

Analyzing the Effect of Advertising on Hospital Choice and Selection: Advancing a New Truth for Hospital Selection and Its Implication for Other Service Providers

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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.

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.

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 structural equation modeling will be presented to analyze the 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 initial 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.

Based upon these initial results, the following issues were analyzed: Was the hospital your first choice? What is your source of health issues? What is your reason for selecting the hospital? Would you recommend the hospital?

When the data was analyzed for independence between the categorical variables for "Was the hospital your first choice" and "What is the source of healthcare issues" the Chi-square test was significant ($p < .05$) and therefore, there is a significant

association between the variables. With physicians accounting for 80% of patients' source of healthcare issues, this could suggest that those who chose the hospital did so because of their physician. Additional research would be needed in this area to study the relationship between the source of healthcare issues and choice of hospital.

“Was the hospital your first choice” and “Reason for selecting the hospital” the chi-square test was significant ($p < .01$) and therefore, there is a significant association between the variables. With insurance (17%), physician (24%) and previous experience (33%) accounting for a total of 74% of the reason patients selected the hospital (table to the right).

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	262.725 ^a	8	.000
Likelihood Ratio	240.422	8	.000
Linear-by-Linear Association	9.869	1	.002
N of Valid Cases	2830		

a. 2 cells (11.1%) have expected count less than 5. The minimum expected count is .36.

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	338.394 ^a	56	.000
Likelihood Ratio	134.515	56	.000
Linear-by-Linear Association	20.471	1	.000
N of Valid Cases	2830		

a. 49 cells (68.1%) have expected count less than 5. The minimum expected count is .00.

“Reason for selecting the hospital” and “Source of healthcare issues” the chi-square test was significant ($p < .01$) and therefore, there is a significant association between the variables. Physicians accounted for 80% of the sources of healthcare issues while the internet accounted for 15%, and physicians accounting for 24% of the reason for selecting the hospital (table to the left).

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Key Words: *Advertising, hospital selection, hospital, marketing, competition*

Relevance to Marketing Educators, Researchers, and Practitioners:

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 garner customers from advertising, the results from this study suggest that establishing solid relationships among customers is the best factor in future purchases (or behavioral intention within the field of consumer behavior). Additionally, cultivating strong and lasting relationships may foster strong advocacy from current customers through positive word-of-mouth communication to family, friends, colleagues, and others.

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