Healthcare Marketing – An Overview
2.1 Introduction to services:

Indian economy, traditionally an agrarian economy, is undergoing structural change with an increasing emphasis on service economy. Today, the service sector dominates the Indian economy contributing half of the national income. The share of agricultural sector constituted over 50% of GDP in 1960, has now come down to 24% in the year 2001. There is substantial increase in the manufacturing sector with 27% contribution in the year 2001. The portion of service sector contribution to GDP is an indication that future of India’s GDP growth will be influenced by service sector. In the year 2001, the contribution of service sector constitutes 48% of GDP1.

Service sector is one of the fastest growing sector with an annual growth rate of 8% per year. The response to liberalization after 1990-91 crisis is probably more in service sector because of lower fixed investment. Moreover, technological invasion have made India to compete globally in the areas of information services and software development. India leads the world in Business Process Outsourcing services as per the latest reports mentioned in various magazines. Disinvestment, growth of private investment also played an important role in the growth of the service sector.

The growing importance of service sector can be acknowledged by growing opportunities of employment. With best jobs, best incomes and best talents now the service sector is the showcase of the Indian economy2.
**Table 2.1: Employment in organized sector in India**

(Figures in '000)

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Agriculture etc.</td>
<td>1428</td>
<td>1447</td>
<td>1321</td>
<td>1074</td>
</tr>
<tr>
<td>Mining and Quarrying</td>
<td>1116</td>
<td>1099</td>
<td>948</td>
<td>586</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>6414</td>
<td>6333</td>
<td>6047</td>
<td>4761</td>
</tr>
<tr>
<td>Electricity, Gas and Water etc.</td>
<td>978</td>
<td>945</td>
<td>718</td>
<td>481</td>
</tr>
<tr>
<td>Construction</td>
<td>1218</td>
<td>1222</td>
<td>1161</td>
<td>1019</td>
</tr>
<tr>
<td>Services</td>
<td>16221</td>
<td>15689</td>
<td>12684</td>
<td>9552</td>
</tr>
<tr>
<td>Total</td>
<td>27375</td>
<td>26734</td>
<td>22879</td>
<td>17473</td>
</tr>
</tbody>
</table>


The importance of services in the Indian economy is highlighted by the press from time to time. The leading newspapers and magazines speak about service sector as given below.

**Table 2.2: Importance of service sector reported by various media**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service sector scored over others in response to reforms</td>
<td>Economic Times, Jan 31, 1996.</td>
</tr>
<tr>
<td>Need to promote service sector</td>
<td>Hindustan Times June 2, 1996.</td>
</tr>
<tr>
<td>New Sensex salutes service sector</td>
<td>Economic Times August 8, 1996.</td>
</tr>
<tr>
<td>Service sector fuels high GDP growth</td>
<td>Economic Times Jan 27, 2000</td>
</tr>
<tr>
<td>This year service tax doubles to Rs. 5000 Crores</td>
<td>Economic Times July 13, 2001.</td>
</tr>
</tbody>
</table>

Service sector encounters tremendous growth in the world economies today. Service sector dominates the economies of developed countries with more than 50% of GDP contribution.

Table 2.3: Sectorial distribution of GDP for 2001 across various nations (Value added as % of GDP)

<table>
<thead>
<tr>
<th>Country</th>
<th>Services</th>
<th>Manufacturing</th>
<th>Agriculture</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>70</td>
<td>29</td>
<td>1</td>
</tr>
<tr>
<td>South Africa</td>
<td>66</td>
<td>31</td>
<td>3</td>
</tr>
<tr>
<td>Mexico</td>
<td>69</td>
<td>27</td>
<td>4</td>
</tr>
<tr>
<td>Pakistan</td>
<td>51</td>
<td>23</td>
<td>25</td>
</tr>
<tr>
<td>India</td>
<td>48</td>
<td>27</td>
<td>25</td>
</tr>
<tr>
<td>Germany</td>
<td>68</td>
<td>31</td>
<td>1</td>
</tr>
<tr>
<td>Japan</td>
<td>66</td>
<td>32</td>
<td>1</td>
</tr>
<tr>
<td>Belgium</td>
<td>72</td>
<td>27</td>
<td>2</td>
</tr>
<tr>
<td>Australia</td>
<td>71</td>
<td>26</td>
<td>3</td>
</tr>
<tr>
<td>Hong Kong, China</td>
<td>85</td>
<td>14</td>
<td>0</td>
</tr>
<tr>
<td>Denmark</td>
<td>71</td>
<td>26</td>
<td>3</td>
</tr>
<tr>
<td>Italy</td>
<td>68</td>
<td>30</td>
<td>3</td>
</tr>
</tbody>
</table>


The above discussion portrays the spectrum of importance of services in the Nation’s economic growth. Multi-dimensional developments in the information technology activated and energized by the developed countries have made ways for sophistication of services. The globalization and liberalization paved the way for development of services providers. As a result the intensity of competition across the world is moving upward. At this
juncture, service providers should make sincere efforts to make themselves stronger and stronger to survive and thrive.

Against this backdrop it is imperative to speak about the marketing of services. In the present scenario, it is not possible to keep ourselves isolated.

2.2 Definition of Service:

Service is a quite complex phenomenon where a number of researchers attempted to define the service, but no single definition has been accepted universally. It is necessary to look at various definitions given by scholars and experts so as to acquire clarity on the service concept.

The American Marketing Association was the first to define services in the year 1960 as “activities, benefits, or satisfactions which are offered for sale, or provided in connection with the sale of goods”. This definition exhibited a limited view on services and attached services with the sale of goods.

