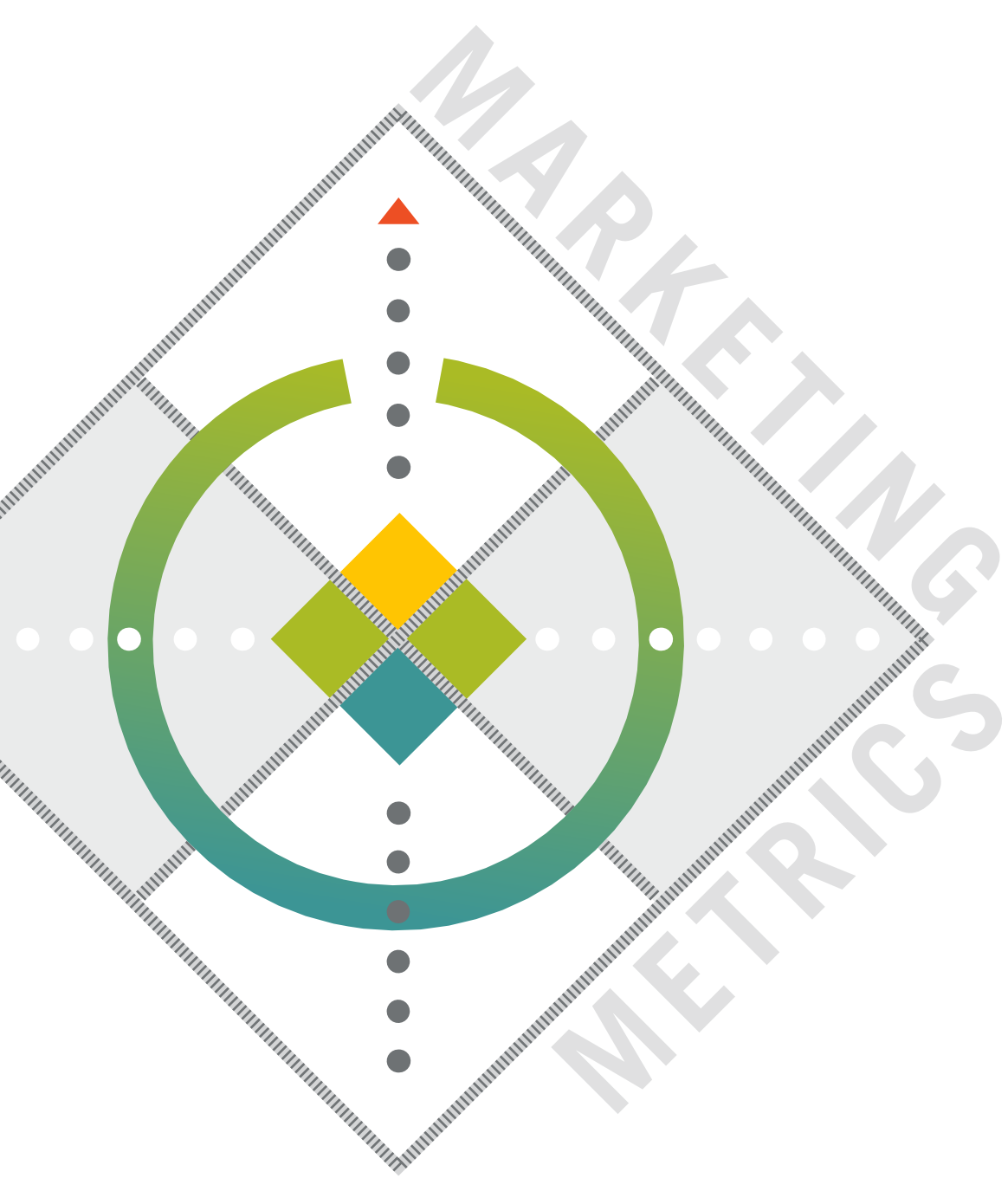


LIFE BEYOND PROMOTION:

CORE METRICS FOR MEASURING MARKETING'S FINANCIAL PERFORMANCE

SOCIETY FOR
Healthcare Strategy & Market Development℠
of the American Hospital Association

HAVE YOU BEEN IN THIS MEETING?

