

Developing Competitive Advantage in the Private Medical Services Market. The Case of Romania

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Abstract. Health has been a top priority for a country's stakeholders. The average health expenditure depicts an impressive variability worldwide, with Americans being the top spenders and South East Asia countries being at the bottom of the respective list. This study analyses the existing competitive advantages of the most important players in the private medical services market, in Romania. It traces their development and the factors that determine positioning strategic decisions. The competitive advantage of a business in the private medical services market is a result of a number of factors. The top three criteria of choice for a patient are doctors, medical technology and waiting time for accessing the service. The objectives of this research paper are: 1. to identify the key success factors (KSFs) and the drivers of change (DC) in the Romanian Medical Industry; 2. to propose a fine tuning in strategy as a response to changes in the macro and micro environment, 3. to re-evaluate existing business models and propose amendments that may lead to future sustainable competitive advantage and 4. to develop a proposition for growth strategies, business strategies and means of implementation that will lead to long term growth.

Keywords: strategy, medical services, business models, success factors, Romania.

Introduction

Health was, is and will always be a top priority for population, services providers and payers (government, companies and private individuals). Health financing is a critical component of health systems and the total expenditure on health is the sum of government as well as private health expenditure. Where government expenditure in health is low, the shortfall is made up, in low-

income countries, by private spending, about 85% of which is out-of-pocket. In these countries the fee-for-service market is significant and can be afforded only by selected customers having high purchase power.

For many years Romania was under socialist governance and health services were delivered only by state providers. After the socialist regime failed, the first private initiatives started to occur with startups in dentistry services, followed by general practitioners (GPs) medical offices privatization in 1999. Since then, step by step, other medical specialties started to be introduced in the private market. Currently, except the two afore-mentioned categories there are over 2,000 private medical service providers from small mono-specialized clinics to hyper-clinics and private hospitals. This is a fast growing market which registered double digit growth every year in the past five years and is expected to further develop mainly because of the existing gaps in the state system.

Thus, the research questions of the present study are: 1. What are the KSFs and the drivers of change in the private medical service industry? and 2. What are the strategies that can lead to sustainable competitive advantage? Additionally, the research objectives are: 1. to identify the KSFs and the drivers of change in the Romanian medical service industry; 2. to propose a fine tuning of strategy as a response to drivers of change; 3. to re-evaluate existing business models and make proposals for adjustments; 4. to develop a proposition for growth strategies, business strategies and means of implementation that will contribute towards long term growth.

Literature review

In Romania, the services sector, although following an increasing trend, is still at the level encountered in developed countries in the 1980s (Nae & Moise, 2009). The factors which are slowing down the increase in the services market are linked with the speed of incorporating the technological progress (Berger, 2003; Manimaran & Bhagya, 2011), their affordability by the target market and the number of qualified personnel available. Even though the first factor can be financially addressed, the second and the third depend also on a change of the customers' mindset (Pleșu, 1996). Therefore increasing the speed with which private medical services grow is very difficult.

Medical services

Medical services are a “must” in any country and, as the World Health Organisation report states, primary health care follows four objectives and core principles.

Table 1. Objectives and core principles followed by primary health

| Objectives | Principles |
|--|--------------------------|
| Better health | Universal coverage |
| Less disease | People-centered services |
| Greater equity | Healthy public policies |
| Vast improvements in the performance of health systems | Leadership |

The medical services in Romania are mainly provided to patients by state clinics and hospitals, and as of 17 years ago they are also provided by private practice organizations (Mihaiu & Bunescu, 2010).

Private medical practices developed in the late 90’s, starting with individual practices (mono-specialised) all the way up to polyclinics and hospitals in 2005. In the beginning, the clients of such private clinics were people who were following a certain doctor, aiming to receive qualified medical services in a facility with modern medical equipment. They were clean and professionally furnished. Later, especially in the last 5 years, the private medical services patients became more demanding and started asking for complete and top-of-the-line client services such as call-centres, online access to personal medical files or integrated medical services.

The labour force market trend determined new standards for the employee benefits package, adding more than just financial compensation (Barakat, 2000). One of the most requested ones is the health benefit (King, 2011). As a consequence, a new health product was launched by the private medical providers: the prepaid product. This package may contain various combinations of prepaid medical services (excluding hospitalization) which can be accessed by the beneficiary of such a product, within well-defined limits and for a fixed monthly payment. Such products are very popular among employers who are using them to attract or retain the employees, especially because of certain flexibility in legislation which allows companies to deduct entirely the relevant costs.

However, the low number of private hospitals, as well as the lack of a private emergency hospital determined the majority of doctors to keep their regular jobs in state hospitals and to complete their activity/income within the private medical services sector. This fact impairs a doctor's loyalty towards a certain clinic or private network, transforming sometimes a KSF into a weakness for the medical service provider.

Key success factors (KSFs)

De Vasconcellos and Hambrick (1989) define the Key Success Factors (KSFs) as being the particular characteristics derived from the market environment and technology, which generate a synergy with a company's strengths.

The KSFs are not only elements of strategy, but also the product attributes, in some cases being the main influences behind a company's success (Athma & Kumar, 2007). Brown (2008) describes several cases where unique product attributes determined major success, one example being the iPhone case.

Besides the strategy elements and the product attributes the KSFs may arise also from resources: physical resources and competencies (Bryson et al., 2007) exceptional resources like privileged assets and special relationships (Baghai et al., 1999) or properly managed resources (Thurner, 2010) which may represent a KSF which increases the company efficiency, generating also competitive capabilities which provide a step ahead of other market players.

Market achievements such as brand awareness or market share may represent significant success factors. The proof stands with the concept of the umbrella brand which is using the reputation of an original and appreciated product to promote new products with different benefits (Heier, 2004).

Drivers of change and their implications

The concept of change is now defined as an on-going process initiated by a multitude of factors instead of being an isolated event (Kemelgor et al., 2000). Wood and Handley, (2001) describe two generic key DC: "obsolescence" – loss of function and "dysfunction" – mismatch. Although these terms might restrain the multitude of DC, they underpin their general categories (Halemane & Janszen, 2004).

