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## CHAPTER-2 HEALTHCARE MARKETING

Alişan BALTACI

Yüksek İhtisas University, Vocational School of Health Services

[baltacialisan@gmail.com](mailto:baltacialisan@gmail.com)

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### INTRODUCTION

The definition of marketing is “Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large” according to American Marketing Association (AMA, 2017).

Another definition of marketing from Eser et.al. (2011: 6) is “Marketing is a business function which detects unsatisfied needs and demands; estimating the possible profit of these by measuring their size; defines the target market where it’s possible to give the best service; specifies the best goods, services, and programs for the target markets and intends to be consumer-oriented from every shareholder of the business”.

Centers for Disease Control and Prevention (CDC) defines healthcare marketing as “creating, communicating, and delivering health information and interventions using consumer-centered and science-based strategies to protect and promote the health of diverse populations” (Bernhardt, 2006: 1).

Healthcare marketing is a globally emerging concept. Healthcare providers become more consumer (patient) oriented and increased their level of service quality. Healthcare services become more rational and standard by the employment of modern marketing principles.

The Healthcare marketing approach was not accepted until the 1970s. Understanding the benefits of marketing took some time for the healthcare industry because of its specific structure, ethical issues, and the profile of the care healthcare demandands. On the other hand, this situation is a result of economic change in the World in that era.

The healthcare market is getting more and more consumer and quality-oriented.

In the past, the state was the only healthcare provider, but now the private sector also undertakes these services intensely.

The motivation of the private sector for giving healthcare services is financial expectations. In this case, the patient (or consumer) expectations should be satisfied faultlessly, and that's why healthcare providers are applying the marketing processes and principles in their institutions.

The healthcare sector differs from others because of its idiosyncratic features. In healthcare services, the issue is sometimes a matter of life and death, and this is the main reason for this differentiation. When this is the case, the financial profit and loss logic might be ignored. Under these circumstances, the decision-making process of the healthcare service requisitioners also differs from other sectors (Thomas, 2005). The reference effect has a significant role in patient decisions for healthcare services. The reference effect comprises every third party promotion mechanism that directs consumers through a healthcare provider's distribution channel (Thomas, 2005: 28). Additionally, healthcare requisitioners usually have limited information or idea about what they really need. In this case, defining the need is the responsibility of the service provider. Because of this, the perceived risk level of healthcare requisitioners is high, yet their knowledge and control of the process are limited. In some cases, the patients can't evaluate the quality and congruity of the service properly.

In the 1950s, healthcare marketing was seen as inconvenient and unethical by hospital managers and doctors. In the 1960s hospitals began implementing public relations into their processes, but the target audience for this issue was doctors instead of patients (Thomas, 2005). The 1970s were witnessing mass advertising from American hospitals. In this era, American hospitals used television, radio, and billboards for their advertisements. Their aim was convincing the patients to choose the services they offer (Berkowitz, 1996). It's accepted that the healthcare services marketing concept was introduced in a conference in 1977 that organized with the sponsorship of the American Hospital Association. The first book for healthcare services marketing was also published in the same year. Even though the pharmaceutical manufacturers and insurance companies began applying the marketing activities before 1977, healthcare providers were reluctant about that until then.

Until then, hospitals and other healthcare service providers were applying some basic marketing principles as public relations, developing physician-patient relationships, providing social services, and so on as healthcare service delivery activities (Thomas,

2005). After the 1980s modern marketing approach came to the forefront with globalization, and in the 2000s, health tourism draws attention by emerging communication infrastructure and the fast-rising of globalization.

## **2.1. HEALTHCARE MARKETING MIX**

Marketing components can be expressible with Marketing Mix (also known as 4Ps of marketing) that presented by McCarthy (1960). Components of this mix are **p**roduct, **p**rice, **p**lace, and **p**romotion. The abbreviation of **4P** comes from the first letters of these components.

### **2.1.1. Product**

In the most general sense, a product can be defined as a good or service created by combining a set of features (Eser et.al., 2011: 378). A consumer's expectation from a product is satisfying a need or want by consuming it. Diagnosis, treatment, care, medication, or medical education can be given as examples for medical products.

Healthcare providers offer a great number of goods and services to their demandants. The concept of product mix is a combination of the goods and services that the healthcare provider offers to their patients (Thomas, 2005: 198). For example, while a dietitian offers a nutrition program, the surgeon makes an operation, and the pharmacist manages the medications in a hospital. As stated in the example, there are many different products, and service delivery processes happen in various departments at the same time and in the same place by different people. It must be known that the ultimate expectation of all the patients is getting healthy again, even though they apply to various departments of the same institution.

