MHS INTERVIEW

Will Database Marketing Work in Health Care?

The experts debate whether it exists and if health care can benefit from it.

By MHS Staff

Database marketing is a well-established component of marketing in virtually every industry besides health care. Although health professionals have talked about this concept for years, this approach has yet to be adapted to health care. There are some obvious reasons why health care is different from other industries and doesn't lend itself to the more retail-oriented application of this concept. At the same time, health care could stand to benefit from some aspects of database marketing.

This is not to say that components of database marketing don't already exist in health care. With direct-to-consumer (DTC) marketing picking up momentum in this industry, database marketing is receiving a closer look. The empowerment of health care consumers, the emergence of defined contributions, and the growing competition for elective surgery patients among other developments are creating a fertile environment for database marketing in this field.

Marketing Health Services interviewed three health professionals representing different perspectives on the current and future status of database marketing in health care.

John Hallick is the president and founder of Customer Potential Management (CPM) Marketing Group. He holds an electrical engineering degree from Bradley University, and since 1985 has been applying state-of-the-art technology to the management of health data. This data management orientation has evolved over the years into the customer relationship management (CRM) program offered by CPM Corp. Laurie Lee is a 17-year veteran of health care business planning and strategy development. Having formerly worked in a hospital setting and for Quorum Health resources, Lee is currently vice president for marketing and product development for the MEDSTAT Group/Info- forum. Her MHA and BA degrees are both from Duke University. Mindi McKenna is a management consultant, keynote speaker, author, and business executive with 20 years of experience in health care. She has experience in the pharmaceutical and software components of health care and is CEO of eHealthCoach, A Missouri-based consulting firm. She is also an assistant professor of management at Rockhurst University. McKenna's education includes a PhD in pharmaceutical science administration (University of Missouri-Kansas City), a MBA (Webster University), and a BA (University of Kansas).

MHS: Despite a lot of talk about database marketing in health care, few health professionals appear to have a good grasp of the concept. Is there a definition of database marketing that we could begin with to start developing a common perception?

McKenna: Database marketing involves the collection, storage, analysis, and use of information regarding customers and their past purchase behaviors to guide future marketing decisions. Database marketing essentially has two components: (1) building a customer profile and (2) direct marketing initiatives based on this profile. The resulting direct marketing must be response-oriented and outcome-oriented to fit the notion of database marketing. This must, of course, be developed within the context of the strategic direction of the organization.

Lee: Database marketing is really defined by what you're trying to do more than by any particular program. Recently, the emphasis has been on CRM, although there are other aspects of database marketing to consider. Database marketing to a certain extent is defined by the data collected and the reasons for collecting it. It involves the collection of not just any data, but data that are both relevant to the customer and able to contribute in some manner to the organization's profitability. Ultimately, we are talking about data relevant for retaining customers and prospecting for new ones.

Hallick: From our perspective, database marketing is closely linked to CRM. This involves the creation of a centralized body of knowledge that interfaces internal customer data with external market data. This integrated data set can be analyzed to determine patterns relevant for an understanding of the task at hand. The final step involves converting this knowledge into a communication initiative that allows the health care organization to target relevant prospects and deliver the appropriate message. This involves the integration of demographic, lifestyle, and other data.

MHS: Despite its success in other industries, health care has been slow to adopt database marketing. Is health care really different or do other factors contribute to the slow adoption?
Hallick: Health care is clearly not like any other industry. It's not possible to create incentives to encourage immediate purchase of most health care services and products. The nature of the health problem typically determines the timing of purchase rather than the volition of the purchaser. Further, the data involved in health care is exceedingly complex. An in-depth understanding of the various components of health care (and their data dimensions) is required, and the failure of health care to adopt database marketing systems from other industries attests to the challenges resulting from the complexity of the data.

McKenna: A number of constraints are implicit in health care when it comes to database marketing. These constraints may be legal or ethical and often relate to issues of privacy, confidentiality, and data security. The potential repercussions from disclosing the medical condition of a customer are much greater than those from disclosing grocery store purchases or even financial transactions. As a practical matter, health care purchases are not discretionary, although that is the type of purchase for which database marketing is so useful. Further, health care providers must offer their services to whoever needs them, which creates a challenge in the implementation of database marketing systems.