Regan\(^4\) in the year 1963 suggested, “services represent either intangibles yielding satisfaction directly (transportation, housing) or intangibles yielding satisfaction jointly when purchased either with commodities or other services (credit, delivery).

Robert Judd\(^5\) defined service as “a market transaction by an enterprise or entrepreneur where the object of marker transaction is other than the transfer of ownership of tangible commodity”.
Blois\textsuperscript{6} in 1974 defined service as “an activity offered for sale which yields benefits and satisfactions without leading to a physical change in the form of a good”.

Kotler and Bloom\textsuperscript{7} defined 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 up to a physical product”.

Gummesson\textsuperscript{8} highlighting the intangibility of services defined services as “something which can be bought and sold but which you cannot drop on your foot”.

Gronross\textsuperscript{9} defined service as “an activity or series of activities of more or less tangible in nature that normally, not necessarily, take place in interactions between the customers and service employees and/or physical resources or goods and/or system of the service provider, which are provided as solution to customer problems”.

Stanton\textsuperscript{10} in 1974 defined services as “separately identifiable, intangible activities which provide want satisfaction when marked to consumers and/or industrial users and which are not necessarily tied to the sale of a product or another service”.

An understanding and critical evaluation of above definitions reveals features and characteristics of services as below:

- Services are activities, benefits or satisfactions.
• Services are of intangible nature and complicates the buying decision.
• Service transactions are without transfer of ownerships and users can have just an access.
• Services does not leave an opportunity to resell to the buyers.
• Exchange of services is possible even though they are not tangible.
• Services are heterogeneous and make difficult to standardize.
• Services are sold and produced simultaneously. They cannot be inventoried.
• Services cannot be moved through the channels of distribution. For availing the service it is essential to bring users to the providers or providers to the users.
• Customer has a role to play in the production process of services as the services are produced in response to the needs and wants of consumers.

2.3 Goods Vs Services: A comparative analysis

Services and goods are not tantamount. There are many salient features that differentiate goods and services. Goods are those which can be physically touched, verified, attracted and can be stored. They are tangibles. On the other hand services can't be stored at a place and one has to hire someone else to perform the service. But Levitt\textsuperscript{11} says "there are no such things as service industries. There are only service industries whose service components are greater or less than those of other industries. Everybody is in service". He points that in every tangible core physical product there exists an intangible service component.
Levitt\textsuperscript{12} distinguished goods as search goods and experience goods based on degree of tangibility. Search goods are tangible and can be evaluated prior to purchase whereas experience goods are intangible and can be evaluated after purchase.

Philip Kotler\textsuperscript{13} suggested four categories of goods by which product–service can be categorized.

**Product – Service categorization**

<table>
<thead>
<tr>
<th>Category of goods</th>
<th>Degree of service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pure tangible</td>
<td>No service</td>
</tr>
<tr>
<td>Major tangible with minor</td>
<td>Goods and services are intangible and can be evaluated</td>
</tr>
<tr>
<td>Minor tangible with major intangible</td>
<td>Service is primary with or without association of goods</td>
</tr>
<tr>
<td>Pure intangible</td>
<td>Only service</td>
</tr>
</tbody>
</table>
2.4 Classification of Services:

The characteristics and features of services cannot be used to describe all services uniformly. It is not wise to generalize about service marketing across a wide range of service situations or service industries. Many scholars have developed classifications and taxonomies to give a clear picture and nature of services. In these classifications products and services are viewed as opposite ends of a continuum.

The development of classification schemes of services enables researchers to study services, which are similar in nature. It enables practitioners to apply similar marketing strategies to the design of the delivery of like services. Zeithmal\(^2\) develops an evaluation continuum on which goods and services are arrayed from “easy to evaluate” to “difficult to evaluate”. On the easy to evaluate end of the continuum goods are high in search qualities, the most tangible in nature. In the middle of the continuum are found goods and services high in experience qualities and on the difficult to evaluate end goods are highly intangible in nature which are high in credential qualities i.e., characteristics which the consumer may find almost impossible to evaluate even after consumption.
<table>
<thead>
<tr>
<th>Author / year</th>
<th>Classification Scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Judd (1964)</td>
<td>Rented goods services, owned goods services and no-goods services.</td>
</tr>
<tr>
<td>Shostack (1977)</td>
<td>Proportion of tangible and intangible elements contained in market entities.</td>
</tr>
<tr>
<td>Thomas (1978)</td>
<td>Equipment based services and people based services.</td>
</tr>
<tr>
<td>Chase (1978)</td>
<td>Primarily people based</td>
</tr>
<tr>
<td></td>
<td>High contact Vs Low contact.</td>
</tr>
<tr>
<td>Lovelock (1983)</td>
<td>Based on relevant marketing characteristics such as nature of service, type of relationship with customer, customization, nature of supply and demand and method of service delivery.</td>
</tr>
<tr>
<td>Schmenner (1986)</td>
<td>Based on degree of interaction and customization (Low or High)</td>
</tr>
<tr>
<td>Vandermerve and Chadwick (1989)</td>
<td>Degree of consumer and producer interaction (low or high).</td>
</tr>
<tr>
<td></td>
<td>Relative involvement of goods</td>
</tr>
<tr>
<td></td>
<td>• Pure services</td>
</tr>
<tr>
<td></td>
<td>• Services with some goods or delivered through goods</td>
</tr>
<tr>
<td></td>
<td>• Services embodied in goods</td>
</tr>
</tbody>
</table>
2.5 Services Marketing:

The developed and developing countries assumed significant growth in the services marketing during the last decade. Both the public and private sectors have been making innovative efforts to market services in a right fashion. Services sector encompasses the manufacturing sector with the boom in the information technology and software development. The multidimensional developments in the service sector and mounting competition generated by the well established multi national corporations laid a strong foundation for the application of modern marketing principles in the services organizations.