On the other hand, different healthcare providers may have different product mixes. The product mix depends on the ultimate mission of the healthcare provider and the level of the service provided by it. Thereby a product mix of a primary care physician has to be different from a university hospital. Another reason for the product mix difference is the content of the service. For example, the product mix of a dental clinic and a physiotherapy center differs from the scope of the service they provide since they require different professions and materials to rehabilitate their patients. This case also makes

different providers choose various suppliers, distribution channels, promotion strategies, and price policies although they all serve in the same industry. The table shows different product mix examples for various healthcare providers.

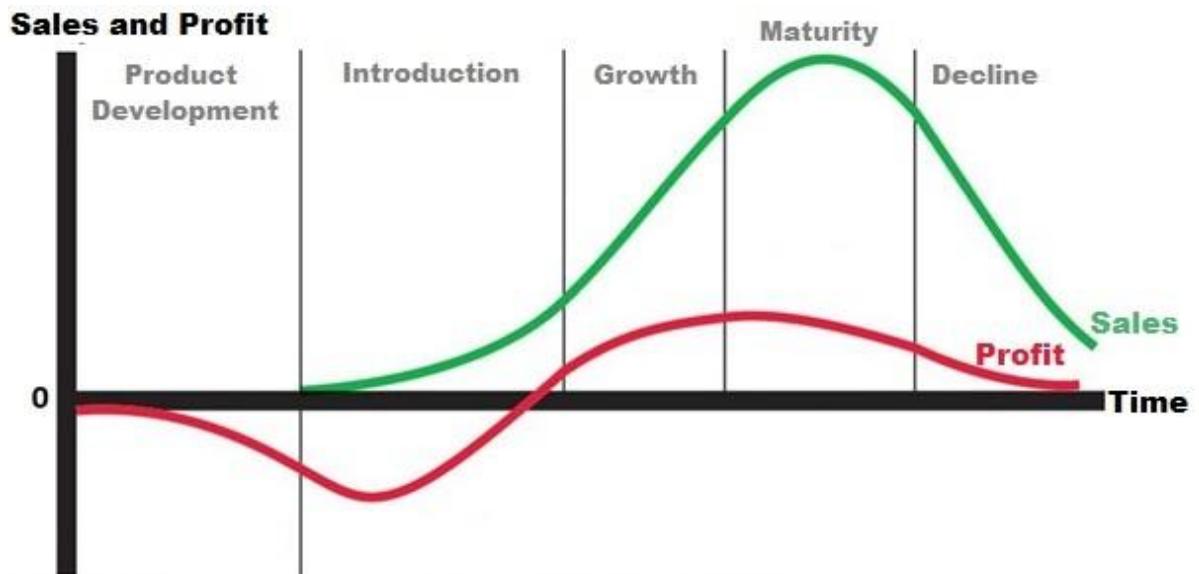
| <b>Hospital</b>   | <b>Thermal Facility</b>   | <b>Geriatric Care Center</b>   |
|---|---|--|
| <ul style="list-style-type: none"> <li>✓ Treatment service,</li> <li>✓ Emergency services,</li> <li>✓ Surgical procedures,</li> <li>✓ Care services,</li> <li>✓ Intensive care services,</li> <li>✓ Preventive health services,</li> <li>✓ Laboratory services,</li> <li>✓ Medical imaging services,</li> <li>✓ Etc.</li> </ul> | <ul style="list-style-type: none"> <li>✓ Accommodation services,</li> <li>✓ Restaurant services,</li> <li>✓ Healing water services,</li> <li>✓ Gym services,</li> <li>✓ Steam bath and massage services,</li> <li>✓ Transportation services,</li> <li>✓ Etc.</li> </ul> | <ul style="list-style-type: none"> <li>✓ Accommodation services,</li> <li>✓ Nutrition services,</li> <li>✓ Social support services,</li> <li>✓ Psychologic support services,</li> <li>✓ Healthcare services,</li> <li>✓ Personal care services,</li> <li>✓ Etc.</li> </ul> |

**Table 1.** Examples of product mix for various healthcare institutions

Although every healthcare provider has its marketing strategy based on their target audience, grade, and type of service they provide, there is an exception. This exception is emergency services. In emergencies, people may not be able to choose a service provider for freewill. On the other side issue, the service provider also can not determine a target audience in situations. Emergency services are usually given by the closest healthcare provider as a result of an unforeseen situation. Even though having a good emergency service infrastructure that known by the community may have a good effect on people but designing marketing activities for emergency services is a quite hard issue since there are so many unknown parameters.

