



Transitioning Health Care Marketing into the Twenty-first Century

An interview with Terrence J. Rynne

The first *MHS* interview features Terrence J. Rynne, president of Chicago-based Rynne Marketing Group. Through his business, Rynne has served more than 600 hospitals in 47 states. While his clients primarily have been large hospitals and health systems, Rynne also has developed marketing programs for physician groups, nursing homes, and the U.S. Department of Defense. Rynne's articles have appeared in *Health Care Management Review*, *Health Progress*, *Hospital Management Quarterly*, *Hospitals*, and the *Healthcare Forum*. His 1995 book, *Healthcare Marketing in Transition: Practical Answers to Pressing Problems*, addresses the numerous issues faced by health care marketers in a rapidly changing environment. Rynne recently received the Recognition Award from the Washington, D.C.-based American Hospital Association for his leadership in marketing.

Before starting the consulting firm, Rynne received an MBA in marketing and health care administration from Northwestern University in Evanston, Ill., and he served as vice president for corporate services for a major hospital.

MHS: *Given your wide range of health care clients, what would you say are some of the current trends in health care marketing today?*

TJR: The two trends that seem to have the most significance for health care marketing today are a reemphasis on brand development and on

business expansion. Recent trends in consolidation, diversification, and mergers and acquisitions have left consumers and many providers wondering who is who. Hospitals and health systems need to reestablish brand recognition in an effort to win back disaffected consumers and providers, and to differentiate themselves from their competitors.

The second trend represents a reaction to the downsizing and retrenchment that has characterized the past few years. The pressure to create an environment that is more lean and mean has left health care providers wondering, "Now what?" Health care organizations should refocus on the fundamentals of business development. This may mean redirecting the marketing of existing business lines or it may mean identifying new business lines to pursue. Cutting costs can only carry a health care organization so far, at some point; the business has to be expanded.

MHS: *As the health care arena has undergone change, have there been concomitant changes in the marketing approach that is being taken by health care organizations today?*

TJR: A number of movements are underway in health care marketing today. One is the increasing emphasis on relationship marketing. Marketers have been talking about this for a long time, and now it is beginning to be put into practice. Relationships with patients, plan enrollees,

EXECUTIVE HIGHLIGHTS

With this issue, *Marketing Health Services* unveils an interview with an expert in health care marketing. As seen through the eyes of an industry leader, this regular feature identifies the cutting-edge developments, innovative approaches, and new ideas expected to significantly contribute to marketing in health care. In the first interview, Terrence J. Rynne, who, through his marketing consulting firm has served more than 600 hospitals nationwide, discusses the biggest trends in health care marketing and the top marketing approaches.

providers, and health plans are growing in importance and marketers are playing an increasingly important role in this process. This can be evidenced by the shift in responsibility for negotiating with health plans from the finance department to the marketing department.

A second movement involves a commitment to providing better service. As with relationship marketing, a lot of lip service has been paid to customer satisfaction. Now, health care organizations are getting serious about providing quality service. In part, this trend has been driven by the demands of managed care plans, but a lot is being driven by the consumers themselves who have come to expect good service. Even health care administrators have come to realize that good service can contribute to the bottom line.

A third movement involves a reemphasis on appealing directly to the consumer. Although this appears to buck the trend toward impersonal relationships and indirect decision making, many health care organizations are stepping up their targeting of end users and potential end users. Informative newsletters are becoming popular, direct mail remains strong, and even television continues to attract marketing resources. The difference today, though, is that a more educational, informative approach is being utilized, rather than the hard sell that turned many people away from health care marketing a few years ago. Health care organizations are making the point that we as providers are here in sickness and health and what is good for you as the consumer is good for us as the provider.

MHS: *You've mentioned a number of different customer groups already. Are the targets of health care marketers changing?*

TJR: The health care consumer is still an important part of the equation, and the key end users, patients, and physicians must be central to a successful marketing initiative. Health care organizations, despite the "corporatization" that has occurred, must still differentiate themselves in the eyes of both consumers and providers. It is for this reason that market research is finally coming to be appreciated. Marketers are actually beginning to develop an understanding of consumer behavior and even physician behavior. This has led to greater respect for both consumers and providers and to marketing initiatives that appeal to the real needs of these constituent groups.

MHS: *Product lines received a lot of attention for a while. Is this approach still attracting a following among health care marketers?*

TJR: The product-line approach may have some validity, but not in the manner in which it has typically been implemented. The main issue is that product lines have typically been established for the benefit of the hospital and not the patient. Patients do not think in terms of vertically partitioned categories of services; rather, they think in terms of the spectrum of services they require. In the end, the product-line approach has not taken into consideration the manner in which purchase decisions are made. Only when product lines are organized around the purchase decisions will they have validity. For health care providers, this means organizing the product line from the perspective of the customer.

MHS: *Of the various approaches that have been utilized in health care marketing, which have proven to be the most successful?*

TJR: It is not so much the approach that makes the difference, it is the type of support that marketing receives within the organization. The CEO is one of the most critical ingredients in the development of a successful marketing initiative. A CEO who has a great instinct for customers can anticipate their needs. In addition, he or she must be able to know when and where to be lavish with marketing resources. Even when marketing-oriented executives do not actually do the marketing, the best ones develop line managers and physicians into good marketers. Once the importance of marketing has been instilled up and down the corporate hierarchy, it will be easier to lead the organization toward external marketing efforts.