New technologies

In the medical services field, new technology has had a tremendous impact on the medical act and on the speed with which investigations are made. One

century ago, doctors used only signs and symptoms to define the disease of a certain patient. They were anxious to try to find more information which might help them make a differential diagnosis. X-ray technology represented a huge step forward for the pathology of the skeletal system. Ever since Rontgen discovered it, X-ray has been developed for its use in medical imaging. Computer Tomography (CT), Magnetic Resonance Imaging (MRI) and ultrasound investigations are the newest imaging alternatives used as complementary procedures to the medical consultation and none of them are a low-cost asset. Cyberknife, a Robotic Radio-surgery System, represents a new hope for patients, as it is a non-invasive alternative to surgery for the treatment of both cancerous and non-cancerous tumours anywhere in the body. This technology changed the treatment protocols for many types of diseases, bringing a lot of physical benefits for the patients (Mazzei & Toole, 2007).

Information technology

In the medical services field, IT is found in many forms such as patient centred software, electronic medical records or ultrasounds/ MRI image reconstruction in 3D. The need to provide better services to the population stimulated the medical service providers to search for solutions which are able to provide quick access to complete medical information.

The electronic health record's development is helping in tele-health, care transition, personal health records and clinical decision support for chronic diseases (Bates & Bitton, 2010). The patient-centred concept is primarily used by empowered, proactive, healthcare information-seeking consumers, using an IT tool that helps the physicians to be in permanent touch with the patients. The health-related web sites aim to reach a large number of individuals, especially the ones who are not yet linked to online health information systems (Dubé, 2003). IT contributed to the improvement of medical imaging technology which resulted in an easier detection and diagnosis of diseases (Stoitsis et al., 2006)

New markets and consumers

The continuously increasing concern for wellness and self-image, created a new market in healthcare services: cosmetic surgery. As regular health insurance is not covering these requests, a new system of fee-for-service occurred and private practices were developed in order to supply these services (Brenner, 2009).

India, China and South-Eastern European countries have developed in the past 10 years a new market consisting of foreign patients who travel from

their countries of origin to receive medical treatments, especially surgeries. The scarcity of financial resources determined patients to search for new, cheaper places where they can get medical services which are not covered by insurance in their country or not accepted by their country's medical societies. Thus emerged the medical tourism concept which is based on the fact that these medical services are provided in very good and modern medical clinics/hospitals at highly competitive prices (Glinos et al., 2010).

Market place dynamics

None of the actual health-care systems satisfies its beneficiaries. They face continuous challenges in order to balance quality and efficiency with increasing medical care costs (Cutler, 2002). As a consequence, this driver of change might determine patient involvement in discussions about professional practice (Andreassen, 2009), mergers and acquisitions (Szabla, 2007) or the development of a healthcare workforce with proper training, skills and abilities to define reforms and to implement changes (Rusnakova et al., 2004).

In Romania, the public health services have less and less resources, as the Ministry of Health is receiving only 4% from the GDP. In these conditions, many patients turn to the private sector, so that this market registers double digit growth every year. Recently, the government announced that they are going to close parts of the state hospitals. This decision represents a huge opportunity for private-public partnerships and the players who are going to invest in these locations are going to have a significant competitive advantage.

Political and cultural forces

Health reforms in European countries, where healthcare systems are based on social solidarity, proved to be a difficult task. Very often, health policy makers develop theoretical plans which although seem logical, cannot be implemented because they are not taking into consideration cultural particularities and historical ways of providing healthcare (Oliver, 2007). Eastern European countries, especially the new members of the European Union, are facing similar challenges in reforming their healthcare systems. Starting from a completely centralized approach, each of the governments is struggling with insufficient funding, obsolete management of medical facilities and uncontrollable growth in drug expenditure (Lisac et al., 2008). The main challenge is to change the citizens' mentality toward the healthcare system, making them understand that it is not free of charge. The governments try to decrease the unnecessary consumption of medical services by transforming the population in cost-conscious customers, increasing the control of pharmaceutical prod-

uct usage and improving the quality of the healthcare in general. The implications of these DC stand with high opportunities for generic pharmaceutical products (providing quality at affordable prices), for private medical services requested by the consumers who desire different conditions and for medical staff who has to develop new skills and abilities (Anon, 2010).

How drivers of change will affect KSFs in the future

In any market and in any industry the drivers of change are a result of political, social and professional forces. In Romania, some drivers of change are more powerful than others. The recently proposed co-payment for medical services which are covered by the statutory insurance represents a political driver of change (Martin et al., 2009) that might increase traffic in private clinics. This will happen because patients will see no reason or benefit to access state facilities if they have to pay for it.

In order to be competitive and proactive, private medical services providers should evaluate the financial level of co-payment and based on it they should acquire or develop capabilities that will funnel patients' traffic through their facilities. High capacity laboratory tests, electronic medical results or patient-centred systems are some of the new KSFs that might bring competitive advantages. The increasing market request for private medical services is a market dynamic driver of change that stimulates new entrances in this market or the development of the capacity of current clinics. In this case the KSFs are related to the strategy that the management is choosing, because without appropriate positioning, the market needs will not meet the providers' benefits. Some of the current private healthcare players have invested in the newest medical technology or in innovative IT.

These drivers changed their KSF ranking or replaced them with new ones. Thus, new services' attributes have occurred or new resources, such as well-known doctors, may be exploited successfully. The most important driver of change is represented by new markets with new consumers. This is shifting the KSF toward a diversification strategy such as stem cell transplant, or toward an increase in competitive capabilities such as the case of medical tourism.

Competitive business strategy underpinned by correctly assessed KSFs

Every country, market and industry is characterized by the fact that its own forces impact on the business environment. In the same way in which the right treatment is always improving a patient's health status, the correct business strategy will likewise lead to success. Therefore, it is extremely impor-

tant to identify the right factors which influence the business success (Flower, 2008). The starting point will be always the strategy. It is clear that aiming the product/service to a certain market segment (McDonough et al., 2008) became insufficient for a sustainable and competitive strategy. Choosing a generic strategy should be followed by complementary strategic option like:

Alliances and partnerships (Rothaermel, 2001), that allow either exploration or exploitation of the complementary assets. However, these alliances' effectiveness depends on multiple factors, such as: the human behaviour (Judge & Ryman, 2001) or the partner's assets or competencies (Arnold, 2007).

Mergers and acquisitions, which can increase the stockholders gains, a more efficient deployment of economic resources (Devos et al., 2009) as well as in out-competing the rivals that did not followed this strategy (Largay & Ran, 2009).

