

EXHIBIT 3.3 *(continued)*

or services. A customer is considered to be more independent and assertive than a patient and is likely to have expectations that are different from those of patients. A patient might be concerned about humane treatment and effective outcomes, whereas a customer is also likely to expect fast, efficient service, convenient locations, respectful treatment by practitioners, value for the money, and a meaningful role in the process.

This new patient-customer is having a major impact on the healthcare system, and the baby boom generation now coming to dominate the patient pool epitomizes this new patient-customer. These persons want the outcomes of the healthcare system as patients and, at the same time, the benefits of being a customer. This development not only has implications for the delivery of care but also is important from a marketing perspective. Marketers solicit customers and patients in different ways. Customers and patients bring different traits to the examination room and use different criteria for measuring their satisfaction with services.

Healthcare marketers must be able to recognize the differences among the various users of health services and adapt marketing approaches accordingly. Clearly, the marketing approach taken, the message, the medium, and the means of evaluation will differ depending on whether the marketer is addressing patients, clients, consumers, or customers.

The Four Ps of Marketing

The marketing mix is the set of controllable variables that an organization involved in marketing uses to influence the target market. The mix includes product, price, place, and promotion. These four Ps have long been the basis for marketing strategy in other industries and are increasingly being considered by healthcare organizations. However, as will be seen, these aspects of the marketing mix do not necessarily have the same meaning for health professionals as they do for marketers in other industries.

Product

The first P, the *product* of healthcare, represents what healthcare providers are marketing. The product takes the form of goods, services, or ideas offered by a healthcare organization. The product is difficult to precisely define

in healthcare, which creates a challenge for healthcare marketers. As noted above, products can refer to goods or services. A good is a tangible product that is typically purchased in an impersonal setting on a one-at-a-time basis. Services (e.g., physical examinations), on the other hand, are difficult to conceptualize and are intangible in that they do not take the concrete form of goods. For example, if a psychiatric problem is being treated with drugs, the product is easy to specify (e.g., so many pills of a certain dose per day). If the same condition is being treated through counseling, the description of the product is not as precise or standardized (e.g., an unpredictable number of counseling sessions).

In the past, healthcare providers seldom gave much thought to the product concept. A surgical procedure was considered just that and not something that had to be packaged. Today, however, the design of the product, its perceived attributes, and its packaging are all becoming more important concerns for healthcare providers and healthcare marketers.

Price

Price refers to the amount charged for a product, including the fees, charges, premium contributions, deductibles, copayments, and other out-of-pocket costs to consumers of health services. In economic terms, price is thought of in terms of an exchange. In other words, a healthcare provider offers a service in exchange for its customers' dollars. An employee paying an annual premium to a health plan, an insurance company reimbursing a physician's fee, or a consumer purchasing over-the-counter drugs are all exchanges involving a price. The price to the customer could also include the pain, discomfort, embarrassment, anxiety, frustration, and other emotional costs of dealing with providers, plans, and the disease or injury that prompted the experience. An obvious objective of marketing is to convince consumers that they will receive benefits for the price they pay.

Given the manner in which financing is structured in healthcare, price has not historically been a basis for competition. The issue of pricing for health services is a growing concern for marketers as the healthcare environment changes, and a number of factors are increasing the role of the pricing variable in developing a marketing strategy. For marketers, the challenge is understanding what a customer is willing to exchange for some want-satisfying good or service and developing a pricing approach compatible with the organization's goals and cost constraints.

Place

The third P, *place*, represents the manner in which goods or services are distributed for consumer use. Place relates to all factors of the transaction or relationship experience that make it easy rather than difficult for consumers to

obtain an organization's products. Although the obvious factors of location and layout are included, so are hours, access, obstacles, waits for appointments, claims payment, and so on. In most cases, negative place aspects of an encounter impose such costs as lost time, frustration in finding the service site, parking fees, boredom, or other emotional burdens. Positive place aspects usually nullify such costs. For example, when a physician offers early morning or evening hours, patients can obtain care on the way to or from work and thus avoid having to take time off from their jobs.

In some cases, place factors may enhance perceptions of the product's quality, as when the physician's office or hospital is in a trendy location or on a campus that facilitates efficient treatment. Systems or health plans may speed up scheduling by allowing patients to make appointments over the Internet, for example. The online availability of medical records has added a different dimension to the concept of place. Allowing patients to sign up for health plans, check their status, and make benefit changes online at a work-site kiosk or home computer also adds place value.

