



The Value Marketing Chain in Health Care

The Value Marketing Chain concept finds a place in the health care environment.

By Scott MacStravic

Today's health care environment appears to be an appropriate arena for the application of the Value Marketing Chain concept. The Value Marketing Chain differs from the respected "value chain" as described by Michael Porter in his classic work on business strategy, *Competitive Advantage*.¹ Porter's value chain consisted of the linked set of functions or processes that enable businesses to deliver superior value to customers and thereby achieve superior performance. This process starts with "inbound logistics" (getting the external resources the firm needs to operate), then continues with "operations," "outbound logistics" (distribution), "marketing and sales" to attract customers, and "service" to keep them happy.²

The "value" in this value chain is defined as the overall worth *to them* of the services buyers purchase or the price they are willing to pay for what they get.³ The idea is that only when buyers expect and obtain more value than they have to pay for the product or service in question will they become and remain customers.

The Value Marketing Chain differs from Porter's value chain in that it treats the delivery of value as only one step in the value marketing process, rather than treating marketing as only one step in the value delivery process. Instead of value being the outcome of the chain, it uses value as the focus for each link in a series of steps that enables the organization to achieve maximum marketing success.

To employ value in this way, it is necessary to advance one step from Porter's seller value chain to his buyer value

chain. This second chain relates to the ways customers use the products and services they buy within their own organizations and households. The value that buyers gain is stated in terms of impact on their *performance*, a concept easy enough to appreciate relative to organizations, but equally as simple with consumers if "performance" is defined as their quality of life.

The value marketing chain consists of six links or sequential steps:

- Identifying the value to be marketed.
- Communicating the value that will be delivered to prospects and customers.
- Delivering the value.
- Tracking to be sure the value was delivered.
- Reminding customers of the value delivered.
- Evaluating the results of the first five steps.

IDENTIFYING THE VALUE

The task of identifying the value aims at:

- Determining the right prospects and customers to whom value is to be delivered. (e.g., the decision makers and influentials in organizations and households).
- Discovering the precise kinds of performance and quality-of-life value dimensions they are interested in protecting or enhancing.

EXECUTIVE HIGHLIGHTS

In health care, Michael Porter's value chain can be reconceptualized as a "Value Marketing Chain," in which value is reinforced during each step of the customer recruitment and retention process. "Value" is a concept that must jointly be defined by buyer and seller as they interact every step of the way during the process. This requires the establishment of end-to-end mechanisms for soliciting feedback from customers.

- Determining the best matches between what your customers and prospects want and what you can competitively deliver at a profit.

While conventional market research, involving surveys, focus groups, and other objective, arm's-length techniques, are commonly used in the value identification process, it is recommended that customers and prospects participate as partners rather than "subjects" in this identification of value.⁴ Where feasible, they can provide input and feedback through joint planning and "virtual negotiation" techniques, addressing the challenge as a common problem to be jointly solved by seller and buyer.⁵

Market research often fails to have maximum impact because it is carried out by professional research firms, often in other states, in isolation from the organization's decision-makers and implementers. Internal stakeholders will read the survey results and focus group transcripts; perhaps some will watch videotapes of interviews, all well after the fact.

Internal stakeholders should also be able to suggest possibilities for adding value that customers might never imagine. With open, friendly, and creative interaction, participating customers and prospects will be predisposed to like, prefer, and buy the value offer they participated in designing. Moreover, decision makers and employees are more likely to support and deliver value they participated in identifying, once they truly appreciate how important and attractive it is to customers and prospects.

COMMUNICATING VALUE

With product marketing, arrangements would first be made for delivering the value jointly designed by customers and the organization. The product would be developed, and marketing communications strategies designed, around the product's value dimensions. With service marketing, value is communicated first because it cannot be delivered except in the presence and with the co-management of customers.

Successful value communications requires that the organization first decide which value or "performance" outcomes it is willing to "promise"—in the sense of raising confident expectations among prospects and customers for what they will gain. The value communicated must first be significant enough to attract new and repeat customers. It must also fit well with the value that will be delivered so

that customers are not disappointed and dissatisfied with the value they actually receive. Finally, while it may be adequate to convert customers, the value communicated should leave room for added-value surprises, so that customers will find themselves on the "delighted" end of the satisfaction scale, rather than merely "satisfied."⁶

The aim of value communications should be to raise confident expectations that prospects and customers will gain unique or superior value by buying from you. In addition, or perhaps instead of, you may aim to drive them to a unique or superior level of confidence that they will gain the value they want from you, thereby raising doubts concerning the value provided by competitors.⁷

Value communications should be used to add value as well as promise it. Customers can be advised on how to save the most time when buying and how to gain the most value from their service experience. The value identification process should be used to identify types of value (added benefits or lower costs) that can be delivered to customers through communications, in addition to those that are part of the service process itself.

