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Hospitals and the Web: A Maturing Relationship

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Hospitals and the Web: A Maturing Relationship

By Daniel Fell and C. David Shepherd

How are hospitals using the Internet in marketing today? Where are health care marketers focusing their online efforts? What returns are marketers seeing from their Internet initiatives and investments? These are some of the questions we have been tracking since 1995 when we conducted the first-ever study to examine the ways that hospital marketers around the country were using the Internet and other emerging technology to promote their organizations. In the most recent survey, we look at what health care marketers are doing online and take the pulse of an industry grappling with rapid change and as yet unproven Internet strategies.

The Hospital Internet Marketing Report is based on a telephone survey of 350 hospital and health system marketing professionals conducted in the fall of 2000 by Daniel+Douglas+Norcross and C. David Shepherd of the Michael J. Coles College of Business at Kennesaw State University. Lists were compiled from several leading industry sources to provide as diverse a participant pool as possible. Senior marketing officials (e.g., vice president or director) were interviewed at each hospital.

The survey was designed to reflect the diversity in the hospital industry, and hospitals were chosen from a representative sampling of metropolitan and rural markets to ensure that both large and small facilities would be included. The statistics generated by the study have a margin of error of plus or minus 5%.

Although the survey has evolved with the changes in technology and online

strategies, the core objectives remain the same:

- Provide industry leaders with insight into how hospitals and health systems use the Internet and emerging technology for marketing purposes.
- Identify barriers and challenges to health care organizations using the Internet for marketing purposes.
- Track trends related to how the Internet is used in health care marketing.
- Encourage discussion of the issues and opportunities that exist for leveraging the Internet and related communications technology to meet marketing objectives in hospitals today.

Web Marketing Matures

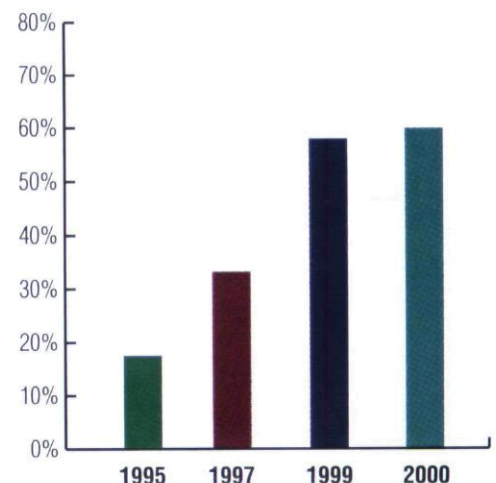
Although we have seen an astonishing 247% growth in the number of hospitals using the Internet for marketing over the last five years (59% today vs. 17% in 1995), clearly the rate of adoption is slowing somewhat. (See Exhibit 1.) The most recent figures are up slightly over 1999, when 57% reported using the Internet in marketing. As might be expected, while larger health systems and metropolitan hospitals have moved quickly to adopt the Internet into their marketing activities, many smaller

hospitals and rural providers are lagging behind. And it's probably safe to assume that some very small hospitals, with nonexistent marketing functions, may never invest in online marketing efforts.

While 11.1% of marketers report having used the Internet for five years or more, these professionals are clearly the early adopters and not the norm. The majority of hospital marketers (56.4%) have only been using the Internet for marketing for two years or less. This suggests that little exists in the way of tested strategies or benchmarks for other health care marketers to follow. Even today, the Internet remains "experimen-

EXHIBIT 1

Percentage of hospitals using the Internet for marketing



tal” when it comes to the marketing of health care.

In terms of specific Internet marketing strategies, the Web site itself remains the cornerstone of Internet marketing. (See Exhibit 2.) Fully 95.7% of marketers who reported using the Internet for marketing have a Web site. Other popular online marketing activities include sending and receiving e-mail (90.8%); recruiting employees (90.8%); providing online physician directories (83.1%); providing health education (81.2%); and providing disease management online (60.4%).

The focus on accountability is becoming more important for health care marketers, and online marketing is no exception. In this study, we asked the respondents about their primary goals in using the Internet for marketing. The answers, while varied, generally fit into one of several broad categories.

