstripped the
supply as there was a dearth of facilities, trained manpower and sophisticated and expensive instruments, the resources were more than adequate as they were based on government grants, individual donations and charities and there was no check on the efficiency and the effectiveness of the use of these resources. Furthermore the concept of marketing was considered unethical. Till early 1970s there was no awareness on the part of the hospitals to market their services and little receptivity to this idea.

The 1970s saw sweeping changes in the field of healthcare. For one, competition became a dominant force in the industry. It became necessary to understand the customer and to respond to their needs in order to attract them. Then came dramatic changes in the mode of reimbursement. With government grants and individual donations drying up, healthcare organizations had to depend on the price of their service to remain financially viable. With this, health insurers, managed care organizations, employers and other third party payers became important players in the field. Efficiency and cost-effectiveness became increasingly important. With this the industry became increasingly sensitive to patient perceptions and patient satisfaction became an important watchword. Marketing thus became an essential part of the industry.

Marketing is a basic function in a hospital. It is the whole business as seen from the point of view of its final result, that is, from the patient’s point of view. The success of a hospital is not determined by the buildings, equipment or the doctors but by the patients.

Goldsmith in his article "the health care market: can hospitals survive", written more than two decades ago, highlights that in an increasingly competitive and resource regulated market, the hospital managers must develop alternatives and heavily borrow some proven marketing techniques from business and incorporate it into health services. This is necessary for the survival of the healthcare and health delivery systems. After two decades this could not have been truer.
Before discussing the concept of healthcare marketing it is essential to delineate the definition and the core concepts of marketing.

DEFINITION AND CORE CONCEPTS OF MARKETING

There are various views and definitions of marketing. Some of these definitions, like "converting societal needs to profitable opportunities",\(^24\) are quite abstract, while others like 'marketing is anything you do to get or keep a customer',\(^25\) are hardly descriptive.

The Chartered Institute of Marketing of U.K. defined marketing as 'the management process responsible for identifying, anticipating, and satisfying customer requirement profitably'.\(^26\) In 1985 the American Marketing Association has defined marketing as 'the process of planning and executing the conception, pricing, promotion, and distribution of goods, ideas and services to create exchanges that satisfy individual and organizational objectives'.\(^27\) Subsequent definition have refined and added on to the above concept.

Perreault and McCarthy\(^28\) define marketing as 'the performance of activities that seek to accomplish an organization’s objectives by anticipating customer needs and directing a flow of need satisfying goods and services from producer to customer.

According to Bartels,\(^29\) marketing is 'the process whereby society, to supply its consumption needs, evolves distribution system, composed of participants, who, interacting under constraints, technical (economic) and ethical (social), create the transaction or flows which resolve market separation and result in exchange and consumption'.

In a more recent definition, Boone and Kurtz\(^30\) define marketing as 'the process of planning and executing the conception, pricing, promotion and distribution of ideas,
goods, services, organizations and events to create and maintain relationships that will satisfy individual and organizational objectives.

Over the years the definition of marketing has become longer and more complex. But whatever be the definition of marketing, it rests on certain core concepts. These core concepts of marketing are needs, wants, product, exchange and transaction, satisfaction, markets and marketing.

The definition of marketing includes several prerequisite conditions that must exist before marketing occurs. First there must be a party with unsatisfied needs. It is usually the consumer with both the desire and the ability to fulfill certain needs. The second prerequisite is for marketing is the ability of another party to meet those needs with a product. Third, the parties must have something of value to exchange. Then there must be a means to communicate or facilitate the exchange between the two. Finally the exchange should lead to the satisfaction of the need.

A comprehensive definition that addresses the core concepts of marketing has been given by Kotler and states that 'marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging products of value with others'.

Based on these definitions the core concept of marketing include need, wants and demand then products and services to match these, an exchange that brings together needs, wants, demands and the products/services, a market which includes customer and potential customers who require a specific product or its function, and its various segmentations, and finally the satisfaction which may be considered as the end point of successful marketing. Satisfaction is a function of the relation and closeness between the expectation from the service and the perceived benefit obtained from it.
THE MARKETING CONCEPTS IN HEALTHCARE

Most healthcare organizations and hospitals are significantly different from other service industries and this difference is quite striking. The hospitals are concerned with a highly variable, complex, emergency work which is non deferrable and with a limited ability to tolerate errors or ambiguities, a high degree of specialization but an equally high interdependence and a little control over the professional members. Hospital provide facilities and personnel for a service which the recipient usually does not elect to receive, which he does not often understand, which he is anxious to forget and at a price that is not predictable. Hospital employees deal with people who are emotionally and physically upset, so that their technical and mechanical skills must be fitted within a framework of quite persuasion and a full understanding of the abnormal human behaviour. The combination of efforts of individuals aided by complex mechanical devices working in the background of a vast reservoir of scientific knowledge is the hospital.

NEED, WANTS AND DEMAND IN HEALTHCARE

In the field of healthcare, issues pertaining to needs and wants are a major concern and different from other areas. In healthcare, often, what the consumer wants may not be what they need. The intricacies of the human body and the complexities of medical science makes it difficult for a patient to correctly understand and ascertain his need and translate it into an appropriate want.

Satisfying wants may be the motto of marketing but meeting medical needs must be the primary purpose of the healthcare system. Often needs and wants from a patient’s (customer) view and that of the healthcare provider’s point of view may not mirror each other and at times may actually contradict. A patient’s need may be to obtain relief from pain in the stomach and may want just an analgesic for quick relief of the same but the medical need may be appropriate tests to rule out an underlying serious disease. A patient may want surgery to remove fat from the abdomen to obtain a socially acceptable body figure, but medically the patient does not need the
surgery and in fact it may be detriment to her health. In such situation should a want be fulfilled in order to satisfy the customer or surgery be denied and leave the customer unsatisfied?

Better understanding of the needs and wants may sometimes resolve the issue. If the need is to appear more attractive then instead of the surgery the patient may be offered other weight reduction program like dietary and exercise programs. Still it may leave the customer unsatisfied.\(^3\)

This brings us to the difference between consumer wants and consumer interests, an issue that is severely plaguing the healthcare marketing. Healthcare marketing aims to satisfy wants sometimes at the cost of consumer interests.

Plastic surgery to enhance looks especially to change the shape of the nose and surgery for breast enlargement are two examples that have angered many in the medical community. In USA, in 1999 alone, more than 2500 minor girls had breast enlargement surgery, a trend that is gradually increasing. Bombarded with media images of actors and models with flawless features and picture perfect bodies, many teenagers resort to plastic surgery to enhance their appearance.\(^3\) The fine line between consumer wants and consumer interests in gradually being eroded by misplaced marketing.

Misplaced marketing is a term used by Rotfeld\(^3\) for marketing when applied for a product or service, where the marketing benefits for the consumer is or might be detrimental to his or the societal interests.

Another concept that is peculiar to healthcare is the concept of negative demand. According to Kotler\(^4\) a market is in a state of negative demand if a major part of the market dislikes a product and even pays a price to avoid it. There is a negative demand for most of the products offered by a traditional hospital. Healthcare organizations are avoiding this negative demand by introducing and offering different
products like medical check ups, obesity clinics etc. for which there is a positive demand.

THE MARKET IN HEALTHCARE

Traditionally the healthcare market has been limited to the patients. Indeed there are still healthcare institutions that consider patients as their only market. Patients are no doubt the most important markets but the extent of healthcare markets has gradually increased over the years.