The services marketing focuses on selling the service in the best interest of the users/customers with fair synchronization of the interests of the providers and users. Marketers should recognize that the consumer's or prospective consumer's evaluation of service is often based on a multiplicity of impressions that are not confined to the performance of the core service. An important task for service marketers is to understand how consumers actually perceive all the different service elements. Synchronization of marketer's perception and customer's perception of the services is crucial to the success of service business. It is not enough to give good service: the customer must perceive the fact that he/she is getting good service.
Marketing a service meant marketing something intangible. It is marketing a promise. It is more of selling yourself. Selling promises complicates the task of marketers because it becomes difficult to identify the stage or time where the services start declining and where promises suffer\textsuperscript{24}. Marketing of services is confronted with many problems such as tangibilization, customization, segmentation, communication etc.

**Services marketing mix:**

Prof. Neil. H Borden\textsuperscript{25} of Harvard Business School first introduced the concept of marketing mix. The conceptual framework of marketing mix has been designed differently by different experts, say, Kotler, Keelay and Lazar, Davar and others. But the perception by and large is the same. Marketing mix is agreed as a fair combination of Product, Price, Place and Promotion. These four elements make the traditional marketing mix of four Ps. For service marketing, it was observed that traditional marketing mix is inadequate because of need for tangibilization, lack of standardization and need for different marketing models and concepts\textsuperscript{26}. The marketing of services extended marketing mix beyond four Ps.

Booms and Bitner\textsuperscript{27} have suggested an expanded marketing mix for services consisting of seven variables. In addition to Product, Price, Place and Promotion they have added People, Physical evidence and Process.

People are all those with whom service recipient has contact during delivery of service. Judd\textsuperscript{28} came out with fifth P – people – argued that it is the
employees of the organization who represent the organization to the customers. He recommended that organization should formalize and institutionalize people-power and manage like the other Ps as a distinctive component of marketing mix. Parasuraman and Berry\textsuperscript{29} suggested that a service organization can be only as good as its people and is usually difficult to separate the performance from the people.

Physical evidence includes the physical surroundings in which a service takes place and all intangible cues. Though a customer cannot see a service, but definitely he can see tangible cues of service like facilities, communication material, objects, other customers, price etc\textsuperscript{30}. On the basis of his perception on the tangible cues the customer makes purchase decision. Parasuraman et. al. identified six specific roles of physical evidence that supports the organization's marketing programme.

Process assures consistency and availability of quality. Process variables include procedure, mechanisms and the flow of activities. Shostack\textsuperscript{31} in her article described service process as a combination of both complexity and divergence. The steps and sequences that constitute the process and exceptional latitude or variability of these steps and sequences is called divergence. Identification of these additional Ps of marketing makes it possible to develop strategies for delivery of services to the maximum satisfaction of consumers.
2.6 Service quality:

In the era of globalization, the attainment of quality in products and services has become a pivotal concern of business. Quality of goods has been described and measured by marketers, whereas, quality in services is largely undefined and unrehearsed. Efforts in defining and measuring quality have come largely from the goods sector. Knowledge about goods quality however is insufficient to understand service quality. Parasuraman, Zeithmal & Berry acknowledged three characteristics of services — intangibility, heterogeneity and inseparability for the understanding of service quality. First, intangible nature of services, made difficult to understand how consumers perceive and evaluate service quality. Second, because of heterogeneity of
services performance varies from producer to producer and customer to customer from time to time. Uniform quality is difficult to assure because what the firm intends to deliver may be entirely different from what the consumer perceives. Third, services are produced consumed simultaneously. Therefore products and consumables of many services are inseparable. Quality occurs during service delivery, usually in a interaction between the customer and service provider. Hence,

- Service quality is more difficult to evaluate than goods quality by the consumer.
- Service quality is a result of comparison of consumer expectations with actual service performance.
- Quality evaluations involve evaluation of process of services and are not made solely on the service outcome.

There are many difficulties inherent in evaluating service quality. It has been proposed that consumers use five determinants to evaluate service quality - tangibility, reliability, accuracy, assurance and empathy. Importance of each may vary depending on the type of services being evaluated. Service quality evaluation is primarily based on repeated comparison of customer expectations about a particular service with actual performance. Customers evaluate the process of service and its outcome.
Parasuraman, Zeithmal & Berry developed a conceptual model of quality by identifying gaps between expectations and perceptions on the part of management, employees and customers.

**Figure 2.3: Service Quality Model**

![Service Quality Model Diagram]

Gap 1: The difference between consumer expectations of service and management perceptions on consumer expectations.

Gap 2: The difference between management perception on consumers expectations and quality specifications set for service delivery.

Gap 3: The difference between the quality specification set for the delivery and the actual quality of service.

Gap 4: The difference between the actual quality of service delivered and the quality of service delivery described in the firms external communication.

Gap 5: The difference between customers’ expectation of service and their perception of the service actually delivered.

The service firm must make efforts to close gap 5 or at least to make it narrow as far as possible. Before this gap is closed or narrowed the other four gaps also need to be closed or narrowed to optimize quality of services.

2.7 Marketing orientation of a service firm:

Service firms world wide have reached heights of competition with more and more service providers entering into the market. The firms start to feel threatened by serious competition. Unfortunately, most service firms find it difficult to defend against growing competition. Because service systems and concepts cannot be shielded from infringement, needs to become marketing oriented. A marketing orientation is an attitude of mind that puts the customers needs first in any trade-off.
Gronroos\textsuperscript{40} defines marketing orientation as that a firm or organization plans its operation according to market needs. The objectives of the firm should be to satisfy customer needs rather than merely using existing ready facilities or raw materials.

