ICMR
IBS Center for Management Research
www.icmrindia.org

CLSM/044

IBS Center for Management Research

Establishing a Chain of Corporate Hospitals (A): Deciding the Unique Selling Proposition

*This caselet was written by **Manjul Menon,** with the guidance of **Ramalingam Meenakshisundaram,** IBS Center for Management Research. It was compiled from generalized experience, and is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.*

DO NOT COPY

© 2009, IBS Center for Management Research. All rights reserved.

To order copies, call +91-8417-236667/68 or write to IBS Center for Management Research (ICMR), IFHE Campus, Donthanapally, Sankarapally Road, Hyderabad 501 504, Andhra Pradesh, India or email: info@icmrindia.org

www.icmrindia.org

ICMR
IBS Center for Management Research
www.icmrindia.org

CLSM/044

Establishing a Chain of Corporate Hospitals (A): Deciding the Unique Selling Proposition

CareServ India Co. Ltd. (CareServ India) had ambitious plans for the country. It planned a phased rollout of eighteen CareServ Hospitals in India, over the next five years. It was to set up its first hospital - a multispecialty, tertiary care facility in New Delhi - in the current year. This hospital would also be the first in a hub-and-spoke model of medical care that envisioned affiliated individual medical practitioners as an important gateway to the system.

CareServ India was set up the previous year in collaboration with a well-known American medical school. This was done after a comprehensive market survey of existing hospitals to identify what services they offered and more importantly, what they did not.

Market research, in the first phase, identified existing providers of medical care and the markets served by them. In this phase, comprehensive information was gathered on the regional distribution of

- Individual practitioners, grouped by specialization.
- Hospitals/nursing homes, grouped by levels of care provided
    - Primary
    - Secondary
    - Tertiary

The company also sought insights on what customers thought were important in quality of service -- both on medical and non-medical aspects -- that were provided by those health care providers who CareServ Hospitals wanted to compete with.

The 'customer' was defined as both 'patient' and 'patient attendant'. Patient attendant referred to the person(s) who accompanied the patient either to the outpatient department or during the hospitalization process (if applicable), and the person(s) who stayed with the patient when the latter was hospitalized. The findings revealed that, overall, medical factors were given more emphasis by both classes of customers. However, patients gave importance to medical factors to a greater extent than patient attendants. 'Medical factors' included qualifications of doctors, availability of specialists, availability of relevant and specialized equipment, and cleanliness of the hospital. Patient attendants on the other hand, gave significantly more importance to aspects of service quality such as manner and accessibility of staff; waiting time and personalized caring; and aspects of waiting such as comfortable seating, access to drinking water and restrooms, and availability of refreshments.

Once these findings had been analyzed, a second phase of market research was deemed necessary to identify the gaps between what customers expected from the health care provider and what services they actually received. This market research project focused on the top hospitals in New Delhi, Mumbai, and Bangalore. These hospitals were chosen on the basis of having a similar range of medical services as those of the proposed CareServ Hospitals. A list of 300 respondents was drawn for this research from among the customers of the chosen hospitals.

DO NOT COPY

Questionnaires were administered to 240 respondents. The data collected in this survey was analyzed and used to fine-tune what further information would be required for decision-making. Following this, a series of six focus group discussions were held with the remaining 60 respondents, with 10 participants in each focus group.

The findings from the second phase of market research indicated an unmet need for a tertiary care services provider in Tier II cities. The customer demand was for a hospital which would provide high quality medical services and personalized service. The challenge for CareServ Hospitals would be to fill this gap with its flagship hospital in New Delhi, and subsequently, to ensure that each hospital that opened as part of its country-wide rollout lived up to the expectations in all aspects of its quality. Consistency was expected to be crucial for the success of the hospital chain.

Finally, expert opinion was sought from two categories of experts -- medical professionals, and service quality professionals drawn from the hospitality industry -- to interpret and validate the results. The expert opinion appeared to be divided. A section of the experts -- mostly from the medical profession -- believed that service as a concept was relatively unimportant and held that only doctors were important in patients' choice of hospital. Others, mainly veterans from the hospitality industry, indicated that a hospital which could focus on service quality would reap the benefits of that strategy. They felt that if CareServ Hospitals took the right steps to integrate good quality service as defined by the customer with good medical care, it would become the provider of choice to its target market. They believed that medical factors were expected to be of the same high quality in all tertiary care hospitals, and these would not provide a sustainable basis for differentiating the offerings of CareServ Hospitals in the eyes of the customer.

Armed with the research findings and the split verdict from experts, the thinktank of CareServ Hospitals met for intensive deliberations in order to take a business decision on the Unique Selling Proposition (USP) for the hospital chain. The discussion also covered related decisions on:

- The target customer segment of CareServ Hospitals
- The level of service to be offered
- The growth drivers for the hospital chain

The marathon meeting concluded with the decision that the Unique Selling Proposition (USP) of CareServ Hospitals would be an emphasis on treating the patient primarily as a human being in need of care rather than as a case ("the brain tumour case in Room 347"). The challenge, then, would be to design and implement a health care service delivery system to operationalize this strategic decision.

First, CareServ Hospitals had to be unambiguous about the intended areas of focus of its internal operations in order to achieve this USP. Second, it had to ensure that its different departments were in alignment with each other in order to excel in those focus areas. Third, it needed to institutionalize systems to control costs and reach and maintain quality parameters. Finally, its services had to be periodically benchmarked against competitors' performance on measures of how successfully it delivered on its USP.

DO NOT COPY

Questions for Discussion:

1. After completing the customer survey and focus group discussions, the market research team had interacted with experts from the hospital industry as well as the hospitality industry. The USP decision of CareServ Hospitals was more in tune with the opinion of veterans from the hospitality industry than with that of medical professionals. Given that CareServ Hospitals planned to offer tertiary care services, what are the pros and cons of this strategic decision?
2. The flagship hospital of the CareServ India is to be set up in New Delhi. To operationalize its USP decision, what should the hospital management do in terms of designing and implementing a suitable healthcare delivery system? *(Hint: You can adopt the 'Seven P's of Services Marketing' framework to analyze this situation.)* What are the implications of this decision on funding requirements for the hospital?
3. After setting up the flagship hospital this year, the management had ambitious plans for a phased rollout of eighteen CareServ Hospitals in India, over the next five years. In your opinion, what would be the significant opportunities and challenges in replicating this model to multiple locations in such a short span of time?

DO NOT COPY