Red Paper

A Series of Hospital Marketing Perspectives

The CEO's New Imperative—Guiding the Brand Through Disruptive Change

s|p|m marketing & communications

While healthcare leaders must certainly concentrate on care redesign, new partnerships, new payment structures, and changing organizational structures, of equal, if not greater, importance is the responsibility of positioning and stewarding a provider's brand. Failure to claim and nurture a distinctive brand position leaves provider organizations at risk, regardless of the work they do to re-engineer care and payment models.

Because of this, healthcare CEOs must prioritize developing and guiding a brand strategy linked to a transformative business strategy, or suffer the fate of Fortune 100 companies who, in the past, failed to think and act in this way.

The Dell Narrative

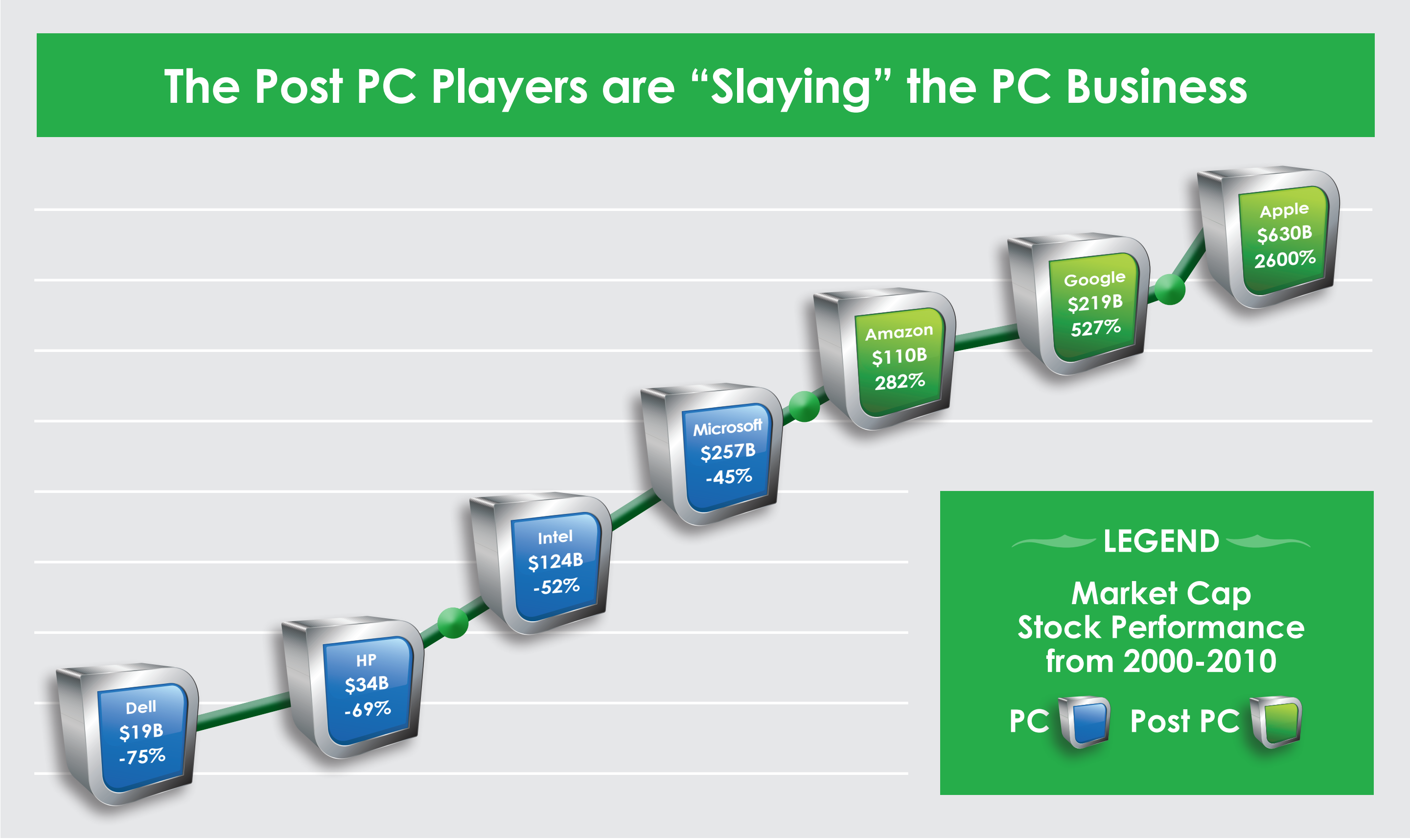
For people looking for a decent PC at a good price, Dell was for many years the obvious choice. The story of Dell's rise and subsequent fall is well chronicled[1] with analysts offering theories related to Dell misjudging competition, failing to successfully diversify its business lines, and many other possibilities.