Apart from the patient market there are the ‘potential patients’. Theoretically every human is a potential patient. With the emphasis shifting from curative medicine to preventive medicine more and more healthy people are visiting the hospital for medical check-ups and preventive care, and with the limitless potential patient population the traditional way of thinking has changed.

The next important markets are the doctors, nurses and other medical personnel of the hospital. The hospital has to market itself to the employees. Although the hospitals are primarily concerned with patient satisfaction, more and more hospitals are getting concerned with physician satisfaction. They rely heavily on the knowledge, skill and the reputation of the physicians for attracting patients. The main problem is to attract reputed physicians and to retain them. Hiring and retention of doctors is a challenging task. These facts can be extended to other medical personnel also.

One other important market is the community in general. Traditionally the responsibility of healthcare has rested with the state, which were financially and administratively responsible for the working of the hospital. Thus hospitals became conspicuous institutions in the community arousing many types of feelings and expectations. Hospitals thus needed to market itself to the community not only as an image building exercise but also to attract potential patients from the community.

As private hospitals grew they, initially, depended primarily on outsider grants to keep them financially viable. This required marketing to the donor constituents.
Healthcare organizations spend significant resources on cultivating the donors and building a donor constituency and instilling in them a sense of pride and confidence so that they can identify with the organization and demonstrate the benefits to the community that have accrued out of the donations.

With the advent of managed care and health insurance, these organizations today represent important markets for healthcare organizations and so do employers as these are responsible for the medical expenses and financial aspect of the patient care. *The needs of all these agencies have to be accommodated by the healthcare organization.*

Regulatory government agencies and professional bodies are also important markets. There are also special markets for special programs and services. Schools represent markets for sports medicine program, social workers for rehabilitation programs and law enforcement organization for substance abuse program.

Healthcare organizations thus can have multiple markets although the primary and the most important market still remains the patient.

**MARKET SEGMENTATION IN HEALTHCARE**

In the field of marketing market segmentation is very important and are multitudes of ways in which the market can be segmented. However there are certain variables that are more pertinent to the healthcare marketing.

In healthcare, age segmentation has a particular relevancy. The clinical expression of disease differs among the age spectrum. Paediatric and geriatric medicine target certain age segments. With the improvement in health care and health delivery and increase in life expectancy and decrease in the death rates, the geriatric segment, so far neglected, is today the fastest growing market segment.

Gender segmentation strategy in healthcare is apparent. The disease profile and the health needs of men and women differ in many aspects. Traditionally men are
considered to seek health care more than women do and this is true in all developing countries including India. In the developed countries this trend has reversed and in USA, now, women see physician 25 percent more often than men and have 15 percent higher hospitalisation rates than men. In US health programs and health institutions are targeting women more than men. Research has shown that, contrary to the popular belief, women are the key primary healthcare decision-makers in 75 percent of the households. In developing countries this trend is slowly emerging and women market segment is gradually increasing.

In recent years greater attention has been paid to cultural and ethnic diversity as a variable in market segmentation. As international boundary crumble and migration barriers break, healthcare institutions have become host to diverse ethnic and cultural segments. In addition to the genetic factors, persons with similar ethnic background share cultural, nutritional, environmental, economic and social characteristic that influence disease. Further more, their attitude toward healthcare and its deliver is different.

Hispanics are a growing market in the USA and Asians in UK. UAE can boast of being the residence of more than 120 nationalities. India has a host of diverse cultural and ethnic population, each of which is a market segment in itself. Multilingual signboards, multi ethnic staff, translators to assist in patient dealing, and promotion through specialized ethnic media are ways to target such segments.

In recognition of the cultural and ethnic diversity in health care, the American Medical Association, in 1993, prepared a monograph on “cultural competence” for doctors, enabling them to be aware of how cultural differences can affect the delivery of healthcare.

Geographical segmentation does not play an important role in healthcare. The geographical distinctions relevant to healthcare are urban, suburban and rural. For most healthcare marketing, geographic segmentation means tailoring the service on the basis of the location.
Psychographic segmentation is now an important basis for marketing of healthcare services, more so in the developed countries. Its importance and role is slowly being recognized in the developing countries too. As the incidence of infectious disease falls due to better cleanliness, hygiene and sanitation and availability of specific measures, disease associate with lifestyle take the forefront. Heart disease is today the leading cause of death and disability in the west. Heart disease is called a disease of lifestyle as many risk factors for it including obesity, sedentary life style, smoking, increased cholesterol, are related to lifestyle. Psychographics also profiles the patient’s attitude towards health and healthcare.

A healthcare version of psychographic segmentation that is in use is called the Profiles of Attitudes Towards Healthcare (PATH). It uses a 25-question survey and a mathematical algorithm to classify consumers into 9 segments. The dimension that are looked for in PATH are family involvement in healthcare, trust in the medical profession, propensity to experiment, propensity to avoid healthcare, healthcare information seeking, involvement in decision making, health proactive, receptivity to health care advertisements, concern for quality and health involvement. The nine segments that are generated on the dimension scores are named as clinic cynics, avoiders, generics, traditionalists, family centred, loyalists, ready users, independent healthy, naturalists and unassigned.

PATH studies show that 90 percent of adults across USA display one of the above 9 profiles. These are based on measurable set of health attitudes, behaviours, and behavioural intentions that reflect healthcare values and priorities. Applied at the level of the individual, each of the PATH profiles describes a distinct and predictable pattern of healthcare behaviours and behavioural intentions. These directly influence healthcare use, compliance, receptivity and responsiveness to health communications and satisfaction with health services. PATH has been used with varying success by hospitals and other healthcare institutions in the USA.

Segmentation based on rate of usage or loyalty to the services is widely used. This is because, in healthcare, it is 20 times more expensive, in terms of marketing, to
obtain a new patient than to retain an old one. Loyal customers are targeted with newsletters, birthday greetings, and health tips and updates to reinforce positive impressions.\(^6^0\)

Benefit segmentation has been used to a limited extent in healthcare. Arguably the only benefit sought from healthcare is health but this may be further segmented. In a study by John and Miaoulis,\(^6^1\) six segments were identified which sought different benefits from healthcare. These were classified as health seekers, followers, band-aiders, do-not-bug-me, hypochondriacs and self-sufficient. Benefits sought by health seekers are long life and continued good health and are a target for preventive medical service. Followers look for guidance in matters concerning their health and can be targeted by medical information services and counselling services. Band-aiders are called so because they seek only primary and emergency treatment and essential services. The health benefit sought by the do-not-bug-me segment is only relief from everyday tension and pressure and they seldom seek medical care. Hypochondriacs on the other hand use healthcare excessively to make sure that everything is alright and are a target for vitamins, health tonics, various radiological and laboratory investigations and so forth. The last segment is that of the self-sufficient population who usually use home remedies and over the counter medications, and seeks healthcare only in extreme situations.

A special segmentation in healthcare is that based on disease process or organ system of the body that is involved in the disease. Thus there are heart care hospitals, mental hospitals and infectious disease hospitals and the like, that target segments with a specific or related disease.

The market strategy followed by different healthcare organizations is different. Some healthcare organizations follow the concentration strategy. Highly specialized healthcare organizations like centre for heart surgery, cancer hospital, specialized children hospital focus on one market. Others that are broadly categorized as general hospitals follow the multisegment strategy, offering a variety of services catering to various segments.
SATISFACTION IN HEALTHCARE

Whatever the market and the segmentation strategy, patient satisfaction and loyalty are the final goal.