It is imperative to say that within service firms it is nearly impossible to be totally marketing oriented. Customers cannot be given everything they want because of the constraints imposed by the services operating system. The traditional goods marketing implications are two fold.

- Closer coordination of various marketing functions is required in for effective marketing. The coordination in turn demands the creation of a marketing function to collect all relevant information for improving the quality of marketing decision making.

- Need for marketing orientation with or without marketing department, if the organization is operations dominated a strong marketing department is necessary to keep high operational efficiency. Marketing effectiveness can generally be bought only at the expense of operational efficiency. Hence, neither operational nor marketing objectives should be allowed to dominate. A compromise between two makes organizations goal oriented. Service firms can generate increased levels of marketing orientation by changing dominant culture of the organization away from operations and towards marketing.
2.8 Marketing department of service firm – A change agent:

Marketing department plays vital role in charging the orientation of the organization by creating an outside-in view. It advocates for the customers satisfaction. But Gronross\textsuperscript{41} points out that there is a real danger in this approach. Gronross comments that if one such department is created, operations personnel will merely transfer responsibility of consumers to the marketing department.

Lovelock and colleagues\textsuperscript{42} say that in such a situation there is likelihood of open warfare between two departments. There are various differences in orientation between marketing and operations departments. Operations department is cost driven with a focus on evaluating of cost saving procedures and to simplify the operations to be performed. This is a short run strategy. Marketing on the other hand, emphasizes on changes to be made for the product to achieve competitive advantage. This cannot be achieved in the short run

Non-conventional integrating mechanisms need to be adopted to achieve coordination between two departments with highly differentiated functions. Organizational behavior theorists advocate several strategies to overcome the problems of coordination in such a situation. Individuals who are desperate may be asked to work together to develop better understanding of each others perspective. Inter-functional transfers may be facilitated, so as to create informal networks of individuals from different departments who
understand and trust each others. Initially internal transfers may create certain problems. For example, operations manager is transferred to marketing department, his orientation is towards operations but his new role requires a marketing perspective. If such a transfer is successfully achieved, coordination between two departments can be achieved and to overcome many of the traditional barriers to change.

2.9 HEALTH CARE MARKETING – AN OVERVIEW:

Health care, as an industry, currently faces threats and opportunities. Technological advances coupled with the rising needs of people created tremendous demands for new services. Similarly an increasing number of health providers with a strong sense of capturing users have rejected the rudimentary practices. In such a competitive environment, a health care institution survives, not by doing whatever it can, but by doing what it does best within the constraint of market demand. The ability to cope with this competition lies in the extent of marketing orientation the hospitals can adopt.

Health care organizations began to realize that competition was here to stay and that in order to remain competitive they must operate as business. In particular a shift from product orientation to marketing orientation was required. This gave impetus to the development of health care marketing as an integral function of hospitals.43

"Marketing is unethical" was the frequent refrain in the eighties, when very few hospitals realized that it was necessary to incorporate marketing as
an integral function in the hospital operations. But the major argument at that
time lay in understanding whether this professional orientation was really
required for its viability, profitability and sustainability\textsuperscript{44}.

Norman H McMillan\textsuperscript{45} refers to articles that appear all the time attacking
hospitals, doctors and the health care systems by saying that society and health
care systems are out of touch with each other and are not communicating.
There is confrontation but not communication. Marketing can integrate both
and can convert hospitals into consumer oriented marketing organizations.
Hospitals need to adopt marketing concept with the philosophy of satisfying
needs of the customer. They must develop marketing talent to come closer to
the people and communicate effectively with them.

Hospitals should use every opportunity available to them to explain
what marketing really is and demonstrate the positive aspects of marketing by
practicing clean and healthy marketing. Much of the negative attitude towards
hospital marketing stems from the peddlers or the hawkers image it conjures
up in the minds of people many of whom think that marketing is just selling.
Marketing is not selling, it’s just one of the several functions of marketing. In
the words of Robert Shafner hospital marketing is basically seeing what the
public perceives as its needs and the hospital identifies those needs and
developing the services it is capable of delivering to satisfy these needs. In
other words marketing is an outside – inside approach where as selling is an
inside-outside approach. Hospital marketing programme must seek to identify
needs of present and prospective patients and try to develop appropriate services.

**Healthcare Marketing – Benefits to the hospitals:**

Health care marketing if implemented successfully by well planned marketing programme into the hospital premises helps the hospitals derive a number of benefits, such as increased potential, a more satisfied consumer, a strong nexus for making it an ongoing process and many more. These benefits make the hospitals viable, profit oriented and sustainable. Hospitals can benefit through marketing as follows;

- Hospitals, which operated in highly competitive environments can apply principles of marketing to deliver satisfactory services to the customer. These hospitals go an extra mile in meeting the needs and expectations of customers in turn succeed in the future.

- Marketing improves efficiency of hospitals with an emphasis on rational and professional management in designing the product, price, place and promotion.

- Marketing helps to create services of value that satisfy people needs. They will be more sensitive to customer needs and develop knowledge to satisfy their needs. This will result in increased standards of health care and improves the quality of life.

- Marketing makes hospitals select services and programmes which are sustainable and viable. Hospitals can develop unique strengths
and concentrate on a few major services and thus achieve an edge over competitors.

- Marketing facilitates hospitals with careful planning for developing and launching successful new services.

- Marketing emphasizes hospitals to adopt a creative and rational strategy to develop pricing policies so that hospitals can outperform and attract customers.

- Competent medical and Paramedical personnel in the industry can be motivated to join the hospital, who drive the growth.

