

Healthcare Marketing White Paper



Healthcare Consumers: The New Reality

Understanding Generational Differences and How
Marketing Tactics Can Engage Diverse Audiences



HEALTHCARE CONSUMERS: THE NEW REALITY

Understanding Generational Differences and How Marketing Tactics Can Engage Diverse Audiences

It used to be simple. Patients did what their doctors told them and most went to the nearest hospital for care. Today, people in need of healthcare have more options, more information and more at stake when they make their care decisions. The way healthcare consumers choose is evolving; changing based on the habits of each new generation. Care providers face the challenge of marketing to a new breed of savvy, independent care seekers who play by a new set of rules.

This white paper looks at how each generation of healthcare consumers makes their purchase decisions, and how hospital and physician practice marketers can engage each segment of the healthcare audience.

Marketing healthcare to consumers

Hospitals and physician practices are discovering that it's no longer enough to deliver good quality healthcare to remain competitive. Today's discerning healthcare consumers, especially younger patients, consider brand reputation and patient experience before physician referrals. In response, care providers need to communicate the organization's competitive position and deliver the desired patient experience to connect with younger generations.

This is a new reality for healthcare marketers, but for most consumer brands it has been this way for nearly a century. More and more, patients shop for care much the way they do for other goods and services. They actively research their healthcare alternatives to determine how and where they will spend their care dollars.

To attract and engage healthcare consumers, it's helpful for marketers to understand the evolution of healthcare consumers, and then how to communicate to each segment of their audience.

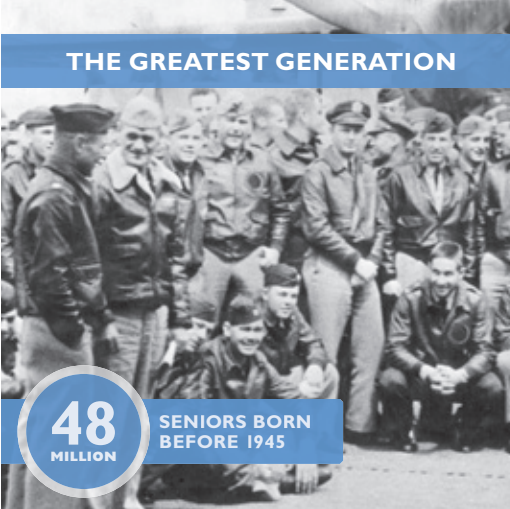
Three factors influencing healthcare consumerism:

- Online information access, including hospital metrics and physician reviews, allows patients to research all of their options, shop based on quality outcomes and get provider recommendations from members of their social networks.
- Alternatives to traditional hospital care, such as free-standing specialty care centers, offer consumers benefits such as convenience, comfort and cost savings. "Going to the hospital" is no longer the only option for treatment, and people are making choices based on a much broader consideration set.
- Patients' increased financial responsibility and exposure make them more discerning and deliberate in healthcare decisions. They may choose providers, facilities or even whether to receive care based on their out-of-pocket cost or perceived value.

A GENERATION-BY-GENERATION LOOK AT HEALTHCARE CONSUMERS

Changing social habits are at the heart of the consumer movement, with technology and information access empowering each new generation to be more self-directed and more independent in their healthcare decisions.

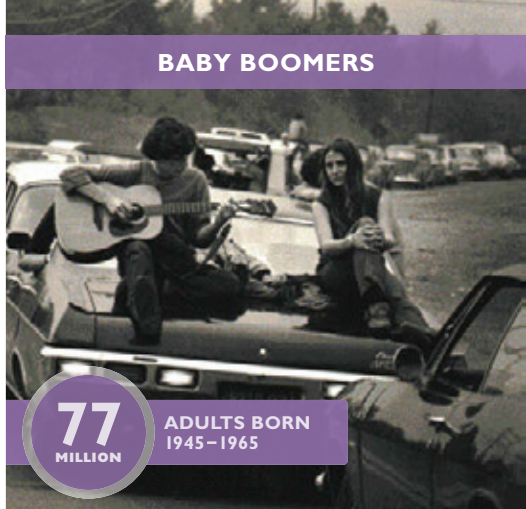
Research suggests that each generation has unique emotional triggers and motivations for choosing care providers, and interfaces with healthcare organizations in a distinctly different way. Here's a look at the values and habits of each generation.