Vertical integration isolated from outsourcing may results in suboptimal outcomes. Rothaermel et al. (2006) research concludes that the balanced combination of vertical integration and outsourcing might end up in rewarding results for the company and its management.

Offensive strategy that may be represented by product development, advertising, product protection or process patent (Westhead et al., 2004). If successfully applied, it builds strong and sustainable competitive advantage (Henry & Rinne, 1984) (Table 2).

Table 2. Offensive strategy options

| | | Offensive strategy |
|---------|---|---------------------------|
| Product | Diversifying product and/or service range strategic focus | marketing differentiation |
| Advert | Advertising focus | marketing differentiation |
| Protect | Legally protecting products and/or services focus | marketing differentiation |

Defensive strategy, usually used to fortify the competitive position, demonstrated to be very effective by Bianchi and Reyes (2005) through either the blockage of new entries on the market or through transmitting a strong message of "tough war" to the challengers.

Web site strategies that have to match the web site design to its purpose (Mithas et al., 2007). They should be attached in order to disseminate product information or to place recruitment opportunities (Cober et al., 2004), to create an online enterprise (Joo, 2002) or to add a distribution channel (Iivari

& Janson, 2003). However, the sponsors of this strategy have to thoroughly consider the ramifications of the network structures in order to increase the web site's popularity (Kavassalis et al., 2004).

The first two strategic choices have to be followed by the third set of choices, related to the functional areas of the business: R&D, Production, Sales & Marketing, Human Resources, Finance.

Low cost strategy

The literature presents cases of low-cost strategy used by hospital managers which can achieve success if certain factors produce synergic effects. An efficient mechanism is characterised by an optimal mix of resources and operational capabilities (Siegrist and Kane, 2003). A research made on acute general hospitals from 10 states in the United States concluded that the KSF is represented by hospital services attributes which are in close relation with the product attributes of insurance packages. Low-cost does not mean low quality, and this goal can be achieved through optimal patient traffic and operational excellence, by promoting cost-conscious consumer choice whenever medical services are needed (Robinson, 2003). The partnership with Angeles Hospital from Tijuana, Mexico, concentrated on affordable gastric bypass procedures offered especially to American patients. This strategy proved successful as the hospital management combined capable, knowledgeable surgeons with attractive pricing and convenient location in order to attract a considerable target market from San Diego and Los Angeles. The main functional area in this case is the human resource; especially the doctors, as they continue to be in short supply worldwide (Anon, 2010).

Broad differentiation strategy

Medical services market provides several examples that present how correctly assessed KSFs influence the positive outcome of business strategy. For instance, a good example of a broad differentiation strategy is the Orthopaedics Department at Monica General Hospital in Antwerp, Belgium. It is famous worldwide for the successful treatment of high profile athletes such as Gatzuzo, Abbiati, and Khaladze. In order to achieve this level of notoriety, they have used specific resources (infrastructure and renowned specialists such as Dr. Marc Martens) and competitive capabilities (excellence in service). Another instance of this type of strategy is represented by teaching hospitals in the United States. Their KSFs are represented by their human resource (professors and interns), their financial resources (government and private grants) and their services' attributes (treatment of patients without or with insufficient insurance coverage).

Focused differentiation strategy

In 2009 the first stem cells bank, Stem Health Unirea was opened in the Romanian medical services market following the international trend (Pincock, 2004). Its role is to collect and deposit the stem cells from the umbilical cord for a 20 years period. The beneficiaries can benefit in any moment from their precious deposit in order to treat leukaemia or other malign blood diseases. This case represents a clear focused differentiation strategy underpinned by specific service attribute and innovative technology.

Focused low-cost strategy

The companies adopting this type of strategy are in general the ones that copy the big brands products or the ones capable to achieve lower cost comparing to the competition. In general, these companies are not investing in production facilities or marketing, using especially outsourcing for a lot of their functions. However, they have to excel in cost reduction process, so that to be able to sell the products at the best possible prices. The generic products in the pharmaceutical market are one of the most common examples of this strategy. After the patent expires, a generic product containing the same active ingredient can be sold in a defined market place if it respects that market requirements. In Spain, there are only two reasons for the generic market development slow down: the number of other generic products and the reference pricing system (Moreno-Torres et al., 2009). In Japan, this development depends not only on the number of competitors, but also on the place where these products are prescribed. It was proved to be higher in small clinics and in the institutions where the medicines prescription and their dispensation are not separated.

This strategy was described in the medical services market in US by Zahradnik (2008) as a possible niche of services offered by some hospitals to uninsured adults in the effort to reduce their use of emergency services. However, in order to be financial effective, such a project has to be run for at least four years. Occupational medicine represents another example of focused low cost strategy. Its aim is to prevent the employees' illness and injury (Anon, 2007) and if properly handled by the companies that make the regular medical examination it can represent a significant referral pipeline for the other medical services (Orris et al., 1982).

Best-cost strategy

The companies which "distribute" their medical services through the concept of medical tourism adopt a best cost strategy, as it combines qualitative medical treatment at a lower cost. According to Brotman (2010), Deloitte Center

describes three types of medical tourism: outbound, inbound and intrabound. Nevertheless, the success of this strategy highly depends on the efficiency of benefits' communication, the distribution channel, the brand alliances and the web strategy (Ghose, 2010). The number of medical services companies adopting this type of strategy is significantly increasing worldwide, putting pressure on the traditional ones. This trend occurred as the information can nowadays be easily accessed and patients are assuming direct responsibility for the costs of their care. Also, high demand for specific healthcare services tends to determine the occurrence of the international centres of excellence (Underwood & Makadon, 2010).

In conclusion, the findings of the current literature review brought to light theoretical and real aspects of the business environment. The research results were categorised according to academic theories that tried to encompass as much as possible information about medical services. Even though there seem to be well defined borders between the different strategies used, in practice high performance is achieved when pursuing combined strategies which are adequate to market realities (Panayides, 2003).

Methodology

This explanatory study employed a combination of qualitative and quantitative research: a case study strategy incorporating multiple cases from the private medical services industry as well as a survey study.

Data collection method

For both semi-structured interviews and the survey the research instruments used were questionnaires.

Qualitative research

Was conducted through one-to-one, face-to-face meetings with owners/top managers.