As already mentioned, satisfaction is highly subjective. This is more so in the case of healthcare. The needs and wants being ill defined, the perceived benefits of healthcare may not be near a person's expectation and hence the resultant dissatisfaction. Furthermore, the inherent inability to fully comprehend the complexities of medical science and that of the human body furthers the gap between expectation and the perceived benefit and increases dissatisfaction. A patient may be correctly diagnosed and treated but the side effect of the medication, not within the control of the physician, may leave the patient dissatisfied with the service as a whole. A successful surgery may cause scar that may leave the patient dissatisfied with the surgery. Healthcare professional attempt to minimize this dissatisfaction by improving patient communication and detailing the various possible outcomes of the treatment.

As mentioned earlier, many times there is an apparent conflict between patient wants and the medical needs. Meeting medical needs, which is the primary purpose of the healthcare, rather than the patient wants, may leave the patient dissatisfied with the service provided.

The Hippocratic oath,\(^\text{62}\) that forms the basis of medical ethics and is binding on all the members of the medical community, includes the statement that ‘I will follow that method of treatment which according to my ability and judgement I consider for the benefit of my patients’. This assumes that the physician is the best judge of the needs and wants of the patient. This can be contrasted with the definition of marketing, according to which the customer is the best judge.

In many situations patient’s want may conflict with those of other markets in healthcare. Patient’s want for time off work may conflict with the interests of the employer, his want for an expensive investigation may conflict with that of the health
insurers who want cost-effectiveness, or his want for regular night-time sedative may conflict with that of the regulatory bodies who limit the sale of these drugs. All this may lead to dissatisfaction with the healthcare services with no fault of the services per se. The conflict between the wants of one group and those of the other requires being resolved.63

In spite of the limited control over patient satisfaction in healthcare, patient satisfaction has always been and will, to a greater extent, continue to be a fundamental requirement for the clinical and financial success of any healthcare organization.64 Patient satisfaction leads to improved patient compliance, increased patient referrals, greater patient loyalty, less patient complaints, increased third party, employer and other payers mandate and increased profitability.

One unique feature in healthcare is the fact that the measure of patient satisfaction, among others, is now being used as one of the attributes which is considered by regulating agencies and managed care organizations before providing accreditation to healthcare organizations.65 Thus patient satisfaction is not only necessary for the financial success but for the very functioning of the organization.

HEALTHCARE AS A SERVICE INDUSTRY

All economic activities are divided into 3 main groups: primary, secondary and tertiary.66 Primary activities include those directly related to the natural resources like agriculture, mining, fisheries and forestry. Secondary activities cover manufacturing and construction. Tertiary activities refer to services and distribution. In the pre-industrialised era, primary activities were the mainstay of economy. The Industrial Revolution brought in the secondary activities and now in the post-industrial era services are the dominant activity. This pattern of change from the primary to the tertiary is universal although the extent may vary, depending on the development of the economy. In USA more than half of the working population is employed in producing and delivering services. Services account for 67 percent of the GNP and 71
In many African countries agricultural sector is still the dominant one. In India we see the transition between the two. Service sectors are upcoming, manufacturing sectors are growing and agriculture still retains a stronghold on the economy.

Service is a broad concept and includes a wide variety of activities and organizations. Kotler defines service as “any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product”.

Services have a number of unique characteristics that make them different from products. Broadly services differ from products in five components. These are called ‘Five I’s of Services’ and are intangibility, inconsistency, inseparability, inventory and interaction. These are also termed as intangibility, variability, production/consumption simultaneity, perishability and consumer participation in service process.

Services are intangible as they cannot be seen, heard, felt or touched before they are encountered. Surgery as a service is intangible. Before undergoing the procedure a patient cannot see the surgery or examine it as he can do before a purchase of any other good. Not all services are purely intangible, and most of them have both a tangible and an intangible aspect. However, in services, the intangible part is dominant. Within the field of healthcare itself there are various services that differ in their tangible component. Physician consultation is more intangible than a kidney dialysis, which is more intangible than a radiological test.

Inconsistency or variability is inherent in any service that is delivered by the people. Unlike goods, standards cannot be set and no yardstick made against which the service can be compared. Delivery of the service changes not only with the individual who delivers the service but also with the same individual at different times. Two different surgeons may perform the same operation but the service delivered will differ. It will depend not only on their education, knowledge, experience and clinical
proficiency but also on their motivation, morale and attitude. In fact the same surgeon performing the same procedure at different times may not be able to deliver the same service. In health care this inconsistency of service is compounded by the inherent inconsistency of the human body. Two patients being treated for the same disease by the same physician with the same medication may respond differently.

Inseparability of services is the fact that the services cannot be separated from the individual who delivers them. The service that is provided by a particular surgeon is inseparable from him. He alone can provide that service and others cannot provide the same service on his behalf. The more skilled, specialized and professional the service the more the inseparability. A customer may accept another plumber if the one he requested is unavailable, but will not accept another singer if he has paid for a concert by Jagjit Singh. In services the consumer is a part of the delivery system so the delivery system must go to the market or the consumer must come to the delivery system.

Inventory is a concept that is common to products. Products can be stored for use at a later date. In business one of the important costs is the cost of carrying an inventory. Services also have an inventory that is different from that of goods. Since services cannot be stored, when an individual who delivers a service is not engaged in delivering it or a service is not being used, inventory is said to exist. This concept is also termed as perishability of services. A physician with no patient, an operating room where no operations are being performed or a diagnostic centre with its machines idle represents cost. Thus unutilised service represent cost and less the utilization, more the cost. Service businesses try and balance the supply with the demand in order to cut down this cost. Hospitals also employ several strategies to better match the supply and demand. On the demand side appointment system for physicians as well as for procedures and investigations is used extensively to manage demand. Some hospitals use differential pricing or give additional incentives for use of procedures and services during the off-peak hours. Personnel are used in other areas when demand is low and part-time employees are hired when demand is up. Part-time physicians and nursing staff are common.
Interaction with the customer is an important aspect of marketing. Healthcare is a 'people intensive' service. At each step the customer is in contact with people, unskilled to professional. On the basis of the intensity of contact services are classified as 'high contact' or 'low contact' or otherwise as 'pure services', 'mixed services' and 'quasi-manufacturing'. Hospitals and healthcare services fall under the high contact / pure services group. Service facilities characterized by high a customer contact are inherently limited in their production efficiency because of the uncertainty that people introduce in the service creation process. This uncertainty stems from the individual differences in customer attitudes and differences. The service personnel are a part of the service product and the customer identifies with the organization through the personnel.

**CHARACTERISTICS OF HIGH CONTACT SERVICE**

Certain features characterize the high contact services like hospitals. These characteristics include:

1. The service product is multidimensional and hence its quality is in the eye of the beholder. The reception, the doctor's office, the medical wards, the medical and nursing staff, the laboratory together form the service product. The quality of these individual service points will vary. The final quality of the service depends on the perception of the patient.

2. The personnel in direct contact with the consumer are a part of the service product. The doctor taking care of the patient is a part of the service product. There can be no service without him being physically and personally present to render the service.

3. Demand for the service is often instantaneous and hence cannot be stored. This cannot be more true than in a hospital where most of the service in non-
deferrable. A patient coming to the hospital for any medical problem has to be
given the service at that moment.

4. Because production is generally customer initiated, an optimal balance between
the service system demand and resources is difficult to achieve. The specific
hospital service is produced and given only when the patient comes to the
hospital. If there is no patient there is no service. Hence the demand cannot be
ascertained with certainty.

5. Changes in the capacity of the system affect the nature of the service product.
Since the delivery of the service in the hospital is very personalised, change in the
capacity affects the service product.

6. The production schedule has a direct, personal effect on the consumer. In a
hospital the consumer is a part of the service delivery process and the delivery of
the service is consumer initiated and instantaneous, therefore any change in the
mode of production and timing has a direct effect on the patient.