IT'S BUDGET TIME. Marketing says it is contributing financially to the organization. Finance asks, "How?" After 30 minutes of back and forth, the stalemate ends in less than a draw. No one wins, especially the healthcare system. But even after thirty-some years of contributions to healthcare systems, the marketing profession has yet to develop standardized guidelines for measuring its financial performance.

In this time of accelerated accountability, it is a fact that the absence of measurable standards is no longer acceptable—for any discipline. Fortunately, efforts are underway to establish both basic standards and advanced metrics for healthcare marketers. This white paper focuses on efforts to date to achieve both.

A Complement to *Bridging Worlds*

In fall 2014, the Society for Healthcare Strategy and Marketing Development (SHSMD) released its groundbreaking *Bridging Worlds* report. The document provides guidance and motivation to healthcare marketers to add new skills, explore new opportunities, and help lead the industry through these changing and turbulent times. One of the major tenets of the document, "Generate Data-driven Insights," recognizes the expanding requirement of marketers to acquire and analyze data. Identifying standardized performance metrics certainly aligns with that charge.

Reflections in the Rearview Mirror

Debatably, healthcare marketing got its start in the late-1970s to the mid-1980s. First the Supreme Court ruled that professional organizations, such as the American Medical Association, could not prohibit its members from marketing themselves, and in 1983 the DRG system was initiated. Marketing's initial focus was on creating promotional activities that were often developed by executive mandate, demand from key physicians, or other subjective forces. Unlike other fields, many healthcare organizations did not use data, create growth expectations, or demonstrate marketing's financial contribution to the enterprise as a means to create accountability. As margins tightened, marketers were asked to demonstrate meaningful results—a challenge that has moved the reporting from "a consideration" to "an imperative."

How had this happened? Why weren't standards established?

Among the major challenges were these:

- **Lack of data**. Until recently, many healthcare marketers, especially at mid- to small-sized facilities, lacked basic business data to build strategies. On a broader scale, even those who had access to data worked with incomplete numbers or didn't have the tools to connect marketing activities with financial outcomes.
- **No mutually agreed upon expectations for financial contribution**. Campaigns were often characterized as expenses with vague to no financial or other return that could be attributed directly or indirectly to marketing. To many in executive leadership, including CFOs, marketing has always been an expense and, as such, subject to continuing scrutiny and skepticism.

- **A narrow view of marketing in healthcare versus other fields.** Healthcare marketing often works under a very narrow definition and group of responsibilities in comparison to the discipline as a whole. In other fields, a marketer might influence or control product design, pricing, and other factors that contribute to financial success. Not so for most healthcare marketers who find themselves seen as communicators rather than someone who can help craft a product and influence its performance.

In 2013, a group of senior healthcare marketers, consultants, and a representative from the Healthcare Financial Management Association (HFMA) formed the Marketing Metrics Committee under SHSMD to establish a set of metrics that would help marketers demonstrate their financial contribution to their healthcare system. The task proved to be a journey. This white paper highlights what they learned and subsequently recommended. For this document we will refer to the group as "the committee."

Finding a Common Ground: A Dialogue Versus Metrics

The committee learned that senior marketers had a wide range of views on which metrics were currently in use, under consideration, or thought to be relevant. Figure 3 shows how a sample of senior marketers rate the metrics in this paper. While the expectation from seasoned practitioners may have been for more robust initial measures, the grounded discussion concluded that the best starting point was to establish a set of core metrics that would serve as a basic platform of standards.

Perhaps more compelling than the metrics themselves was the realization that there needs to be greater dialogue between marketing professionals and healthcare executives. While a goal of the committee was to establish clear guidance, the "aha" moment was finding there is often a fundamental lack of meaningful dialogue between marketing and executive leadership on strategy, appropriate roles, measureable deliverables, and elements of success.

