

product. Alternatively, a market is defined as a group of consumers who share some characteristic that affects their needs or wants and makes them potential customers for a good or service.

Markets are often thought of in terms of a “market area”—that is, a geographical area containing the customers of a particular organization for specific goods or services. Markets may also be defined in nongeographical terms and may refer to segments of the population independent of geography. The market, however defined, is thought to generate a measurable level of “market demand,” which represents the total volume of a product or service likely to be consumed by specific groups of customers in a specified market area during a specified period. (Demand is a problematic concept in healthcare. A later chapter is devoted to this topic.)

The Functions of Marketing

Now that the base definitions are out of the way, it may be worthwhile to consider what the functions of marketing in healthcare (or any other industry) actually are. The functions of marketing form a hierarchy with the broad, big-picture functions at the top and the narrow, focused functions at the bottom. The sections that follow describe the types of marketing functions at the various levels of the hierarchy.

Enterprise-Wide Functions

The most expansive marketing operations carried out by a healthcare organization affect the entire enterprise (i.e., the hospital, health system, or health plan). At this level, marketers have the following functions:

- *Conceptualizing the market.* From the perspective of the organization, a marketer’s primary function may be to conceptualize the market in which the organization operates. Conceptualization means profiling the organization in terms of its attributes, determining the market it serves (and the characteristics of the market area population), assessing the environment in which healthcare functions, and otherwise determining where the organization fits into the overall scheme of things.
- *Determining strategic direction.* The marketer’s functions include identifying the organization’s strategic thrust (if one has been stated), examining the organization’s position in the market, and identifying opportunities that might exist in the marketplace. The marketer considers various strategic options and chooses the approach that best fits the organization and the market it seeks to cultivate.

- *Supporting business goals.* The marketer supports the organization's business development by identifying segments of the market on which to focus, clarifying opportunities that exist in the marketplace, revealing the organization's position in relation to its competitors, and otherwise determining the nature of the services the market desires. A range of promotional techniques can be used to support this function.
- *Establishing a reputation.* Some marketers would argue that the essence of marketing is building and enhancing an organization's reputation. All organizations are assigned a reputation by the consuming public, whether they want one or not. Marketers are responsible for proactively creating a positive reputation, enhancing it through an integrated marketing approach, and protecting it against the efforts of competitors.

Operational Functions

Enterprise-wide marketing addresses the needs of the organization through strategy development and reputation management. Marketing also supports the narrower concerns related to the operations of the organization, as indicated by the following functions:

- *Performing marketing research.* Marketing research provides the foundation for all other marketing functions. On an ongoing basis, the marketer should delineate the service area for the organization, specify the service area's characteristics and population, and analyze the competition. Marketing research should identify opportunities that exist in the market in terms of growing demand, underserved populations, and/or new product potential.
- *Developing a marketing plan.* Health professionals often neglect to develop systematic plans for accomplishing their goals, and in marketing, there is a tendency to rush into a marketing campaign without an overarching plan. The marketing plan should reflect the goals and objectives established by the organization, not just for marketing but also for overall organizational advancement. The marketer's primary responsibility is to ensure that a well-conceived marketing plan is in place before any promotional activities are implemented.
- *Coordinating enterprise-wide promotional efforts.* One of the first things any marketer should do is to identify all existing promotional efforts that are under way on the part of the organization. Existing marketing efforts should be evaluated and standards developed to ensure a consistent message across all promotional activities. The marketer should coordinate the marketing efforts of the various entities in the

organization and serve as a liaison between internal marketing efforts and external marketing resources.

- *Developing relationships.* Many would argue that the primary goal of marketing is to develop relationships, which is also an area of emphasis in contemporary healthcare. Relationships may involve patients and other customers, referring physicians, health plans, business partners, government representatives, and a host of other entities with whom the healthcare organization needs to maintain relationships. The marketer has a key role in most aspects of developing and maintaining relationships.
- *Creating a marketing organization.* Organizations' marketing efforts often overlook their own employees. Healthcare organizations can establish a marketing mind-set among their employees via internal marketing, thereby turning every associate into a salesperson and creating a marketing organization. Ideally, every employee should have some marketing skills, and every decision should be made with marketing implications in mind. The marketer is responsible for ensuring that marketing is incorporated into the organization's DNA.

Educational Functions

An important but sometimes overlooked function of marketing is educating the public. As indicated in the following list, providing information to existing and prospective customers, referring physicians, potential donors, and other constituent groups is a major responsibility of marketing professionals.

