

# Meeting New Consumer Expectations: Three Steps for Strategists and Marketers



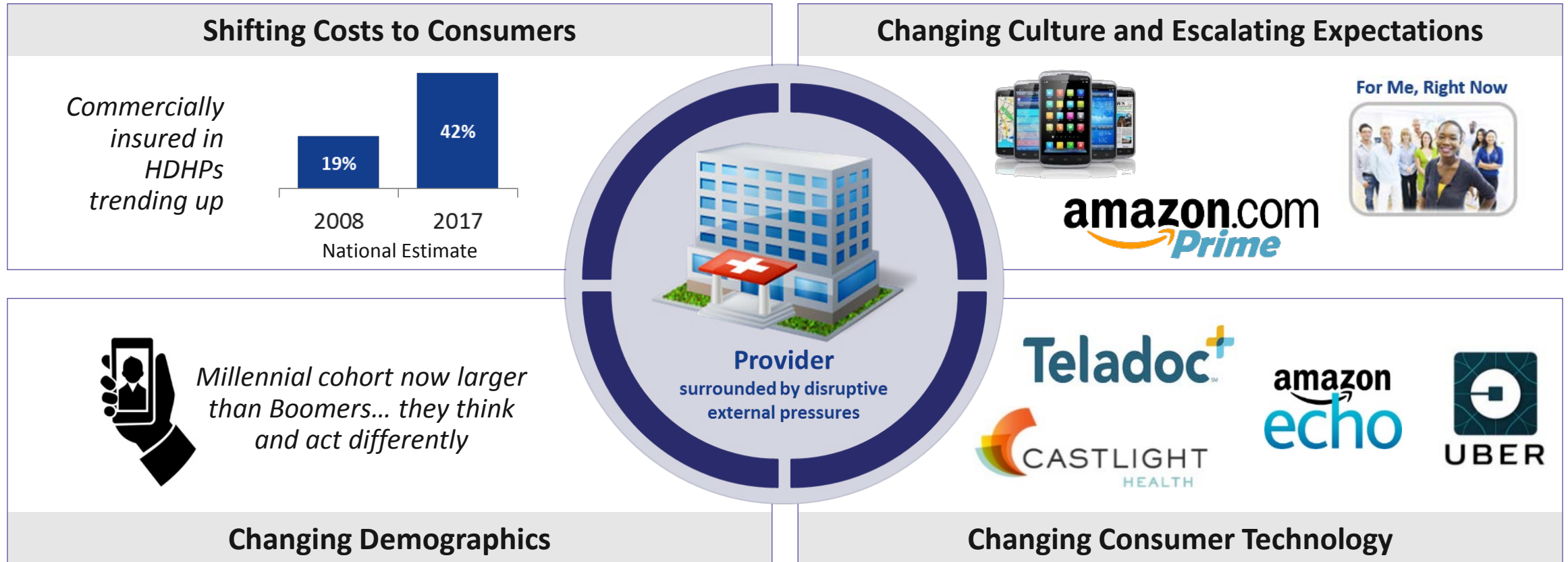
Paul Crnkovich, Managing Director, Kaufman Hall & Associates, LLC

# Today's Agenda

- The State of Consumerism in Healthcare
- Three Steps for Meeting New Consumer Expectations:
  1. Build Your Consumer Insights
  2. Reevaluate Your Value Proposition
  3. Broaden Your View of Consumer Experience
- Conclusion

# The State of Consumerism in Healthcare

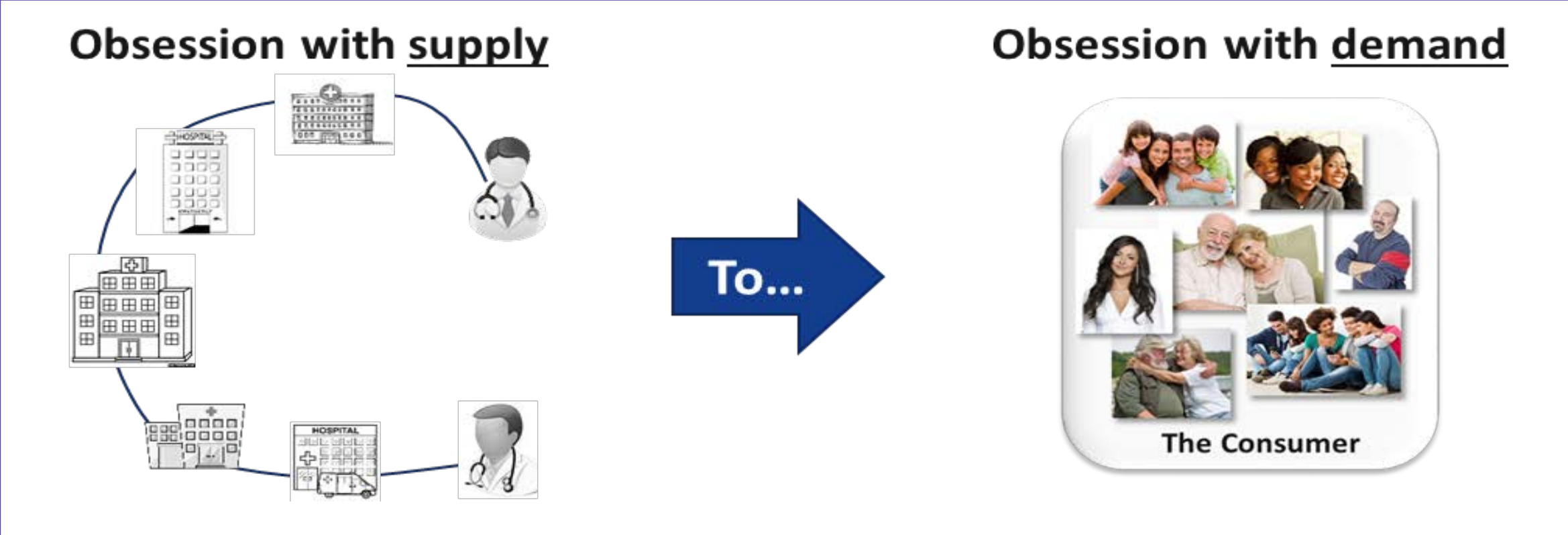
# The Traditional Provider Business Model Is Under Attack