Quantitative research

The survey was performed in private medical services clinics. The information was gathered through an interviewer administrated-questionnaire to over 160 persons who were waiting to receive a medical service. From those collected, 145 questionnaires were validated.

8 note-taking interviews were conducted for the qualitative research, each of them lasting at least 60 minutes. The interviewees were selected using the judgemental, purposive sampling technique focused on homogeneous sampling, because these companies represent 65% of the private medical services industry.

As a multiple case study the sample consisted of 8 companies, all companies are located in Bucharest because this is the city having the largest number of providers, and also has the most diversified private medical services.

Research findings

The factors that determined each business' start were divergent. Some doctors had existing, loyal clientele and they decided to launch a family business in niche areas (Thompson, 2009). Others identified unmet market demands (Dickson, 2012) as was the case of Medcover, a well-established company in this business or Medcenter, a private investor. More recently, some companies saw the possibility to leverage their existing strengths (Chun-Chang & Feng-Chuan, 2005), such as infrastructure - BGS or existing pool of clients – Euro-clinic and Anima.

How do companies differentiate themselves?

The factors that contributed to differentiation were:

1. five companies indicated their infrastructure (Budurca, 2009): hospitals, maternities, laboratories, ambulance fleet etc;
2. seven companies indicated their services attributes: number and diversity of medical services, “one shop stop” concept, large capacity to deliver these services, speed of action (Feng-Chuan & Chi-Shan, 2004), additional benefits in products or second medical opinion (Chandra et al., 2004).
3. four companies indicated the human resources as their differentiators, three of them referring exclusively to the medical staff, while Medcover mentioned their marketing team (Lovelock, 1983).

Medcover, Marina Otelea – Country Manager:

“We have special staff and we make all the efforts to maintain it special. It is hard to find doctors and nurses who are well trained We look for them, or we train them. Medcover’s brand awareness speaks for it.”

Euroclinic, Catalin Popa – CEO:

“Through research, some internally managed, other made by external providers.”

CMU, Sergiu Negut – Executive Director:

“Systematic contact with the patient ...in house or independent surveys.”

Academica, Mircea Oprescu – Share holder:

“Direct feedback requested from the patients after the medical service provision...”0” complains...”

These differentiators intend to capture the patients' inflow followed by the traffic increase for out-patient services or occupancy rate increase, to determine the service up selling, and to increase the company's brand awareness.

All companies evaluate the effectiveness of their differentiated positioning through quantitative studies, some performed exclusively in-house or by a specialized external provider. Four companies are using both types of research.

Once a business successfully develops a competitive advantage, its management will make all the efforts in order to maintain it and/or create a new one, in order sustain growth and profitability. Among the methods indicated as being applied to maintain a competitive advantage or to be sure that in any moment in time the business has a competitive advantage the interviewees mentioned:

1. Frequent human resource training (Martinette & Obenchain-Leeson, 2012), from management (McIntyre et al., 2012) to operational, administrative and medical staff.
2. Continuous development and maintenance of open communication channels with the patients (Iyer & Henderson, 2012) in order to positively influence their loyalty.

Medicover, Marina Otelea – Country Manager:

“We offer a structured and customised training scheme for all employees, ..., medical workshops and access to textbooks and medical articles.”

CMU, Sergiu Negut –Executive Director :

“Business development department ... innovation mandates...”

Create and empower a business development department in charge of competitive intelligence and innovations (Ning, 2012).

Establishing a start up – obstacles and leverages

The common obstacle mentioned in all the eight interviews referred to the shortage in human resources, medical staff (Esmail, 2007), management and operational personnel (Glabman, 2009), the insufficient experience of the latter two groups and the lack of loyalty as employees. Five interviewees consider the financial investments (Mirvis, 2012), and consequently the infrastructure as being serious barriers to any new entry in this market, while two of them see the legislation as obsolete or as incomplete (Carpenter, 2010) and another two indicated the market clutter as being a downside for any start-up business. Since 1989 to date the state and social medical services have degraded continuously in Romania. The main reasons for this degradation are: no vision for health problems at governmental level, incompetent or inconsistent policies, lack of management skills and knowledge in public health system, permanently postponed health reform. Certain segments of population become more and more demanding, so that any private medical supplier which brought better quality in any sense had a competitive advantage vs. the state alternative. Therefore all eight businesses that started at different moments of time, matched a market opportunity by addressing patient demands which were unmet in the state system.

The main limitations in having an exploding demand from patients were their mentality and the low awareness of the existence of these alternatives. During the communist regime, for almost half of century the Romanian population was used to receive the medical services almost free of charge, therefore a mentality occurred that paid private services are expensive. For almost one decade, 1995-2004, one can say that the competition between the private medical services hardly existed. Stepping in these new markets implied developing infrastructures, offering a certain range of medical services, performed by medical and operational staff able to meet patients' expectations.

Any new infrastructure needs initial investments, thus the end result depends mainly on the concept of medical services delivered and on the investment size. Such an infrastructure will achieve its operational and financial break-even sooner or later depending on the management knowhow on filling and utilising its capacity efficiently. The selection of the right mix of services delivered in each location has an important role on the level of asset utilization, so that a knowledgeable and inspired management decision on this point might

represent a significant competitive advantage. Last, but not least, the human resource represents the key for sustainability. Sound marketing strategy, smart campaigns (Shostack, 1977) and efficient corporate communication will attract customers into a new location. Empathy, ease in establishing human relationships, accurate and timely communication, medical knowledge and trustworthiness will result in loyal patients, an active referral point for new customers and up selling opportunities.

A business competitive advantage should be evaluated regularly as it represents the company's differentiator preferred and validated by the customers toward its competitors. This advantage is always due to a certain mix of factors, which continuously evolves by the driving forces in the market. If not proactively maintained, any competitive advantage remains uncertain. Until 2009, the right combination between infrastructure, service attributes and human resources represented a competitive advantage for a player in this market. Since then, the mix and weight of the factors necessary to create a competitive advantage changed. Nowadays, the mix includes besides the three factors mentioned above, the competitive capabilities, the elements of strategy and efficient IT systems. However, one of the factors is particularly important, as it cumulates success and risk at the same time: human resources. A business can have it today and lose it tomorrow. To replace it however, is very difficult and costly. All the interviewee's responses indicated that the principal method to maintain their competitive advantage is to continuously train their staff. This statement places high importance on human resources in the process of creating a competitive advantage for a private medical supplier.