Lee: Health care has historically not been consumer-driven, although we are now seeing significant movement in that direction. Further, database marketing has focused primarily on retail-type industries where the consumer decision-making process is much different from that in health care. Not only that, but from a technical perspective health care is more complex, with numerous data collection points in the process. Products and services must generate adequate margins to be candidates for database marketing, and some health services don't qualify on this score. Finally, the privacy concerns in health care contribute to some executives' reticence to invest in large-scale database marketing initiatives.

MHS: Are there technology-based factors that explain why database marketing is difficult to adapt to health care or have these issues been pretty well addressed?

Lee: It’s not so much that the technological capabilities are not available; they are. The adaptation of database marketing to health care requires a certain level of sophistication, which means health professionals must buy into a relatively expensive high-tech solution to incorporate database marketing capabilities.

McKenna: Technological solutions are available for use in health care, from inexpensive low-end sales force management software to high-end customer management systems. However, the complexity of health care is the issue, not the technology. With convoluted decision making and a complex financing arrangement, it is difficult to conceptualize the ideal system for database marketing.

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Hallick: An adequate technological solution is available (from CPM Corp.), but the issue is with the data not the software for managing it. Just dealing with the variety of coding systems will bring any application to its knees. Database marketing requires a combination of technology and analytical skills to work. It also means health care organizations must invest a lot of effort in the process. This is a challenge when many health care executives still “don’t get it” when it comes to responding to consumer demands.

MHS: Are there aspects of database marketing that are simply not suitable for application to health care? At the same time, are there aspects of health care that lend themselves to database marketing?

Hallick: Clearly, a database marketing approach cannot be transferred straight from another industry without serious modification, and you can’t treat patients the same way you treat customers for hamburgers. Yet the potential CRM applications to health care are almost unlimited. The very complexity of health care offers opportunities to those that can develop the structure for capitalizing on them. The data mining potential from a well-designed customer marketing information file is considerable.

Lee: Health care is different, but this doesn’t mean database marketing cannot be applied. The opportunities offered through database marketing for health promotion, disease management, and educational initiatives are considerable. Further, any choice-driven program is a natural for database marketing. This could include anything from affinity programs (e.g., seniors’ programs) for hospitals to interaction with patients for physician practices to fundraising initiatives for health care organizations. Pharmaceutical companies are already using a version of database marketing for targeting customers in their DTC campaigns. Now, health plans are beginning to use this approach for segmenting their enrollee populations.

McKenna: It really comes down to how you apply database marketing rather than whether you apply it in health care. Concerns over privacy on the part of consumers can be overcome by having opt-in/opt-out capabilities and letting patients indicate their preference for means of contact. If these concerns can be addressed, there are a number of areas in which database marketing appears ideal for health care. Two obvious—but different—examples would include the operation of wellness programs and the promotion of “retail” products and services on the part of health care organizations.

MHS: In other industries, database marketing is used for cross-selling, up-selling, follow-up sales, etc. Are there opportunities like this in health care, especially with the
growing interest in the "retail" aspects of health care?

McKenna: I think the interest in these types of activities is increasing. Health care organizations are starting to expand their boundaries and think a little more broadly about what are appropriate (and potentially profitable) services and products. You are seeing OB-related services being offered online, with the ability to buy gifts, send messages, etc. This might not be considered database marketing, but it helps lay the groundwork for its development.

Lee: All of these activities are feasible in health care if one is selective in their application. Outright solicitation may be offensive to customers, but if these opportunities are approached in the right way, they can be perceived as valuable. If a patient registers for an educational program and gives consent for subsequent contact, this may be perceived as having value by the patient. Ideally, though, cross-selling, follow-up sales, and the like should focus on the organization's core services and products, rather than overextending to include a lot of products the health care organization wouldn't normally offer.

Hallick: A lot of this is already being done although these terms might not be used. Many health care organizations promote secondary products (e.g., pediatric services to OB patients), and patient data provides the basis for the bundling of various services to the benefit of the patient. The main concern for many is observance of privacy laws, but this shouldn't be a problem for anyone who really understands the issues. With regard to the "retail" angle, those are really more product-oriented activities whereas database marketing has its real appeal in increasing the use of services.