Marketing in hospitals can be successful and derive benefits if and only if there is organization wide orientation to marketing and participation by the entire management. Hospitals need to formulate appropriate marketing mix, a strategy for achieving the goals.

2.10 Marketing mix for hospitals:

In the era of globalization and privatization, health care emerged as a managed care. Hospitals need to integrate elements of marketing mix to satisfy the needs of the chosen marketing segments. The marketer’s choice or the knowledge of precise combination of these elements yields best results.

Hospitals need to clearly understand the marketing mix elements for successful marketing. Marketing mix comprises of four Ps as they are popularly referred but hospitals can combine any number of elements to
design marketing mix. The present study proposes five elements of marketing mix: Product, Price, Place, Promotion and Public Relations.

The expression “marketing mix” refers to the choice of marketing tools that a hospital combines to offer a service/product that could satisfy the needs and wants of a particular marketing segment. For example, one hospital may emphasize more on product/service to be marketed, than on promotion. The hospital that develops optimum marketing mix will be most successful.

Product/service:

Hospitals market different types of services to the customer; the line services, supportive services and auxiliary services etc. The most important product/service that is marketed by hospital is health care. Hospitals to provide quality health care need to introduce service by identifying the needs of present and future prospects/patients. And also necessary infrastructure should be acquired before offering a service/product to the customer.

The hospital setup need to introduce any area of medical treatment with and only with all facilities required for the treatment. It should facilitate line services such as emergency, out-patient, in-patient, intensive care and operation theatre and supportive services such as diagnostic facilities and equipment, as required for the treatment.

There are people other than patients who buy the hospital products. Hospitals in general concentrate on patient population and forget about people who are interested in hospital products. In an article, the health products,
Seymore H. gives an interesting list of hospital markets and the products they purchase for Trust hospitals. On similar lines, a list of hospital markets and the products they are interested in is as follows:

<table>
<thead>
<tr>
<th>Hospital markets</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investors</td>
<td>Dividend, reasonable returns on investment</td>
</tr>
<tr>
<td>In-patients and</td>
<td>Health care services, surgical services, nursing, emergency, diagnostic and therapeutic services etc.</td>
</tr>
<tr>
<td>Out-patients.</td>
<td></td>
</tr>
<tr>
<td>General public</td>
<td>Community health, health fairs, health camps, educational programmes etc.</td>
</tr>
<tr>
<td>Patient families</td>
<td>Information about patients’ condition, kindness etc.</td>
</tr>
<tr>
<td>Press</td>
<td>News release about achievements, VIP’s etc.</td>
</tr>
<tr>
<td>Visitors</td>
<td>Courtesy, information, directional signs, parking etc</td>
</tr>
<tr>
<td>Governing Board</td>
<td>Governance, prestige, opportunity to give advice members</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>Good perks, good working environment, career growth.</td>
</tr>
<tr>
<td>Government</td>
<td>Mass awareness about evils of health, contribution during disasters, immunization, taxes etc.</td>
</tr>
</tbody>
</table>

Developing a product or service or idea is not an end of product management, it's only a beginning. The other things to be considered are branding, building brand image and positioning. In hospital marketing,
branding, brand name, brand image are all important. Fitness clubs, well baby clinic, day surgery, satellite clinic, good heath, evening clinics are marketable brands. Hospital service brands have the special challenge of conveying trust. Brands are intended to convey the beliefs, values and benefits of an intangible service. Hospital needs to establish trust with customers by promising only what they can consistently deliver to keep the brand credible.

Hospital needs to develop unique value of services in the customers mind. In building those perceptions - best quality of service, best medical and paramedical professionals, sophisticated diagnostic equipment, best value, hygienic atmosphere. Hospitals need to make strategic promises that will provide the benefits customers want in a different way than competitors. This is usually referred to as positioning, an intangible experience vis-à-vis competitor. However, hospitals need to function effectively through a broad portfolio of services/products by branding, positioning and differentiating over the competitors.

Price:

Hospitals need to invest millions of rupees on the sophisticated equipment and technologies, qualified professionals and on modern infrastructural facilities to improve quality of health care. Increasing cost on inputs is found to aggravate the task of price fixation which makes possible a fair synchronization of users and hospitals' interest.
The price that consumers pay for hospital services has two distinct aspects. One is the value in terms of money they are willing to pay for the services they receive, the other is intangible price which may be much higher than the rupee value which they pay. This high price is paid in the form of efforts, change of life style, pain, shame, loss of dignity, rude treatment in the hands of hospital personnel. Hospitals should make efforts to reduce or eliminate intangible price and deliver value for the money patient/customer pay\textsuperscript{47}.

Hospitals are facing non-price competition. In the hospital setup, the greater the competition, higher the price because hospitals try to be ahead of others by providing superior services through high-tech diagnostic equipment and professional management.

Hospitals fix the price of service arbitrarily or at par with competition without any emphasis on scientific methods. In some hospitals, prices are charged based on the economic status of the patients, the type of bed they occupy without any consideration of cost of providing these services. There is no fool-proof system of pricing in hospitals. At times, even the pricing depends on the medical specialist who provides the service. Hospital financial experts opine that the method of pricing in hospitals is not effective.

Many hospitals think that scientific method of pricing is a complicated exercise, an expensive investment in terms of specialist personnel, time and money. To price a service or product the viable proposition is estimation of
total cost which includes direct and indirect cost. Direct cost comprises of fixed cost and variable cost. A fixed cost includes equipment and administrative costs for each procedure and department overheads. Variable costs vary from procedure to procedure. In addition to direct costs, indirect costs include depreciation, capital needs and other administrative costs specific to the department.