#### **2.1.1.1. Product Life Cycle**

The product life cycle is an approach that defines the lifespan of a product by dividing it into pieces from the development phase to vanquishing from the market. According to that approach, there are five phases for a lifespan of a product. These phases are product development, introduction, growth, maturity, and decline. Every phase has its characteristic feature. The figure is a summary of these phases.



**Investment and Loss**

**Figure-1 Product Life Cycle**

| Product Development   | Introduction  | Growth  | Maturity  | Decline   |
|---|---|---|---|---|
| Organizations define the unsatisfied needs and wants of the consumers and design and-or develop a product to satisfy these needs or wants in this phase. Organizations should plan the product development carefully since it is a very costly phase. Otherwise, the increasing development process may increase the costs too. | In this phase, sales are low, and the profit is negative. The investments of the product development phase haven't returned yet. Since the consumers have limited information about the product, the promotion costs are high. The number of distributors is low. | Sales and profit increase dramatically in the growth phase. The number of distribution channels also increases by the number of sales. In parallel with these issues, the promotion costs are getting decreased for this phase. | The number of sales and the distributors are on the highest but not increasing because of the competitors. Organizations make promotion activities to remind the product and keep the sales level at a certain level in this phase. | In this phase, there are too many competitors and similar products in the market. The number of sales is low, and promotion activities can't change the situation. Organizations should sell stock remaining on hand as soon as possible for reasonable prices. |

**Table-1 Phases of Product Life Cycle**

### **2.1.2. Price**

The simplest definition of the price is the cost paid by the consumer to the seller for a product. Consumer's ability to pay is an important determinant for marketing. According to Eser et.al. (2011: 453), a price is a tool that is under the control of marketing managers. The price of the healthcare service can be paid by the patient or the state or the insurance company or more than one of these. Payer or refunder is an important detail for marketing discipline. If the service is refunded by a different party, the patient may act more thruster for asking for extra services. On the other hand, if the service is funded by the patient then, he/she may act less demanding. Price is also a communication tool. Because the price of a product specifies who can afford to have it. Marketers send a signal by the price that gives solid information for the consumers. This signal may pull or push the consumers based on their spendable income for healthcare expenses.

### **2.1.3. Place**

The place is about where the service is given. The product should be accessible to the target audience. In some conditions, consumers have to go for the services, but sometimes when consumers can't access the service on their own, the services may go for the consumers in such conditions. Ambulance and home care services can be given as examples for this exception. Accessibility is a substantial determinant of a place for healthcare services.

### **2.1.4.Promotion**

Promotion is the sum of publicity and informing activities of the organization's healthcare services. Advertisements, souvenirs, brochures, etc. can be taken within this scope.

Promotion is the way of communicating with current and potential consumers. Promotion mix is the "action component" of the marketing (Thomas, 2005: 275). While advertisements, public relations, campaigns, etc. are the conventional methods, contemporary methods like mobile and internet-based channels are providing a more accurate base for reaching the target audience. Eventually, the promotion mix is a combination of these contemporary and conventional methods.

#### **2.1.4.1. Publicity**

Publicity is a communication method that consists of free information about an organization, a product, and-or an idea. The producer of the information should choose the right communication channel (Amodu, 2005: 138). Publicity can be seen as a function of public relations.

#### **2.1.4.2. Advertisement**

Advertisement is a paid action that is applied by the competent authority on media for positively publicizing and adopting for a good or service (Altunışık et.al., 2014). Goals of advertisement can be defined as:

- Promoting goods, services, and organizational goals,
- Increasing the use of the goods and services by consumers,
- Reminding the organization to the target audience,
- Creating consumer loyalty,
- Informing the audiences about the new products,
- Responding to the advertisements of the competitors,
- Supporting the salesforce,
- Balancing the sales fluctuations,
- Training the consumers,
- Being in the public eye (Thomas, 2005: 278).

#### **2.1.4.3. Personal Selling**

Personal selling is the effort of the salesforce for selling the products by contacting consumers personally. The difference between personal selling and advertisement is its interactive nature. Personal selling happens transiently, and sellers can respond to the consumer's feedbacks simultaneously. This response speed is the supremacy of personal selling. Fundamentally personal selling has three main purposes:

- Finding potential customers,
- Convincing potential customers to make them buy the offered products and,
- Keeping current customers (Thomas, 2005: 279).

#### **2.1.4.4. Merchandise Incentives (Sales Promotions)**

Merchandise incentives are activities that organizations apply for pushing consumers to buy more and-or salesforce or agents to sell more. For every different situation, a different method can be applied like sales premiums, sales support, maturity, or installment opportunities for wholesales.