McKenna: The call center is really one piece of database management. It needs to be interfaced with various other data sources and points of customer contact (including prospects). Both call centers and database marketing are excellent platforms for disease management and health promotion. In either case, however, there is a tendency for the contact information to get out of hand and become so overwhelming that little benefit is derived.

Lee: Call centers helped raise the consciousness of health professionals and have worked reasonably well when they have capitalized on personal contact. Those calls are typically patient-originated, and—to the extent that the patient can retain a sense of control in the context of database marketing—the same type of acceptance can be generated. Regardless of the approach, the customer has to perceive value in the interaction. The privacy issue will continue to be a concern, however, for both call centers and Internet sites that maintain data that is personally identifiable.

McKenna: The potential for database marketing will be a function of how it is implemented. Clearly the pharmaceutical companies have issued a "call to action" through their DTC marketing that has been well-received by patients (if not by physicians). If the database marketing initiative encourages and/or facilitates the customer obtaining more information, then that will be seen as a positive factor. Still, there are dangers of a backlash, in some cases as simple as someone who repeatedly asks to be taken off the solicitation list and gets no response or as complex as the implications of dealing with patients with "sensitive" medical conditions.

Lee: The degree of acceptance of more aggressive database marketing will depend on how it is implemented. An approach that appears to be impersonal—and we are a long way yet from a one-to-one marketing capability—will not be well-received. An initiative that recognizes the unique personal needs you have created a loyal customer. If the communication comes from (or at least appears to come from) their doctor, the same message will be more acceptable than if it comes from a telemarketer.

Hallick: Like most things, a lot depends on how they are implemented. If a hospital, for example, can convince customers it is really their hospital and the hospital is here to help them, then...
of the customer and addresses them in a personalized manner is likely to be well-received.

**MHS:** What are the implications of HIPAA and any other regulations for database marketing in health care?

McKenna: Although there are bound to be implications from any regulations as sweeping as HIPAA, loopholes related to marketing may limit the impact of HIPAA. Further, it now appears that some health care organizations are exempt from HIPAA rules because of the manner in which they handle (or don't handle) their data. There will still be opportunities for database marketing if one knows the rules.

Lee: Although privacy concerns are relevant in other industries such as the financial sector, the patient privacy protections stipulated by HIPAA are unique to health care. No other industry faces such a dilemma. Organizations handling patient data should take certain precautions with or without HIPAA to protect patient privacy, and those already handling sensitive data in a responsible manner should not be affected too significantly. Regardless of the regulations in place, there are basic precepts that must always be followed. Customers need to have the ability to opt in or opt out of database marketing initiatives. Permission to contact should be obtained when appropriate. Ultimately, organizations that collect the appropriate data in a responsible manner should be able to substantially advance database marketing initiatives. They must find the right balance between privacy and appropriate disclosure of information.

Hallick: HIPAA or any other law that reinforces the privacy aspect of patient data has the potential to affect the prospects for database marketing. Those in the forefront of CRM, however, are well aware of the regulations and have, in fact, participated in their development. Hospitals and other health care providers are paranoid about HIPAA because they don't understand them. Organizations that have appropriate policies and procedures in place should not feel too much impact.

**MHS:** Given where health care appears to be going, what type of future do you see for database marketing?

Lee: To the extent that database marketing enhances the core capacities of health care organizations, I think we'll continue to see careful growth in its health care application. It provides a tool for disease management, especially in the case of chronic conditions. And it should provide the basis for more effective meeting and outreach programs than most health care providers currently have in place.

Hallick: Database marketing constitutes an exciting new approach to customer capturing, retention, and follow-up services. If we can find the right balance between privacy and disclosure, there is a number of applications for database marketing. We are beginning to see the approach used for clinical trial recruitment, and health plans are applying it to the management of defined contributions programs. Interactive provider directories represent a passive approach to database marketing. Ultimately, if handled properly, database marketing can become the marketer's dream.

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