**INCREMENTAL CHANGE IS NOT ENOUGH**

Note: Copyrights of images belong to their respective owners.

# It's Time to Pivot



**The New Reality: We need to convince the marketplace to *choose* us and *stay* with us**

# The New Consumer Reality



Note: Copyrights of images belong to their respective owners.

# We Need to Pick Up the Pace



# Few Organizations Are Moving Quickly

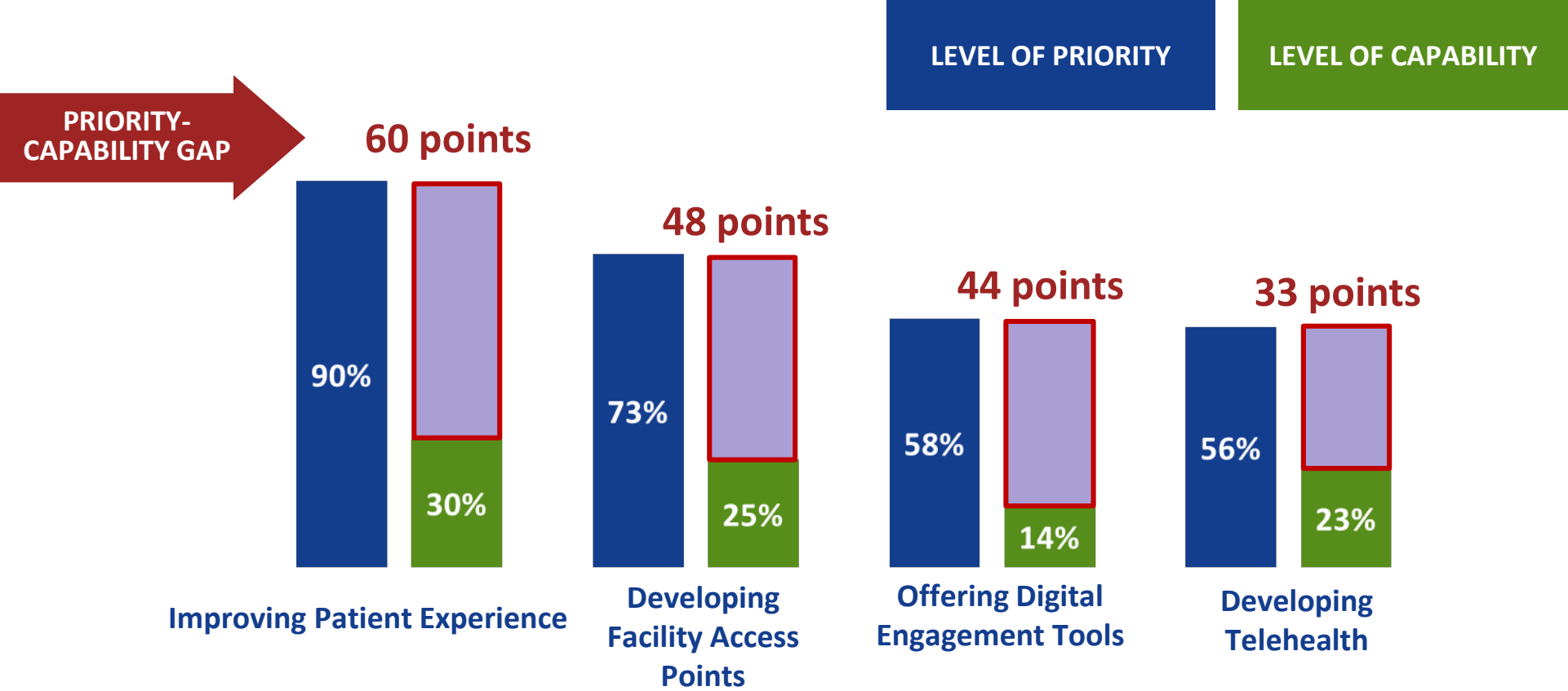
## OVERALL RATING

	Percent	Description
Tier 1	8%	Meeting consumer expectations is a high priority; several important consumer-related capabilities are being applied with some demonstrated successes, and more are in the works
Tier 2	29%	Meeting consumer expectations is a high priority, and work is underway on several new consumer-related capabilities
Tier 3	37%	Meeting consumer expectations is a medium or low priority, and only moderate activity is underway on new capabilities
Tier 4	27%	Meeting consumer expectations is a medium or low priority, and minimal activity is underway on new capabilities

Source: Kaufman Hall 2017 Healthcare Consumer Survey.



