METHODOLOGY OF THE STUDY
3.1 Statement of the problem:

Review of literature on healthcare / hospital marketing in general and in specific to Indian context evolved various problems confronted by Indian healthcare industry. In India, the cynics say that an increasingly fragmented market, lack of statistics, capital intensive operations and a long gestation period are all wise reasons to shy away from investing in the healthcare industry\(^1\). Corporate hospitals mushroomed in the eighties failed because they emerged in isolation and weren't part of a large healthcare phenomenon. The impetus behind this is faulty strategy that's done in many corporate hospitals. Things like a low operation theatre to beds ratio, focusing on the duration of stay rather than patient turn around and even unnecessary investigations to increase revenue have caused hospitals to fail.

Today healthcare had undergone structural changes due to socio-economic changes in the environment. Liberalization brought change in attitude. People are spending more on healthcare. Most of the users are preferring private services to government ones. Nobody is talking about just treatment, but also about a host of other things that range from the prevention of deceases to detection of ailments to financial aid to cure\(^2\). All corporate hospitals both private limited and public limited have to see themselves as part of a huge complex a bit like the human body itself, that will need to work in tandem to keep the healthcare industry growing.
Healthcare is racing towards hi-tech, advanced technologies and corporate hospitals are competing to position themselves in a unique way. In deregulated competitive environment hospitals need to evolve and implement a strategic service vision not only to survive but to grow\(^3\). The healthcare industry today is facing three Cs – competition, consolidation and consumerism\(^4\). Corporate hospitals must endeavour to design services as perceived by user as cost effective and need based. In this context corporate hospitals must identify the needs of present and prospective users and deliver quality medical care. Corporate hospitals demand huge investments for acquiring sophisticated technology and qualified medical professionals for delivering quality healthcare and in turn expect reasonable return on investment. Conventional and rudimentary practices have not been able to realize the expected returns\(^5\). Only a switch over to application of marketing principles and concepts can make a tremendous impact on the corporate hospitals if they are designed properly.

As a matter of fact, the application of marketing principles has not reached its true potential and is in its nascent stage in most of the corporate hospitals\(^6\). Many of the corporate hospitals are unaware of result oriented marketing plans and strategies, which will ensure quality and attract greater number of patients. In this regard there is a necessity for integrating the marketing principles into a hospital premises so as to improve the performance\(^7\). Despite several criticisms on healthcare marketing it has
numerous advantages for corporate hospitals, patients and in turn for society. These are improved performance of corporate hospitals, better utilization of medical equipment, improved satisfaction of target market and establishment of healthy society. Healthcare marketing is a managerial device that enables design, positioning, pricing and promotion of value-added services with customer as its focal point.

3.2 Need for the study:

Healthcare in India is changing rapidly. The traditional system – a fragmented array of hospitals and clinics administered largely by the government and non-profit organizations – is giving way to a regime of managed care run increasingly by the private sector. The ascent of managed care has been triggered by the entry of corporate hospitals with multi-crore investments all of which have been looking for ways to capture market share, expand the patient incumbents and ensure survival in relentless competition. Behind the scenes of this metamorphosis several powerful trends are at work: the rise of patient as consumer, introduction of innovative technologies and a new breed of entrepreneurial abilities in the corporate hospitals. It is this trio of forces paving way for market driven healthcare.

Industry watchers say that hospitals are seen to be a long gestation business hence the providers are trying to obtain return on investment (ROI) by charging high price for users. Many of the hospitals are suffering from financial crunch due to poor patient inflow, exorbitant costs of health care and
lack of support from government and financial institutions. A great variety of corporate hospitals are facing marketing problems, confronting increased regulation, decreased outside funding, increased competition, a wave of entrepreneurial ventures by both providers and non-providers, a growing shortage of necessary clinical skills and an oversupply of others, and a more critical consumer. Currently, Corporate hospitals are facing biggest changes and challenges and demands for tighter and more professional and forward looking management.

The healthcare marketing yet had not received attention from scholars, policy makers and others. As a result very little is known about relevance and scope of marketing in healthcare industry. Indeed this holds good for all kinds of medical care systems. Very few attempts have been made to research into the marketing aspects of the hospitals. Now-a-days corporate hospitals are playing a vital role in the field of healthcare by providing world class technology. Many corporate hospitals have emerged during the recent time to offer advanced medical technology to the people. Medical care was treated as an industry in the year 1984. from then it became possible to get long term funding from the financial institutions. The government also reduced the import duty on medical equipment and technology, thus opening up the sector.