Communications can also prepare and sensitize prospects in advance to perceive the benefits they are being promised. In extreme cases, it can even add to the benefits they perceive through the placebo effect. Every opportunity should be taken to use communications for describing, predicting, promising, or guaranteeing the value that customers will get, and for adding to both the benefit they receive and what they perceive.

DELIVER THE VALUE

This step may seem too obvious to include, but if you have identified and communicated the right value to the right people, you better be sure you deliver it. One of the great frustrations in marketing services is that marketers may unwittingly (one would hope never deliberately) promise value that will not or cannot be delivered. In product marketing, this should not happen as everyone knows what the product will do before communications are designed. In services marketing, marketers rarely have any control over what customers will actually experience.

This writer's own health care experience includes far too many instances where market research identified what customers wanted, commitments were made to deliver, and communications promised particular value only to learn that the system was not adequate, employees were

undermotivated, or too busy to deliver it. Recovery is thus a constant challenge in many service industries, including health care.

If decision makers and employees are involved in both the identification of value and the design of value communications, they are more likely to expend the effort needed to deliver the promised value, as long as they truly take ownership of the value proposition that is communicated. Occasionally they may be motivated by communications alone, as with Avis car rental employees who, once advertised as trying harder, actually did.

TRACK THE VALUE DELIVERED

To ensure that the intended value is actually being delivered, it is essential to track it. You cannot manage what you cannot measure, so systems for measuring value delivered should be included as part of the delivery process. Tracking will enable you to be confident you are delivering the promised value (and ideally a little more) or at least give you the earliest possible notice of service failures. This is preferable to waiting for complaints, satisfaction ratings, or defection reports as the first hint of problems.

There are three basic approaches to tracking the value delivered:

- You can develop and use your own records of objective value measures, for example survival, clinical health, and functional measures for health plan members and patients; utilization and claims data showing reductions in chronic condition crises; and reduced lengths of stay.
- You can encourage and assist customers in tracking value that your records do not reflect, for example consumer logs or diaries on pain levels, energy levels; or employer data on worker absenteeism, productivity levels, morale or injury statistics.
- For value measures—for which you have no records and those customers cannot or fail to track—you can ask them periodically to report their perceptions, for example how consumers deem their quality of life has improved thanks to impotence treatment; how employers feel about the advantages gained from an on-site PT program.

REMINDING CUSTOMERS OF VALUE

The chief function of marketing communications has always been attracting new customers. Even as increasing attention is given to retaining current customers, the tactics used to do so tend to be vested in other functions—newsletters from the public relations department, special “perks” for frequent and/or long-term customers, “membership” benefits, etc.⁸ Yet customers are rarely reminded of the value they have gained through particular encounters or lasting relationships.

For encounters or episodes of service, you should develop measures of the difference made in patients’ lives by the providers of treatment or to health plan enrollees by early detection, health promotion, risk reduction, self-care, or other value-adding demand management services.⁹ You may be able to develop measures of value to organizational customers that are detectable over a short time period, including reductions in worker injuries or illness.

Both self-tracking by consumers and organizational customers and surveys of their perceptions regarding how their “performance” has improved can serve to remind them of the value they have gained without additional effort on the part of the value provider. Both can help in achieving the three desired outcomes of effective reminding initiatives:

- Heightened *awareness* of value gained.
- Increased *appreciation* of value gained, i.e., its full extent and meaning.
- Stronger *attribution* of that value to you, if only because you helped them set up the self-tracking procedure or conducted the survey.

To determine the cumulative value your records have tracked, you can devise any number of reporting methods. Annual reports may make sense for value delivered to the community at large—fewer days lost from normal activities thanks to child immunizations and adult flu shots, for example. Employers and other organizational clients may warrant annual reports on their total claims, hospital admissions and patient days, and health insurance expenditures, particularly if it can be demonstrated that these indicators have declined.¹⁰

Reports may be aimed at larger populations such as the consumer or employer community at large. Segment-specific reports can be useful if you have a particular interest in women, seniors,

ethnic groups, parents, or residents of particular locales. The most powerful reports are sure to be those in which you can cite the value that individual organizations and consumers have gained through doing business with you. Such customized reports fit perfectly into the popular one-to-one marketing model.¹¹

Clearly you need not (indeed should not) send a value report to every individual organization or household that you have served in the past year. Only those to whom you have delivered significant measured benefit warrant a personal report. Such a report can combine the measures of value from their own self-tracking and from their reported perceptions as discovered in surveys, rather than being restricted to what your own objective records contain. A summary (e.g., annual report) covering all three categories of value measures is the only way a complete picture can be reported.