Building a Framework

Marketing, like any discipline, needs a solid context within its organization. And as the discussions proved, often there is no consistent framework for measuring marketing's contributions or responsibilities beyond promotion.

The committee created a framework consisting of four areas of strategic focus to which marketing contributes: growth, brand and image, stakeholder engagement, and marketing communications. The committee also recognized that several hospital disciplines impact the development and success of any initiative. For instance, marketing can generate calls for appointments, but if the clinical area doesn't answer the phones or provide timely appointments, the marketing initiative can be unsuccessful. Therefore, two key factors, *accountability* and *influence*, were assigned to show marketing's role.

The definitions of each are relatively straightforward. *Accountability* equates to singular responsibility for results. Marketing "owns" that metric. *Influence* speaks to the broader concept that other parts of the healthcare organization have responsibility for that metric, but recognizes that marketing has some influence.

These two factors were assigned to the four strategic areas as follows:

GROWTH = *Accountability and Influence*
BRAND AND IMAGE = *Accountability*
STAKEHOLDER ENGAGEMENT = *Influence*
MARKETING COMMUNICATIONS = *Accountability*

The goal was to pinpoint the wide range of contributions that marketers make through market research, product planning, customer experience, and data analytics.

Within each of the four strategic areas, the committee developed individual metrics around financial performance. From an initial list of 27 metrics, 17 core items were identified based on feedback from financial executives and limited field research among healthcare marketers. Core metrics are recommended as a baseline for hospital marketing. Additional metrics also can be added, and the committee is working to identify the next generation of advanced metrics. The core metrics appear in the tables in this document.

FIGURE 1 – MARKETING METRICS

In support of marketing communications and related strategies

GROWTH

Accountability and Influence

When evaluating growth plans, identify a clear role and goals, such as product planning, understanding competitive offerings, identifying target audiences, and launching successful promotional events that lead to transactions.

STRATEGIC AREA	METRIC	SUBSET AND/OR EXPLANATION	MEASUREMENT
Growth	Volume Change	As seen in counts/units of sale, admissions, surgeries from an agreed upon level above, below or constant to existing levels	Monthly Quarterly Annually
Growth	Increased Revenue*	As seen from an agreed upon starting point, such as budget or actual *Could also mean savings from a reduction of risk-based, prepaid expenditures	Monthly Quarterly Annually
Growth	New Patient Acquisition	New to a service line (e.g., cardio-vascular, women's services, etc.) if not seen in last # years (pre-determined value; 1 or 2 years recommended) New to enterprise	Monthly Quarterly Annually
Growth	Market Share	Percent of market utilizing your organization over a competitor Inpatient and outpatient market share if available; could also include health plan enrollment or membership As seen from an agreed upon starting point, such as budget or actual, monitor discharges, encounters, and/or patient days	Monthly Quarterly Annually

FIGURE 1 – MARKETING METRICS CONTINUED

BRAND AND IMAGE

Accountability

In an era of rising consumerism, brands will play a key role in network selection, facility utilization, and (to some extent) the ability to negotiate higher or favorable prices. Brand strength creates opportunities for growth. Watch for shifts in your preference or your competitors' preferences.

STRATEGIC AREA	METRIC	SUBSET AND/OR EXPLANATION	MEASUREMENT
Brand Image and Reputation	Brand Awareness	Maintain or increase year over year Aided awareness where your hospital is ranked among others Unaided awareness where no hospital names are provided, based on respondent recall	Annually
Brand Image and Reputation	Brand Preference	Maintain or increase year over year Hospital ranking within a competitive set	Annually
Brand Image and Reputation	Key Service Line Reputation	Increase reputation value, based on either aided or unaided responses	Annually

STAKEHOLDER ENGAGEMENT

Influence

The retention of patients, physicians, and employees has increasing financial importance as does the perceptions of your local community. While marketing does not directly control stakeholder satisfaction, it can assist operations and others in identifying areas of opportunity and suggest programs for implementation. Satisfaction is seen by many as a future indicator of customer retention.