After liberalization, socio-economic changes such as rise in literacy rate, higher levels of income and increasing awareness through deep penetration of media contributed to greater attention being paid to health. The
success of corporate hospitals require definite action plan for promoting and communicating integrated package of services offered to the people. Corporate hospitals need to use marketing as formidable weapon to forge competitive edge over their rivals and have to attract more number of customers. But many perceive marketing as selling what they have. With this notion many of the corporate hospitals are relying on the referral market and unethical practices to achieve financial viability. G.D. Kunders in his book “How to market your hospital without selling your philosophy” stressed the importance of marketing in hospitals. In his words “hospital marketing is slowly coming of age in our country still carries a stigma in eyes of many hospitals. Also things are changing; there are people who think that introducing marketing in hospitals is an aberration which is debasing the healthcare profession... ... Be that as it may, a growing number of hospitals now have full fledged marketing department which have brought into operation some of the most dynamic and result oriented marketing plans and strategies”. Today’s market has become consumer driven and healthcare is no exception. The marketer has to delight the customer to achieve success.

After liberalization, socio-economic changes such as rise of literacy rate, higher levels of income and increasing awareness through deep penetration of media contributed to greater attention being paid to health. The success of corporate hospitals require definite action plan for promoting and communicating integrated package of services offered to the people.
Free market economies have produced managed care, but failed to control health costs. Corporate hospitals are investing crores of rupees for importing the medical equipment which is necessary to provide quality medical care. To obtain reasonable return on investment hospitals are charging exorbitant prices for the services offered, instead of achieving economies of scale. The dependency on hi-tech medical equipment has a direct bearing on the cost of medical care. To overcome this there is a need for effective utilization of equipment. To utilize the resources to a full extent the corporate hospitals need to attract more number of customers. To achieve this the corporate hospitals have to identify needs of the customer, design the product mix, communicate to the public, price and promote the services in such a way to position in an attractive manner and in different way than the competitor.

Study on marketing practices of corporate hospitals assumes significance for the following reasons;

- Healthcare system is the most important requirement for the socio-economic development of nation. It is the index of advancement of science, technology and art of management to meet the health needs and wants of the society.\(^{13}\)

- Corporate hospitals are having highest growth potential, but require implementation of marketing principles to earn reputation, to create brand image and to optimize the resource utilization.\(^{14}\)
- The degree of acceptance of corporate hospital is derived from the customer/patient satisfaction and public relations\textsuperscript{15}.

- The health industry is consumer driven and the success of the organization depends upon the ability to communicate, promote and deliver high quality healthcare at a cost that people can afford\textsuperscript{16}.

- Corporate hospitals need to provide comprehensive healthcare not an expensive healthcare.

The study attempts to fill the gap in the knowledge of marketing practices to be adopted in managing the elements of marketing mix by corporate hospitals. The study explores the ways and means of communicating, promoting and delivering high quality medical care at a cost that people can afford. It is an exploration into the current practices, possible modifications, and the possibility of making marketing goal oriented. The researcher strives to study the emphasis given to marketing mix of services and provide suggestions to make corporate hospitals customer driven.

In this backdrop the study undertakes to test the following hypothesis.

3.3 Hypothesis:

1. Marketing orientation of the corporate hospitals is directly related to the form of ownership. Public limited hospitals exhibit high market orientation than private limited hospitals.
2. Marketing orientation of corporate hospitals is directly related to volume of investment. The higher the volume of investment higher is the marketing orientation.

3. Marketing orientation of corporate hospitals is related to number of beds. The higher the number of beds higher is the marketing orientation.

4. Marketing orientation of corporate hospitals is inversely related to bed occupancy rate. The lower the bed occupancy rate higher is the marketing orientation.

5. Marketing orientation is influenced by number of branches in different locations. The higher the number of branches higher is the marketing orientation.

6. Marketing orientation of corporate hospitals is directly related to service portfolio offered. The larger the service portfolio higher is the marketing orientation.

7. Attitude of the corporate hospitals towards marketing healthcare directly influences marketing orientation. Positive the attitude higher is the marketing orientation.

8. Availability of diagnostic facilities/equipment can be related to marketing orientation. More the diagnostic facilities/equipment higher is the marketing orientation.
9. Volume of investment directly influences the price of services. Higher the volume of investment higher is the price.

10. Extent of tie-up with insurance companies does influence sales growth. More the tie-ups with number of insurance companies higher is the sales growth.

11. Perceived level of competition has direct bearing on marketing orientation. Higher the perceived level of competition higher is the marketing orientation.

12. Marketing orientation of the corporate hospital is related to the return on investment. Higher the return on investment lower is the marketing orientation.

13. Marketing orientation of the hospitals depends on having or not having marketing department.

To test the above hypothesis the study is undertaken with the following objectives.