7. Only part of the service can be kept in inventory. In the hospital the inventory is
limited to the tangibles that for a part of the diagnosis or treatment of the patient’s
medical condition. The essential part of the service like the physician’s capability
and the surgeon’s dexterity cannot be kept in an inventory.

8. Verbal skills and knowledge of policy are usually required of the service worker.
Communication is an important part of all service delivery especially those that
are people intensive like a hospital. Not only is the doctor-patient communication
important but also communication with other personnel of the healthcare delivery
team.

9. Wage payments must usually be related to labour hours spent rather than output.
Since the output of the hospital delivery system depends on the number of
patients and the number of patients vary, salary and wage fixation cannot be
based on the output. Wage payments are thus related to the hour spent, during which time the personnel may or may not be productively occupied.

10. A service system malfunction will have an immediate, direct effect on the consumer. Since the patient is directly involved with the delivery of the system, problem with the service system and delivery and its subsequent consequences reflect directly on the patient.

Thus a hospital is a very specialised a unique kind of high contact service organization. Marketing tools and techniques used in other service organizations therefore need to be suitably modified and adapted to healthcare.

1.3 THE EMERGENCE AND EVOLUTION OF HEALTHCARE MARKETING

Marketing, today, is an important aspect of healthcare and is now considered a necessity. Yet, it was considered both novel and controversial when it was introduced in the healthcare field almost twenty-five years ago. However, it has permeated the field of healthcare and now is fully entrenched throughout the healthcare industry. Many of those who were sceptical of the role of marketing in healthcare are now its ardent supporters.

Traditionally, only for-profit organizations in consumer or industrial setting conducted marketing. In service firms, marketing played a very limited role. Many of the service organizations were small and did not apply formal management or marketing techniques, many were professional businesses that considered marketing as unprofessional while many had so much demand that they never felt the need to market the services.
With the increase in the size and complexity of the service organizations and in the face of rising cost, falling demand and stiffer competition service firms had to resort to marketing. The application of marketing broadened in 1969 when Kotler and Levey recognized the value of marketing in non-profit businesses and service industry. Thereafter the nature and scope of organizations involved in marketing broadened considerably. More and more service organizations resorted to marketing and gradually marketing entered the field of healthcare also.

The concept of healthcare marketing has gradually evolved over time and is still in the process of evolution. In the less developed societies of the world the concept is still primitive. During the course of its evolution the concept has gone through different phases. With the initial emphasis on product and production and later to sales and finally to marketing the concept healthcare marketing has gone through a series of reformations.

**THE EVOLUTION OF HEALTHCARE MARKETING**

The term ‘marketing’, as we use today, is thought to have originated in the United States between 1906 and 1911. It was used to describe the different activities that took place in the distribution and sale of the product or service. Marketing did not always have the same thrust as it does today. Over the years the focus of marketing activity has changed considerably.

The concept of marketing took roots with the Industrial Revolution, when assembly lines, mass production and division of labour made it possible to manufacture goods efficiently. Further developments in the field of transportations decreased the gap between producers and consumers. The emphasis was on production and companies were manufacturing oriented. The role of marketing was limited to taking orders and shipping goods. This period was termed as the ‘production era’. As more and more firms became efficient in producing goods, competition among them increased. By mid-1920s mass production had provided sufficient products and managers began to realize that products could not sell by themselves and had to be sold to the
consumers. This was the beginning of the ‘sales era’, which lasted till the early-1950s. The sales era was marked with fervent sales promotion, innovative advertising and high-pressure selling strategies to sell the produced goods. It was only in the 1950s that the focus of marketing shifted to the consumer needs. With this the ‘marketing era’ had begun.\(^{76}\)

Unfortunately, the evolution of the marketing concepts in services especially in the healthcare services did not mirror those in the production areas. In the fields of healthcare the evolution of marketing concepts lagged behind that of other services.

Although the concepts of marketing in the service sector had crystallized by the mid 1950s and used in other industries, it took almost four decades for these marketing concepts to permeate into the healthcare industry.\(^{77}\)

Healthcare marketing also evolved through the various eras as described for marketing of goods.

**THE PRODUCTION ERA**

Healthcare marketing was first introduced in the industry in the middle of the 1970s. Prior to this the focus was completely different. Historically the main focus of healthcare organizations was to provide healthcare facilities to as many people as possible in the least cost. This was, of course, the aim of the state, which was responsible for providing both preventive and curative health to its population. A large number of clinics and hospital were set up different areas to cater to as much of the population as possible. As the dissatisfaction with the organization, management and functioning of these state run hospitals increased, there was a mushrooming of privately managed small healthcare centres or nursing homes.

This concept is termed as the Production concept where the emphasis was on providing service at a low price to as many consumers as possible. This was based on the premise that consumers are primarily interested in products that are easily
available and a low price. This is true in situations where the demand outstrips the supply as in many Third World countries.

As healthcare services became available to a large number of population, the emphasis shifted on improving the quality of the product offered. Large hospitals with a variety of specialities and super-specialities were developed and the age of super-speciality in medicine came into being. The focus was on providing advanced medical services and the word of the mouth to communicate the existence of these services.

This shift in trend was based on the premise that if many products are available the consumers will favour a product that is more superior. Unfortunately the concept of superiority was based on the management's definition of superior rather than the consumers.

This period in healthcare, where the focus remained on the product and its production, has been termed as the 'Production Era'.

**SALES ERA**

As more and more large multi-disciplinary and multi-speciality healthcare facilities began to be developed, in early 1970s these healthcare facilities in USA began to face the problem of overcapacity. This required them to attract as many patients as possible to the facility and for this the trend shifted to aggressive selling and promotion of the healthcare services.

In 1975, Evanston Hospital, in Illinois, USA, was the first to establish a formal marketing staff position. In the same year the American Medical Association, which had within its code of conduct a prohibition against advertising, revised its code of ethics to be less stringent regarding advertising.
With this the healthcare industry entered into a period that is termed as the ‘Sales Era’. The focus in the sales stage was to attract as many patients as possible to utilize the facility. Enticing patients with the use of strategies to promote the hospital, including the use of mass advertising, did this. In fact, in 1982 the American Medical Association removed all restrictions on advertising of healthcare services and facilities on the argument that restrictions on advertising deprived the consumers of free flow of information regarding healthcare alternatives and services.⁷⁹

Even though the term ‘marketing’ was used extensively, the healthcare institutions continued to be characterized by a non-market driven culture and planning process. In this internal-to-external perspective the mission and goals were translated to strategy that was then implemented. Attempt was then made to sell the service that resulted. The aim was to sell the designed service rather than designing the service to suit the market need.⁸⁰

The sales concept worked till the point where competition was limited and the consumers did not have viable options to exercise their choice.

THE MARKETING ERA

The scenario, however, gradually changed. In the 1990s healthcare industry joined the major industries facing an intensely competitive environment. Healthcare organizations began to realize that they needed to adopt strategies long established in other industries. This involved, among other things, a shift to service orientation and a need to understand the consumers and their needs and wants and motivation.⁸¹ For the first time the market became an important factor in the industry. This period is termed as the ‘Marketing Era’.⁸²

As the emphasis shifted from the product to the consumer, patients’ needs and their fulfilment became such a major issue that the Joint Commission on Accreditation of Healthcare Organizations in the USA, in its 1994 accreditation manual added ‘patient
satisfaction’ as one of the criteria on which to measure hospital performance. With this, the concept of marketing was entrenched in the healthcare industry.\textsuperscript{83}

**HEALTHCARE MARKETING IN INDIA AND UAE**

Unfortunately this evolution in the healthcare marketing, as described, has been mainly restricted to the developed countries and societies. Most of the developing nations still lag far behind in this area. The reason for this is that in most developing countries the demand for healthcare services still surpasses the supply, need for healthcare facility exceeds the capacity and there is a very limited competition in the field of healthcare.