STRATEGIC AREA	METRIC	SUBSET AND/OR EXPLANATION	MEASUREMENT
Stakeholder Engagement	Patient Satisfaction	Likelihood to recommend to friend or family	Quarterly Annually

FIGURE 1 – MARKETING METRICS CONTINUED

MARKETING COMMUNICATIONS

Accountability

Marketing communications serves both internal and external audiences to influence utilization and loyalty. Employees, consumers, employers, and other key audiences are seeking content which influences their choice of hospitals, physicians, and services. Marketing communications often can deliver this content and create utilization at a lower cost than other activities. Look for activities that influence loyalty or create transactions.

STRATEGIC AREA	METRIC	SUBSET AND/OR EXPLANATION	MEASUREMENT
Marketing Communications	Paid Media	Includes TV, radio, newspaper, and online advertising, as well as billboards, web, etc. Measure impressions based on audience reach or actions by media source	Quarterly* Annually *May increase frequency for digital campaigns
Marketing Communications	Earned Media	Includes free coverage in newspapers, magazines, online media, TV, and radio Measure media value by comparing coverage to cost to advertise Tone/sentiment of the piece (positive, negative, neutral) as a percentage of all healthcare coverage by outlet or region Measure impression capacity by media outlet as value Measure percent of total conversation (digital) or actions in defined area or topic compared to conversation centering around your organization	Weekly* Monthly Quarterly Annually *If your organization has a high volume of earned media coverage
Marketing Communications	Owned Media	Includes publications or media produced by your organization Monitor number of household or individuals reached	Monthly Quarterly Annually
Marketing Communications	Social Media Metrics	Includes Facebook, Twitter, YouTube, LinkedIn, Pinterest, etc. Use appropriate measures for each social media channel	Quarterly Annually

CONTINUED >

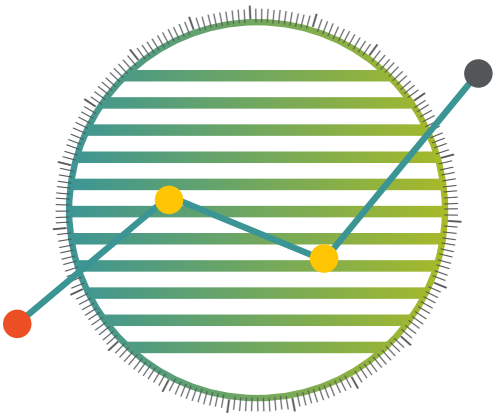
FIGURE 1 – MARKETING METRICS CONTINUED

MARKETING COMMUNICATIONS CONTINUED

STRATEGIC AREA	METRIC	SUBSET AND/OR EXPLANATION	MEASUREMENT
Marketing Communications	Digital Media	Measure as unique visitors, click through rates, appointments scheduled, etc.	Monthly Quarterly Annually
Marketing Communications	Direct Marketing	Measure numbers of outbound calls, direct mail, email, or targeted e-newsletters based on reach (number of individuals/households) and response to the call-to-action Measure conversion rate (% of reach to response) based on transactions or appointments outlined in the call-to-action	Weekly* Monthly Quarterly Annually *Digital campaigns, such as email, social media or web-targeted strategies, allow for more responsive tactics, thus increased monitoring frequency
Marketing Communications	Physician Liaison or Sales	Measured as visits to physician offices resulting in incremental revenue or referrals	Monthly Quarterly Annually
Marketing Communications	Other Sales	Incremental revenue, new business, or referrals for targeted services, such as occupational medicine, reference labs, IT consulting, etc.	Monthly Quarterly Annually
Marketing Communications	Return on Marketing Investment	Incremental revenues appropriately connected to specific marketing and marketing communications activities	At specific points (6 months to up to 2 years) after the implementation of specific marketing and marketing communications activities

See Appendix for more information about metrics.

FINANCE'S PERSPECTIVE



In addition to providing valuable insight and guidance in the initial discussions, the committee representative from the HFMA reached out to a select group of finance executives to gain their feedback on both the need for metrics and the value of the initial list developed by the committee.