**3.4 Objectives of the study:**

1. To identify and evaluate the socio-economic origins of selected corporate hospitals;

2. To study the relevance and scope of marketing in corporate hospital services;

3. To study the design of product mix;
4. To analyze the strategies adopted by the corporate hospitals for the promotion of their services;

5. To evaluate the pricing strategies of various corporate hospitals;

6. To interpret the locational strategies of corporate hospitals; and

7. To suggest ways and means for strengthening corporate healthcare sector for better marketing.

3.5 Scope and methodology:

Though the researcher wishes to cover the entire healthcare industry, its orientation towards marketing for arriving at meaningful conclusions, due to paucity of time and other constraints the researcher has decided to limit his area of study to marketing practices of corporate hospitals in Andhra Pradesh only.

Hospital can be divided into four categories.

1. **Sole proprietor:** Hospitals in this category are owned and managed by individuals with unlimited liability.

2. **Partnership hospitals:** These hospitals have two or more partners but fewer than 20. They have unlimited liability and profits are shared among partners as per their capital ratio.

3. **Corporate Private Limited Companies:** Hospitals in this category have more than 2 partners but fewer than 50. These are registered under the Companies Act, 1956. They have limited liability.
4. **Corporate Public Limited Companies**: These hospitals have any number of stakeholders. These are the hospitals with limited liability registered under the Companies Act, 1956. They are allowed to raise resources from the public through issue of shares. They need not be listed in Stock Exchanges.

There is another category called trust hospitals. These hospitals get tax concessions since they can go only for redeployment of their profits in hospital related investments.

The researcher undertakes the study of corporate hospitals, which includes both corporate public limited and corporate private limited.

**Table 3.1: Corporate hospitals in Andhra Pradesh as on 31-12-2002**

<table>
<thead>
<tr>
<th>Form of Organization</th>
<th>Number of Hospitals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Private Limited</td>
<td>153</td>
</tr>
<tr>
<td>Corporate Public Limited</td>
<td>33</td>
</tr>
<tr>
<td>Total number of Corporate hospitals Registered under Companies Act, 1956.</td>
<td>186</td>
</tr>
</tbody>
</table>

Source: Information obtained from Registrar of companies, Hyderabad.

A preliminary survey reveals that corporate hospitals are confined to mainly urban areas of Andhra Pradesh. It was also identified that majority of the hospitals are located in twin cities of Hyderabad and Secunderabad.
Table 3.2: Location of Corporate hospitals in Andhra Pradesh

<table>
<thead>
<tr>
<th>Location</th>
<th>Number of Hospitals</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Private</td>
<td>Public Limited</td>
</tr>
<tr>
<td>Anantapur</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Bobbili</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Bhimavaram</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Cuddapah</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Guntur</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>Hyderabad</td>
<td>73</td>
<td>20</td>
</tr>
<tr>
<td>Kakinada</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Khammam</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Kurnool</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Madanapalli</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Nandyal</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Nellore</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Nizambad</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Palakol</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Rajahmundry</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Secunderabad</td>
<td>12</td>
<td>2</td>
</tr>
<tr>
<td>Tanuku</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Tenali</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Tandur</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Tirupati</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>Vijayawada</td>
<td>12</td>
<td>2</td>
</tr>
<tr>
<td>Vishakapatnam</td>
<td>16</td>
<td>3</td>
</tr>
<tr>
<td>Warangal</td>
<td>3</td>
<td></td>
</tr>
</tbody>
</table>

Source: Information obtained from Registrar of companies, Hyderabad.
The study is mainly of descriptive nature but a set of statistical tools have been adopted to make the study analytical and tries to evaluate the marketing mix of corporate hospitals.

In general, probability sampling procedure and in specific, stratified random sampling technique has been adopted to select the sample. The study classified the corporate hospitals into two strata, based on form of organizational setup. The researcher selects a sample giving due importance for both public limited and private limited hospitals. The public limited hospitals as per the data available from only 18% of corporate hospitals. Approximately 30% of the population i.e., 56 hospitals have been selected. The sample includes a mix of corporate private limited and corporate public limited hospitals in the ratio 5:3.

**Corporate private limited hospitals: 35**

**Corporate public limited hospitals: 21**

To make the sample more representative of the entire state, sample has been selected from all the three regions of Andhra Pradesh namely Coastal region, Telangana region, and Rayalaseema region.

**Coastal region : 15**

**Telangana region : 36**

**Rayalaseema region : 5**

The number of corporate hospitals in Telangana region are higher followed by coastal region and Rayalaseema region. The twin cities of
Andhra Pradesh, Hyderabad and Secunderabad belong to the Telangana region where the numbers of corporate hospitals are of approximately 58%. Vijayawada and Visakhapatnam of coastal region comprises of 20%. There are less than 10% of hospitals in Rayalaseema region. The study doesn’t enumerate the hospital names due to objections raised by the managements of the hospitals. However, a list of corporate hospitals in Andhra Pradesh has been enclosed in Annexure – 2.