EVALUATION

While use of the Value Marketing Chain offers opportunities to increase customer satisfaction by reminding them of value gained in specific short-term encounters or episodes or particular programs, it is designed chiefly to increase customer retention. Increasing and heightening their awareness, appreciation, and attribution of long-term value they have gained thanks to you should culminate in more positive perceptions and higher retention. To test this effect, it is essential that the investment in a Value Marketing Chain effort be evaluated for its return of value to the organization that made the investment.

Both attitudinal and behavioral measures of customer satisfaction and loyalty can be useful in assessing the impact of value marketing. Only behavior measures are likely to lend themselves to evaluation, however, since attitudes may only indirectly contribute value to you. Moreover, behavior that contributes value to you is likely to have a positive effect on customer attitudes, given the bi-directional relationship between attitudes and behavior.¹² As loyal behavior reinforces loyalty attitudes, it can create a "reinforcing loop" of continuously increasing value to you.¹³

APPLYING THE CONCEPTS

Tufts Medical Plan (Waltham, Mass.)

employs the value marketing chain in its relations with its employer/clients. It tracks the impact of its disease management programs, including "Breathe Easy" for asthma patients and uses its database to report the program's impact on employee health care utilization and expenditures. It plans to make its database accessible to employer/clients so they can determine the impact the HMO has had on any measures the employers have an interest in. Tufts reports that its demonstrated success has helped it gain major new contracts with employers and impress its current clients.¹⁴

Cleveland Clinic Foundation tracks the impact it has on both clients and consumers by repeating its health risk assessments annually. It reports on reductions in health risks among employee populations to its employer/clients and on reductions in individual employee risks via the annual health risk reports provided to each participating employee.¹⁵ Tracking and reporting health and risk status for employers can help them see the value of health promotion efforts and help retain employer/clients; doing the same for individual employees demonstrates the outcomes of their efforts and reinforces their motivation.

At least one physician prepares and sends out annual health status reports to his patients. He borrowed the idea from his accountant who sent him a report on how his financial worth had progressed in the past year.¹⁶ The Health Care Financing Administration (HCFA) is testing a system for tracking changes in health status for Medicare HMO members, though they expect to see a reduction in the amount of health decline rather than improvements in health per se.¹⁷ Such reports can help HCFA evaluate its contracting HMOs and help seniors choose the best HMOs for themselves.

Disease management vendors are now tracking the impact they have on the costs incurred by health plans and employer/clients. Some vendors are actually going at risk, sharing in rewards if they meet promised reductions and absorbing penalties if they fail. They are not merely promising but guaranteeing results in advertising, in addition to sharing in benefits.¹⁸ This tends to put competitors who are unwilling to guarantee results at a significant disadvantage.

MISSING LINKS

These examples reflect only limited application of the Value Marketing Chain, typically focused on one value dimension, such as cost savings or health status improvements. Full applications examine the

total effects, such as changes in employee absenteeism and productivity and the impact of the process on employer operating costs. Only by identifying, promising, delivering, tracking, and reminding customers of the total impact of such programs can marketers gain the full benefit of the Value Marketing Chain, and only by evaluating can they determine what added benefits they have gained.

Traditional marketing focuses on only the first three links in the Value Marketing Chain, aiming mainly to increase the numbers of customers by more effective acquisition. The second three "missing links" can be far more valuable in both retention and recruitment. Tracking value delivered helps confirm that you are delivering what you have promised, have improved your value delivery, or at least corrected your deficiencies, thereby promoting customer satisfaction. Reminding customers of what they have gained from you can heighten their awareness, appreciation, and attribution of that value. Evaluation enables you to identify your most satisfied customers who can subsequently be encouraged to engage in word-of-mouth advertising, offer testimonials, or otherwise strengthen your recruitment efforts.

If you are in front of the curve in focusing on the value your customers are gaining while your competitors brag about how wonderful they are, you can enjoy a significant advantage in enrollee and patient recruitment, even if you only use the first three links of the Value Marketing Chain. If you invest in the other three links as well, you can take a quantum leap over your competitors by applying the same focus to customer retention while strengthening your recruitment efforts as well. ■

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