Price can be set by top management after the estimation of cost of a procedure. The authorities have to decide, whether service is to be priced adding a markup or marked down to attract volume of sales. G.D.Kunders with his experience as a hospital administrator says that every hospital must carryout the exercise of pricing their services, so that they can know exactly where they stand.

There are different pricing strategies adopted by hospitals to attract customer base and make hospitals survive. Some of them are;

*Psychologically satisfying price:* This strategy was built on the psychological satisfaction of the customer. Patients in general make enquiries about hospital personnel i.e., doctors and charges. Corporate hospitals pricing strategy was built around the room charges, which were deliberately kept much lower than competition at industry level.

*Psychological - cum - prestige pricing policy:* This policy is adopted by hospitals to appeal that higher the price, higher the quality of service.
Hospitals create impression in the minds of customers that, outstanding specialist doctors, hi-tech equipment and quality care demands higher price.

*Skimming pricing policy:* This strategy is adopted by the hospitals to recover the huge investment as quickly as possible and maximize revenue before competitors enter. Marketing experts say that lowering prices is easier than increasing prices.

*Penetrating pricing policy:* This policy adopts a lower price than prevailing in the marketing to attract more number of customers. This is adopted by hospitals at an entry level to gain customer/patient base. As soon as gaining popularity, pricing start rising.

**Place (Distribution):**

Hospitals should focus on place where services are made available to consumers to achieve customer satisfaction. Hospitals distribution channel comprises of more than the hospital which is one link in the system. Hospitals need medical specialists i.e., physicians and surgeons, paramedical personnel, hospital administrators, government, investors, insurance companies, employers and many others, these form the channel of distribution. Each member has a different role to perform.

Information technology facilitated the possibility of delivering services at the customers’ doors step. It has seen hospitals establish new links in the distribution system. Now hospitals have designed community out reach programmes, satellite clinics, e-diagnosis, e-medicine and the like to deliver
health care right at the peoples' door step and industrial and occupational medicine at the work place.

Home health care markets, a new system of delivering services at the patient residence is gaining attention in advanced countries. This system is adopted by large hospitals to serve the growing and affluent market.

Edward J. Ryan and Raymond A. Pholps III advocate home health provides increased patient satisfaction, greater patient convenience and lower patient cost. Hospitals can differentiate their services by providing more convenient points of access for customers. Customer preferred channels of access are to be provided to enhance benefits for customers. For example, a technology savvy customer who might prefer online access can be attracted.

**Promotion:**

Promotion is an act of communicating product/service and its merits to consumer and persuading or influencing them to purchase. Communication is an important tool in promoting the company products or services. Marketers need to select appropriate ingredients for communications programme. Public relations, publicity, advertising, educational programmes, endorsement of opinion leaders etc. are the appropriate devices for promoting hospital services. Promotional or informational activities at the point of delivery of services can also have an important role in communication.

The determination of likely communication or promotion budget and their distribution over target markets will influence the selection of
communication mix. Communication can be used to influence any stage in the selection and consumption process: Selection of hospital, treatment evaluation etc. Though promotion objectives are traditionally set to enlarge the customer base, it is unique characteristic of services that promotion can be used to impact all the three phases: pre consumption phase, consumption phase and post consumption evaluation.

Hospital needs to select and divide the tasks among advantage, publicity, public relations and selling and point of sale messages. Advertising by hospitals, a decade or two ago, was strongly objected and treated as unethical. Hospitals usually advertise on traditional lines to position hospital’s image in the community. If hospitals continue to advertise image rather than products such as various services nothing much will be achieved. Consumers want reasons for selecting one hospital’s services to those of others. Studies have shown that image advertising doesn’t attract customers. Customers need comprehensive and complete information about services offered, facilities and equipment available and doctors etc. Advertisements should be informative and provide decisive information for the customer to select the hospital. The various promotional tools which public relations can use for promoting hospitals are health care and educational seminars, free health camps, health fairs, immunization camps, news release, annual reports, public service campaign etc.
Public relations:

Across the hospital industry, customers generally care little about the tangible items that help deliver the promised experience – they care about the experience itself. Degree of acceptance of the hospital is derived from the total of all impressions it makes in minds of people, who come into contract with it and its employees. The responsibility of maintaining public understanding and acceptance of the hospital service by various publics lie with public relations programmes of the hospital. Publicity by way of intensive promotional efforts doesn’t help in developing public relations. Public relations programme is boarder than promotional aspect of marketing, concerned with action of every employee inside and outside of the hospital. Hospital prestige and image is judged by employees’ actions, attitudes, appearance and the quality of service they render. The hospitals public relations begin with their employees and not with general public.

Hospitals need to emphasize on policies that create congenial and employee oriented working conditions, an attractive environment, high morale, internal harmony etc. to make employees feel pride in their work. Such highly motivated employees play vital role in building reputation for the hospitals. They are various publics apart from patients and their families who form part of public relation programmes. They are present and past employees, former patients and their families, friends, visitors and well wishers, persons associated with hospital such as suppliers, outside diagnostic
centers, investors etc., media persons, government officials and medical and paramedical staff working in other hospitals, nursing homes. Opinions of the above publics have profound influence on the public relations.

Hospitals need affirm their philosophy and honesty in delivering the services as promised to build good public relations. Positive relationships with media, guest relations, internal relationship, public relationship, relations with outside physicians etc. are various activities that require concentration to build the public relations.

2.11 Health care insurance in India – linking customer with hospital industry:

Health insurance makes healthcare affordable to a large number of people. One cannot plan ones future consumption of healthcare in the way that one could do so for commodities like food. As a result of this inability to plan when a future event will occur, an unregulated marketing would respond by developing insurance mechanism, where by an individual or family could make payments to some risk pooling agency, usually an insurance company for guarantee of some form of financial reimbursement in the event of illness leading to the insured person incurring health care expenses. People cannot insure against ill health itself but rather the financial costs of ill health.