Quantitative research

Through the use of quantitative research, several objectives were followed, namely to understand consumers' expectations towards private medical services, to discover the values and the important factors in assessing private medical services and to classify the consumers into significant clusters.

The sample structure by variables attribute presented in figure 1 revealed a majority of women 71.7%, in the age bands 21-55 years old (97.2%), having a high level of education (more than 92% of them university graduates) and medium to high income, with three quarters earning more than 500 Euros monthly.

| | | Do you have a prepaid health benefit/private health insurance? | | |
|----------------|---------------------------------|--|-------|-------|
| | | Total | Yes | No |
| Gender | Male | 28.3% | 24.3% | 38.1% |
| | Female | 71.7% | 75.7% | 61.9% |
| Age | Under 20 years old | .0% | .0% | .0% |
| | 21 to 40 years old | 83.4% | 86.4% | 76.2% |
| | 41 to 55 years old | 13.8% | 12.6% | 16.7% |
| | 56 to 65 years old | 2.1% | 1.0% | 4.8% |
| | 66 or more | .7% | .0% | 2.4% |
| Education | High school degree | 4.1% | 1.0% | 11.9% |
| | University degree | 57.9% | 64.1% | 42.9% |
| | Post-university degree | 34.5% | 31.1% | 42.9% |
| | Prefer not to say | 3.4% | 3.9% | 2.4% |
| Monthly Income | Less than 2,200 RON | 15.4% | 9.8% | 29.3% |
| | 2,201 - 4,500 RON | 37.1% | 40.2% | 29.3% |
| | 4,501 - 6,500 RON | 21.0% | 22.5% | 17.1% |
| | Over 6,501 RON | 18.9% | 18.6% | 19.5% |
| | Don't know/Prefer not to answer | 7.7% | 8.8% | 4.9% |

Figure 1. The sample structure by variables attributes

Almost 61% of the respondents have accessed private medical services at least twice in the past 12 months, while the rest have used them more than 5 times. Inside this group, more than two thirds of the respondents have a private health product, prepaid or insurance, while 29% of them are paying for the medical services when they access them (fee for service). Among the ones having a health prepaid or insurance policy, only 17% are paying for it themselves, the rest receive it as an employee benefit and the vast majority have had this benefit for more than 1 year (Figure 2).

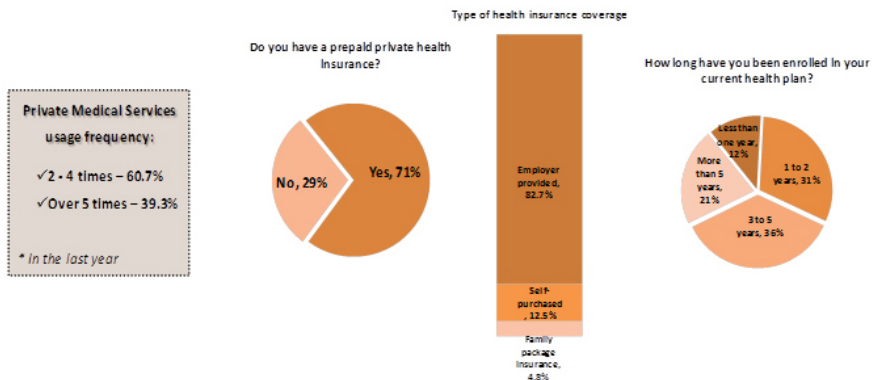


Figure 2. Private health product owners

As presented in Figure 3 the most used medical services are by far both the medical consultation and laboratory tests (over 91% of the respondents accessed them), while the hospitalization and ambulance were required only occasionally.

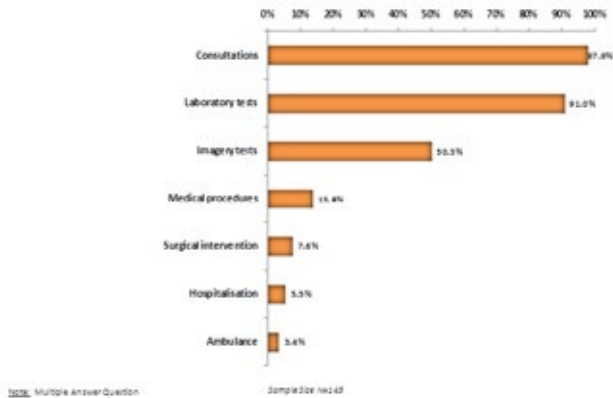


Figure 3. The most used medical services

The top 3 important factors that the patients are taking into consideration when they intent to access a private medical service are: the doctors - 94.5%, the medical technology - 82.1% and the waiting time to access the service - 74.5%. This outcome indicates that the medical human resource, the infrastructure and competitive capabilities are definitely the KSFs in this market (Figure 4).

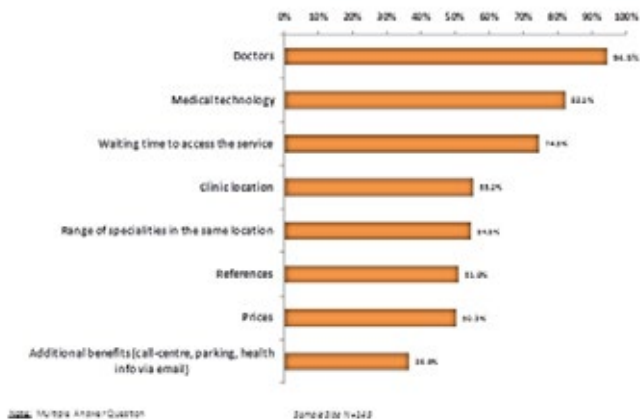


Figure 4. Most important factors that the patients consider when accessing a private medical service

After they accessed the medical service, the most appreciated characteristics by the clients lay in the service attributes, infrastructure and human resources categories (Figure 5).