Promotion

Promotion is the fourth P of the marketing mix. For many people, promotion has historically meant advertising, and advertising has meant marketing. Promotion represents any way of informing the marketplace that the organization has developed a response to meet its needs. Promotion involves a range of tactics involving publicity, advertising, and personal selling.

Promotion covers all forms of marketing communication and includes materials that deliver content in addition to those that foster transactions. For example, health plans can devise communications that help new members better understand their coverage, thereby enabling them to use their health plan more effectively. Providers can advise new patients on how to avoid place frustrations and costs, and address symptoms and concerns online before appointments to improve quality and patient satisfaction. The "promotional mix" describes the combination of techniques used by the marketer to achieve promotional goals.

Applying the Four Ps

Many observers find applying the traditional four Ps of the marketing mix to healthcare problematic. Some believe these dimensions of marketing are inappropriate for a service-oriented organization like healthcare. The uncomfortable fit between the four Ps of marketing and healthcare has even led some to pronounce the death of the four Ps and suggest their replacement with some other, more appropriate model in healthcare. Indeed, in today's competitive environment, some contend that additional Ps should be added to the list. Exhibit 3.4 presents an update of the four Ps for healthcare.

EXHIBIT 3.4
The 7 Ps of Marketing

By Brian Tracy

Once you've developed your marketing strategy, there is a "Seven P Formula" you should use to continually evaluate and reevaluate your business activities. These seven are: product, price, promotion, place, packaging, positioning and people. As products, markets, customers and needs change rapidly, you must continually revisit these seven Ps to make sure you're on track and achieving the maximum results possible for you in today's marketplace.

Product

To begin with, develop the habit of looking at your product as though you were an outside marketing consultant brought in to help your company decide whether or not it's in the right business at this time. Ask critical questions such as, "Is your current product or service, or mix of products and services, appropriate and suitable for the market and the customers of today?"

Whenever you're having difficulty selling as much of your products or services as you'd like, you need to develop the habit of assessing your business honestly and asking, "Are these the right products or services for our customers today?"

Is there any product or service you're offering today that, knowing what you now know, you would not bring out again today? Compared to your competitors, is your product or service superior in some significant way to anything else available? If so, what is it? If not, could you develop an area of superiority? Should you be offering this product or service at all in the current marketplace?

Price

The second P in the formula is price. Develop the habit of continually examining and reexamining the prices of the products and services you sell to make sure they're still appropriate to the realities of the current market. Sometimes you need to lower your prices. At other times, it may be appropriate to raise your prices. Many companies have found that the profitability of certain products or services doesn't justify the amount of effort and resources that go into producing them. By raising their prices, they may lose a percentage of their customers, but the remaining percentage generates a profit on every sale. Could this be appropriate for you?

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EXHIBIT 3.4 *(continued)*

Sometimes you need to change your terms and conditions of sale. Sometimes, by spreading your price over a series of months or years, you can sell far more than you are today, and the interest you can charge will more than make up for the delay in cash receipts. Sometimes you can combine products and services together with special offers and special promotions. Sometimes you can include free additional items that cost you very little to produce but make your prices appear far more attractive to your customers.

In business, as in nature, whenever you experience resistance or frustration in any part of your sales or marketing activities, be open to revisiting that area. Be open to the possibility that your current pricing structure is not ideal for the current market. Be open to the need to revise your prices, if necessary, to remain competitive, to survive and thrive in a fast-changing marketplace.

Promotion

The third habit in marketing and sales is to think in terms of promotion all the time. Promotion includes all the ways you tell your customers about your products or services and how you then market and sell to them. Small changes in the way you promote and sell your products can lead to dramatic changes in your results. Even small changes in your advertising can lead immediately to higher sales. Experienced copywriters can often increase the response rate from advertising by 500 percent by simply changing the headline on an advertisement.

Large and small companies in every industry continually experiment with different ways of advertising, promoting, and selling their products and services. And here is the rule: Whatever method of marketing and sales you're using today will, sooner or later, stop working. Sometimes it will stop working for reasons you know, and sometimes it will be for reasons you don't know. In either case, your methods of marketing and sales will eventually stop working, and you'll have to develop new sales, marketing and advertising approaches, offerings, and strategies.

Place

The fourth P in the marketing mix is the place where your product or service is actually sold. Develop the habit of reviewing and reflecting upon the exact location where the customer meets the salesperson. Sometimes a change in place can lead to a rapid increase in sales.

