

Today's Reality for Hospitals: Brand is the New Must Have

Role of Brand Series

Creating and managing
brand value™

InterbrandHealth

The distant rumble of change that has been approaching the hospital community for years has landed with a roar on the desks of management and boards. Now, in the face of shrinking reimbursements, rising operating costs, and a rapidly changing healthcare culture and treatment system hospitals must rethink their delivery of superior and cost-effective care if they are to be successful in the future.

This will often require a modified business structure to accommodate accelerating changes in delivery of care. Understanding this new environment and a hospital's distinct and sustainable position within it is key to long-term success. Now more than ever, the ability to communicate positive change, make an emotional connection, and create lasting relationships is critical.

At InterbrandHealth we recognize this sea change as an opportunity for hospitals to develop a strong brand as well as an opportunity for the brand to bridge institutional gaps, differentiate the organization, galvanize stakeholders, attract consumers, and strengthen bottom lines.

.....

A strong brand provides a lifeline that will outlast this current sink-or-swim environment.

.....

WHAT EXACTLY IS BRAND?

A brand is far more than a symbol. It embodies tangible and intangible qualities that create value; it influences both how an organization functions and how it is perceived, internally and externally. From a marketing or consumer perspective, it is the promise and delivery of an experience; from a staff perspective, it is a culture and mission; from a business perspective, it is the security of future earnings; and from a legal perspective, it is distinct intellectual property.

BRAND AND HOSPITALS

Hospitals handle the same sorts of organizational, bottom-line, and consumer issues that affect any business. But hospitals depend on a uniquely extensive and varied range

of stakeholders for their ultimate success. They also trade in delicate and emotional concerns and services beyond standard business fare — matters of life and death. And while hospital customers are not always customers by choice, choice is playing an ever-greater role in where and how they get care.

A brand is intended to create and foster relationships, and can forge long-term emotional bonds with patients and other stakeholders. Brand can also simplify decision making, represent an assurance of quality, and offer a relevant, different, and credible choice among competing offerings. There are few, if any, business realms where these assets are more critical than among hospitals.

THE NEED FOR BRAND TO SECURE EARNINGS

The economy remains tight and its impact on hospitals persists. There are fewer and smaller institutional donations available, and both employed and unemployed consumers continue to defer treatment whenever possible. Other factors that have a negative impact on bottom lines also promise to alter hospitals' economic climate in upcoming years. Brand can be a powerful tool for restoring financial equilibrium, given the following realities:

Legislation, especially in the US, has stimulated far-reaching changes in the way hospitals operate and how revenue is generated and spent. This includes:

- + The Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) survey, which, alone, is revolutionizing hospitals' economic reality on many levels.
- + Compulsory information technology systems — such as the federal Electronic Medical Records (EMR) transition already under way, and adherence to the International Classification of Diseases (ICD)-10 — require significant up-front costs.
- + New laws that affect medicine distribution will alter the availability of some medications and affect costs.

Insurance plans are a powerful variable. Consumers can choose what kind of plan they want, and will generally seek treatment only in hospitals that accept theirs. Hospitals that don't take a variety of insurance carriers could lose customers.

THE NEED FOR BRAND DIFFERENTIATION

Patient expectations and desires are changing, altering the competitive landscape. Some prime features of this shift are:

Increased patient choice and empowerment, generated by the following:

- + Healthcare reform is and will continue to revolutionize nearly every aspect of how patients approach hospitals, from top to bottom.
- + Economic changes have increased patient price shopping.
- + Digital transparency, especially the government's Hospital Compare and Physician Compare websites, offer patients instant access to data that strongly influence choice. The ratings that patients give hospitals on these sites are now tied to federal reimbursements. So not only might a patient's feedback on a hospital experience influence a future patient's hospital selection, it also affects non-consumer funding.

- + Communication technology, particularly social media, has amplified and accelerated word of mouth and, with it, consumer power. While this is a well-stated trend across all industries, its ramifications for hospitals are unique and sometimes delicate.

The rise of comprehensive services — such as office visits, pharmacy, wellness programs, and so on — add functional as well as cultural layers to coordinate and communicate. They also raise patient expectations for what a single hospital should offer. More and more, this includes full-paying customers who seek exclusive, "five-star"-style accommodations.