# The 2017 Survey Revealed Significant Gaps Between Healthcare Provider Organizations' Priorities and Capabilities



Source: Kaufman Hall 2017 Healthcare Consumer Survey.

# The Industry's Self-Perceived Differentiators Do Not Line Up with What the Industry Thinks Consumers Want

Industry Average Ranking of Key Provider Attributes

Rank	What We Think Our Consumers Want	Our Competitive Differentiators
1	Accessibility of Care	Quality of Clinical Outcomes
2	Consumer Experience	Availability of Complex Care and Treatments
3	Quality of Clinical Outcomes	Accessibility of Care
4	Value	Geographic Coverage
5	Availability of Complex Care and Treatments	Consumer Experience

Source: Kaufman Hall 2017 Healthcare Consumer Survey.

# Our View

**Attracting and retaining healthcare consumers today requires a whole new approach to access, pricing, and customer experience.**

# Three Steps for Meeting New Consumer Expectations



# 1. Build Your Consumer Insights

# The Opportunity: Use Consumer Understanding to Drive Growth

## 3 POSSIBLE LEVERS



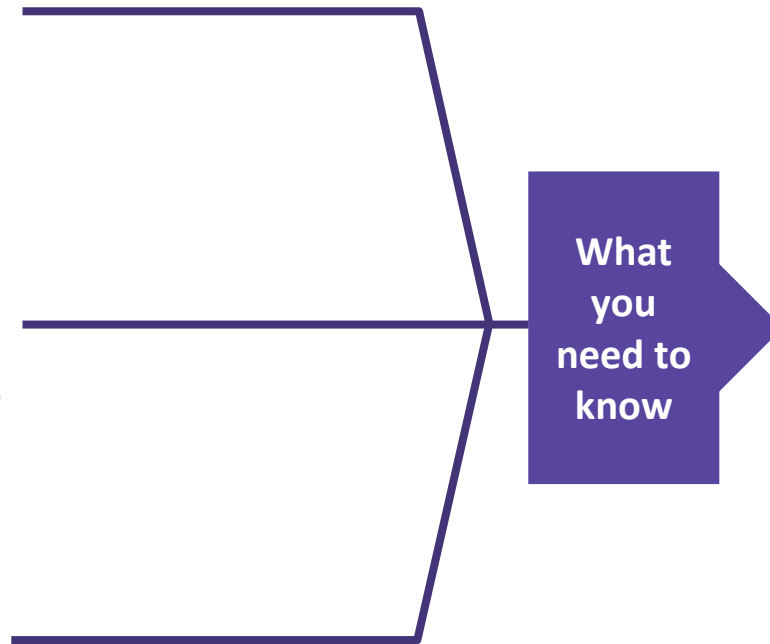
**Attract More Patients**  
(Penetration)