#### **2.1.4.5. Direct Marketing**

Direct marketing is a result-oriented marketing activity that consumer has to make the buying decision while the activity is happening. Live sales activities on TV are usually like that. Sellers offer an attractive discount but only if the consumer buys the product while the live event goes on. In direct marketing sales, event and consumer buying decisions should happen simultaneously. Consumers can't buy the product offered by the direct marketing activity if the activity is over (or they lost a substantial advantage given by the activity).

#### **2.1.4.6. Integrated Marketing Communication**

Even though there various marketing promotion mix components, usually these can't be applied solitarily. The ideal way is choosing the proper promotion methods according to the situation and managing the process with an integrated approach. Many of these promotion mix components can be applied together (for example advertisement + sales promotions), and the synergy of them may increase the effectiveness of the marketing activities.

## **2.2. HEALTHCARE SERVICES MARKETING and QUALITY**

In the healthcare context, patients' perceptions about the service are the key indicator for measuring service quality (Cronin and Taylor, 1992). Patients' past experiences have a significant effect on their healthcare provider choosing decisions (Gilbert et.al., 1992). The match between the delivered services and patient expectations is a key component of marketing activities. In normal conditions, consumers make their quality evaluation simultaneously by the delivery of the service. For example, a consumer finishes the evaluation of the service quality of a barber saloon by the end of the haircut. But in healthcare services having the result may take longer. First, the diagnosis has to be done, then the treatment begins, and usually, it doesn't give an instant result, and the patient can make an evaluation only after these phases.

Quality service delivery is a must because of the competitive structure of the healthcare industry. Consumer satisfaction and perceived quality levels do not always arise with the result of the service. The physical environment of the service, the employees, or even the other patients may affect this process. According to Hyder and Fregidou-Malama (2009), heterogeneity and tangibility may make consumers confused about what they are consuming. On the other hand, healthcare services require some equipment to provide the services properly.

Physical properties using by the healthcare provider are also important determinants for the evaluation of patients' quality perception (Kavitha, 2012). These physical properties may vary from EEG, EMG, or MR devices to lightening or cleanliness of the place. Because of this, the service promise and the physical properties should be consistent.

As much as satisfying the patients' expectations, the healthcare service providers meet patient satisfaction, achieving consumer loyalty, and keep them away from looking for other service providers (Chao-Chan Wu, 2011). With the high level of patient (consumer) loyalty, the healthcare service providers can build a positive brand image. A good brand image has a positive effect on the patients' level of satisfaction and loyalty even before they have the service. Service quality, patient satisfaction, and brand image subjects can't be taken independently from the employees. Therefore employees should be informed about these subjects, and they have to follow the corporate policies. In this way, their attitudes and behaviors for the patients become consistent and corporately desirable (Sirisha ve Kishore, 2014: 228).

### **2.3. STRATEGIC MARKETING PLAN for HEALTHCARE SERVICE PROVIDERS**

At present, there is a certain number of healthcare providers from the private sector. These providers have to struggle with difficult competition conditions for surviving in the market. Therefore they have to consider and build their services for their patients as problem-solving, rehabilitating, and preventing them from health problems. Otherwise, patients would not intend to pay for these goods and or services.

Strategic management, strategic planning, and the other components of the healthcare services should be pieced together for implementing the modern marketing approach properly. Taking the patients (or consumers) in the center of the healthcare services, acting with this perspective, and managing the employees with this mentality should be a part of the organizational mission.

#### **2.3.1. Preparing the Main Frame of the Plan**

For designing the process components as context, target audience, budget, method, etc. should be defined properly. A strategic marketing plan is a substantial component of the corporate strategic plan. The main corporate strategic plan should be taken into account while preparing the strategic marketing plan.

A strategic marketing plan uses the SWOT analysis results of the corporate strategic plan obtained by the internal and external environment analysis results. In this phase, the questions below should be answered:

- \* Where were we, where are we now, and in which way are we moving on?
- \* In which way do we want to march on? (Target setting)
- \* How should we allocate our resources for achieving our targets?
- \* How can we transform our plans into actions?
- \* Are there any differences between the plans and results? Do we need any new plans or actions?

Healthcare services providers should consider the changes that occur in the uncontrollable macroeconomic environment and assort with these changes:

- \* Demographic environment: age, sex, level of education, income, etc.
- \* Economic environment: income distribution, savings rate, the burden of debt, resource allocation, etc.
- \* Ecologic environment: air, noise, pollution, etc.
- \* Technologic Environment: legal regulations about technology, emerging innovative technologies, etc.
- \* Political environment: legal regulations and political tendencies for the healthcare providers etc.
- \* Cultural environment: beliefs, values, norms, etc.
- \* On the other hand, some parameters can be controlled by the healthcare providers such as communication channels, consumers, suppliers, etc. (Popa ve Vladoi, 2010: 766-767).