One element of the story that is of particular relevance to healthcare executives is Dell's failure to recognize and understand significant disruptions in their market landscape and to adapt their business and brand strategy accordingly. By grounding its business—and brand—in low price and PC features, Dell missed a market shift that now relegates them to a minor information technology player.

What game-changing disruption did Dell misread? In 2000, only 3% of American adults had broadband service at home. By 2004, dial-up and broadband services shared nearly equal prevalence. After that, broadband never looked back—with nearly 70% of adults having home broadband service just 10 years later.[2] Broadband shifted the balance of power in information technology to content and the sophisticated merger of devices and ecosystems (e.g., Apple/iPod/iPhone/iTunes, Google/Android and Amazon/Kindle).

While Dell did add products and reduce costs, this focus led to its brand losing its connection to a changing market. Since the rise of broadband, Dell and its peers have experienced negative stock performance while their rivals have grow to stratospheric heights.[3] (see chart below)

There is a cautionary lesson in this story for hospital and health system leaders. The early ripples of a similar



landscape disruption are occurring on the healthcare horizon. "Although disruptive change takes far longer to occur than most people account for, once it kicks in, it steamrolls incumbents faster than they can course correct."[3]

Healthcare Disruptions, Business Strategy and the Link to Branding

What happened to Dell—focusing primarily on operational strategies when brand strategy shifts were required—could become an all-to-possible future for healthcare organizations. Oncoming disruption will further complicate an already chaotic and dramatically changing healthcare business and competitive landscape. Brand stewardship, led by the CEO and backed by a transformative business strategy, united with brand strategy will help provider organizations come out of disruptive change not only unscathed, but successful.

Disruption #1
The Engaged Consumer with Fragile Brand Loyalty
The implementation of the Affordable Care Act (ACA) has accelerated a change in the healthcare consumer—from passive to much more active participants with a greater power of choice. In fact, a certain study found that this new consumer-driven marketplace is reshaping behavior. When making healthcare decisions, consumers are demonstrating similar habits and patterns as they do when making other complex purchasing decisions (such as financial services) and more everyday choices (like picking a restaurant).

The study, which observes consumer decision making when selecting a health insurer, highlights the importance of having strong brand equity in order to stay competitive. Harris Interactive, the company conducting the study, analyzes consumer opinions about familiarity with the insurer, perceived quality of the insurer, and their likelihood to consider purchasing from the payer to develop an estimate of brand equity. It was discovered that, in addition to user experience, convenience, and product or service value, consumers are evaluating brand equity when choosing—or choosing to remain with—a health insurer.[4]

In a new world where cost and benefits are comparable across plans, brand reputation is now one of the more influential criteria when selecting a health plan. This is one signal that hospitals and health systems will need to adapt to this change, and compete in ways previously unfamiliar to healthcare organizations.