**Capture Greater “Share of Requirements” of Existing Patients**  
(Loyalty)



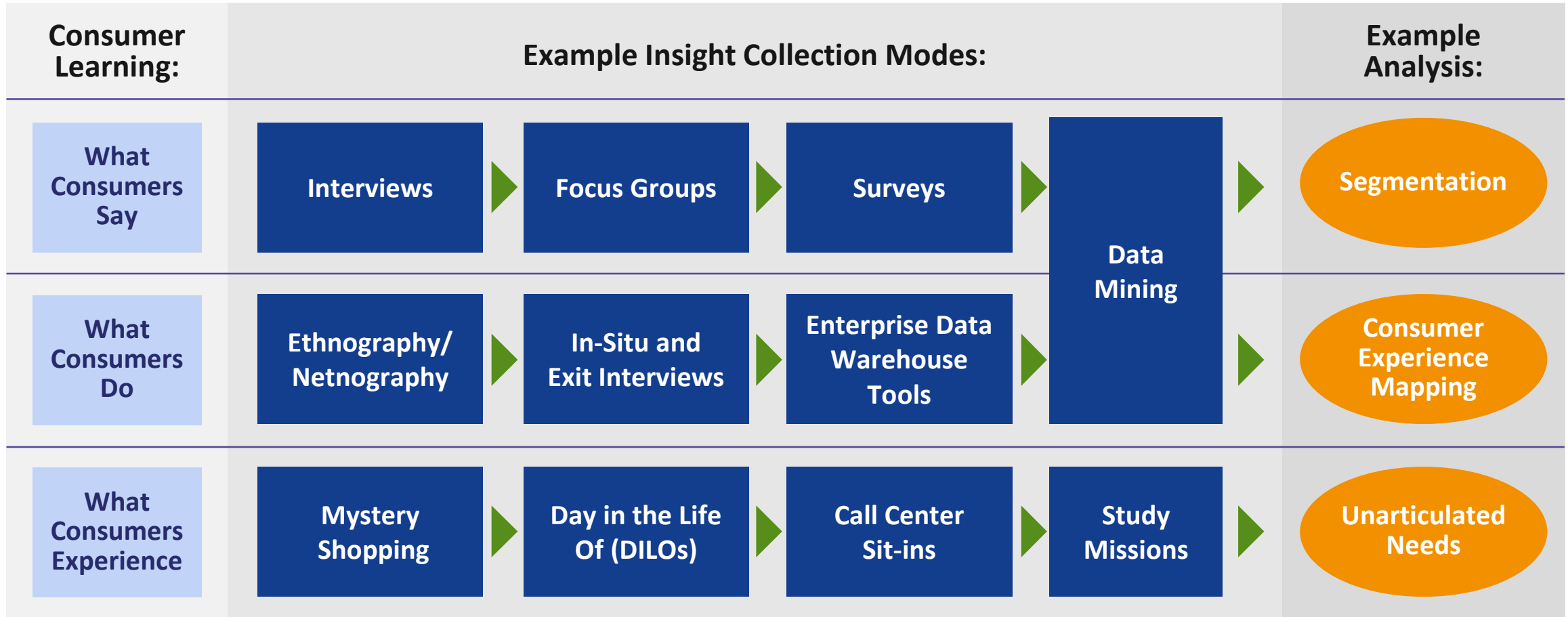
**Increase Prices/ “Shift the Mix”**



## FOUNDATIONAL LEARNING

- Who are your consumers?
- Which ones are most valuable, and how do you attract more of them?
- How do you build loyalty?
- How do you better manage care and lower your costs in doing so?