Health insurance is a sensible institution that pays the service provider on behalf of the user. Hospitals need to develop tie-ups with more and more insurance companies so that they can outperform and achieve market share.
Healthcare insurance drives health care revenues up and that's expected to happen for hospitals that develop links with insurance companies.

With the passing of Insurance Bill several insurance companies both Indian and foreign based plans to make tie-ups with private hospitals. The wockhardt group of hospitals in Bangalore have tied up with six leading UK based medical insurance companies. Based on the data from National Council of Applied Economic Research ((NCAER), Mckinsy short listed 80.8 million households have ability to pay insurance premium, of this 20.5 million households are already insured (Mediclaim, indemnities given to public sector employees) leave a market of 60.3 million house hold or 315 million lives that can be insured\(^50\).

Multinational insurance companies are racing towards capturing the health insurance market. Out patients like US insurance major Signa International are looking at introducing smart cards that can be used in hospitals, patients guidance facilities which provide referral to doctors for specific illness, dreaded diseases insurance where a person may only be insured against certain major diseases, travel insurance where a patient can be insured for emergency treatment in another country, hospitalization insurance, outpatient insurance for common illness colds and coughs .. the list is endless\(^51\).

Hospitals at this juncture need to tie up with insurance companies where insured people can approach these hospitals for their health care needs.
2.12 LITERATURE REVIEW:

A careful survey of the literature connected with the present study has been made to assess the feasibility of conducting the research. As far as the knowledge of the researcher is concerned no studies have been made hitherto in the sphere of marketing of corporate hospitals. However, it is observed that there are some publications – research based as well as non-research based - on certain aspects related to marketing of hospital services.

The health care marketing received widespread attention after the publication of the classical article “Broadening the concept of marketing” by Kolter and Levy \(^{52}\) in the year 1969. The relevance, role and value of marketing in the health care institution have been vigorously debated. The credit in the application of marketing tool in the health care industry goes to Zaltman and Vertinsky\(^ {53}\) (1971) who have published an article “Health services market – a suggested model”. They advocated the application of social marketing tools in the health care institutions.

O’cannor (1982)\(^ {54}\) has presented a different view on the value of marketing in health care by stating that market-driven approach for health care industry is not relevant. He is of the opinion that marketing was over sold to the health care industry. Sanchez \(^ {55}\) (1983) mostly agreeing with O’cannor, suggests for restructuring of health organization before the application of marketing tools and techniques. Novelli\(^ {56}\) (1983) cited reasons why marketing is not used in non-profit and public organizations.
Keith 57(1981) in his article “Marketing health care: What is the recent literature telling us” advocated the role of supply - demand chain in forcing hospitals to adopt marketing approaches to serve their clientele. Cooper 58 (1984) says that though hospitals talk about marketing orientation, large number of hospitals had only made cosmetic changes to the existing public relations department and planning departments. Ireland 69 (1985) advocated marketing approach to provide new opportunities for hospital administration. Clark & Shyavitz 60 (1987) agreed with Cooper in the approach of marketing orientation of the hospitals.

Kotler & Clarke 61 in their book “Marketing for health care organizations” discussed the ways and means to be adopted for incorporating marketing in the health care organizations. They advocated that public relations and planning functions form the part of the marketing function, but not the full marketing function. The authors even believe that if marketing lies with the planning department, it may perform the marketing analysis and strategies well, but fail in implementation.

Medevitt 62 (1987) classified the hospitals are production-oriented (inside-out marketing) and marketing-oriented (outside-in marketing). He has undertaken a study of 80 hospitals and concluded that market orientation of hospitals is related to the number of beds and is independent of the occupancy rate. Clarke and Neiman 63 (1988) conducted a state-of-the-art marketing service commissioned by the Society for Healthcare Planning and Marketing,
United States and concluded that there is increasing formal marketing function in number of hospitals with promotion as primary focus. He also states that small hospitals (<50 beds) are not likely to have a formal marketing department and a chief executive officer is in-charge of daily marketing activities. B.H. Allen\textsuperscript{64} (1988) suggested hospitals to adopt marketing management for the hospitals administration to enhance efficiencies and performance.

G.M. Naidu and Chem L. Narayana\textsuperscript{65} (1991), on the basis of Mc Devitt study, conducted a random sample study of 153 hospitals from Mid-western states and identified only 20\% of with marketing orientation. They also concluded that marketing orientation is related to bed size, occupancy rate and form of ownership. They also say that majority of hospitals have not yet adopted marketing orientation which is highly desirable and adaptable.

G.M. Naidu, Arono'Kleimenhagen and George D. Pillari\textsuperscript{66} examined relationship between hospital marketing orientation and hospital performance. The study indicated substantial evidence for concluding the effectiveness of marketing in the healthcare industry. The inferential analysis of the study supported the desirability of hospitals becoming more marketing oriented. These hospitals had more admissions per bed, higher net income margins, lower salary to revenue ratio and a higher return on equity.

G. Rodney Wolford, Montague Brown and Barbara P. Mc Cool\textsuperscript{67} in their article discussed about the third party financing and marketing of health
insurance. The article highlighted the managed care in bringing the health costs to control. The authors also advocated the opportunities for massive consolidation of needs in the health system to create integrated health systems combining providers services and financing mechanisms. In the words of authors “for those leaders who feel that the managed care exists today provides most cost effective, quality outcome for the individual, his or her sponsor in the community, that will go no further. Unfortunately for many of us, managed care means a third party trying to micro manage patients (Deductions, authorizations and so on), employers (claims, incentives and so forth) and providers (approvals, forums payment, tricks and the like). Providers need to go ahead and master efficient care. We owe that to the community and the third party that nightmare of administrative over kill must be laid to rest”.