You can sell your product in many different places. Some companies use direct selling, sending their salespeople out to personally meet and talk with the prospect. Some sell by telemarketing. Some sell through catalogs or mail order. Some sell at trade shows or in retail establishments. Some sell in joint ventures with other similar products or services. Some companies use manufacturers' representatives or distributors. Many companies use a combination of one or more of these methods.

In each case, the entrepreneur must make the right choice about the very best location or place for the customer to receive essential buying information on the product or service needed to make a buying decision. What is yours? In what way should you change it? Where else could you offer your products or services?

Packaging

The fifth element in the marketing mix is the packaging. Develop the habit of standing back and looking at every visual element in the packaging of your product or service through the eyes of a critical prospect. Remember, people form their first impression about you within the first 30 seconds of seeing you or some element of your company. Small improvements in the packaging or external appearance of your product or service can often lead to completely different reactions from your customers.

Packaging refers to the way your product or service appears from the outside. Packaging also refers to your people and how they dress and groom. It refers to your offices, your waiting rooms, your brochures, your correspondence and every single visual element about your company. Everything counts. Everything helps or hurts. Everything affects your customer's confidence about dealing with you.

Positioning

The next P is positioning. You should develop the habit of thinking continually about how you are positioned in the hearts and minds of your customers. How do people think and talk about you when you're not present? How do people think and talk about your company? What positioning do you have in your market, in terms of the specific words people use when they describe you and your offerings to others?

In the famous book by Al Reis and Jack Trout, *Positioning*, the authors point out that how you are seen and thought about by your customers is the critical determinant of your success in a competitive

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EXHIBIT 3.4 (continued)

marketplace. Attribution theory says that most customers think of you in terms of a single attribute, either positive or negative. Sometimes it's "service." Sometimes it's "excellence." Sometimes it's "quality engineering," as with Mercedes Benz. Sometimes it's "the ultimate driving machine," as with BMW. In every case, how deeply entrenched that attribute is in the minds of your customers and prospective customers determines how readily they'll buy your product or service and how much they'll pay.

Develop the habit of thinking about how you could improve your positioning. Begin by determining the position you'd like to have. If you could create the ideal impression in the hearts and minds of your customers, what would it be? What would you have to do in every customer interaction to get your customers to think and talk about you in that specific way? What changes do you need to make in the way you interact with customers today in order to be seen as the very best choice for your customers of tomorrow?

People

The final P of the marketing mix is people. Develop the habit of thinking in terms of the people inside and outside of your business who are responsible for every element of your sales and marketing strategy and activities.

It's amazing how many entrepreneurs and businesspeople will work extremely hard to think through every element of the marketing strategy and the marketing mix, and then pay little attention to the fact that every single decision and policy has to be carried out by a specific person in a specific way. Your ability to select, recruit, hire and retain the proper people, with the skills and abilities to do the job you need to have done, is more important than everything else put together.

In his best-selling book, *Good to Great*, Jim Collins discovered the most important factor applied by the best companies was that they first of all "got the right people on the bus, and the wrong people off the bus." Once these companies had hired the right people, the second step was to "get the right people in the right seats on the bus."

To be successful in business, you must develop the habit of thinking in terms of exactly who is going to carry out each task and responsibility. In many cases, it's not possible to move forward until you can attract and put the right person into the right position. Many

of the best business plans ever developed sit on shelves today because the people who created them could not find the key people who could execute those plans.

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Other Marketing Processes

Following is an explanation of additional marketing concepts that will be useful to the reader. Each of the concepts will be addressed in greater detail later in the book.

Marketing Planning

Marketing planning may be defined as the development of a systematic process for promoting an organization, a service, or a product. This straightforward definition masks the wide variety of activities and potential complexity that characterize marketing planning. Marketing planning may be limited to a short-term promotional project or may be a component of a long-term strategic plan. It can focus alternatively on a product, a service, a program, or an organization. The marketing plan should summarize a company's marketing strategy and serve as a guide for all those involved in the company's marketing activities.

Of the various types of planning that could be carried out by a health-care organization, marketing planning is most directly related to the customer. Marketing plans are, by definition, market driven, and they are single-minded in their focus on the customer. Whether the targeted customer is the patient, the referring physician, the employer, the health plan, or any number of other possibilities, the marketing plan is built around someone's needs. Although a consideration of internal factors is often pertinent (and internal marketing may be a component of many marketing plans), the marketing plan focuses on the characteristics of the external market with the objective of changing one or more of these characteristics.

Marketing Management

Marketing management refers to the analysis, planning, implementation, and control of programs designed to create, build, and maintain beneficial exchanges with target buyers for the purpose of achieving organizational objectives. The steps involved in the marketing management process include