This research exercise provided considerable insight. First, it recognized finance's agreement that there needs to be a standardized financial return on marketing activities. Universally, finance participants supported the creation of a set of metrics, but in the process identified the need for more education to their discipline on the role and contribution of marketing.

One key point that emerged is the changing nature of finance itself. The survey findings were peppered with several comments from respondents who seemed to disagree over which metrics would work best given the changing landscape of reimbursement and performance. Even the finance executives found consistency to be problematic. This comment is made to underscore that the industry is evolving to new metrics on all fronts, a factor that creates challenges to reach a consensus on standards.

Similarly, there is the need for a common nomenclature. For example, in a discussion with finance executives many thought the acronym "CMO" meant "chief medical officer" while the marketers defined it as "chief marketing officer." Every discipline has its own lexicon, but the need for common terminology is as significant as the need for common metrics.

FINANCE'S RANKINGS

A group of finance executives was contacted to rank the metrics as appropriate to measure marketing's effectiveness. Each of the four strategic areas was selected as *yes*, *maybe*, or *no*. Following is a summary of their responses to the prompt, "I think these areas are appropriate to measure marketing's financial contributions."

As Figure 2 shows, finance executives stated that growth as well as brand and image are the best ways to measure marketing's financial contribution. Other areas were not necessarily dismissed, but the data shows the divergent views of finance executives and the need for marketing to expand its value beyond promotional capabilities.

FIGURE 2 – CFO RATING OF STRATEGIC AREAS FOR MEASURING MARKETING'S FINANCIAL CONTRIBUTION

STRATEGIC AREA	% YES
Growth	100%
Brand and Image	77%
Stakeholder Engagement	46%
Marketing Communications	62%

Perhaps the most surprising and yet reassuring finding was the response to the statement, "Having metrics in these areas would create dialogue with our management team and our marketing department." One hundred percent agreed.

HOW TO GET STARTED

Every organization has its own approach to planning and accountability. The committee suggests incorporating some or all of these options to help demonstrate marketing's financial contribution to the enterprise.

1. **START HERE** and use the metrics in this paper that are applicable, appealing, and acceptable to your management team. Add and subtract metrics as your experience dictates.
2. **SEEK CONSENSUS** on a broad definition of marketing. It is essential that marketing establish itself as a business discipline and not just a promotional exercise. Help management see the value and contributions of market research, product planning, customer satisfaction, and other functions that contribute to institutional health. Make sure that the appropriate disciplines are represented under the marketing umbrella, such as marketing communications, planning, physician relations, and others. If education is required, bring in speakers from your board of directors, local colleges, area businesses, etc. This is an ongoing effort with all stakeholders.
3. **GET DIRECTION** on specific, measurable targets for marketing activities prior to the fiscal year. Management knows where it wants the organization to go. Marketing can and should be a central resource to reaching those destinations.
4. **GET AGREEMENT** on the formulas or metrics in advance of the effort. ROI is a classic example. It can have a range of definitions even within the same organization. Identify and use the formula that management supports or will adapt for marketing.
5. **CLARIFY** where marketing is accountable versus influential. As pointed out earlier in this document, many healthcare initiatives are team driven.
6. **ESTABLISH** a review schedule. Results should be evaluated on an ongoing basis. Establish a review schedule with your management team (e.g., quarterly or semi-annually) to allow for reporting, course corrections, and/or determining new metrics for marketing activities.
7. **IDENTIFY AND APPLY** lag time as appropriate. Lag time is a measure of time from an event to a desired result. A campaign for a cardiovascular screening, for example, should be tracked no less than "X" or longer than "Y" number of days/months. Lag time is particularly important for revenue metrics because payments can follow the event by several months. Use the history of events and revenue at your healthcare system to determine lag times and be sure to seek agreement with leadership and finance.
8. **COLLABORATE** with your peers. Any efforts to establish standardized performance metrics for healthcare marketing will only flourish if they are widely adopted by the industry. It is critical that those who read and embrace this document take responsibility to affirm and communicate results and insights.