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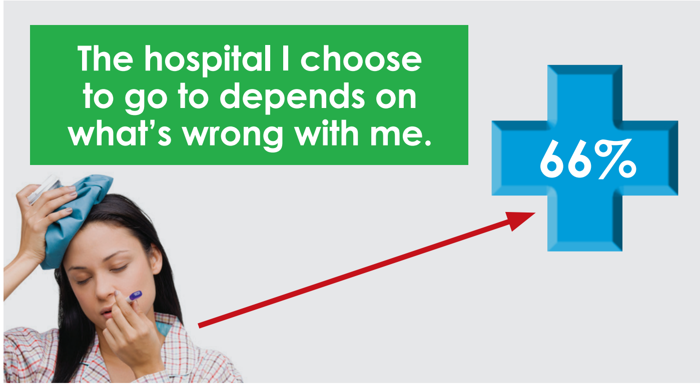
Further research into the healthcare consumer uncovers even more decision-making behaviors that mirror other purchasing decisions. The Altarum Institute Survey of Consumer Health Care Opinions from Fall 2013 found that "more consumers tapped into online sources compared to prior years" when finding information to assist them in selecting a doctor. Specifically, 32% of respondents reported using online ratings of a doctor's bedside manner or waiting time, and 27% reported using online quality ratings, both an increase over previous years.[5]

A fast-growing percentage of consumers using online sources to make healthcare decisions (e.g., selecting a doctor)—much like the use of the Internet in other purchasing decisions—reveals new consumer behavior habits historically uncommon in the healthcare decision-making process.

Furthermore, consumer behavior in new-vehicle purchases may offer an additional insight into what's next for healthcare consumers. JD Power and Associates research found that about 79% of new-vehicle buyers use the Internet for information during the shopping process, and 50% of these people are open to any brand at the outset regardless of previous car brands owned.[6]

Similar trends are surfacing in healthcare. In the proprietary *SPM℠ American Health & Life Study* survey of 4,000 consumers nationwide, 66% of respondents agreed with



the statement, "The hospital I choose to go to depends on what's wrong with me." This figure has increased 10% over the last two years, signaling the emergence of an even more discerning healthcare consumer, less apt to simply turn to one tried-and-true hospital than they might have in the past. These insights suggest hospitals can not simply assume continued consumer brand loyalty. Hospitals must actively build and manage brand equity.

Disruption #2
Blurring Lines Between Insurer and Provider
Changing consumer behavior isn't the only cause of disruption on the horizon. A new trend has emerged: hospitals offering insurance and insurance companies offering healthcare services. What used to be a peaceful coexistence is moving to a state where "single companies are looking to do more, if not everything, involved in healthcare."[7] Both sides are trying to provide differentiators that can make them competitive. Everyone is trying to be the force of consumer engagement.

As it has happened in the technology industry, we can expect to see more singular brands or companies anchoring a multitude of healthcare services, and the emergence of healthcare ecosystems. The Android and data-driven ecosystem from Google, or the wealth of products and services backed by Apple, swiftly overtaking a company like Dell mirrors the future for healthcare providers who do not heed the warning of this oncoming disruption.

Disruption #3
New Classes of Competitors
And yet, all of this does not address possibly the most imminent disruptions—the emergence of new competition, such as retail clinics and urgent care centers, and new provider platforms.

Technological disruptors, in particular, are changing the way consumers and providers interact with healthcare. Online/mobile resources such as ZocDoc and PokitDok allow consumers to search for providers based on location, specialty, or insurance. OkCopay and GoodRX are examples of the growing trend towards cost transparency—consumers can compare prices for procedures or prescriptions. And a growing demand for personal health devices has increased the number of venture-backed startups, such as Scanadu Scout, to track your health. Not to mention the countless mobile applications designed for chronic conditions (Propeller Health), or maternity (BabyCenter, Babble Pregnancy Tracker). The list is never-ending, growing exponentially, and will only test the durability of the traditional patient-provider relationship.

In the end, it doesn't matter if the signs of disruption are distant on the horizon or staring you dead in the face. Disruptive change may not have an immediate effect, but once it does, those unprepared will end up steamrolled.