- *Educating patients and the general public.* With the introduction of new products and the emergence of informed consumers, healthcare organizations must build awareness of their services and expose target audiences to their capabilities. Healthcare consumers have short attention spans, and the public must be continuously reminded of the organization's availability. For some, the educational function of marketing takes precedence over all other functions.
- *Providing information and referral resources.* Healthcare organizations are considered an important resource for the community. Not only does marketing make consumers aware of the organization's services; it also fulfills the organization's responsibility to educate the community with regard to positive health behavior. In community after community, the most trusted healthcare organizations are those that are perceived as reliable sources of health information.
- *Enhancing visibility and corporate image.* With the increasing standardization of healthcare services and a growing appreciation of reputation, healthcare organizations find it necessary to initiate

marketing campaigns that improve top-of-mind awareness and distinguish them from their competitors. Consumers are bombarded by ever-increasing message “clutter,” and marketers must be able to communicate the organization’s message effectively to maintain a high level of visibility and promote a positive corporate image.

- *Differentiating the organization and its services.* At a time when it is increasingly difficult for healthcare consumers to distinguish one healthcare organization from another, a marketer needs to impress upon the target audience how his or her organization is different from its competitors and why consumers should care about the difference. In the unlikely case that little or no differences exist, the marketer must make a creative case that establishes a competitive advantage.

Promotional Functions

Promotional activities are generally the first things that come to mind when the topic of marketing comes up. The functions described in the following list relate to the day-to-day activities of marketers in a healthcare setting.

- *Influencing consumer decision making.* With consumers now taking a more active role in healthcare decision making, marketers have an unprecedented opportunity to make a case for their organization. After building awareness on the part of consumers, the marketer’s next responsibility is to influence consumer behavior. Marketers should be sensitive to the stage of readiness of various customer groups and implement marketing techniques accordingly.
- *Improving market penetration.* Healthcare organizations faced with growing competition can use marketing as a means of increasing patient volumes and growing market share. With few new patients in many markets, marketing becomes critical to retaining existing customers and attracting competitors’ customers. Marketers are well positioned to identify opportunities in the marketplace and implement programs that will attract customers and increase market penetration. If the organization cannot establish a favorable position in the market, its competitors will dictate its position.
- *Increasing profit.* On the surface, we might assume that the *raison d’être* for healthcare marketing should be to increase profits and, hence, should be first among marketing functions. The obvious conclusion may not be the most appropriate conclusion in healthcare, given the high proportion of not-for-profit organizations in the industry and the need to satisfy other goals in addition to bottom-line profits. More important, perhaps, is the need to perform a wide range of other functions before the profit motive can even be considered.

- *Winning awards versus being effective.* Note that the previous statements say nothing about winning awards for marketing campaigns. For many marketing professionals who entered healthcare from other industries, the goal was to sponsor award-winning media campaigns that involved flashy promotional materials or award-winning television spots. Unfortunately, there appears to be little correlation between receiving accolades for marketing campaigns and the success of the organization being promoted. For whatever reason, decision makers and those paying for services in healthcare are less influenced by slick advertising campaigns than they are by the actual substance offered by the healthcare organization.

Marketing Techniques

The action dimension of marketing is embodied in the techniques marketers use to support the functions outlined in the previous lists. On a day-to-day basis, marketers are likely to pay less attention to the lofty goals of the marketing endeavor than they are to concrete marketing activities. The techniques marketers use to achieve their objectives are summarized here and described in more detail in a later chapter.

Public Relations

Public relations (often called *PR*) is a form of communication management that uses publicity and other nonpaid forms of promotion and information to influence feelings, opinions, or beliefs about an organization and its products. The PR function is carried out through press releases, press conferences, distribution of feature stories to the media, public service announcements, and other publicity-oriented activities. In the past, healthcare organizations have used PR to manage crises and control damage, justify questionable actions, explain negative events, and so forth. Over time, however, PR has been cast in a more proactive light as healthcare organizations have come to appreciate the benefits of a strong PR program.

Communications

Large healthcare organizations typically establish mechanisms for communicating with their publics (internal and external). Communications staff develops materials to disseminate to the public and to the employees of the organization, generates internal newsletters and publications geared to relevant customer groups (e.g., patients, enrollees), and develops patient education materials. Separate communications departments may be established, or this function may overlap with the public relations or community outreach