These categories include increasing the information base (40.9%); improving external communication (32.8%); providing better customer service (29.8%); increasing organizational exposure or branding (30.8%); improving internal communication (12.1%); increasing revenue (8.1%); and reducing paperwork (0.5%).

The respondents were later asked to rate the returns they had seen from their Internet marketing efforts for each of these same seven categories. The findings indicate that few hospitals are seeing any significant financial returns in terms of increased revenue, while many are seeing benefits from increased or better information, increased branding, and improved communication (both externally and internally).

Like many organizations, health care providers are struggling with “closing the loop” of Internet marketing from strategy to results. Part of the reason for the lack of hard accountability may be the lack of formal planning. Today, just 44% of marketers report having a written strategy for

using the Internet, and slightly more than one-quarter (26.3%) report having a formal approach for measuring return on investment in Internet marketing. If other industries are any indication of the trends ahead, health care marketers will continue to face challenges in demonstrating ROI for their online investments and justifying additional spending on the Internet.

Confidence and Caution

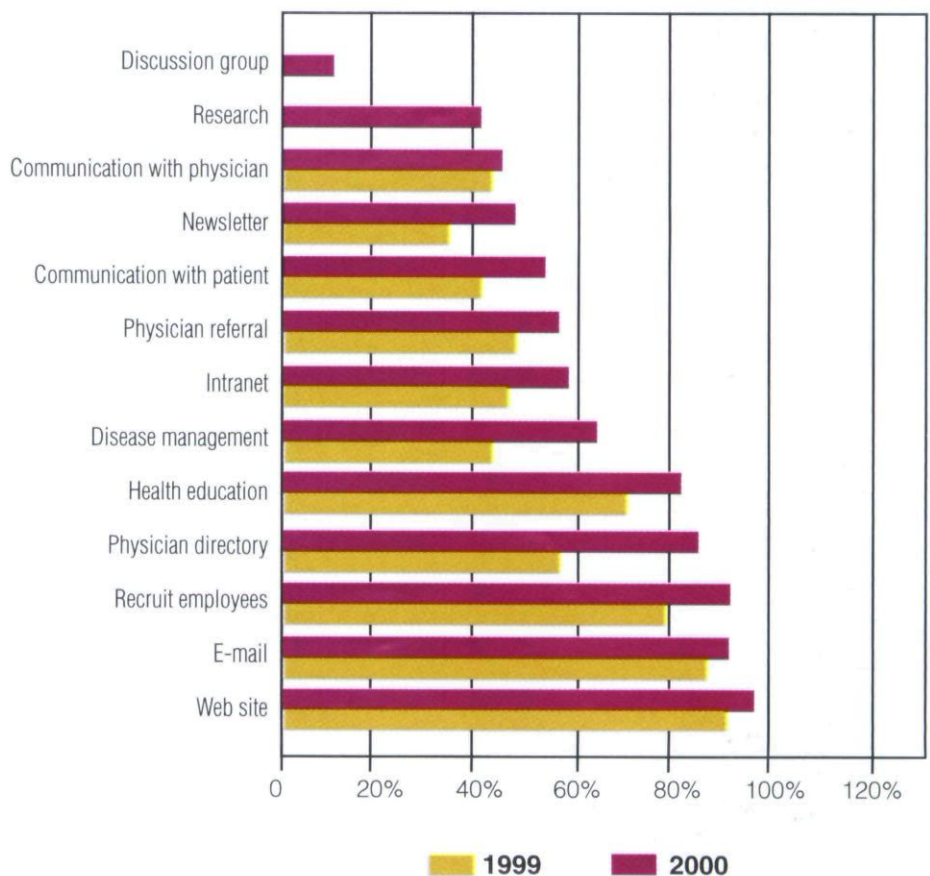
Despite the questions surrounding bottom-line results for Internet market-

ing, marketers are generally pleased with their online marketing efforts so far. Thirty-one percent of the sample report being very satisfied with their efforts, while another 49% report they are somewhat satisfied. Fewer than 20% were somewhat or very dissatisfied.