Transformative Business Strategy and the Link to Branding

Don't be fooled —as Dell was—by the idea that operational excellence will be enough to sustain your business. Dell's tragic downfall was the belief that its business model, legacy success, and focus on rational consumer benefits (e.g., price and features) would always provide a competitive advantage. While efficiency and quality are important, they are becoming table stakes in the minds of consumers.[8]

Enter the hospital CEO who believes that "people will always need a place to be treated for serious illnesses, have babies, operations, fix broken bones, and get cancer treated." That may be true, but the question is how will healthcare leaders transform that service platform to succeed when the wave of disruptions described above hit their shore? Dell certainly believed that people would always have PCs on their desks and servers in their IT closets. But what happens when your business model alone no longer distinguishes you from the competition?

> *Re-engineering your enterprise to deliver connected care in a value-oriented world will not set you apart from your competitors. To distinguish yourself, you must "declare your major."*

Healthcare provider leaders widely agree that simply selling inpatient hospital care, like relying solely on a manufacturing model as a business strategy, is no longer a sustainable business plan. However, "re-engineering the enterprise to deliver connected care in a value-oriented world," as mission-critical as it is, will not set you apart from your competitors either—because they are doing the same thing. To distinguish themselves and build brand equity, hospitals and health systems will have to "declare their major."

To "declare your major" is to make a choice. It requires admitting your organization cannot be all things to all people all the time. Rather, you must choose what you will emphasize about yourself—your personality, your focus, your distinctive competency—over all possible paths.

For example, The Advisory Board describes four sample destination strategies to help identify the product the health system is trying to build: best-in-class acute care destination, full-service population health manager, consumer-oriented ambulatory network, or financially-integrated delivery system.[9]

IBM's Institute for Business Value affirms this idea in saying that "it will be harder to maintain an undifferentiated service delivery model…forc[ing] many clinical delivery organizations to adopt and develop service delivery models with a new and sharper strategic focus." These models may include Community Health Networks focused on optimizing access, Centers for Excellence focused on optimizing clinical quality and safety for specific conditions, Medical Concierges focused on optimizing the patient experience, or Price Leaders focused on optimizing productivity and workflow.[10]

No matter what area of expertise you choose to pursue, be specific, focused, and commit to your strategy 100%.

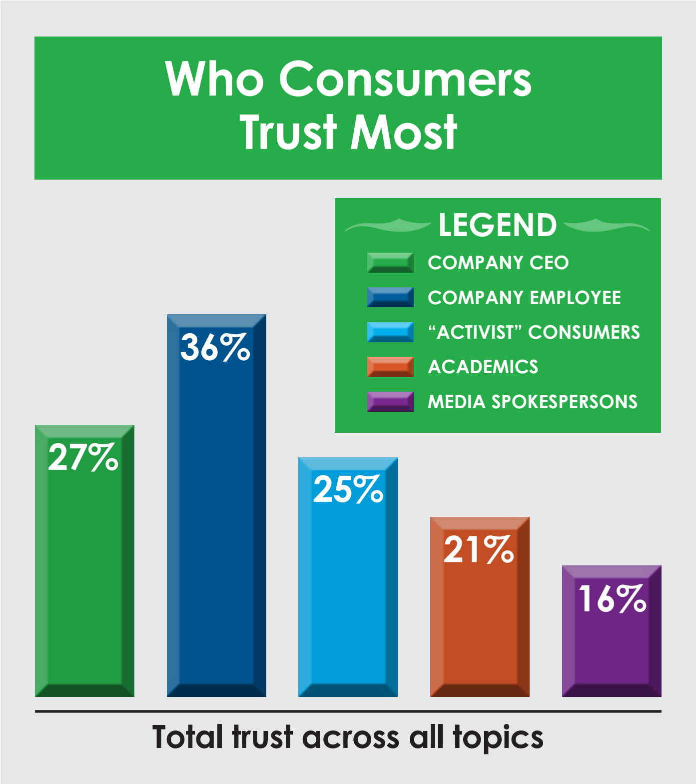
Once you declare a major, build a brand strategy in support of achieving that goal. A best-in-class acute care destination emphasizes much different strengths and attributes in its brand actions than a full-service population health manager or a medical concierge provider offering a premium experience. If your brand strategy seems eerily similar to your competitors, either rethink your strategy for distinction or clarify how you deliver on that similar strategy differently. If you can't perceive a difference, neither can your constituents. (see chart to the left)

In addition, your declared major should make your brand stand for something by taking a distinct and desirable brand position. The most successful brands set out to capture market share and dominate their category, and evolve into powerful brands because of it. When your brand dominates a category, it is more resilient in the face of disruption.