3.6 Data Sources:

This study is based on primary and secondary sources of data.

**Primary data:**

Primary data is collected from the selected corporate hospitals by administering a structured questionnaire. The questionnaire comprises of various questions relating to socio-economic profile and marketing mix of hospitals. The timing for administering the questionnaire was fixed by prior appointment with the hospital authorities. The authorities of corporate hospitals who responded to the questionnaire varied designation-wise from hospital to hospital Managing Directors, Public Relations Officers, Marketing Managers, Chief of Hospitals and others.

**Secondary data:**

Secondary data is collected from journals, magazines, booklets, national dailies, publications and other reference books. They are;

- Journal of Academy of Hospital Administration, New Delhi.
- Harvard Business Review.
- Journal of Health Care Marketing.
- Journal of Health Care Information Management.
- Journal of Health Management.
- Business Line Daily
- The Hindu Daily.
- Financial Express Daily
- Indian Express Daily
- India Today
- Business Today

Secondary data is also collected from various websites on the internet.

The websites searched for information are;

- www.indiainfoline.com
- www.appolohospitals.org
- www.drcdr.com
- www.aponline.gov.in
The required literature, the secondary data and bibliography were collected from the following documentation centers by spending considerable amount of time at different periods during 1997-2002.

- Office of the Director of Health, Hyderabad.
- Office of the Registrar of Companies, Hyderabad.
- Director of Medical Education, Hyderabad.
- Indian Institute of Management Library, Bangalore.
- Institute for Social and Economic Change Library, Bangalore.
- Sri Krishnadevaraya University Library, Anantapur.
- Sri Venkateswara University Library, Tirupati.
- Osmania University Library, Hyderabad.
- Andhra University Library, Waltair.
- Administrative Staff College Library, Hyderabad.
- Apollo Hospitals Library, Hyderabad.
- Indian Council for Social Science Research database, New Delhi.
- Government Medical College Library, Kurnool.

In addition to the above personal interviews were made with practicing physicians and surgeons in the Kadapa town to know the jargon of medical terminology which is required for understanding the insights of medical care. This was very helpful in preparing questionnaire and conducting further
research. Apart from that to understand the medical terms medical dictionaries
give below are referred.

- Dorland’s illustrated medical dictionary
- Steadman’s medical dictionary
- Blakeston’s new medical dictionary

In addition to the above some supporting data was also collected from
the published and unpublished records, reports etc.

3.7 Statistical tools used:

The primary and secondary data was collected for the purpose of study
and a series of statistical tools such as chi-square test, t-test, rank correlation
and percentages are used. Apart from that to make study interesting and
informative pie diagrams, bar diagrams etc., are used.

3.8 Period of the Study:

The study broadly covers five years i.e. 1997-2002. The rational
behind choosing this period particularly is due to the fact that in this period the
hospital industry in India is flourishing. Apart from that, the Government of
India is emphasizing on development of tertiary hospital services through
private sector. The Government of India has provided many concessions for
promotion of Hospital services in the Private Sector. During this period many
number of corporate hospitals came into existence to provide tertiary level
quality medical care. Apart from that there is a increase in the upper class and
upper middle class segment who are looking for quality medical care. The
increased awareness have made the public health conscious and paved the way for emergence of corporate hospitals.

3.9 Presentation of the Study:

The entire study has been divided into six chapters.

**Chapter I** is introductory in nature and provides the necessary background on Indian Health care.

**Chapter II** deals with services marketing, marketing of Health services and a literature review relating to this present study.

**Chapter III** deals with the statement of the problem, need, scope, methodology and limitations of the study.

**Chapter IV** covers profile of the selected corporate hospitals along with descriptions of various marketing practices adopted.

**Chapter V** deals with empirical study of Corporate Hospitals to describe problems and prospects.

**Chapter VI** provides summary, conclusions and suggestions.

3.10 Limitations of the study:

1. The present work is confined to private and public limited hospitals in Andhra Pradesh. Hence, conclusions drawn from this study may not be generalized to other than these hospitals.

2. The study results are mainly derived from the primary data. The relative length of the questionnaire resulted in non-responses for some
items. Information on some of these items was available from secondary sources. Hence, precision in the results may have lost.

3. The study failed to provide the list of hospitals selected for survey in order to preserve confidentiality.
References:


5. Ambuz Bharadwaz et.al, op.cit.


15. Ambuz Bharadwaz et.al, op.cit.