THE GREATEST GENERATION

48 MILLION SENIORS BORN BEFORE 1945

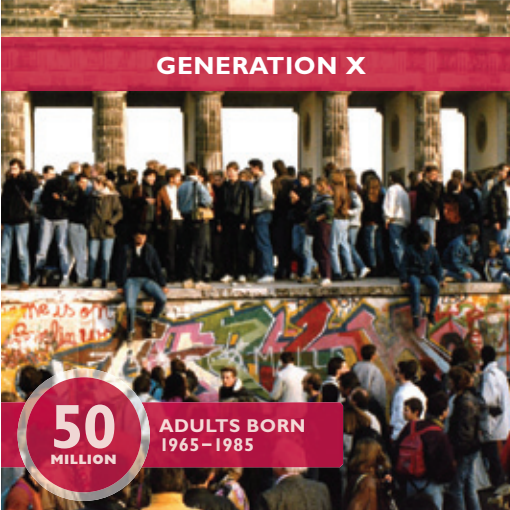
- Lived through great depression, WWII
- The old patient model
- Follow physician directions explicitly



BABY BOOMERS

77 MILLION ADULTS BORN 1945-1965

- Influenced by era of societal change, technology
- Challenge status quo and old models
- Take physicians' advice but research options



GENERATION X

50 MILLION ADULTS BORN 1965-1985

- Lived through cold war, dot-com bubble
- The first true healthcare consumers
- Actively seek information and shop for care



MILLENNIALS

72 MILLION YOUNG ADULTS BORN AFTER 1985

- 'Digital natives' that grew up with the internet
- Shop for healthcare, likely to switch providers
- Influenced by reputation and advertising

The Greatest Generation / Silent Generation (age 65-75+):

The Greatest Generation and the Silent or Lost Generation together make up a distinctive subset of the consumer market that clings to healthcare's past and the traditional doctor-patient model.

While people 65 and older make up only 12 percent of the population, they account for 35 percent of hospital stays and 38 percent of emergency medical care. They require more frequent and longer patient visits, and expect a high level of service from their doctors and nurses.

This generation follows doctors' recommendations for their medical care direction, and rely on their physicians for health information and referrals. However, their children – Baby Boomers and members of Generation X – may be influencing or even making their care decisions, often based on their own rationales for choosing care providers.

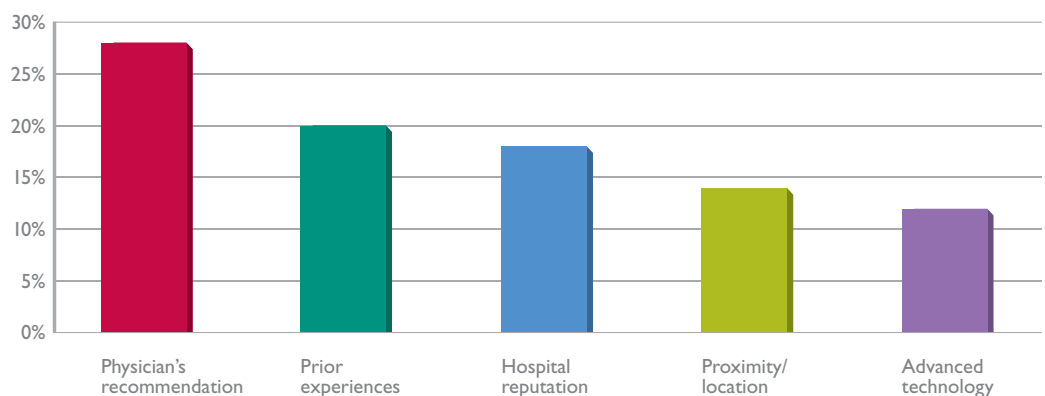
When selecting a hospital, they're most influenced by where their doctor suggests they go or where they've had prior experiences, followed by the hospital's reputation or its proximity to their homes. They are the least likely to research health options online or participate in online communities.

Marketing tactics to engage the Greatest Generation:

- ⊕ Physician referral initiatives: Members of this generation put their care in the hands of their physicians, so marketing to and with referring physicians can be effective in attracting this segment. However, as this aging population declines, and hospitals hire more doctors, this strategy promises diminishing returns.
- ⊕ The customer experience: Communicating patient experiences, especially when your internal staff and physicians are aligned to deliver consistently positive experiences, is one of the best strategies to attract this generation.
- ⊕ Reputation building & management: Seniors respond to hospital reputation claims, especially when supported by integrated branding and marketing communications. Because the elderly depend on healthcare, they are open to advertising in mass media, as well as messages delivered within the office environment.

