

Marketing, Sh-Marketing: Uncovering the Effects of Advertising, Word-of-Mouth Communications, and Reputation on Hospital Selection

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ABSTRACT

Consumerism has long-been an important driver in other industries across the globe, as industries have embraced the importance of meeting customer and consumer expectations (Bennett and Mandell, 1969; Oliver, 1980; Bolton and Drew, 1991; Peyrot, Cooper, and Schnapf, 1993; Taylor and Cronin, 1994). Firms have attempted to understand consumer expectations prior to the delivery of service or product purchase.

Within the last ten years, this consumerism movement has infiltrated into the field of global health care (Herzlinger, 2002; Grazman, & Leifer, 2007). Tenets of the consumer-driven health care include increased demands for high performance, flawless quality, data analytics to support outcomes, and enhanced service delivery. In response to these emerging demands, hospitals in many global markets have sought to advertise their programs and services, with the hopes of securing existing patients and garnering new patients.

Across the globe, hospitals have been thrust into an environment of upheaval and intense competition. Regardless of the payment system, governmental intervention, or governmental controls, most hospitals compete for patients (Cooper, et al., 2102). Results suggested that private and public hospitals alike responded to increased competition by addressing clinical performance and service delivery. At the same time, patients look for hospitals and health care providers to deliver value for the patient encounter (Porter and Teisberg, 2004). Patients presuppose that most health care providers will high quality. For them, the differentiating point will the extent to which health care providers deliver greater value.

In the United States, hospital advertising rose to \$717.2 million (or an increase of 20.4%) in from 2010 to 2011 (Newman, 2011). Worldwide, health care advertising spending was estimated at \$492.3 billion in 2011 and projected to increase 4.9% annually over the next five years (Catcha Digital, 2014). Increased levels of advertisements have been predicated on the truth that they yield concomitant levels of revenues. In other words, there is a quid pro quo relationship between increased advertising expenses and increased patient revenues.

As hospital margins continue to decline, it was important to question the widely-held dogma that increased advertising leads to increased patients and patient revenues. Many health care providers are now required to provide return on investment metrics or analytics. Future marketing expenses are often predicated on evidence from these performance metrics.

In this study, a large urban teaching hospital within a two-hospital town was selected. Both hospitals advertise their hospitals and services heavily, using newspaper, billboards, radio, television, and web advertisements. In addition, both use relationship marketing techniques, like targeted direct mail. The one hospital selected for this study was chosen because of its generalizability to other health care markets – as many hospital competitors across the globe can be broken down to two major hospital or health care systems.

Over a two-year period, inpatients from the hospital were surveyed, accessing their levels of satisfaction across a number of dimensions and factors. During this period, a total of 12,881 patients were surveyed. The central hypothesis was that hospital advertising had an impact on hospital selection.

Aside from the normal demographic questions (e.g., age, diagnosis, gender, length-of-stay in the hospital, etc.), patients were also asked the following: Was this hospital your first choice?; Was this your first time being admitted to this hospital?; and Why did you choose this hospital for care (choices included insurance, location, physician suggestion, family/friend suggestion, marketing/advertising, or previous experience)? The latter question was the foundation for this study – which sought to determine whether hospital advertising was indeed an important

criteria for hospital selection.

Cross-tabulations were analyzed for first-time versus non-first time patients and first choice versus non-first choice. Aggregated data was analyzed across the demographic variables. In addition, patient satisfaction was evaluated across factors and dimensions, controlling for hospital choice criteria. Results of factor analysis, correlation analysis, and regression will be presented report on the study's hypotheses.

From the data, physician recommendation was the principal determining factors across the various demographic screening variables (first time patients = 33%, hospital was first choice = 30%, hospital was not first choice = 53%). In the United States, where multiple insurance companies exist, the second leading reason for selecting a hospital was the hospital's participation in the insurance company's plan. In other countries with single-payer systems, this dynamic will not exist. Interestingly enough, 0% of respondents reported that hospital advertising drove their decisions to select the hospital – holding across the aforementioned screening variables.

The fact that no patients cited hospital advertising as a precursor for hospital selection flew in the face of modern thought that advertising does drive revenues. Additionally, respondents were asked about their sources of health information. As much of the hospital's advertising dollars are spent on health education, health promotion, disease prevention, and early detection, one might conclude that hospital advertising would be a major source cited by respondents. However, physicians (86%) and the internet (9%) were the major sources for health information, as reported by survey respondents. The remaining 6% included newspaper advertisements, magazine articles, and news items on the television or radio.

The results suggested that hospital advertising is not an effective method to garner patients. This conclusion dispels the widely-held dogma within other industries, which hold firmly the relationship between marketing and business success. Obviously, patients have a different model or heuristic from which they select hospitals. In the end, it appears that the presence of a relationship – be it between a physician, family member, or friend – or the existence of a past experience drive hospital selection. All of this supports the seminal work of Churchill and Suprenant (1982), advancing the notion of expectations on satisfaction and behavioral intention (or purchase behavior).

The implications from this study are appropriate for other service providers who rely on purchase and repurchase behavior from their past and current customers. While these businesses may hope to keep or garner customers from advertising, the results from this study may suggest that establishing solid relationships among customers is the best factor in future purchases (also referred to as behavioral intention within the field of consumer behavior). Additionally, cultivating strong and lasting relationships may also foster strong advocacy or support from your current customers through positive word-of-mouth communication to family, friends, colleagues, and others.

Limitations of this study include the one-time nature of the survey and the surveying of only one hospital's patients. In addition, the surveying was not conducted across different global markets. Future research is needed to determine whether other markets yield the same results. That said, the study did yield some very interesting results, which may dispel widely held truths (i.e., advertising is a quid pro quo to increased revenues, sales, or customers). In addition, many managerial implications exist that can be offered for practitioners.

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Relevance to Marketing Educators, Researchers, and Practitioners: Analyzing the determinants of hospital selection can also be applied to other service providers.

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