# Building Consumer Insights Capabilities

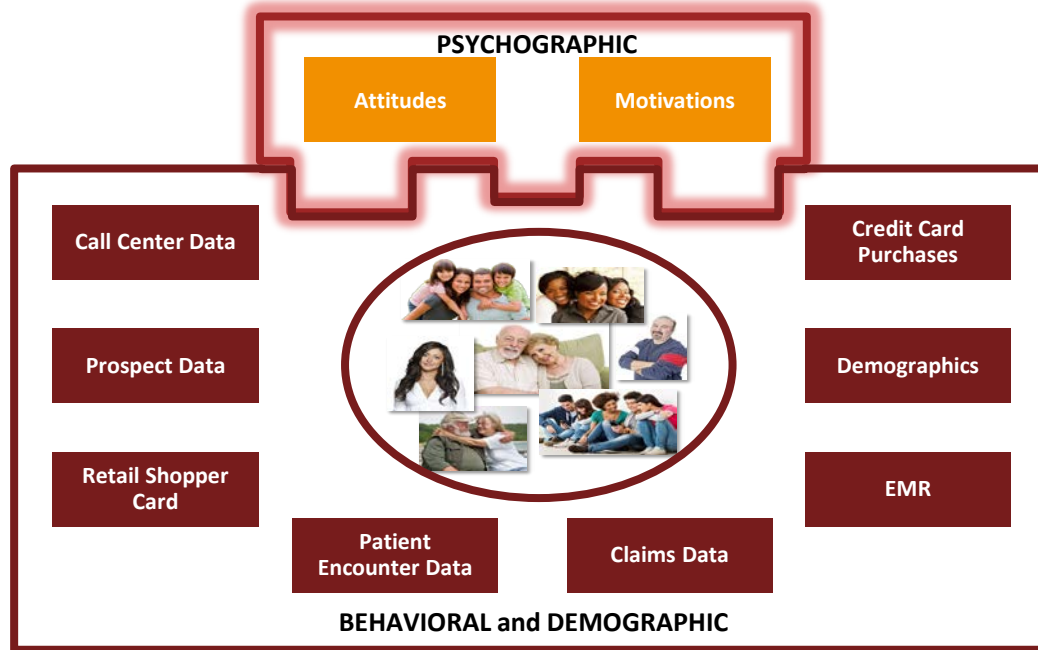


# Psychographic Segmentation: Getting “Under the Hood”





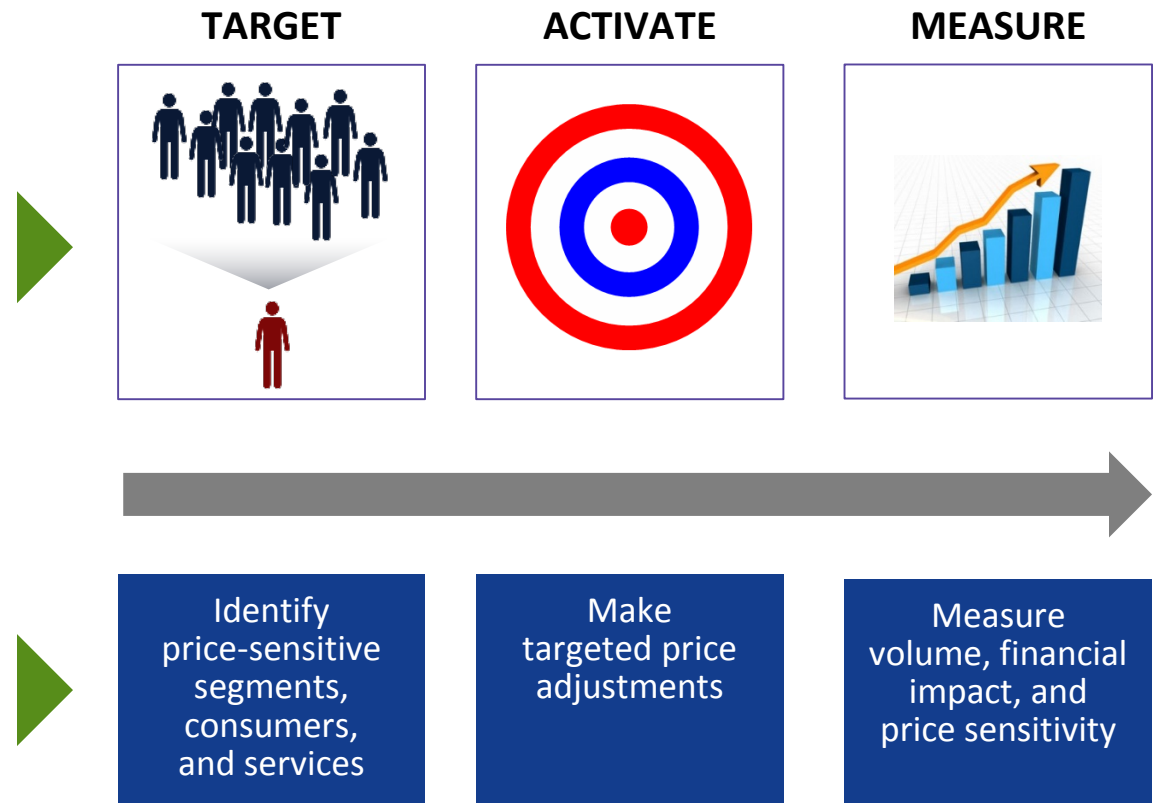
# Data Insights and Integration



## Strategic Pricing Example

### Data Input Examples

- Typical price differential by service
- Price elasticity of demand
- Revenue, cost, and patient characteristics



**Identify the metrics that matter**

# You Will Need to Measure Your Performance Differently

Traditional Hospital Tracking	<u>New</u> Healthcare Company “Metrics That Matter”
<ul style="list-style-type: none"><li>• Inpatient market share</li><li>• HCAHPS</li><li>• Local brand awareness</li><li>• Total volumes</li></ul>	<ul style="list-style-type: none"><li>• Measures of penetration and frequency</li><li>• Share of specific consumer segments</li><li>• Number of new patients</li><li>• Patient retention rates</li><li>• Average revenue per patient</li><li>• Volume trends of “shoppable” services</li><li>• Customer experience performance: search, scheduling, visit and post visit</li><li>• Net promoter score</li></ul>

## 2. Reevaluate Your Value Proposition

# Value Proposition Defined

## A value proposition...

identifies the **specific ways** that an organization is **better than its competitors** at **meeting consumer needs**.

is **focused, differentiating,** and oriented toward **customer benefit**, not service features.

# What Consumers Expect

Results from a recent Kaufman Hall survey of 1,300 consumers show:

**Access** and **experience** are consistently important across services, but more important for routine services.

**Clinical quality** is rated most important for serious medical needs and least important for routine services.

**Affordability** can be important for routine imaging and laboratory services, but typically is not cited as important for more serious healthcare needs.

# A Framework for Articulating Value Proposition

1. Accessibility



2. Consumer Experience



3. Clinical Quality



4. Affordability



5. Availability of Complex Services



# “Pick and Stick”: What Will Your Organization Be Famous For?

HOSPITAL  
FOR  
**SPECIAL  
SURGERY**



Cleveland Clinic

THE UNIVERSITY OF TEXAS  
**MD Anderson  
Cancer Center**

- Few healthcare brands are associated with solving specific needs for consumers
- When consumers think of your brand, what should be top of mind?

**If everyone says “high-quality care,” no one will be differentiated.**

Note: Copyrights of images belong to their respective owners.

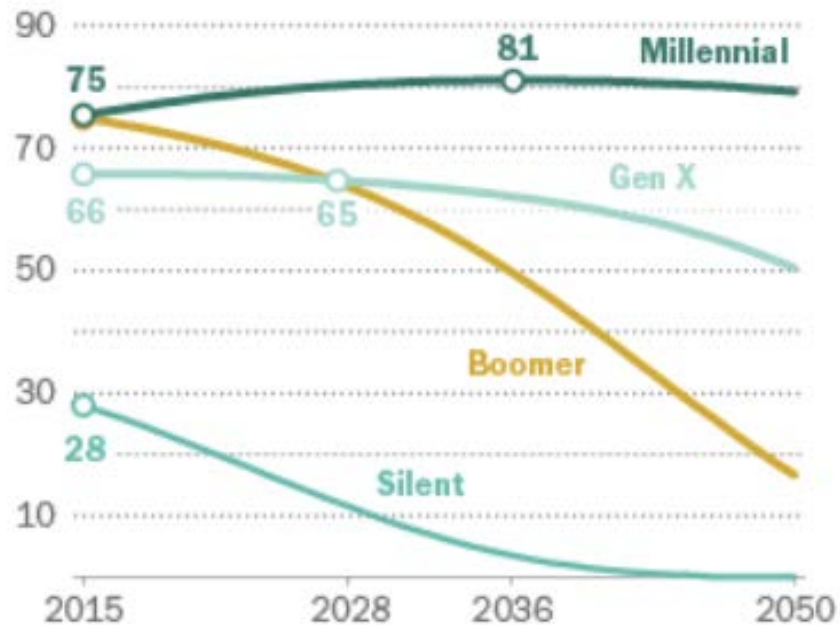


# 3. Broaden Your View of Consumer Experience

# Changing Demographics, Changing Expectations

Baby Boomers are no longer the largest population segment

*In millions*



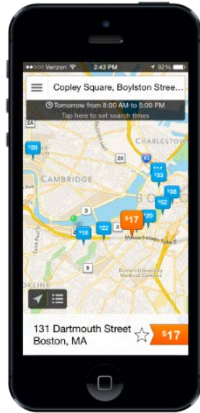
Sources: Pew Research Center; Kaufman Hall proprietary research.