FACTORS FOR HOSPITAL SELECTION:

THE GREATEST GENERATION



Baby Boomers (age 45-65):

Roughly 80 million strong, Boomers are the leading edge of the 'silver tsunami,' a growing population of senior citizens that is changing the expectations of the healthcare industry. They question the status quo and search for new solutions. In addition to directing their own health care, Boomers are also likely to act as care givers and advocates for both their parents in the Greatest Generation and for their Gen-X and Gen-Y kids.

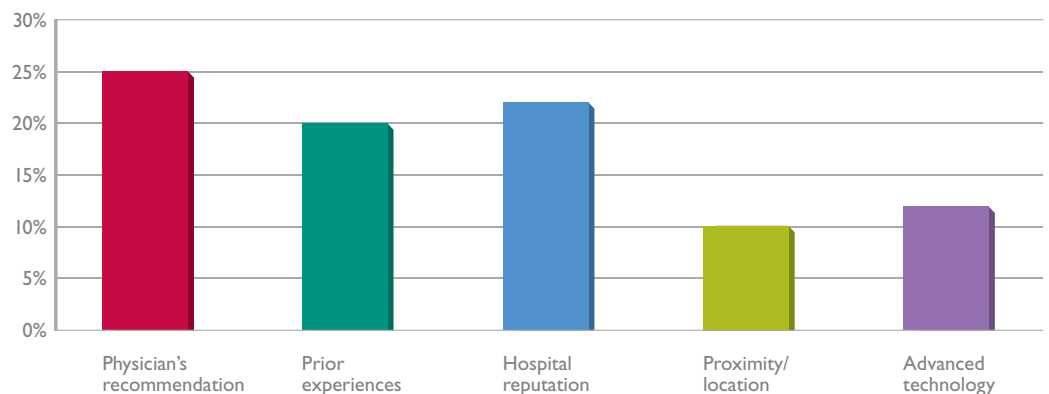
This generation is influenced by physicians, but they research their options, challenge assumptions and rely on conversations to make their healthcare choices. Boomers value quality care, and consider reviews and rating systems when choosing care providers and specialists.

Marketing tactics to engage Baby Boomers:

- ➊ Physician referral initiatives: Because they rely on doctors for recommendations, marketing to and with referring physicians can be effective in engaging Boomer consumers.
- ➋ Integrated online and offline messaging that drives to web: Boomers are very likely to seek information online, often in response to TV or other off-line media. 78% of Boomers have searched health information online after seeing something on TV.* Their searches focus on treatments, medications, side effects and risks.
- ➌ Reputation building & management: Boomers consider hospital reputation in their care decisions, and respond to integrated branding and marketing communications.
- ➍ The customer experience: Communicating patient experiences appeals to Baby Boomers both as patients and as caregivers for older and younger generations. It's important to align internal staff and physicians to deliver consistently positive experiences.

*Source: Google/Nielsen Boomer Survey August 2012

FACTORS FOR HOSPITAL SELECTION: BABY BOOMERS



Generation X (age 30-45):

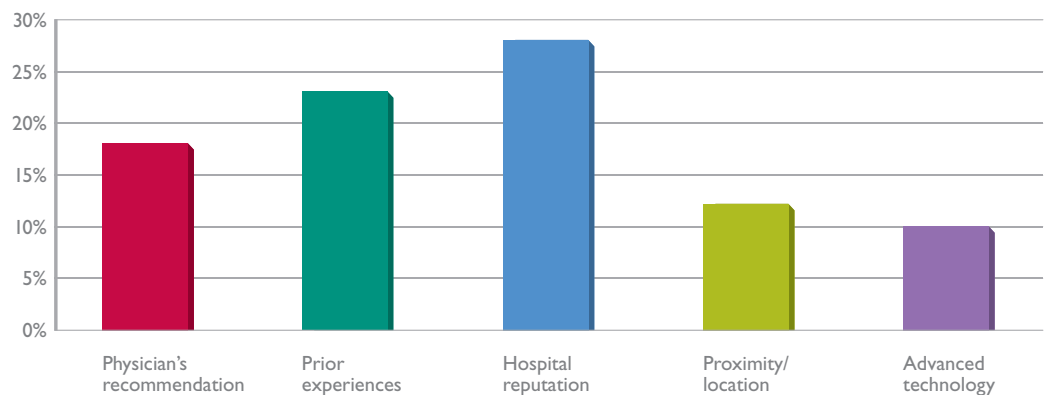
Generation X represents the first generation of true healthcare consumers. Still in their 30s and early 40s, they have yet to create a high demand for healthcare services but are curious and actively seek information.