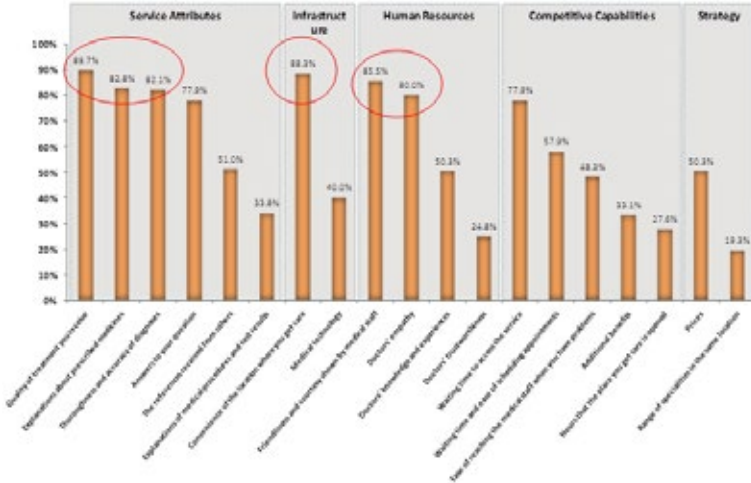


Figure 5. The most appreciated characteristics by the clients

The customers of private medical services consider important different criteria when evaluating the medical consultations, laboratory tests, imagery tests, ambulance services and hospitalization. Figure 6 presents the decision factors for the most used medical services.

Decision Factors when access Laboratory Tests in a private clinic (Top 2 boxes)



Figure 6. Decision factors for different medical services

However, the top three preferences refer to the human resources, infrastructure and competitive capabilities (Figure 7).

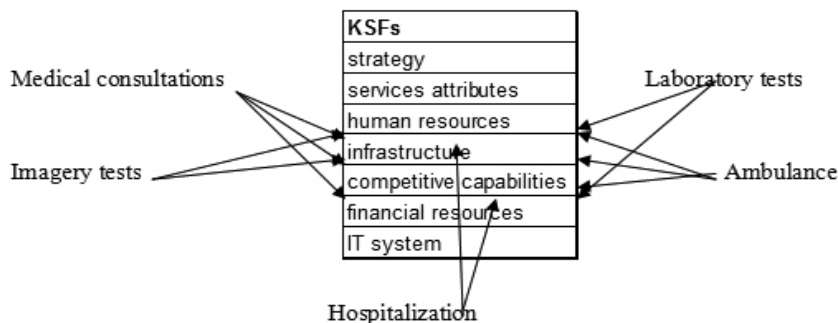


Figure 7. Criteria when evaluating the medical consultations, laboratory tests, imagery tests, ambulance services and hospitalization

In volatile and fast-changing markets, understanding and segmenting customers according to their underlying needs is essential for having a clear picture on customer segments, how to reach out those segments and how to tailor the most relevant marketing strategies to them. In this respect, a segmentation analysis was conducted in order to explore the various natural groups. The used methodology implied to conduct a factor analysis for defining the segmentation axis and the main factors, and then to run a cluster analysis using the factors found initially.

The first step defined that the most important factors that influence the respondent's behaviour are the ones presented in Table 5. In reaching these results several analyses were conducted. Each identified factor is composed of the most compelling attribute mix.

Table 3. Factors that influence the respondent's behaviour

| |
|--|
| Trust considerations are: |
| Doctors' knowledge and experience |
| The references received from others |
| Thoroughness and accuracy of diagnoses |
| Answers to your questions |
| Explanations about prescribed medicines |
| Facilities and Transparency characteristics are: |
| Prices |

| |
|--|
| Waiting time and ease of scheduling appointments |
| Range of specialities in the same location |
| Explanations of medical procedures and tests results |
| Clinics location / Empathy are: |
| Convenience of the location where you get care |
| Doctors' empathy |
| Waiting time to access the service |
| Service Quality / Medical Staff Attendance include: |
| Friendliness and courtesy shown to you by the medical staff |
| Quality of treatment you receive |
| Schedule and Ease of Access include: |
| Hours that the place you get care in is opened |
| Ease of reaching the medical staff when you have health problems |

The second step was the cluster analysis conducted for each factor set. The two main clusters identified are:

Cluster 1- Conscious Pragmatic Segment, conscious consumers oriented to time efficiency, most of them being uninsured and accessing the private medical services only when needed (Figure 8). This segment has a more mercantile relationship rather than an attachment with doctors and medical staff. The most important factors in decision making process are the Quality of the treatment and Ease of access.

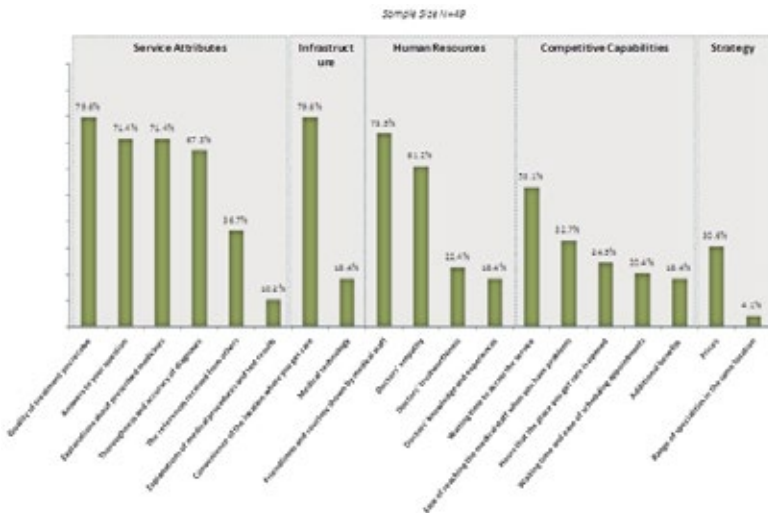


Figure 8. Conscious Pragmatic Segment

Cluster 2 - Active Traditionalist Segment, active consumers, more concerned about their health, having a private health insurance of recent date (Figure 9). Decision making is a complex consideration of a large number of factors: facilities and transparency, clinic location, empathy, trust and consideration. This segment has high expectations on received medical services, on doctors and medical staff. Tent to be more loyal and promoters when satisfied are eager of human consideration and empathy.