**Kaufman Hall's "Young and Restless" consumer segment:**

- More cost sensitive relative to other segments
- More likely to actively search online before selecting services/providers
- More frequently visit urgent care as a first step
- Expect easier access to video visits and weekend/evening appointments
- More accepting of retail clinics and video visits for a wide range of needs

# Technology Is Enabling New Levels of Convenience



App to find, compare, reserve, and prepay for parking spots



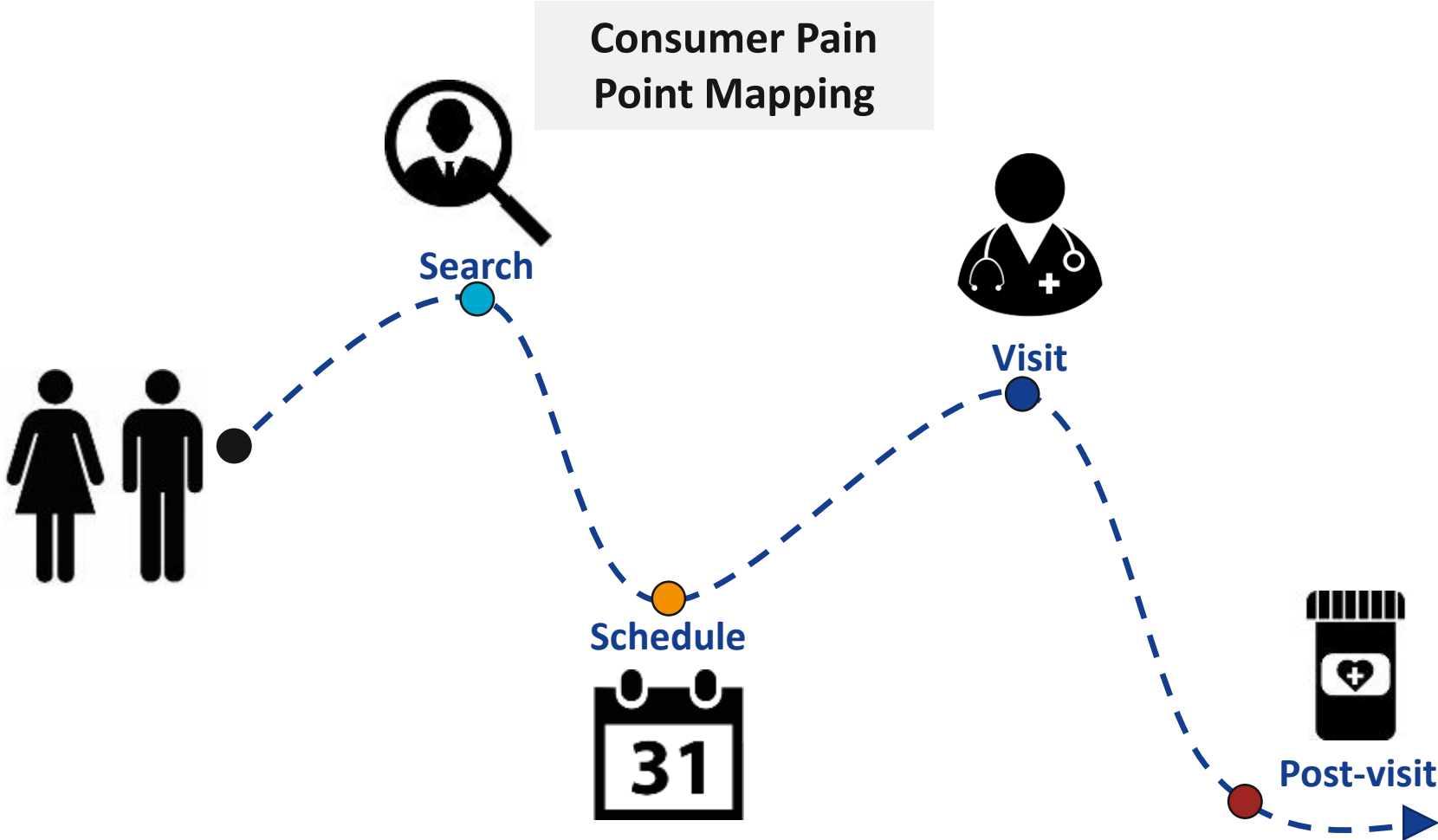
Hands-free, voice-controlled speaker that can answer questions, play music, and control smart devices