In India we can witness the complete spectrum of evolution of healthcare marketing. In the rural areas and small town where the healthcare facilities are restricted the demand for healthcare is much more than supply. There are many small private clinics catering to a large population. The services are limited and the costs are low, management of the patient’s medical condition is the goal rather than his satisfaction. The concept of marketing is unheard of, principles of marketing never required and healthcare marketing is typically in the ‘production era’.

In larger cities there are few big private healthcare facilities that offer some speciality treatment and a myriad of small clinics and nursing homes, laboratories and other healthcare facilities. Since a large number of such facilities exist and here is significant competition among them and these healthcare organizations actively seek patients. These healthcare organizations appear to be in the ‘sales era’. They mainly rely on personal selling and sales promotion. Cash incentives to referrer usually as a percentage of business, also called ‘cut’, is a common method adopted to solicit more business. This incentive is given not only to the physician or professional referring the consumer but also to other intermediaries who come in contact with the potential patient, like taxi drivers, hotel staff etc., that are cultivated for this purpose. The main aim is to get as much business as possible and by whatever means. Few utilize direct marketing like mail brochures and few advertise to a limited extent predominantly at
railway stations and bus stops. The basic tenets of marketing are rarely followed and customer satisfaction is not the main theme. As a result there has been a growing public sentiment against these private healthcare delivery systems. Over-treatment, exaggerated costs, misinformation and unaccountability are the major concerns. There has been a growing patient dissatisfaction and a widening gap between their expectation and their fulfilment.

Till recently these healthcare organizations did not significantly recognize these symptoms of public dissatisfaction. Even if they did, they never considered it necessary to address it. The demand always outstripped the supply and in a monopolistic situation that was thus created, these private hospitals provided facilities that they wanted, in a way that they found fit and at a price that they demanded.\(^\text{84}\)

In the large metropolitan cities in India the scenario has changed. Healthcare industry is facing intensively competitive environment. Excess capacities, falling bed occupancy and many new types of competitors plague the industry. It is no longer a seller’s market. The patients of today are more educated and informed, expect a reasonable level of care at a reasonable cost, and are willing to look for options, which are now available, and exercise their choice.\(^\text{85}\)

With this came the healthcare marketing revolution and Indian healthcare industry entered the ‘marketing era’. This is however limited to a few large cities and few organizations. Healthcare organizations, mainly large corporate and speciality hospitals, were established with the focus on patient satisfaction. The trend is rapidly spreading.

In UAE where industry and economy is much more market driven, most of the healthcare organizations exist in the sales era or in the transition between the sales and the marketing era. Some hospitals do employ market research but the effort is mostly patchy, superficial, unimaginative, and directionless. Organizations are attempting to be more and more marketing oriented. Although they have the pressure to be market oriented, most lack the either the capacity or a clear vision of the market.
THE MARKETING CONCEPT AND MARKETING CULTURE

Marketing is now firmly entrenched in the healthcare industry. Its nature and extent may differ from one area of the world to another and one organization to another, there is now denying the fact that more and more healthcare organizations are now focussing on the patient and the patients' satisfaction.

However, only few organizations have achieved a level of marketing evolution where the marketing concept has permeated throughout the organization and marketing has become a part of the corporate culture, diffuse throughout all levels of the organization.\textsuperscript{86}

The marketing concept is a management philosophy stating that an organization should strive to satisfy the needs of the consumer through a coordinated set of activities that also allows the organization to achieve its objectives.\textsuperscript{87} For it to be effective, the marketing concept should be embraced by all members of the organization and not only by those involved in the marketing activities.

According to the marketing concept, the organization should focus on the consumer needs and wants, coordinate its efforts and strive to reach organizational goals. Satisfying the customer should be the major focus off all the organizational activity. For this reason the organization should have a through understanding of the consumer needs and wants.\textsuperscript{88}

The marketing concept further advocates that the entire organization coordinates its effort to satisfy consumers. An organization has different departments and different groups of people performing different tasks. These departments – finance, personnel, engineering, research and development, production and others – should all be focussed on the consumer to effectively practice the marketing concept.

Different organizations have different goals, which may vary from maximising profit, maximising market share, consumer relation to social orientation. Whatever the goal,
it can only be achieved by satisfying the needs of the customer through coordinated organizational activities.

Four features characterize organizations, which are marketing oriented. First a pressure to be market oriented brought by senior management’s concerns, peer pressure and customer wants. Second a capacity to be market oriented as evidenced by staff trained and experienced in marketing, employees receptive to marketing and financial support to marketing strategies. Third a clear shared vision of the market by employing proper tools and techniques of market research and fourth an action plan and a strong start. An organisation can be said to be truly practising marketing only if there is a marketing concept and a marketing culture throughout the organisation.

MARKETING TO PATIENTS

Patient marketing in its basic sense means assessing the needs of the patient and fulfilling them. All hospitals and healthcare organizations provide patient care and look after the needs of the patient but the most important marketing issue facing the hospital and is the level and the quality of the care and level of satisfaction it provides to the patient. It may be emphasized that hospital cannot cater to every need of the patient but the hospital cannot afford to ignore patient’s wants and expectations because dissatisfied patients and falling patient strength can lead to variety of undesirable consequences. The concept of marketing has now transcended the barriers of customer (patient) marketing to ‘potential customer (patient) marketing’. For a hospital the scope of this is phenomenon as every human being is a potential customer.

A patient’s experience in a hospital is related with admission, patient care and exit. Each is capable of being improved from a consumer’s point of view. The purpose of marketing is to maximize patient satisfaction and to give him the feeling that he has been fairly and thoughtfully treated. It starts with defining the patient’s needs and evolving a strategy to fulfil them.
In the west where the level of competition in healthcare markets is very high, most of the hospitals conduct patient satisfaction surveys to assist them in improving patient care and to gain an insight into the patient’s perception about the quality of their care. These surveys aim to identify the parts of the service delivery system that matter most to the patient and the hospitals then try to improve efficiency in these areas to achieve a corresponding increase in the patient satisfaction.

In addition to the actual treatment received, perceptions of care are ultimately responsible for whether a patient is willing to return to that hospital or to refer others. Improved communication with the patient and his family, empathy, reliability of service, responsive complaint processing among others can positively improve the hospital experience. These aspects are discussed in detail in the later chapters.

As a by-product of patient satisfaction surveys and as a part of marketing, hospitals are now emphasizing customer satisfaction. Employees are taught and trained in patient responsiveness, empathy, understanding and communication. New personnel are inducted and new programmes created to reinforce the patient focussed approach.

Traditionally hospitals have always thought the only need of the patient is to get well. However this is far from the truth. ‘How’ he gets well and his experiences during this process is as important. Further, with more and more healthy people visiting the hospital for check ups etc. and with a limitless potential patient population, traditional ways of thinking are changing. A number of marketing techniques are being used by the hospitals to retain their patients and to further expand the patient base. These are detailed later.

**MARKETING TO INTERMEDIARIES**

The ultimate consumer of the healthcare delivery system is the patient. However, intermediaries play an important role influencing the usage of the medical services. These intermediaries are many, physician who admit patients and order investigations, employees of the hospital who deal with the patient, physicians who
refer the patient to the facility, insurers and managed care networks who provide the finances, employers who offer healthcare plans and providers to their employees, professional and accrediting agencies that assess the quality of healthcare delivered, government which controls various legislatures and policies that govern healthcare, and others which directly or indirectly influence the care provided at the hospitals.

