

Healthcare Marketing Report

The National Newspaper of Healthcare Marketing

Vol. 23, No. 10

October 2005

If You Build It, They Won't Necessarily Come: The Case for Customer Relationship Management in Healthcare

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"If you build it, they will come." For decades, that was the mantra of healthcare provider executives in explaining away the need to do even the most basic consumer marketing. "Marketing" was basically a PR function that coordinated events, handled the occasional press inquiry, and maybe did a newsletter. The function was often staffed not by a professional marketer, but by a member of the hospital's management team that had no marketing experience whatsoever.

There was little effort to develop programs based upon the behaviors and preferences of consumers. There was little desire to even understand the behaviors and preferences of consumers. There was little desire to track marketing results.

This began to change in the 1990's. The growth of managed care and more restrictive provider networks forced healthcare organizations to develop strategies to make sure that consumers chose them to be their provider of choice. This meant conducting market research, and developing advertising and direct response marketing campaigns to entice consumers.

Still, there was little done in the way of truly segmenting customers and creating tailored service offerings. And there was nothing being done to track the impact these programs had on business. Skeptical CFOs could look at marketing campaign results and validly ask the question: "How do you know they would not have come anyway?"

Meanwhile, leading companies in other industries ranging from catalogues to banks to not-for-profits were using sophisticated techniques under the heading of database marketing or customer relationship management to dramatically improve their bottom lines.

- They were mining their data to determine the lifetime value of each customer, thus learning who their best customers were. They would know which customers to focus on, and which to ignore.

- With this information, they were developing strategies to cross-sell other products and deepen customer relationships. Banks knew which credit card customers were the best prospects for checking accounts, or IRAs.

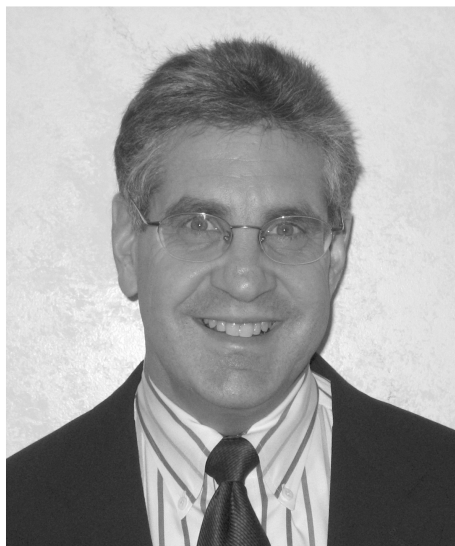
- They were using this information to deepen customer relationships.

Hotels, for example, could be ready with a customer's preferred newspaper or bottle of wine when he checked into his room.

- They were also using this information to find non-customers (prospects) that "looked like" their best customers. Organizations could profile their best customers, and then go out and buy lists of people who "looked like them."

- Finally, by using simple techniques such as control cells, they were able to quantify the return on investment of the marketing campaign, thus negating the argument that "they would have come anyway."

Slowly, some healthcare providers have embraced customer relationship management, and the results have been powerful. Just one example. A hospital ran an orthopedics campaign



to a targeted list of patients. It held out a random control group of people it did not mail to. By using the control group, the hospital was able to compare the revenues it received from the campaign to the revenues it would have generated had it not run the campaign.

The result: the hospital generated \$3.5 million in incremental revenues. Assuming a 5 percent profit margin, that was profit of \$176,000, on a marketing cost of less than \$25,000. The campaign ROI, as a result, was more than 500 percent.

Results like this are not unique. CRM, when implemented correctly, can work for healthcare providers. So why have less than 5 percent of healthcare providers instituted a comprehensive customer relationship management program?

There are several reasons:

- They don't know it exists
- They know it exists, but don't understand the benefits
- They don't think they have the financial or human resources to

implement it

- They can't sell it internally
- They don't know how to get started

The remainder of this article will briefly address each of these five reasons. By the end, hopefully you will have enough information to confidently implement a CRM program.

It Exists

Depending on whom you ask and how you count, there are a few hundred healthcare providers today that have some type of CRM program in place. This cutting-edge group ranges from large academic medical centers to stand alone hospitals.

This, of course, does not include providers that say they are doing CRM, but really aren't. The largest group of providers that say they are doing CRM but really aren't are those that are doing direct mail without properly segmenting their lists and/or without adequately tracking results.

Understanding the Benefits

Before understanding the benefits of CRM, it is important first to define what CRM is. According to the Gartner Group: "CRM involves capturing customer data from across the enterprise, consolidating all internally and externally acquired customer-related data into a central database, analyzing the data, distributing results to various customer touchpoints and using the information when dealing with customers through any touchpoint."

Some of the key points in this definition:

- It is all about the data. The better the data, the better the CRM system will be. Applying that to a hospital, if you don't have adequate clinical or financial data, your CRM solution won't do what it needs to do.

- The data needs to be from all sources. A CRM solution with only encounter information is not really a solution. (Imagine a bank building a CRM solution with checking account information, but not home mortgage information.) A healthcare provider also should include call center data, donors, web site visitors, etc. in its solution.

- The data needs to be analyzed to identify the best opportunities.

- The data needs to be used across the enterprise. That means in an ideal world your call center reps should have access to all your patient's activity within your organization.