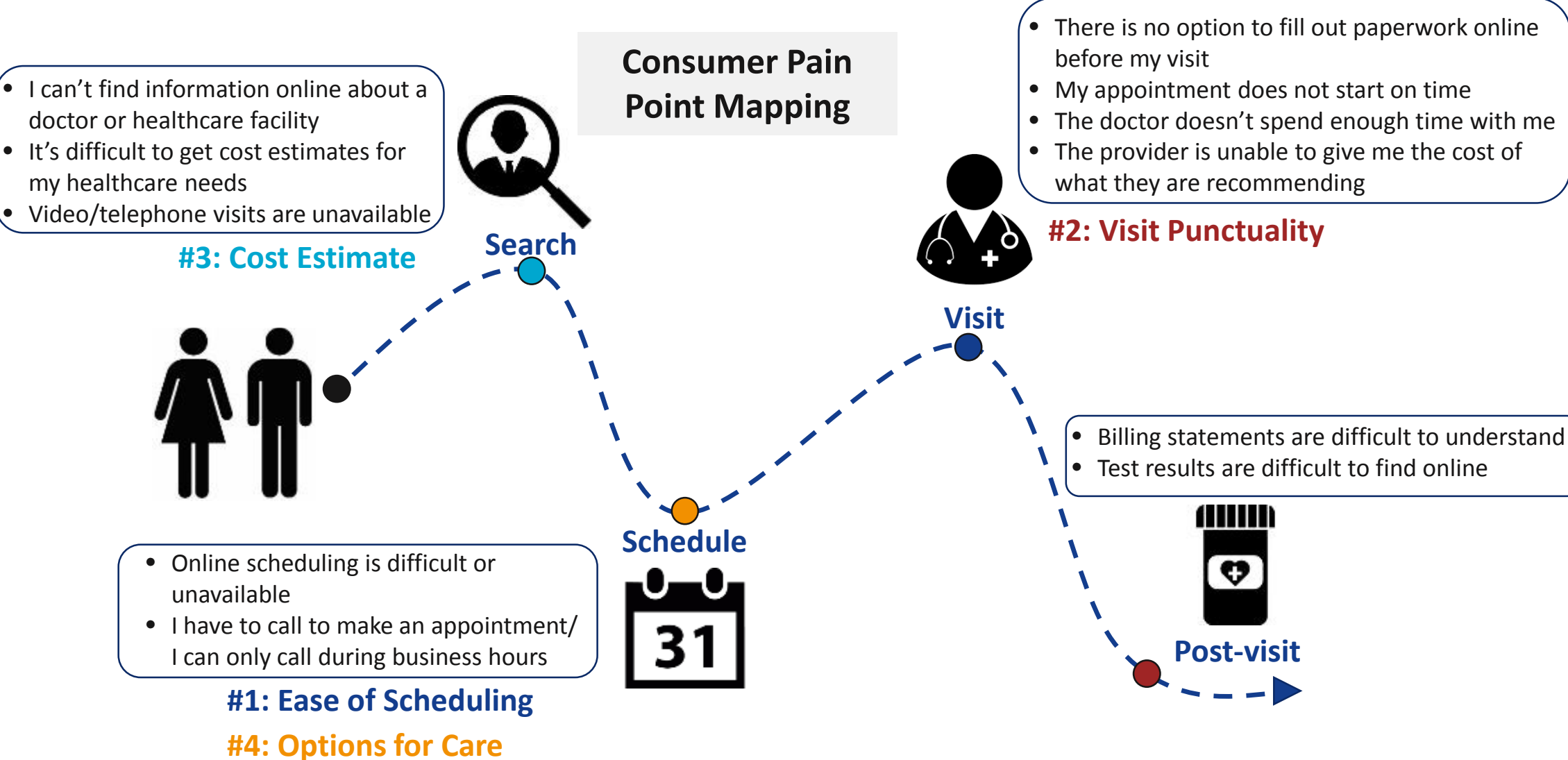
Consolidates cards into one WocketCard and uses biometric voice security to protect information

Sources: comScore: Cross-Platform Future in Focus, 2016; U.S. Department of Commerce; Poushter, J.: "Smartphone Ownership and Internet Usage Continues to Climb in Emerging Economies," Pew Research Center, Feb. 22, 2016; Smith, A.: "Shared, Collaborative and On Demand: The New Digital Economy." Pew Research Center, May 19, 2016.

# Fixing the Front Door: How Consumers Engage with the Healthcare System



# Fixing the Front Door: Start by Eliminating the Most Significant “Pain Points”



# Conclusion

**The industry MUST revise its approach to strategy:**  
**Think “health system,” not hospital.**  
**Think “relationship” and “engagement,” not volumes.**

# The Pivot Requires a Fundamental Shift in Mindset

**Our View:  
Consumerism  
isn't a *problem*  
to be solved,  
but is the  
key to growth**

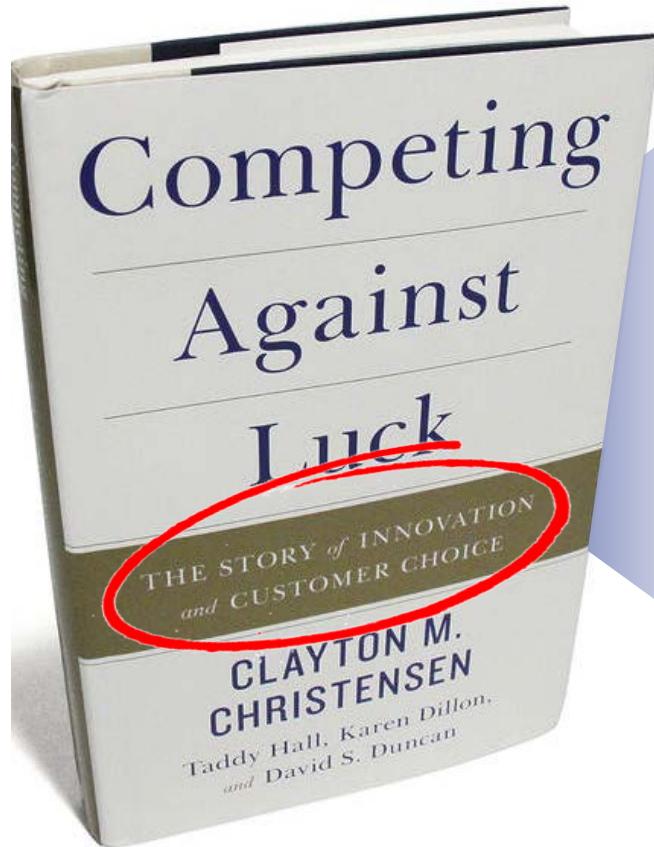


*“We want others to see Amazon as the standard bearer for obsessive focus on the customer, as opposed to obsessive focus on the competitor.”*

Note: Copyrights of images belong to their respective owners.