### **2.3.2. Market Segmentation and Defining the Target Audience**

One of the most substantial components of the marketing plan is the target audience. Organizations can't start their business by targeting all the consumers in the market. Such an approach can't get success both theoretically and practically. Because of this limitation, organizations should set consumer groups that give similar reflections. Organizations divide their markets' homogenously into sub-markets that consist of consumers that have similar needs and wants (Odabasi and Baris, 2005: 61). Organizations can focus on developing and applying their strategies with this approach.

Marketing research usually contains demographic variables (as age, sex, education level, income, etc.) and variables of the product (as quality, consumer expectations, attitudes for the product, etc.). After collecting the data, organizations apply qualitative

and quantitative methods for understanding the distribution of the data and the relationships between the variables. Organizations should consider the sustainability of the target audience for long term service quality and profit.

### **2.3.3. Defining the Targets**

Organizations have to define their marketing targets coherent with the general strategic targets of the organization, realistically, achievable, measurable, and tangible. For example: “Increasing the international patient number” is a wrong target definition. The proper target definition can be made as “Increasing the number of international patients 12% for the base year”. Organizations may define different targets in various titles, but the target audience has to be the center of gravity for each title.

### **2.3.4. Defining the Necessary Resources**

There is a cost of achieving the targets. This cost is usually defined and measured financially. Organizations should define the radio advertisements by the total budget cost (like increasing the radio advertisement budget 15%) in the strategic marketing plan instead of defining them by duration (like increasing each radio advertisement's duration 2 more minutes). Organizations should consider the principles of effectiveness and efficiency while allocating resources. Also, considering the results of the cost-benefit analysis for balancing the resources and targets. On the other hand, organizations should take the time as a resource too. In this case, organizations should set the strategic marketing plan calendar in this phase, and define them on the calendar.

### **2.3.5. Preparing the Integrated Marketing Communication Plan**

Organizations choose their communication channels according to the limits given in budget, and the output of the cost-benefit analysis of the options. Organizations should consider every alternative channel's capability of reaching the target audience. After deciding the communication channel, the message strategy has to be set.

### **2.3.6. Implementing the Marketing Plan**

The implementation phase begins after defining the aims, resources, communication channels, and inform the shareholders about the plan. Shareholders must involve in both planning and implementation processes, and all steps should be reconciled with all the shareholders to succeed. The strategic marketing plan should cover every shareholder's benefits.

For updating the plan in time, the organization must track the reactions of the target periodically. For achieving this, the organization should define measuring criteria and control variables well.

### **2.3.7. Evaluating the Marketing Plan**

By the end of the implementation stage, subjects as feedbacks from the target audience and their positive or negative attitudes on the service, the level of attainment of the objects for each process, achieving the resource utilization targets should be taken into evaluation. For every process the key performance indicators (KPI) should be defined substantially, clearly, and measurable. The success of the plan can be confirmed by these indicators.

## **2.4. MARKETING ETHICS for HEALTHCARE SERVICES**

Marketing ethics is about implementing marketing decisions, behaviors, and institutional code of marketing ethic standards. Marketing ethics is covering the decision making process by operating the ethical idea in practice on it. It contains the principles that lead the organizational norms and values. After all, marketing ethics is "Evaluating the results of the marketing decisions, actions and results consideringly the base period and social conditions by using the generally accepted ethical codes and standard rules" (Torlak, 2006: 172-173).

Although the messages sent for marketing communication need to be catchy they also have to be reliable (Solomon et.al., 2016: 217). Healthcare providers should consider the main principle of "Primum non nocere" (first, do no harm). In this context, healthcare providers should avoid unnecessary interventions and other medical applications. Also, healthcare providers shouldn't offer unrealizable pledges to their patients. It shouldn't be forgotten that the first need of a patient is being healthy again. Patient confidentiality has to be a priority. Healthcare providers should inform their personnel about the organizational code of ethics, and they have to be treated ethically.

Eventually, the code of ethics between the healthcare providers and demandants has to be defined clearly. These values shouldn't be seen as confidential information of the service provider. All the shareholders as employees, patients, suppliers, etc. have to be informed about the organizational code of ethics. This proclaimed information would create a multi-level ethical control mechanism that pushes the healthcare provider to behave ethically.

## **References**

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