Richard K. Thomas and Louis G. Pol68 (1993) in their article highlighted the involvement of health demography in the advancement of the state of marketing in healthcare and reducing barriers that have retarded the development of mature marketing function within the health care industry. They say that health care industry must develop means for measuring "Quality" and evaluating the effectiveness of product, pricing promotional and distribution decisions. They suggested that health care marketers must embrace the new field of health demography if they expect to keep their organizations competitive.
Garland Keesling⁶⁹ (1993) examined health care branding decisions along with strategic implications of branding. He concluded that, as long as markets continue to be dynamic & health care administrators strategically respond, the industry will continue to witness high level of activity in corporate identity. He also advocated corporate brand names can be rendered meaningless if one cannot deliver in a world where performance drives everything. Creating a brand image of quality is a long term effect requiring commitment of all.

Edward J. Ryan Jr. and Raymond A. Phelps⁷⁰ (1993) surveyed physicians to identify problems and studied physicians perceptions regarding marketing home health care. The authors found that the home health care market, one of the lucrative market segments in health and medical service industry is growing quickly and offers industry marketing managers with an outstanding opportunity to serve patients in an effective and socially responsible manner.

Brien Ellis and Beverly K. Brockman⁷¹ (1993) analyzed how the Porter's five forces of competition model can be utilized to understand the changing forces of competition in the medi-care industry. The paper tried to bring an interface between marketing and health care practice. The authors described four widely accepted marketing strategies: cost leadership differentiation, focus and domestication. They concluded knowledge and usage of marketing tactics is no longer a choice but a necessity. Hence, an
appropriate combination of marketing skills and the traditional patient-physician relationship is key to survival. The paper provided a framework with which to test the blending of theoretical marketing analytics and strategic techniques in the medical and health care industry.

Jeanne M. Liedka\textsuperscript{72} (1992) argued hospitals must take a more comprehensive view of strategy formulation that goes beyond issues of internal competencies and environmental opportunities to incorporate the values of caregivers and the social responsibilities of the institution as well. The author concluded a narrow approach to strategic planning that focuses exclusively on market driven. A question of internal driven and external opportunities is inadequate in the hospital environment.

S.L. Goel\textsuperscript{73} (1994) in his study “marketing of health services-hospitals in northern India” highlights that hospitals are lagging managerial skills and are failing to get best of resources available. The study concludes that hospitals must aim at increasing their competitive differentiation, their service quality and their productivity through marketing orientation.

D.R. Singh & D.D. Sharma\textsuperscript{74} (1994) in their article “Marketing of healthcare services – Entrepreneurial creation and management of nursing homes in Jalandhar” highlight that management of health services need improvement so as to bring it to professionally standardized track through entrepreneurial motivation.
M.L. Kataria⁷⁵ (1994) in his work “Marketing of healthcare services” throws light on need for promotion of healthcare services at all levels by adopting modern management techniques in the hospitals namely Management By Objectives (MBO), cost-benefit analysis and network analysis based on Project Evaluation Review Technique (PERT) and Critical Path Method (CPM).

Rama.V.Baru⁷⁶ (1998) in her empirical study of private hospitals in Hyderabad delineated the emerging patterns of medical care in the private sector within a historical and global perspective. The study traced the growth of private sector healthcare in India and examines the role of professionals, certain classes and foreign capital which have shaped the content of privatization. The study explores socio-economic background of hospital entrepreneurs and movement of capital from agriculture and business into medical care.

In a research report published by Partnership for Health Reform (PHR)⁷⁷ 1999 titled “Characteristics and structure of private hospital sector in urban India: A study of Madras city” focuses on urban hospitals and identifies strategies to improve the performance and accessibility of the private hospital market. The study analyzed size, infrastructure and distribution of private hospitals, the range and services offered and the various payment schemes for private hospitals, diagnostic centers and physicians. The study concludes that due to intense competition in the market hospitals are not doing well, hospitals
market performance is driven by the larger politico-economic environment which is beyond stakeholders reach and influence.

Lewis .R. Truckers and Roger A. Zaremba\textsuperscript{78} (1991) study focused on operational and performance characteristics of multi-hospital systems. The article examined the practice of marketing across inter-organizational types and developed comparative profiles. The authors developed data that is useful for developing marketing efforts to compete and attract new customers.

Rajiv Kumar Jain\textsuperscript{79} (2000) discussed development and implementation of the strategic service vision on a dynamic basis for the corporate hospitals. He concluded that in the deregulated competitive environment hospitals need to evolve and implement a strategic vision not only to survive but to grow and provide advantage. The essential elements of such a vision are a) Target market segment b) Service concept c) Operating strategy and d) Service delivery system. These elements need to be linked though a) positioning b) value cost leveraging and c) Strategy system integration.

Ambuj Bhardwaj, D.K. Sharma, R.K. Sarma, & P.C. Chaubey\textsuperscript{80} (2001) conducted an exploratory research to gain an in-depth understanding of health care customers expectations and their perceptions of service quality. This study is central to the marketing orientation of a large private for profit hospital in metropolis of Delhi. They concluded that health care providers should closely monitor the delivery of care and customer needs simultaneously being able to retain a favourable position within an
increasingly competitive market by developing a more satisfied consumer base. In order to be successful in today's competitive health care environment the health care providers should deliver the services tailored to the consumer needs and must actively review the changes in their demands and expectations in context to time and the socio economic strata of the community being served.
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