What is interesting are two words not in this definition: "technology" and "software." Technology and software enhance the ability of a CRM solution

to be successful, but do not in and of themselves guarantee success. Indeed, when considering the alternatives for CRM solutions for healthcare providers, the software should not be one of the major considerations.

So, given this definition, what are the benefits of CRM for healthcare providers.

- It improves the bottom line. A CRM solution will allow you to increase profitability by focusing your efforts on those customers/

patients who will be most profitable. That means, for example, that your cardiac program initiatives can be directed at those people who both have a higher than average degree of likelihood to need those services, and who will be profitable customers.

Additionally, a CRM program can actually lower your marketing campaign costs. Since you know the best people to mail to, you don't have to waste money sending your materials to everybody.

Mailing to your best customers and the best prospects does not mean that you will ignore your mission of providing healthcare services for your entire community. Indeed, the financial benefits your CRM program will provide will better enable you to meet the healthcare needs of the entire community.

- It is quantifiable. CRM techniques will enable you to calculate a return on the marketing investment. And, with the use of control groups,* you can actually disprove the notion that "they would have come anyway."

**A control group is a random sample of your mail list that you do not mail to. You would then monitor the downstream encounters from the control group, and project that level of activity assuming your mailing quantity. You would then compare that activity to the activity generated from your actual mail list. The difference is the "lift" generated from targeting.*

- It fosters greater intimacy with your customers/patients. The information contained in your CRM solution will allow you to tailor your communications to your patients. For example, you will be able to send information on your senior program to senior households, but not to younger households. And your senior households will no longer receive promotions for ob/gyn programs.

- It can actually improve the health of your community. A CRM solution will enable you to send the most appropriate messages to the right audiences, prompting them to take actions to improve their health. Your mammography programs can lead to early detection of breast cancer for a greater number of women. And who knows if you will save a child's life by hosting a program on bicycle safety and promoting it to the right audience.

They Don't Have the Financial and Human Resources

A CRM solution is not a trivial investment. It requires a minimum of a

few hundred thousand dollars a year for a community hospital just for the solution. Then you need to spend at least that much in direct response marketing programs to produce enough business (encounters) to generate a positive ROI for your CRM

program (again, the good news is you will be able to quantify the ROI).

In terms of human resources, there will be some upfront requirement from IT staff to get initial files to the CRM provider. However, the

primary CRM providers for healthcare all will take data in just about any format. So the resource requirement is not huge.

The ongoing marketing resources needed for your CRM program will vary, based on how hard you want to push the program. But you should anticipate at least one half of an FTE for analysis, to create campaigns, etc. This person does not have to be a technical whiz; the software won't be that hard to run. It is more important for this person to be analytical, and to "get" marketing.

Importantly, you should not look at the financial and human resources as costs. You should consider them part of your overall CRM investment, along with the cost of the solution and the marketing campaigns. These investment dollars then should be used as part of the calculation to determine the return on your CRM investment.

They Can't Sell It Internally

Here are a few tips for selling your CRM program internally.

- Position it as an enterprise-wide initiative, not a marketing initiative. In the best possible scenario, you will have sold your CEO on the importance of CRM, and your CEO will announce the decision to implement a CRM program.

- Position this as an investment, not an expense. And position it as an investment with a return that can be quantified.
- Involve everybody from the start.

It is especially important to have representatives from your Finance and IT areas involved in meetings with the CRM solution providers.

- Be realistic with expectations. It takes at least three months from the time you sign a contract with a CRM provider until your first database is ready for campaigns. It then takes several months to measure the success of one campaign. And, depending on the size of your campaigns, it could take several campaigns to validate the ROI of the CRM investment.

How to Get Started

There are three key questions you need to answer in getting started:

- Who internally should be involved

in the decision?

- Who should we contact?
- How do we make our decision?

The first question was answered above. In addition to Marketing, minimally Finance and IT should be involved. It would also be a good idea to include the people that run your call center.

To answer the second question, while there are a variety of CRM vendors out there, you may want one that has specific knowledge regarding CRM for healthcare providers. To get that, some of the key things you will want to check include:

- Is the database specifically designed for healthcare providers?
- Is there a segmentation system built in that will make it easy to target the best people for specific programs?
- Is the database structured so that it is possible to analyze potential profitability per encounter?

- Does the CRM solution have reports already created that will easily answer most of the questions you want answered?

- Does the organization have people who understand CRM in healthcare and can assist you in ensuring you get the most out of your investment?

How do you go about making the decision? This is not a simple task like deciding which brand of soft drink to buy. It is not easy to make apples to apples comparisons. The process should be as follows:

- Initial general presentations from the providers at your location, perhaps including a brief software demonstration. Again, make sure representatives from Finance and IT are in attendance

- The providers send you additional information, including general pricing

- Onsite visits to at least two of the providers. As many people as possible from your organization should attend. It is important that somebody with knowledge of database structure, and an account management person, be in attendance from the CRM provider. A more detailed software demo may be needed as well.

- Making the decision. Key factors will include comfort with data and segmentation systems, software

functionality, level of account management support, and price.

- Reference checking. You may want to check references from more than one provider before making your decision.

- Negotiation and implementation.

In conclusion, a CRM solution offers powerful benefits to healthcare providers. It can improve your bottom line. You can quantify the return on investment. It will provide you with knowledge to serve your customers/patients better, and actually improve their health. It can truly function as a competitive advantage.

The time to implement this solution is not next year or next month. It is now. Good luck.■

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