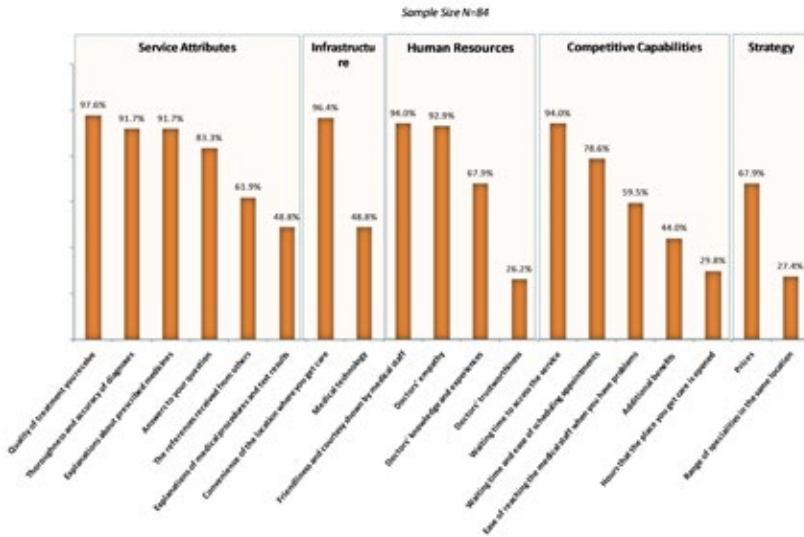


Figure 9. Active Traditionalist Segment

Each group graded differently the factors that they consider important when they have to access a private medical service. As expected, the active traditionalists value and evaluate more characteristics than the conscious type and they give them higher importance as well, being more satisfied overall with private services than the conscious pragmatic group.

Customer satisfaction index was computed for each group, its value confirming the above findings (Figure 10).

Private Medical Services Consumer Satisfaction Index – weighted by importance

For attributes rating it was used a 7 point scale:

| | |
|--|--|
| <p>Conscious Pragmatics 4.63 7 CSI 100%</p> <p>=> CSI =66.1%</p> | <p>Active Traditionalists 4.91 7 CSI 100%</p> <p>=> CSI =70.1%</p> |
|--|--|

| | Importance score | | Weighting factor | | Satisfaction score | | Weighted score | |
|---|------------------|--------------|------------------|------------|--------------------|-----|----------------|-------------|
| | A1 | A2 | B1=A1/sum1 | B2=A2/sum2 | C1 | C2 | D1=C1*B1 | D2=C2*B2 |
| Convenience of the location where you get care | 6.1 | 6.7 | 6.17% | 5.98% | 4.6 | 4.9 | 0.28 | 0.29 |
| Doctors' empathy | 5.7 | 6.6 | 5.70% | 5.82% | 4.7 | 4.9 | 0.27 | 0.28 |
| Doctors' knowledge and experiences | 4.8 | 6.0 | 4.83% | 5.31% | 4.9 | 4.9 | 0.24 | 0.26 |
| Doctors' trustworthiness | 4.9 | 4.8 | 4.89% | 4.26% | 4.7 | 5.0 | 0.23 | 0.21 |
| Prices | 4.7 | 5.8 | 4.73% | 5.17% | 4.0 | 4.3 | 0.19 | 0.22 |
| Waiting time and ease of scheduling appointments | 4.9 | 6.1 | 4.98% | 5.39% | 4.3 | 4.7 | 0.22 | 0.25 |
| Waiting time to access the service | 5.4 | 6.5 | 5.49% | 5.79% | 4.7 | 4.7 | 0.26 | 0.27 |
| Medical technology | 4.4 | 5.5 | 4.44% | 4.87% | 4.6 | 5.2 | 0.20 | 0.25 |
| Range of specialties in the same location | 4.0 | 4.9 | 4.01% | 4.37% | 4.7 | 5.1 | 0.19 | 0.22 |
| Additional benefits | 4.9 | 5.4 | 4.91% | 4.77% | 4.3 | 4.8 | 0.21 | 0.23 |
| The references received from others | 5.2 | 5.9 | 5.28% | 5.20% | 4.8 | 5.0 | 0.25 | 0.26 |
| Friendliness and courtesy shown by medical staff | 6.1 | 6.7 | 6.13% | 5.90% | 4.8 | 5.1 | 0.29 | 0.30 |
| Quality of treatment you receive | 6.3 | 6.8 | 6.31% | 6.06% | 5.0 | 5.0 | 0.32 | 0.30 |
| Thoroughness and accuracy of diagnoses | 5.8 | 6.5 | 5.80% | 5.76% | 4.9 | 5.0 | 0.29 | 0.29 |
| Answers to your question | 5.8 | 6.3 | 5.80% | 5.54% | 4.7 | 5.0 | 0.27 | 0.28 |
| Explanations about prescribed medicines | 5.9 | 6.6 | 5.92% | 5.83% | 4.5 | 4.9 | 0.26 | 0.29 |
| Explanations of medical procedures and test results | 4.6 | 5.5 | 4.65% | 4.87% | 4.5 | 5.0 | 0.21 | 0.24 |
| Hours that the place you get care is opened | 4.7 | 4.6 | 4.75% | 4.09% | 4.6 | 4.7 | 0.22 | 0.19 |
| Ease of reaching the medical staff when you have problems | 5.2 | 5.7 | 5.24% | 5.04% | 4.4 | 4.9 | 0.23 | 0.25 |
| Sum | 99.2 | 112.7 | | | | | 4.63 | 4.91 |

Figure 10. Customer satisfaction index

A further, deeper analysis can be made to be used for marketing purposes. Thus the positioning can be based on the Perceptual Mapping which is a proven analysis methodology (Kwong et al., 2011). Perceptual mapping is the aggregated visual representation of customer perceptions of services/products/brands in a market segment (the place a product/ brand occupies in consumers' minds relative to competing products/ brands). The statistical data and visual summaries in a Perceptual Mapping study show how products are viewed or rated on specific attributes or dimensions; analysis of maps can identify weaknesses on attributes and suggest new advertising and/or positioning strategies.

Discussion and conclusions

The research's objective is to accurately identify and evaluate the competitive advantages of the main players in this industry. This process inputs are represented by two analyses on research and a synthesis of the academic literature review. The first analysis is the one performed on the qualitative information collected from top managers of these businesses and the second one is on the quantitative data gathered from the users of these services.

The qualitative findings consist of an explanatory approach according to which the competitive advantage of a business in the private medical services is a result of a number of factors. Their number and weight in the final result that represents a competitive advantage evolved over time and depend on the forces which are present in the market at a certain point in time. Nevertheless, the differentiators from the past (infrastructure, service attributes and human resources) become qualification factors in the present. New key success factors: competitive capabilities, elements of strategy (Hoffjan, 2003) and IT systems are nowadays the elements that generate a competitive advantage (Kazakov, 2007).