MHS: *Is there a concern that many health care organizations don't have the information infrastructure in place to effectively implement or evaluate their marketing?*

TJR: Yes, few health care organizations have the information infrastructure required to assess the market, develop marketing plans, or evaluate the effectiveness of their marketing initiatives. In 1999, it is remarkable that most health care organizations still do not know how their business comes through the door. The data on referrals remains one of the weakest areas in market research, and we are only now developing data on the decision-making process. Many organizations have better data on customer perceptions and satisfaction than in the past, but the level of knowledge is still not where it should be. Despite the

proliferation of market data, we still do not know the market as well as we should in many cases.

MHS: *Do you think that marketing continues to be undervalued in health care?*

TJR: Marketing has little control over the product "p" of the marketing mix, which also happens to be the most important "p." That's why marketers have to forge a strong working alliance with line managers and physicians who do have the control over the way services are designed and controlled in health care. The marketer's role is to give line managers and physicians a clear understanding of the customers' wants and needs, and then push them to make the changes required by the customer. Unfortunately, Master of Hospital Administration (MHA) programs place more emphasis on administration than on marketing. This emphasis has led to an "administrator" tradition as executive positions in health care organizations are filled with graduates of MHA programs. Consequently, there are many who do not appreciate the benefits of market research and have limited understanding of the customer. Amazingly, many still equate marketing with advertising. To increase the number of executives who can grow a business, more attention needs to be placed on learning marketing fundamentals and principles.

MHS: *Your 1995 book, on the transitions of health care marketing, laid out a sweeping agenda for carrying the discipline of health care marketing into the twenty-first century. If you were to rewrite that book today, how would you see the issues differently?*

TJR: Because many of the trends of the early 1990s continue as we near the end of the decade, a lot of the perspectives presented are just as current as we enter the new millennium. However, the emphasis has clearly shifted with regard to many aspects of the field. I would certainly place more emphasis on the corporate culture and the creation of the marketing organization. It should be clear from earlier comments that, for marketing efforts to be successful, everyone within the organizations must be a marketer. This means raising the discipline of marketing management to an unprecedented level.

This also means emphasizing the service aspect of the organization. Despite the attention this topic has received, few health care organiza-

tions are truly service organizations. It was hoped that the total quality management (TQM) approach would instill this concept into health care organizations, but it did not. Despite tremendous time, effort and expense (spent on the TQM approach), most health care organizations remained unchanged. The TQM approach needs life support from the marketing organization.

Other topics that I would pay more attention to are marketing to physicians and brand management. It is still difficult to find a situation in which health care administrators and physicians work in partnership and, as a result, there are few successful integrated delivery systems. Yet this is what the environment increasingly calls for. The organization must market to its physicians and, in turn, convert them to marketing representatives for the organization. As I mentioned earlier, we need to become a lot smarter about brand management and learn how to recapture consumers and providers as loyal supporters of our brand.

One thing that I would de-emphasize in a revised edition is capitation. At that time, it appeared that capitated reimbursement schemes would win the day. Obviously that has not happened, and this whole approach is being rethought.

One factor that makes it difficult to prognosticate about the next century is that we appear to be caught between two paradigms. We have moved substantially away from the traditional medical care paradigm and toward a more contemporary health care paradigm. Yet, we appear to have the worst of both worlds. We have not shaken the old ways and we have not fully adopted the new ones. It may take some time before we have settled into a new model and that may be necessary before certain issues can be effectively addressed.

MHS: *Which trends do you think will prove to have the most implications for health care marketing over the coming years?*

TJR: The trends that are most likely to affect marketing over the next few years are numerous. I continue to foresee diversification on the part of health care organizations, but a much more calculated diversification than in the past. There will be reluctance to go too far afield from the organization's strengths or from services that can be easily branded. Alternative medicine will certainly play a larger role in the health care system of the future and this raises a variety of marketing-related issues. Demand management appears to be becoming entrenched, and the number of health

conditions that are affected will clearly expand. There appears to be growing interest in population-based health care but it has to be approached from a sound planning perspective before marketing can be effective. Population-based health care works well with seniors, women, and other population segments.

In terms of marketing approaches, relationship management will have to form the core of an organization's marketing activities. This means relationships in the broadest sense and relates to patients, consumers, physicians, health plans, and other parties that must be taken into consideration. Web-based marketing is also growing and, while it is too early to see what the ultimate impact is, the Internet opens a lot of doors.

MHS: *What advice would you give healthcare organizations regarding their marketing strategies for the twenty-first century?*

TJR: The organization that expects to successfully market itself in the twenty-first century must have at least the following four characteristics:

First, it must be able to prioritize its market-

ing objectives and focus its efforts and resources. This may mean emphasizing only three or four services at any one time and developing a "gushers" mind-set. If this approach is not taken, marketing resources that are already scarce will be spread too thin.

Second, it must determine the best manner in which to expend its marketing resources, independent of the programmatic emphases I noted above. Marketing resources are often misdirected, and this is where knowing the market and understanding the consumer come into play.

Third, the organization must balance the maintenance of its current services and market position with the ability to exploit opportunities for expansion. An organization that emphasizes one to the detriment of the other will be at a disadvantage.

Fourth, the successful health care organization must be willing to free the dynamos within the organization. These marketing champions need adequate resources and a free hand to go after the market, whatever forms they take. Not only should all members of the organization be aggressive marketers, but everyone should be vigilant for new opportunities that might present themselves. ■

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