FIGURE 3 – METRICS CURRENTLY USED TO TRACK MARKETING PERFORMANCE

**Directors of Marketing*

MARKETING METRIC	% MEASURED
Growth – Volume Change	86%
Growth – Revenue Increase	80%
Growth – New Patient Acquisition	80%
Growth – Market Share	83%
Brand – Aided Awareness	80%
Brand – Unaided Awareness	77%
Brand – Preference	80%
Brand – Organizational Reputation	80%
Brand – Key Service Line Reputation	71%
Stakeholder Engagement – Patient Satisfaction	57%
Marketing Communication – Paid Media	63%
Marketing Communication – Earned Media	71%
Marketing Communication – Owned Media	54%
Marketing Communication – Social Media	86%
Marketing Communication – Digital/Web	89%
Marketing Communication – Direct Marketing	69%
Marketing Return on Investment	74%

**Convenience national sample of 34 senior marketers*

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APPENDIX

MARKETING METRICS DEFINITIONS

Brand Awareness is one measure of how well your organization is known. It is usually collected via surveys of the general population. Aided awareness is when a list of organizations is provided during the survey process to the respondents. Listing all the hospitals in an area and asking "Have you heard of each?" is one way to measure aided awareness. Unaided awareness is obtained by asking an open-ended question, such as "When you think of hospitals in this area, which ones come to mind?" This information is usually collected by the marketing department.

Brand Preference is a measure of how likely consumers are to use your organization for the services you provide. It is collected through survey research and is often measured at the organizational level and by service line as well. Questions are usually formatted like "If you needed to be hospitalized, which hospital would you choose?" This information is collected by marketing.

Direct Marketing is usually measured by visitors to a unique landing page on a website or calls for more information or appointments. It is usually tracked by a call center and website team.

Earned Media is typically measured by the amount of free news coverage an organization generates in newspapers, magazines, online media, TV, and radio compared to the competition. This information is usually tracked by the organization's public relations group.

Market Share is the percentage of a geographic area or customer segment that an organization captures, relative to competitors. This is usually measured as percentage of revenue or volume, such as inpatient admissions, and comes from a strategic planning or finance area.

New Patient Acquisition means patients using your organization or a service for the first time ever or within specified time period (e.g., past 3 years). This can refer to a new outpatient or inpatient.

Other Sales are usually measured by the number of customers, revenue brought in, orders generated, etc. This information usually comes from the finance department or the business unit where sales are captured.

Owned Media refers to channels of communication the organization manages for free and includes organizational publications, social media, and web-based efforts. Each channel has its own set of metrics that are collected. For instance, publication data can include quantity mailed or calls generated; social media can be tracked by followers or individuals reached; and digital/website efforts can be measured by unique visitors, appointments scheduled, etc.

Paid Media Share of Voice is usually collected through consumer surveys by asking "Have you seen any advertising in the past month for the following organizations (your organization and competitors)?" or through market research firms that analyze value of media buys.

Physician Liaison impact is measured by outside physicians visited, referrals generated from new primary care physicians or specialists, number of referrals, and total referring physicians or providers, usually collected by financial call centers and physician liaison departments.

Reputation of Key Service Lines can also be asked through survey research. Questions related to which organization has the best reputation for heart or cancer care are often used. This is usually collected by the marketing department.

Reputation Score is a gauge of how positive an organization is perceived in a market. It is measured through survey research that asks consumers questions related to which hospital in a region has the best reputation for quality, offers good service, provides the best facilities, etc. This data is usually collected by the marketing department.

Return on Marketing Investment is collected revenues (after adjustments for existing business, new customers, and cost of services provided) resulting from specific marketing and marketing communications activities, based upon determined tracking methods.

Revenue Increase is dollars generated from patient care activities. This information comes from finance.

Stakeholder Engagement is usually measured by asking patients, admitting physicians, and employees the likelihood they would recommend the organization to others. This is usually collected via survey research. This data is often collected by nursing staff, a patient satisfaction office, or human resources.

Volume Change refers to any change in admissions, referrals, emergency room visits, appointment calls, etc., when compared to a previous period. This information typically comes from finance or an operational area.