MARKETING TO EMPLOYEES

The hospital has to market itself to its doctors and other employees also. Although hospitals are primarily concerned with patient satisfaction, many are even more concerned with doctor satisfaction. They rely heavily on the knowledge, skill and the reputation of the doctors for attracting the patients to the hospital. The main problem is to attract reputed physicians in needed specialities and to retain them. Hospital must correctly assess the physician needs and attempt to satisfy them. Hiring and retention of doctors have been challenging task to the hospital administration and is an exercise in internal marketing. These facts can be extended to other categories of employees especially the professionals and skilled.

In a service that is high contact in nature, like healthcare, it is necessary that all the personnel in the organization and not just the marketing department perform the marketing function. It is therefore necessary for the diverse personnel to clearly understand the common purpose and spirit of the marketing tasks to be performed and its backward and forward linkages with the other tasks. What is not understood clearly cannot be delivered properly. Hence, the need and importance of internalising the marketing function in the organisation. This is the concept of Internal Marketing.92

The objectives of internal marketing are to employ and retain the best people, and to make them do the best possible job.93 Healthcare organizations are now investing a lot in people, making training in customer service crucial all levels of employment and linking compensation to performance for employees at all levels.
The most important step in the strategy of internal marketing is the training of the people. Every employee of the hospital needs to be patient conscious. This requires training and not preaching. It is not a question of attitude but of behaviour. Even if the attitude is there, training is necessary to bring out the required behaviour. The basis premise of training is to tell the employees as to what to do while dealing with the patient. This is necessary for even those employees that are far away from the patient.

MARKETING TO COMMUNITY DOCTORS

Healthcare organizations are now increasingly marketing to the community physicians. Hospitals cultivate community physicians by referring follow-up patients to them, by involving them in their patient care, seminars and symposiums and in formulating patient related policies and also by offering monetary benefits. Marketing to physicians is done to establish referral sources and to solicit more business. Large medical centres and multi-speciality hospitals court small hospitals, nursing homes and regional hospitals to generate patient referrals to their high technology services and specialities. Use of innovative communication media like the internet has expanded the geographical reach. Large hospitals actively build and maintain these referral channels using various marketing techniques.

MARKETING TO MANAGED CARE ORGANIZATIONS & PAYERS

Managed care organisations are an important part of healthcare delivery and financing in the developed countries and also now coming up in developing countries. These organizations provide a sort of health insurance where they take care of the healthcare needs of the enrolled patients for a predetermined annual fee. One important type of this managed care network is the Health Maintenance Organization (HMO). In an HMO, the enrolled patient must accept care from the pre-established set of network doctors and hospitals, in order to receive reimbursement of the medical costs or direct settlement of their medical bills. Here the patient has through go through the network every time he or she has a medical problem. Another less
restrictive managed care network is the Preferred Provider Organization (PPO), where the patient enrolled receive service at lower rates from doctors and hospitals that are a part of the network.

As evident doctors, hospitals and other healthcare organizations market themselves to the managed care organizations in order to be included in the network. Being a part of the HMO or PPO increases the patient base of the hospital.

Hospitals are cutting cost and marketing themselves as cost effective service providers to health insurance companies and managed care providers. Hospitals are reducing overheads and streamlining their structure and organization to provide low-cost care to these cost conscious managed care organizations.

MARKETING TO EMPLOYERS

Hospitals are now also marketing themselves to the employers, who buy healthcare plans for their employees directly or through the managed care organizations. Employers select healthcare providers on the basis of cost and quality of service.

Hospitals target these employers directly with information about the cost and patient satisfaction. Hospitals are nowadays using data from patient satisfaction surveys to project a positive image of themselves to the employers and other prospective consumers. A similar situation is seen in India where doctors and hospitals compete with each other to be on ‘panel’ of certain organizations and employers like banks. With this can be sure of a captive customer base and provides them with a competitive advantage compared to competitors.

MARKETING TO ACCREDITING AGENCIES

An organisation is said to be accredited when it meets the standards set by a national / international standards-setting body. In the healthcare scenario, organisations that
offer accreditation include JCAHO (Joint Commission of Accreditation of Healthcare Organisations), ISO 9000, HL7 (Health Level 7).

These organisations set standards for the patient care practices and service delivery systems, apart from the general quality enhancement in the healthcare organization. The accrediting body lay down specific tests and guidelines that have to be followed by the healthcare organisations.99

The broad-based standards and rigorous process of accreditation gives legitimacy to the hospital and instils in the mind of the consumer a vision of high quality of medical care. This attracts consumers and gives a competitive advantage to the hospital.

Since accreditation is a continuous process healthcare organization which seek fresh accreditation and those that continue to do so, market themselves to the accrediting agencies by continually adapting to the standards set by them and taking necessary measures to meet the standards.100

Accreditation has been a relatively neglected term in the field of healthcare in India. To a large extent, the standard and quality of hospital services in India is far lower than the internationally accepted and practised healthcare norms. Further there are no minimum standards fixed by any regulatory authority or institution that are mandatory for Indian hospitals to practise. With the rising trend or commercialisation of healthcare services on one hand and the increasing awareness of the users about their rights and hospital responsibilities on the other, there is a perceived need for accreditation.

MARKETING TO DONORS

Some of the private hospitals depend on outsider grants, apart from the price of its services, to keep the hospital financially viable. These donors are government and non-government organizations, large business houses and philanthropic associations
among others. In order to market itself well to the donor the hospital has to instil a
sense of pride and confidence among the donor constituents so that they can identify
with the organization and demonstrate the benefits to the community that have
accrued out of its donations.\textsuperscript{101}

It is necessary to recognize that the donor is someone who has to be cultivated and
included in the hospitals program and not simply someone to collect contribution
from.

The concept of fund-raising has changed and is now called fund development. This is
a long-term program, in order to build and get a continued support from the donor
constituency. The important step in this to acquaint the donor with the organization in
terms of the mission and goals, the magnitude of the challenge and what the hospital
is planning to achieve and finally how the donation can make a difference.

It is necessary to convert a ‘giver’ into a ‘doer’. It is important to appeal to the
rational and to the sense of responsibility and not just to the emotion.

Marketing has an important role to play in this sphere also. It is necessary to build an
understanding with the donors, a support base, start with donor acquisition and
continue with their retention so as to build a donor constituency. This has to be based
on clear mission, extensive and detailed knowledge of the market (the donors in this
case) and their needs, in order to fulfil them and obtain their satisfaction.

**MARKETING TO REGULATORY AND GOVERNMENT AGENCIES**

Hospitals are regulated by a large number of varied regulations and policies made by
different regulatory bodies and the government. Instead of being a silent responder to
these multiple legislation that may or may not favour the hospitals, the hospital are
now being proactive and marketing themselves to these regulatory bodies so as to
create a regulatory environment that is more favourable for them.
MARKETING TO THE COMMUNITY

The hospital is a very important conspicuous institution in a community arousing many types of feelings and expectations. The community is concerned with whether the hospital provides adequate medical facilities to the community at a reasonable price, its dealing with the community are just and fair and that it lives up to the faith and expectations that the people have reposed in it. The hospital needs to market itself to the community also. This will primarily be an image building exercise. This role is gradually assuming more importance. The basic reason is that hospital have recognized that all members of the community in which the hospital exits are the hospital's potential customers, and attracting potential patients is necessary for the survival and growth of the hospital.