A dominant and powerful brand will ultimately have more value and worth in the marketplace. Take Anheuser-Busch, a company with a dominating 47.2% market share as of December 2013.[11] Drinkers of Anheuser-Busch products feel passionately about the brand, often to the extent that they will not consume products of another brand. They trust the brand to deliver an experience consistent with the brand positioning. And Anheuser-Busch confidently dominates the category, knowing that they have captured consumer loyalty.

Of course, "dominate" is a word that can be scary in the healthcare category. But rest assured, payers, venture-backed start-ups, and even some provider brands are quite comfortable with and embrace the notion!

That's why the hospital CEO should treat brand as a strategic business asset and become a champion of their brand. While a few provider CEOs have embraced this doctrine of brand as a strategic asset—mostly brands with national stature such as Mayo Clinic, Kaiser Permanente, The Cleveland Clinic, Johns Hopkins, MD Anderson— many provider brands have the foundations to command regional/super-regional brand potential if properly unlocked and guided.



How Do Hospital CEOs Lead as Brand Stewards?

In the end, it all boils down to the CEO's role as more than just running a hospital or health system, but as guiding a brand. How can this be done?

1. **Provide and direct vision.** Declare your major. Be able to describe the category you are setting out to dominate and the steps you are taking to specifically do what you declare. The successful brand steward provides purpose and distinction to the brand, and regularly communicates that in high impact and relevant ways.

2. **Act as a trust builder.** The 2014 Edelman Trust Barometer Annual Global Study finds that "actions taken by CEOs shape trust in the companies they lead and influence the behaviors and attitudes of their stakeholders."[12] The report highlights the top seven attributes to building trust, many of which require the CEO to be a critical voice and face for the organization. These attributes include listening to customer needs and feedback, treating employees well, communicating frequently and honestly on the state of business, placing customers ahead of profits, demonstrating ethical business practices, transparency and open business practices, and accountability to address an issue or crisis.

   The hospital CEO that delivers on these qualities will see stronger trust in their organization, and stronger trust in their brand and its subsequent promise.

3. **Empower employees.** Beyond the unquestionable importance of the CEO's role in providing decisive direction and building trust, Edelman's report unearths the additional insight that an organization's employees are the public's most trusted source for information. Because of this, the hospital CEO must engage, train, empower, and task employees as brand ambassadors for the company. The mistake most CEOs make is leaving this up to chance.

   The CEO of Southwest Airlines, Gary Kelly, knows exactly how important his employees are—he calls them "our single greatest strength and most enduring long-term competitive advantage."[13] Over the years, Southwest has built an empowered and committed workforce by establishing job security (Southwest has never had any major layoffs or salary cuts), a motivated workplace, and a company culture anchored by "love." Happy employees lead to successful business (Southwest has been profitable every year since 1973), to a good brand reputation, and to high brand equity and loyalty.

   Provider CEOs can learn from Southwest. Brand position is useless if consumers do not believe and trust it, and your employees are your most valuable assets in building a positive public perception of your brand. But employees can only advocate if they know and understand what is expected from them personally to achieve the organization's business strategy and desired brand position.

Conclusion

The Dell narrative serves as a cautionary tale for hospital and health system CEOs who are facing an early parallel of similar marketplace disruption. Changes in consumer behavior, healthcare organizations becoming ecosystems, and the introduction of disruptive innovators are driving the need for a distinctive, brand-motivated business strategy.

Some more progressive organizations have begun to embrace brand positioning as fundamental to standing out in "new healthcare." A common mistake is viewing this discipline as a marketing/advertising initiative. Brand stewardship, especially through industry transformation, is the responsibility of the CEO and must be embraced, if not led, by those guiding the strategic and operational direction of the organization.

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