Members of Generation X have an affinity for healthcare brands and shop for healthcare much like they shop for retail goods and services. They have short-term expectations of their healthcare provider relationships, and will switch doctors and physicians based on recent experiences, a trait they share with younger Millennial consumers.

Marketing tactics to engage Generation X:

- Integrated online and offline messaging that drives to web: Gen X patients are only moderately responsive to healthcare advertising, favoring TV and in-office messages above other media. They have a natural tendency to consult online information sources, however, so drive-to-web strategies that integrate offline, online and mobile channel messages can connect with the Gen X consumer.
- Reputation building & management: Because they relate to healthcare brands, marketing strategies should focus on hospital positioning, brand messages and positive patient experiences.
- The customer experience: Communicating the patient experience, and aligning internal staff and physicians to deliver positive experiences is integral in attracting Gen X patients. This generation values prior experiences and often consults social networks when making care decisions.
- Physician referral initiatives: Marketing to and with referring physicians can be effective in engaging Gen X consumers, supported by reputation and positive patient experiences.

FACTORS FOR HOSPITAL SELECTION:
GENERATION X



Gen Y or Millennials (age 20-30):

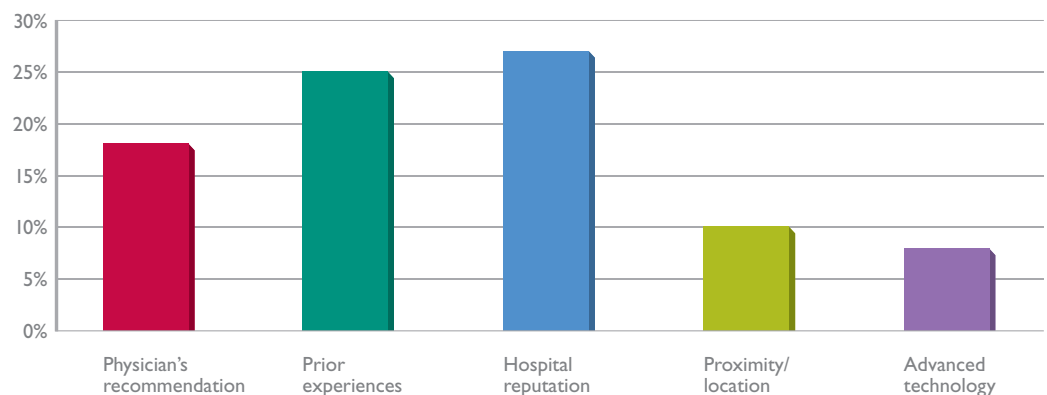
Generation Y, also known as Millennials or Echo Boomers (because of the sudden rise in birth rates over Gen X), include over 75 million adults born since 1982. Only in their 20s, they have low utilization of inpatient and outpatient services, other than maternity or emergency services. They access healthcare mostly through primary care, urgent care and OB/GYN providers.

These young adults tend to shop for and show preference for healthcare brands; they're heavily influenced by great advertising, reputation and patient experiences. Millennials seek information from multiple sources, including online search, reviews and rating sites, their large social networks and word of mouth referrals. They value positive personal relationships with care providers, but they are likely to switch doctors or hospitals if they have a negative experience.

Marketing tactics to engage Millennials:

- ➊ Integrated online and offline messaging that drives to web: Like Gen X, Millennial patients are only moderately responsive to healthcare advertising. Because they are young and healthy, targeting media that delivers messages when Millennials are close to the care decision offers the best results (online, mobile, TV and in-office channels). Mobile marketing and eHealth apps fit the Millennial consumer's digital lifestyle.
- ➋ Reputation building & management: Millennials show a preference for healthcare brands and creative advertising, so marketing strategies should focus on hospital reputation and patient experience.
- ➌ The customer experience: Communicating the patient experience, and aligning internal staff and physicians to deliver positive experiences is essential to engage Millennial consumers. This generation values prior experiences and often consults online information, review sites and social networks when making care decisions.
- ➍ Physician referral initiatives: Marketing to and with referring physicians, emphasizing reputation and positive patient experiences, influences Millennials as well as older generations.