The current trend toward wellness and preventative care affects consumers' approach to hospitals. Patients increasingly seek health care guidance in the absence of illness and, following a diagnosis, desire a broad and nuanced variety of options.

All of the above economic and cultural factors amount to steeply increased competition.

Hospitals are no longer just providers of health care,

and therefore need brand to drive strategy, convey their expanding range of services and assets, and create lasting relationships with varied constituents. An increasingly competitive environment calls for a more strategic and well defined brand platform.

THE NEED FOR A UNIFYING BRAND STRATEGY AND MANAGEMENT

In December 2011, *The Wall Street Journal* reported that "Amid enormous pressure to cut costs, improve care and prepare for changes tied to the federal health-care overhaul, major players in the industry are staking out new ground, often blurring the lines between businesses that have traditionally been separate.

Hospitals are bulking up into huge systems, merging with one another and building extensive new doctor work forces. They are exploring insurance-like setups, including direct approaches to employers that cut out the health-plan middleman."

MERGERS AND ACQUISITIONS

The number of hospitals is in decline, and mergers and acquisitions are on the rise around the world. In all industries, mergers and acquisitions can lead to internal and external dysfunction. The hospital industry is no exception, though implications there can be more sensitive and distressing to constituents than in some industries.

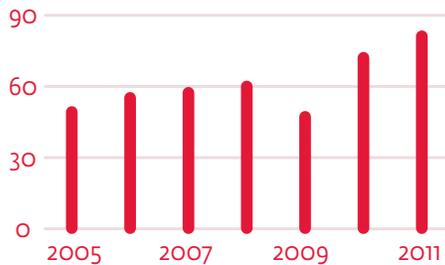
Even though mergers can improve resources and expand geography for hospitals, they can also engender misinterpretation, fractured strategy, poorly aligned brand management, and other problems that affect organization as well as hearts and minds. Patients and employees alike report confusion and distrust when their local hospital is acquired by a larger entity and suddenly seems overwhelming and less community oriented. A strong brand can help avoid these pitfalls.

A brand should operate internally as well externally. Confused employees are a major detriment to any organization, especially hospitals. Experts agree that

employees are a hospital's most vital force and communication medium.

They are on the frontlines, shaping patient experiences, and bringing a hospital's message into communities. Brand is the greatest asset for uniting employees around a singular culture and mission. This understanding is especially important in the wake of hospital mergers and acquisitions. A merger transition is a crucial time for hospitals to use brand to consolidate identity, create efficiencies, rally employees, and reach targets—to ease and expedite changes efficiently, and avoid triggering disenfranchisement.

FIGURE 1
of hospitals acquisitions of hospitals



SOURCE: Irving Levin Associates

HOSPITALS AS DESTINATIONS

Trends indicate that the majority of people are willing to travel outside their areas for exceptional medical care and appealing environments. This can mean anything from a star department to a pleasing, campus-type setting or exclusive, elite accommodations and services. In all cases, these features can fetch high premiums.

As well, a growing number of large US companies have decided to partner with singular hospitals as destinations where they will underwrite treatments for employees. This could be a rising, important trend with big money at stake.

Given this new reality, destination hospitals' popularity is increasing, and expanding the competitive field. Only those hospitals with strong brands that define their offerings will

prevail in this new market—a market that could make or break a hospital's future.

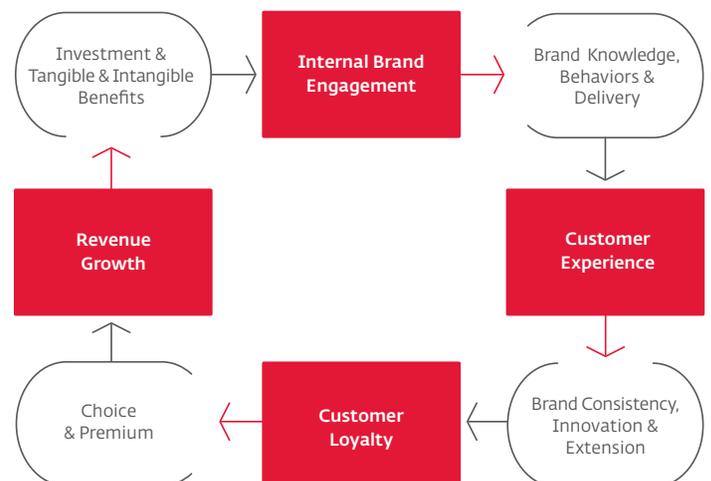
THE KEYS TO TRANSFORMING YOUR ORGANIZATION