1.4 THE FUNCTION AND SCOPE OF HEALTHCARE MARKET RESEARCH

THE NEED OF HEALTHCARE MARKET RESEARCH

There is a risk associated with all decision-making. This is the risk of a negative outcome of the decision. It is therefore necessary, for the viability of the organization, to reduce the risk associated with the decision-making process. This risk arises because of lack of complete information regarding the various variables that are involved in the process of decision-making. Correct and relevant information although cannot eliminate but significantly reduces the risk of negative outcome of decision. It is therefore necessary to seek information to improve the quality of decision-making.
In many areas of management, such as production, finance and personnel, the information required for decision-making is primarily generated within the firm and is easy to collect and analyse. Moreover, in these areas formalised procedures and statistical methods have greatly improved decision-making. In the area of marketing, however, most of the information required for decision-making exists outside the organization. Information on what the customer needs, their profile, their purchase behaviour, information about the competitor's strategy, information about changes in the economic or political environment that can affect the organization, etc. have to be obtained from outside the organization.¹⁰³

The information variables involved in the marketing decisions, being external to the organization, are both difficult and expensive to collect. Further, the variables are often qualitative and therefore difficult to measure and may not always be very accurate. They are also dynamic and information requires regular updating. Moreover, many of the variables interact with each other in a very complex fashion that makes it difficult to isolate and measure specific variables. The only way this information can be obtained is market research.

In healthcare, as in any other area, the main objective of market research is to provide information for decision-making. The how, when, where and what of this information gathering process differs not only from one industry but also from one organization to another. Today, most of the decisions in consumer oriented healthcare organizations are based on sound market research.

Healthcare market research is still in its infancy as compared to that in other industries.¹⁰⁴ This is because in the field of healthcare the concepts of marketing entered almost four decades after they were introduced in other industries. Since marketing was not considered an important area in healthcare the need for market research was never really felt.

Although the concept of marketing entered the healthcare industry in the mid 1970s, healthcare market research did not follow this trend. This is because at that time
marketing was not seen for what is really was, rather it was equated with promotion and advertising. The focus remained on the product and how to get more consumers to utilize it. There was no knowledge of the market and no emphasis on consumer satisfaction. The relationship between marketing and healthcare was purely external. As evident this relationship did not produce the desired result for the organizations.

It was only in the 1990s that the role of marketing was fully understood and recognised in the healthcare industry. The focus shifted to the consumers, their wants and their satisfaction. As marketing grew more and more, marketing research, which is an important arm of marketing began to be applied increasingly. Gradually marketing research techniques began to be utilised in a wide range of marketing problems.¹⁰⁵

Today, healthcare market research gives the healthcare organizations and the marketers a better understanding and a deeper insight of the market and the consumers. New research processes have been developed specifically for the healthcare market and sophisticated techniques have been put into place.¹⁰⁶ Research data is sought for not only understanding the customers but also the opportunities, the threats and the competition facing the organization and the understanding the entire environment in which the organization operates today and will be operating in the future.

THE DEFINITION OF HEALTHCARE MARKET RESEARCH

Traditional role of research in marketing was to aid in the marketing process and improve the utilization of the product or service. The American Marketing Association¹⁰⁷ defines marketing research as “the systematic gathering, recording and analysing of data about problems related to the marketing of goods and services”. Ferber¹⁰⁸ has defined marketing research as “…the systematic, objective and exhaustive search for and study of the facts relevant to any problem in the field of marketing”. Kotler¹⁰⁹ defines market research as “the systemic design, collection,
analysis and reporting of data and findings relevant to a specific marketing situation facing the organization”.

This traditional concept of market research was basically to profile the customer, their needs and wants and their level of satisfaction with the service they are provided by the organization. As the role of marketing expanded so did the role of market research. The traditional conceptualisation of market research became too narrow. Contemporary market-oriented research is healthcare is becoming increasing broad in scope. It no longer applies to marketing decisions but to a broad range of decision-making functions throughout the entire healthcare organization. For this reason a more inclusive term of market research (rather than marketing) is being used. This term applies a comprehensive approach to the market with implications for all types of healthcare organizations and many different departments within the organization apart from marketing.

Thus healthcare market research can be defined as a ‘multi-step process involving the systemic gathering and analysis of market data that assists the organization in developing relevant strategies and making decisions’.

Implicit in this definition is the fact that the role of market research extends diffusely throughout the organization and aids the decision making process at different levels of the healthcare organization.

THE FUNCTIONS OF HEALTHCARE MARKET RESEARCH

The basic function of marketing research is to facilitate the decision-making process and to reduce the risk associated with the process of decision-making. An organization has before it a number of alternative solutions to choose from in response to every marketing problem and situation. In the absence of market information the basis of the choice can be nothing more than a good guess. In such a situation there is a risk in the decision because there is no concrete evidence to
evaluate the choice with other alternatives or to assess its possible outcome. But with the help of information provided by market research the number of viable alternatives can be reduced and the possible outcome of each can be analysed. This makes the decision-making process easier.

The risk arises associated with decision-making arises because of two types of uncertainties, first, uncertainty about the expected outcome of the decision, and second, uncertainty about the future.

Limited uncertainty about the expected outcome of the decisions will always remain no matter how much information is collected to base the decision on. Unforeseen factors can upset any decision no matter how well researched.

The decision-making risk also arises because of uncertainty of what will happen in the future, the way the customers or distributors would behave, the manner in which the competition will react and so on. Market research provides information about the future and thus providing the manager with a concrete basis for decision-making. However, information about the future may not be exact or accurate. But since the techniques of marketing research are based on scientific methods of collecting, analysis and interpreting data, its findings and projections, at the least, provide a definite trend of scenarios for future decision-making.

The role of market research continues to expand and the functions of market research have increased tremendously. The various functions of market research include describing the comprehensive profile of the market under question, identifying the opportunities within the market, evaluating the market and identifying options, comparing the various options, monitoring the various phenomenon that effect the market, interpreting the research data to make it meaningful for decision makers and recommending actions that are suggested by the research.
DESCRIBING
The first and basic responsibility of healthcare market research is to describe the market and the environment for the decision makers. This involves a comprehensive profile of the market in which the organization operates or is attempting to operate. The market may be the population, physicians in the area, other medical facilities or any other area that requires market analysis. Only when the actionable market has been suitably described in terms of various dimensions can further decision-making proceed.

IDENTIFYING
Once the market has been described the identification of opportunities within the market proceeds. This opportunity may be to introduce new service, revamp the existing ones, control the referral channel, vertically or horizontally integrate and host of such activities. Further opportunities need to be identified as meaningful in terms of the organizations goals, strategies, strengths and direction of growth.

EVALUATING
The next step is to evaluate each of the opportunities in detail. Analysis is done on how the opportunity will it benefit the organization, to what extent and in what context. Will it generate more profit, improve patient satisfaction, increase the market share, provide a positive image and such questions are answered. Various opportunities under focus are analysed separately on predetermined criteria and then compared with each other.

COMPARING
The next step in market research is the comparison of the different markets and the different business opportunities. It is not possible for the organization to enter into all markets and all opportunities simultaneously. It has to select the one that serves the best interest of the organization. The choice may not be very evident and market research help is such decision making.
MONITORING
Markets are never static. Qualitative and quantitative changes keep on occurring with in the markets. Profile of a market at one point of time may not be the same at another. It is therefore necessary for market research to monitor these changes and if possible to forecast them so that anticipatory measures may be instituted to minimize the negative effect of the change on the organization. Monitoring may relate to changes in population trends, changes in the socio-economic and political environment, changes in patient satisfaction and others. Monitoring changes gives the organization a competitive edge.