As with previous studies, hospital marketers continue to be very optimistic about the role of the Internet in health care marketing. Fully 68.6% believe the Internet will be very important in hospital marketing through the next five years, and another 28.6%

EXHIBIT 2

The online marketing activities of hospitals



think it will be somewhat important. (See Exhibit 3.) This suggests that the Internet will continue to be emphasized as a marketing tool and as a strategy for achieving health care marketing goals. Finally, 49% of the respondents expect to spend more on their Internet marketing activities next year than they did this year.

However, hospital marketers still face some formidable challenges as they attempt to implement Internet strategies and tactics within the health care setting. And because, as indicated in the study, most hospitals have only been using the medium for a year or two at most, few benchmarks and industry case studies exist. In many cases, hospital marketing professionals are simply modeling their efforts after Internet strategies in other industries—many of which have been only moderately successful to date.

Hospital marketers face a few key issues and challenges as they adopt the Internet as a marketing tool. Those who can overcome some of the obstacles listed here stand a good chance of mastering the challenges of Web marketing.

Aligning Internet activities with marketing and organizational goals. Many hospitals are implementing Web sites and other Internet strategies as a defensive move to keep up with competitors or out of internal pressure to demon-

strate a Web presence for the organization. Often these strategies are not tightly linked to overall marketing goals or corporate business objectives and may result in programs that lack a clear direction.

Committing resources to maintain and update Web content. Many hospital marketers who have invested marketing dollars to build a Web presence are finding they do not have the right resources in place to manage their new Web site or have not developed good systems for tracking and maintaining edits, updates, and new content. Managing information flow between internal departments is a challenge for many hospitals as well.

Measuring a return on investment. Health care marketers continue to struggle, as do many businesses, with accountability for Internet initiatives. The “Ready. Fire. Aim.” approach has helped propel the industry online, but has left many with a sense of defeat when it comes to demonstrating returns to senior management. Tracking software and other technology give marketers an edge in quantifying their Internet activities, but the proverbial “where the rubber meets the road” question is still unanswered for many seeking to measure success in terms of revenue, market share, or cost savings.

Adapting new technologies to the uniqueness of the health care industry. For all the attempts to equate health care with commercial industries, health care is still a unique business that fluctuates somewhere between competitive and charitable. This dynamic, coupled with the diverse avenues of health care delivery and its fragmented nature, means it is tougher to identify the best ways to use the Internet and other emerging technology. Many hospital marketers found that simply applying online marketing strategies from other service, retail, or manufacturing industries doesn’t necessarily work.

Balancing marketing opportunities with branding issues. Hospitals are turning to outside companies to provide

technologies and content in an effort to build more robust Web portals. While high quality content and off-the-shelf technology solutions are becoming more available, many hospitals struggle with co-branding issues and ethical issues when content and customer interactions are being financially supported by outside parties (e.g., advertising mediums and pharmaceutical manufacturers). Hospital marketers will need to fully evaluate what new partners bring to the table and what the hospital or health system may be giving up in return.

Expanding marketing initiatives to include clinical and operational initiatives online. In the past, hospital marketers have focused primarily on external issues of branding, public relations, and business development. Increasingly, new technology requires marketers to consider the implications of using the Internet in areas of operational and clinical care. Marketers now must be familiar with other IS/IT applications such as intranets, home-based computing, physician-to-hospital electronic links, and electronic patient records. Hospital marketers will need to take a more global view of their efforts to be sure they are weaving other operational and clinical goals into their Internet initiatives. It’s also crucial to help oversee and manage marketing issues that will arise as other departments within the hospital use technology to communicate with various hospital or health system audiences. ■

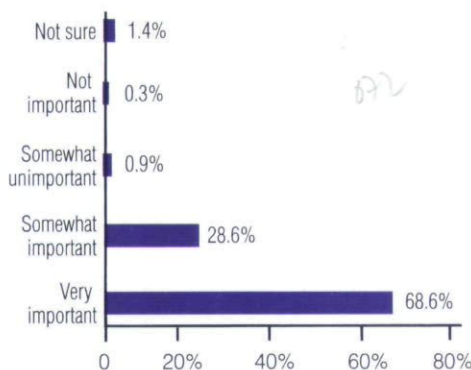
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EXHIBIT 3

How important will the Web be to hospital marketers in five years?



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