The same forces that increase competition also offer hospitals great opportunities to differentiate themselves, own markets, and find their way to the other side of the current turmoil — on a clear path they can follow into the future.

Ask yourself some vital questions:

- + **What are your hospital's greatest assets?** State-of-the-art facilities? Preeminent doctors? Competitive pricing? Respected history? Specialty expertise? Renowned teaching facilities? Even a high-end cafeteria? Chances are your hospital can boast a combination of these and other strengths. The key is to determine which combination is the most differentiating, and develop a robust yet flexible brand that embodies and broadcasts those attributes.
- + **How do you reach patients before they become ill or injured? Make your hospital top of mind locally and in wider markets?** Establish to what degree you want to reach patients and how you want to reach them. The tools that offer consumers new power also give hospitals the opportunity to speak directly to consumers, and provide channels for two-way communication. As you identify your target markets, you will need to contact them in varied ways. It's critical that brand aligns all platforms, language, and media.
- + **How will you attract and retain talent** that suits your hospital? By applying a confident, differentiating brand, you can draw exceptional staff who, through brand-right behaviors (known as employee engagement) help attract and retain customers — which will in turn perpetuate the brand's differentiation and strength.

FIGURE 2
Interbrand's vision for the role of brand in the service profit chain model



- + **Do you want to be considered either a local hospital or a destination hospital?** The popularity of destination hospitals opens up a whole new realm for messaging. As hospitals gauge the roles they play in local communities, many recognize that their strengths at home can transmit more broadly. Whether to capture the attention of corporate collaborators or individuals — in your community or further-flung regions — the keys here are definition and differentiation.
- + **Are you using new media to your full advantage?** Both social spaces and the government's Compare websites offer organizations unprecedented access to insight that can be used to monitor the brand message in real time; to see where and how your hospital is being encountered and evaluated, every day. This can help you learn the language of decision — the very words patients use to frame and convey their experiences — which you can reflect back to them via brand. It will also help you efficiently discover new markets and improve operations. Many hospitals now have websites and Facebook pages that both track and shape the customer journey, serving as both forum and foyer. These virtual spaces are where many patients first “enter” a hospital, and are where they might most often return and refer others. You want yours to be welcoming, organized, dynamic, and definitive, and reflective of your brand.
- + **Are you conveying your purpose to local leaders and legislators?** The definition and tenor of your hospital's local presence will be both mirrored and broadcast by media and policy makers who could have a say in how your hospital receives funding and projects permission. The more coherently you project your brand, the greater your power of persuasion.
- + **How will you navigate restructuring?** The tumult caused by new legislation as well as mergers and acquisitions can be best charted by a definitive, unifying brand. During transition — especially for smaller hospitals being integrated into larger, more sophisticated organizations — a strong brand can steer the message, improve efficiencies, reassure communities, and unify all stakeholders.

Ultimately hospitals need to engage a wide variety of stakeholders — from current patients to potential patients, employees, payers, donors, employers, government, volunteers, and media—while streamlining the message.

The brand is a powerful business tool that, if strategically defined and creatively expressed, has the ability to galvanize and inspire all of these groups, and provide the vision to drive business performance, culture, experience, emotional connections, and attitude. By defining and applying brand consistently across every touch point, from the get-go, hospitals can harness flux and transform it into stable momentum, for the long term.

Authored by **Gwane Levey**, Director of Strategy at InterbrandHealth.

For more information on this subject or to schedule a meeting with InterbrandHealth, please contact Robert Schaffer, Executive Director of Client Services at:

e robert.schaffer@interbrandhealth.com

t 212.798.7500