The quantitative research confirmed that the most appreciated characteristics of the private medical services are the infrastructure, the service attributes and the human resources. These factors are critical for a patient when he/she accesses a private medical service.

What makes the difference and represents the competitive advantage is portrayed by one or more elements of competitive capability (Flower, 2008). This statement is confirmed by the finding that the top three criteria of choice for a patient are doctors, medical technology and the waiting time for accessing the service. The companies that are able to satisfy simultaneously and successfully these three criteria are candidates to be the first choice of patients

Until the market will be saturated, the infrastructure will continue to be a significant part of a business' competitive advantage. This fact is supported by the qualitative interviews which presented the new locations (in 58% of the changes) as the change with a marked positive impact in business.

The majority of the companies launched clinics, polyclinics, laboratories and imagery services, expanding gradually to reach geographical coverage. This fact is confirmed by the qualitative research which showed that the main private medical services used by customers are consultations, laboratory analyses and imagery tests.

The services attributes have also a significant impact on a business competitive advantage (Shostack, 1982). Some of the interviewed managers pointed out the number and the diversity of medical services, the "one shop stop" concept, the wide capacity to deliver these services, the speed of action or additional benefits. The respondents in the quantitative research confirmed that they remain loyal to a certain medical service provider due to the doctors, the

range of the medical specialities in the same location or because they own a prepaid plan or private health insurance

The human resource, especially the medical staff, is the single factor that constantly occurs in all the criteria mentioned in the quantitative survey. This factor is the main reason for both the patients' loyalty, or switching to competition and ranks high in all the decision factors when a private medical service is assessed. This finding validates the manager's decisions to constantly train and coach their medical and operational staff in order to maintain their competitive advantage. It also validates the interviewee's statement that the shortage of human resources is one of the most important barriers for a new entrant in this market.

The more recent differentiators which create a competitive advantage are elements of the competitive capabilities such as the hours when the clinic is open, the ease of scheduling appointments, the waiting time to access the service, the ease of reaching the medical staff and the thoroughness and accuracy of the diagnoses. Those that focused on developing systems which ensure quick and easy appointment scheduling, communication channels with the patients, comfortable facility with additional benefits (free parking places or internet access) or patient centricity concept (Anon, 2010) are the current market leaders. These businesses can fulfil these achievements by their own development, through strategic alliances or collaborative partnerships.

The companies targeting a broad market have to attract their clients by hitting the following points: corporate market (employee benefits - prepaid), private group health insurers, and family doctors. Therefore, they should focus their attention on their infrastructure (number of locations), to excel in their service' attributes, to make sure that they have the proper number and quality of human resources and to maximise the efficiency elements.

Currently, the companies that target the broad markets compete between themselves for volume of patients through the prepaid product and state employed doctors' referrals. Their customers can be referred from the family doctors and state hospitals through collaborative partnerships (Moore & Coddington, 2005) or from other medical specialties through strategic alliances. The last ones have to be established in a way that determines synergistic results for the patient. The biggest risk that currently exists in Romania is the doctors' exodus abroad.

The collaboration between the private medical service providers and the family doctors or GPs is occasional and inefficient. The latter's resources and access to information is moderate, so that patients are lacking trust in these specialties, and thus they cannot perform efficiently the primary medicine services. The number of specialist doctors is decreasing dramatically, while their negotiation power increases and the quality of the medical act decreases. The patients' loyalty is fragile and the main reason they might switch to a different clinic stands with the doctors.

The web strategy plays a central role in transmitting the information about the services and their specific advantage. The competition for volume of patients often provokes a price war that might affect the companies financially (cash flow and profitability), and also operationally (low quality of the services provided).

If one decides to follow a broad differentiation strategy, one should concentrate on the medical specialties where one can create a long lasting competitive advantage, hard to be copied by competition. Therefore they have to identify and match those specialties with their current assets and resources and to achieve excellence in their supply chain. Their competitive advantage might arise from one or a combination of the following factors: doctors, medical specialties, customer centricity strategy (easy and timely medical scheduling process, electronic medical file, personalised medical health planning, medical coordination for diagnosis and therapy) and highly effective communication means.

If their management succeed to focus in developing and securing these critical key success factors, the company will have a strong competitive advantage.

The companies following an overall low-cost strategy should concentrate on family doctors and GPs and eventually on basic laboratory and imagery tests. Their focus should be on attracting high volumes of patients for regular outpatient medical services performed in a wide network of medical offices, clinics and polyclinics. Their competitive advantage is linked to fast access to medical appointments, low prices, preventive medicine, regular check-ups and standard services, such as occupational medicine.

Competitive advantage for overall low-cost strategy regards several aspect: 1. Offer flexible, modular prepaid products at low prices to get volumes of patients that will pay out-of-the-pocket for the uncovered services; 2. Invest

in professional sales force; 3. Conclude contracts with main insurers having private group health products and a wide number of family doctors, to collect volumes of patients and to receive referrals; 4. Offer its services in multi-specialised clinics available countrywide - organic growth, collaborative partnerships, merge or acquire other companies; 5. Develop and maintain an easy to use communication means with the clients (dedicated call-centre, 24/7).

The players on narrow markets should concentrate especially on service attributes, human resources, especially doctors and competitive capabilities, because the infrastructure is not widely available. Their competitive advantage will arise either from unique resources, such as branded doctors, medical equipment, medical procedures or medical service delivery (i.e. on call doctors) or from extremely competitive price for a dedicated service (i.e. occupational medicine/industry/territory).

The companies that adopt a focused differentiation strategy target the patients for highly specific reasons, so that their customers will come mainly from other doctors' referral. Collaborative partnerships should be established with state hospitals and the other medical services companies providing specialist consultations. The complementary services should be recommended to the patients in similar high end clinics in order to reduce the risk of errors or time loss and to create or to maintain the uniqueness of the business.

The companies following a focused low-cost strategy should seek high efficiency and great service delivery.

In conclusion, this research's findings clarify and structure the starting points of analysis for any type of private medical service in Romania. Any manager of such a business can identify it among the above descriptions and verify the impact of the previous decisions taken on the current business results. Further investigations should be made however, in order to permanently identify the differentiators that influence the patient's decision to select a certain company and to reuse its services whenever needed.

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