# Remember, the Customer Is Always Right



## The Theory of Jobs to be Done

*"...businesses succeed when they help people do certain jobs... they fail when they lose sight of what that job is (which is determined by your customer). Some of the most successful companies in the world are synonymous with the job they help you do – Google, Xerox, Uber, TurboTax..."*

*"Once they reach a certain size, companies turn inward. They want to do more of what they are good at and not go through the hassle of changing the way they do their job."*

**What jobs can your organization do better than anyone else?**

Source: Broughton, P.D.: "The Customer Is Always Right." *The Wall Street Journal*, Oct. 11, 2016.

# End Goal: Attract and Retain Consumers

## THE ROADMAP TO ATTRACT AND RETAIN CONSUMERS



# About the Speaker



**Paul Crnkovich**  
Managing Director  
Kaufman, Hall & Associates, LLC

224.724.3117  
[pcrnkovich@kaufmanhall.com](mailto:pcrnkovich@kaufmanhall.com)

Paul Crnkovich is a Managing Director for Kaufman Hall. He leads the firm's Consumer practice, which advises health systems, academic medical centers, community hospitals, and other healthcare organizations on strategies related to consumer-centric delivery, pricing, enterprise planning, and market development and growth.

Mr. Crnkovich has more than 30 years of consulting and marketing experience in the consumer products and healthcare industries. Prior to joining Kaufman Hall, he was co-founder and Managing Partner with Cadent Consulting Group, LLC. He previously served as President of Kantar Retail Americas Consulting, where he was part of a three-person senior management team responsible for overseeing all aspects of company operations.

Earlier in his career, Mr. Crnkovich was on the senior management team and one of the majority owners of Cannondale Associates. He helped to lead the company's growth and development over a 12-year period, culminating in the firm's sale to WPP/Kantar, the world's largest marketing, advertising, and research firm. He also held a series of marketing, sales strategy, and strategic planning positions at the Quaker Oats Company, working on flagship brands such as Quaker Oatmeal and Gatorade®.

Mr. Crnkovich is a frequent author and speaker on the topic of consumerism in healthcare. He is an outside industry expert on consumer and retail marketing issues as part of the Executive Education and full-time M.B.A. programs at the Kellogg School of Management at Northwestern University. Mr. Crnkovich also served on the faculty of Lake Forest Graduate School of Management, where he taught global marketing to M.B.A candidates.

Mr. Crnkovich received his M.B.A. from Harvard Business School and his B.A. in Government from Harvard University.

#### Qualifications, Assumptions and Limiting Conditions (v.12.08.06):

This Report is not intended for general circulation or publication, nor is it to be used, reproduced, quoted or distributed for any purpose other than those that may be set forth herein without the prior written consent of Kaufman, Hall & Associates, LLC. (“Kaufman Hall”).

All information, analysis and conclusions contained in this Report are provided “as-is/where-is” and “with all faults and defects”. Information furnished by others, upon which all or portions of this report are based, is believed to be reliable but has not been verified by Kaufman Hall. No warranty is given as to the accuracy of such information. Public information and industry and statistical data, including without limitation, data are from sources Kaufman Hall deems to be reliable; however, neither Kaufman Hall nor any third party sourced, make any representation or warranty to you, whether express or implied, or arising by trade usage, course of dealing, or otherwise. This disclaimer includes, without limitation, any implied warranties of merchantability or fitness for a particular purpose (whether in respect of the data or the accuracy, timeliness or completeness of any information or conclusions contained in or obtained from, through, or in connection with this report), any warranties of non-infringement or any implied indemnities.

The findings contained in this report may contain predictions based on current data and historical trends. Any such predictions are subject to inherent risks and uncertainties. In particular, actual results could be impacted by future events which cannot be predicted or controlled, including, without limitation, changes in business strategies, the development of future products and services, changes in market and industry conditions, the outcome of contingencies, changes in management, changes in law or regulations. Kaufman Hall accepts no responsibility for actual results or future events.

The opinions expressed in this report are valid only for the purpose stated herein and as of the date of this report.

All decisions in connection with the implementation or use of advice or recommendations contained in this report are the sole responsibility of the client.

In no event will Kaufman Hall or any third party sourced by Kaufman Hall be liable to you for damages of any type arising out of the delivery or use of this Report or any of the data contained herein, whether known or unknown, foreseeable or unforeseeable.

# *KaufmanHall*

5202 Old Orchard Road, Suite N700, Skokie, Illinois 60077  
847.441.8780 phone | 847.965.3511 fax  
[www.kaufmanhall.com](http://www.kaufmanhall.com)