INTERPRETING
As healthcare marketing research evolves voluminous data is easily made available from different sources. The data is not meaningful unless interpreted in the proper context. Even when primary research is undertaken the data generated, by itself, has no value. It is necessary to know what the data represents and signifies and what implications it has for the organization.

RECOMMENDING
The need for market research has arisen due to the risk involved in the decision making process. Most of the times there is a choice between different alternative, or a yes-no decision situation. The final function of healthcare market research is to recommend a course of action, based on tangible evidence, from amongst the various alternatives available.

THE SCOPE OF HEALTHCARE MARKET RESEARCH
The scope of marketing research in healthcare understandably reflects the scope of marketing in healthcare. The role of healthcare marketing research is gradually increasing because the healthcare industry in increasingly becoming market driven, increasingly sensitive to patient perception, payers have become major players, the consumers are becoming increasingly diverse and competition is increasing. Further,
the cost involved in setting up a facility is tremendous and so is the opportunity cost of a wrong decision.\textsuperscript{114}

As healthcare has become increasingly market driven, data generating through marketing research drives marketing and forms the basis of proper marketing strategies.

As a corollary to this the scope of healthcare market research has been gradually expanding in terms of its users and participants, in terms of the degree of involvement in strategic issues facing the organization and in terms of the various targets and techniques of market research that are unique to the healthcare industry.

The various areas in which healthcare market research has expanded in the last decade are the following:

**ORGANIZATIONS CONDUCTING MARKET RESEARCH**

Historically the first healthcare organizations to conduct market research were healthcare entities not directly related with patient care like pharmaceutical industry and health insurance. Later large for-profit private hospitals entered into the field. They usually have a marketing department responsible for market research. Today, in the developed countries, almost all healthcare organizations conduct market research. The field is becoming more specialized and since all healthcare organizations do not the have the necessary personnel or the skill to conduct an in-house research, professional organizations have developed that conduct the research for a fee. In USA alone there are more than 100 such healthcare marketing research organizations.

**END USERS OF MARKET RESEARCH**

The number and variety of personnel that utilize market research has also increased. Earlier only the marketing department utilized the market data but now other departments are requiring the data as well. Personnel department utilizes data on
labor markets and labor trends, finance on facility utilization and revenue forecast, purchase on the cost benefit analysis of a new equipment in terms of its demand and so on. In fact in any department and at any level where a decision needs to be made, market research is required. Top management of the organization is now important user of the market research data.

IN VolvEMENT OF MARKETING RESEARCH IN STRATEGIC ISSUES

The scope of healthcare market research has vastly increased in terms of its degree of involvement in strategic issues facing the organization. Market research is used for critical corporate decisions including acquisition of facilities, response to competitor's activities, locations of a new outreach program, pricing of services. Market research influences decisions in all spheres of the organization's activities.

TARGETS FOR MARKET RESEARCH

Target for market research are the population on which the research is conducted and who are the focus of the market research. Patients have been the usual targets for research but with the widening of the scope of market research, the targets have expanded. Employees of the institution, employers and other payers, competitors, channel intermediaries, government agencies and general public are all targets of market research today.

TECHNIQUES OF MARKET RESEARCH

Most of the industries follow well-established market research methodology as they have been in the field for many years. Being a late starter, techniques and tools in healthcare market research are still in the process of development. In spite of this, in a span of one decade, market research techniques in healthcare have transformed from basic to advanced and sophisticated. The advancement in science and technology has aided in this development.
PARTICIPANTS IN MARKET RESEARCH

As the scope for healthcare market research broadens host of experts from different fields are required to analyses and interpret the research. These fields include demography, anthropology, epidemiology, sociology, psychology, statistics and others apart from healthcare. The final analysis and the analysis-based decision is an integration of many fields and specialties. Healthcare market research has become a profession and many companies are engaged research on behalf of different clients.115

1.5 CUSTOMER SATISFACTION SURVEYS

Out of the various market research activities being undertaken by healthcare organizations in the present scenario, one of the most basic and perhaps the most important is customer satisfaction survey. A through knowledge of the needs and wants of the organization’s patients and the extent to which the organization is able to satisfy them is essential for any marketing activity. This is one research that precedes most of the marketing activity of the organization.116

Market researchers in healthcare are increasingly involved in customer satisfaction research. Currently, in USA, more than 90 percent of the hospitals employ some form of customer satisfaction survey. Customer satisfaction research is used primarily to assess the ‘quality’ of healthcare from the customer’s perspective.117 Other common reasons for customer satisfaction survey are troubleshooting, complaint resolution and collection of baseline data.118

Inquiries into the level of satisfaction of an organization’s clients were originally referred to as ‘patient satisfaction’ research. Indeed, only a few years ago, patients were considered as the only customers for the health services, and it was their opinion alone that mattered. However, the concept has been modified dramatically over the
past few years and had come to include various other categories of customers that interact with the healthcare organizations.\textsuperscript{119}

The patient satisfaction survey is the primary means of assessing how patients and other customer feel about the care they receive in a healthcare setting.\textsuperscript{120} "Care" refers to both the clinical aspects of treatment and the level of service provided.

Customer satisfaction is an ill-defined concept and it is difficult to define customer satisfaction.\textsuperscript{121} One approach is to assess the difference between the customer's expectation and the actual experience. This is called the contrast model. Another model, the assimilation model, depicts a situation in which customers evaluate best the service components that they can understand.

Patient-centred outcomes have taken centre stage as the primary means of measuring the effectiveness of health care delivery. It is commonly acknowledged that patients' reports of their health and quality of life, and their satisfaction with the quality of care and services, are as important as many clinical health measures.\textsuperscript{122}

Health care organizations are operating in an extremely competitive environment, and patient satisfaction has become key to gaining and maintaining market share. In the west all major players in the health care arena use satisfaction information when making decisions. Also, because much satisfaction data reflects care delivered by physician and other provider groups, this information is receiving close attention from managed care organizations, consumers, employers, and accrediting organizations. This underscores the need for medical groups to collect reliable and unbiased satisfaction information from their patients on an ongoing basis.\textsuperscript{123}

Accountability in medical care has become very important. More and more, physicians are compelled to show that they have acceptable levels of patient satisfaction. In fact, a number of standards-setting organizations and consumer groups have begun using patient satisfaction as a key indicator of health care quality.
Even when there is a will, many small healthcare organizations face a number of challenges implementing patient-satisfaction survey programs. While most large health plans have the resources to conduct surveys or to hire professionals, measuring patient satisfaction can be costly, especially in the face of shrinking operating margins.

Healthcare organizations often lack the expertise necessary to plan and manage the task, and tight budgets may limit their ability to outsource. Other challenges include ensuring that data collection creates minimal hassle for practice staff, obtaining acceptable response rates and reliable data, properly analysing and reporting survey findings, and translating findings into information that can be used for program planning and quality-improvement efforts. Recent technological advances provide managers with solutions to many of the problems associated with measuring satisfaction, including development of new survey instruments with known reliability and validity, use of innovative data-gathering technologies, improvement in measurement and statistical applications, and technologies that simplify development of interesting and effective presentations of survey findings.124

As we move through a new millennium, the measurement of patient satisfaction is becoming less of a luxury and more of a necessity for medical groups. It is increasingly important that a patient-satisfaction program be done well, using sound protocol and methods. In this era of increasing competition and high patient demand for health care excellence, medical groups cannot afford to forgo the insights they can derive from patient-satisfaction surveys.

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