FACTORS FOR HOSPITAL SELECTION: MILLENNIALS



Technology matters for specialty hospitals

When citing the factors they consider in choosing a hospital, less than 15% of Boomers and Greatest Generation consumers, and only about 10% of Gen-X/Gen-Y consumers reported the use of the most advanced technology as a deciding factor. However, when choosing specialty hospitals, advanced technology plays a more important role. Approximately 72% of Millennial patients, 78% of Generation X, and 80% of both Baby Boomers and the Greatest Generation considered advanced technology an important reason for choosing a specialty hospital.

Location has little impact in hospital selection

Proximity proved to have little bearing on the healthcare consumers' final decision. Only about 10-12% of all consumers were influenced by a facility's location and proximity to them. People are clearly willing to travel for healthcare, and weight their decisions more on physician referrals, hospital reputation and patient experience.

Price plays a new role in care decisions

The rising cost of health coverage has resulted in greater financial exposure for patients, including higher deductibles, co-pays and out-of-pocket costs. In response, they're thinking and acting more like consumers. They're shopping for quality care, but consider value in their decision process.

To some degree, hospitals can combat lower priced competition by building and managing the organization's reputation. Reputation is key because hospitals serve everyone but want to attract the most profitable patients – consumers looking for and able to pay for the best quality care. When care providers compete on price, high-end and low-end providers are well positioned take market share from those in the middle.

PATIENTS VS. CONSUMERS

When did patients become healthcare consumers? Up until 20 years ago, most patients took a passive role in healthcare decisions. Now, with more care options, changing insurance coverage and a boom in online information, all that has changed.

Today's healthcare consumers are seeking relief from medical conditions, but going about it in a way that more closely mimic retail-consumer behaviors. They are researching medical information, seeking the best quality care providers and making care decisions based on reputation, value, convenience, comfort and recommendations from friends.

In "Patients or health care consumers? Why the history of contested terms matters" (Rutgers University Press 2006), Nancy Tomes compares patient and consumer roles and identities:

THE PATIENT ROLE / IDENTITY	THE CONSUMER ROLE / IDENTITY
Main concern: relief from illness	Main concern: effective use of resources to maximize personal goals
Assumption: physician and patient share same goals	Assumption: buyer and seller have inherently different interests especially price
Therapeutic, professional values dominate decision making	Economic value (cost, profit) influence choice of treatment
Economic concerns muted (little concern for price, competitive "shopping")	Economic concerns are paramount
Main protections: professional ethics, law, regulatory policy	Main protections: "rational" shopping, regulation of marketplace

Online information fuels free choice

Perhaps the greatest change in how people make healthcare decisions is the proliferation of online information resources. Consumers can learn about illnesses, self-diagnose certain health conditions, find treatment options, compare therapies, medications and side effects – all with a few simple keyword searches. Popular review sites such as Yelp and Angie's List offer reviews of physicians and hospitals, and with more than half of Americans using social media, word of mouth referrals and recommendations are just a few clicks away.

According to the 2010 PRC National Consumer Perception Report, use of the Internet to obtain healthcare information increased from 48.5% to 61.2% between 2005 and 2010, with the number of participants that researched healthcare conditions online growing from roughly half to almost two-thirds. The report also claims that 33% of respondents used the internet to find doctors and care providers, researching providers through online channels such as quality reports, reviews and referrals from members of their social networks. These numbers continue to grow.

Hospital and physicians are finally responding to this trend toward online research. Savvy health brands use search optimization strategies to deliver authoritative content and drive web traffic. They actively monitor the conversation and engage patients, visitors and reviewers to enhance their online reputation.

Seeing your hospital through the consumer's eyes

Healthcare is changing. We no longer have the luxury of captive audiences or the certainty of physician referrals. Consumers have changed the rules, and hospitals and physician practices must adapt to this new reality to remain competitive.

Want a quick measure of your brand's place in the new consumer-driven landscape? Go to a review site like Yelp.com and type in your organization's name. What are healthcare consumers saying about your organization? If you're not tuned into the changing consumer model, it may be time to seek professional help. ☎

MORE MARKETING RESOURCES FOR HOSPITAL EXECUTIVES

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