



Contents lists available at ScienceDirect

Journal of Business Research



The Caribbean Medical Center case: Marketing decision-making for hospitals facing customer attrition

José Exprúa^{a,*}, Lucienne Rodríguez Barberena^b

^a INCAE Business School, Managua, Nicaragua

^b INCAE Business School, Campus Francisco de Sola, Managua, Nicaragua

ARTICLE INFO

Article history:

Received 1 May 2015

Received in revised form 1 October 2015

Accepted 1 November 2015

Available online xxx

Keywords:

Hospital management

Case study

Marketing strategy

Segmentation

Positioning

Health care industry

Executive education

MBA program

ABSTRACT

Within today's cut throat business environment, hospitals, like any other business, must apply strategic managerial practices as well as modern marketing principles in order to remain competitive. Thanks to globalization, this perspective applies now for all private hospitals, from large high-end hospitals in developed countries, to low income small to medium sized hospitals in the developing world. This case study offers instructors and readers alike a chance to think critically about a real life dilemma in hospital management, in which the general manager of a private medical center in Panama must decide where to focus the center's limited resources after losing their biggest client. To solve this problem, the general manager must apply sound marketing strategies in order to determine the best course of action. Through the analysis of this case study, readers can conduct a segmentation exercise, establish the medical center's value proposition, conduct a competitive analysis, and define the hospital's strategic positioning. This case study uses information primarily acquired through in-depth interviews with the hospital's senior management, staff, members of their executive committee, and members of the medical community in Panama; an on-site visit was also performed.

© 2016 Published by Elsevier Inc.

1. Introduction

At the end of September 2013, Wendy Berrios, the Director of the Caribbean Medical Center (CMC), was evaluating growth options for the hospital, which faced an imminent decrease in their main client base.

This 30 bed medical center in Colón, Panama, was considered the best private hospital in the city. Since its foundation, the CMC strived to satisfy its clients by providing general and specialized medical services to not only the local population in Colón, but also the tourists that visited the city. The hospital had also obtained excellent business contracts with insurance companies in the area, in particular with AXA Assistance insurance, which administered the health benefit plans for the retired workers of the Panama Canal. These AXA insured workers made up 60% of the CMC's client base and their revenue. However, this source of income had decreased by 20%. The AXA clients were all elderly patients who used to work for the Panama Canal when the canal was under U.S. administration, and were insured by the U.S. government. After the transfer of the Panama Canal to local authorities in 1999, the population of these retirees gradually diminished in size. As of 2012, the average age of AXA clients was 73 years old and the life expectancy in the city of Colón was 77 years.

This situation threatened the future profitability of the CMC, as the hospital would potentially lose most of its clients in a short amount of time. Over the last two years, the hospital's management had begun improving the CMC's services by investing their resources in updating older equipment, digitalizing their case files, and digitalizing their laboratory. They also renovated the hospital itself, building new offices in order to attract new doctors with medical specialties not yet available in the city of Colón. Furthermore, they planned to give the hospital itself a facelift by improving the general facade and the lobby areas.

The CMC's management team had assigned \$50,000 to \$75,000 USD for their marketing budget, but was unsure about how to best invest this sum. They had identified five potential customer segments of interest in the city of Colón: 1) private insurance companies serving customers in Colón, 2) private clients paying out-of-pocket for their medical services, 3) clients aboard the shipping companies managing cargo ships and ports in the area, 4) tourists from the cruise ships that departed from the city, and 5) the medical community itself. However, they had not yet determined which of these customer segments they should focus their resources on, or how to attract, develop and retain these new valuable customers in order to replace the AXA insured retirees. Additionally, the CMC had to decide which socio-economic sector to target, determining whether to aim for Colón's AB social class segment, Colón's C class segment, or continue with segments D and E, as each sector would require a different strategic approach.

In this context and with great uncertainty, Ms. Berrios, wondered what to do next, as she would soon have to decide how to best advise

* Corresponding author at: INCAE Business School, Campus Francisco de Sola Km. 15.5 Carretera Sur, Managua, Nicaragua.

E-mail addresses: Jose.Exprua@incae.edu (J. Exprúa), Lucie7@gmail.com (L.R. Barberena).

the hospital's board of directors, and clearly define what segment or segments they should target.

2. Historical background

The province of Colón, located on the Atlantic coast of Panama, was where the North Terminal of the Panama Canal was located, and served as the main port for the country's import and export of merchandise. Historically, Colón played an important role in the economic development of Panama (see [Graph 1](#) for map of Panama). The gold rush in California increased demand for travel through the region, and in 1852 the United States government signed a contract with Panama and began the construction of an inter-oceanic railway. The city of Colón was founded at the northern end of this railway. The Panama Canal, built during 1904 and 1914, entailed a 48 mile-long (77 km) international waterway that allowed ships to pass between the Atlantic and Pacific oceans and saved an estimated 8000 miles (12,875 km) compared to a journey around Cape Horn at the southern tip of South America.

The U.S. held a strip of land approximately 10 miles wide and 50 miles long of Panamanian territory in the Canal Zone, which was considered official U.S. territory. During this time, the residents of the Canal Zone in Colón were primarily U.S. citizens and West Indians who worked in the Zone and on the canal. In 1948 a Free Trade Zone was created in Colón, which became one of the largest contributors to Panama's GDP (see [Table 1](#) for macroeconomic data of Panama) and the economy of Colón thrived, converting Colón into a very prosperous city. However, Panama City blossomed over time and became a modern city, overtaking Colón in the process and making Colón less relevant. By the 1960s, Colón began to decline and the city fell into a depression. Compounding matters, the division of Panama's territory due to the U.S. occupation caused tension and civil unrest. In 1977, after nearly 20 years of protests and riots, the United States' president Jimmy Carter and Panama's president general Omar Torrijos signed a treaty that would transfer control of the canal to Panama on December 31, 1999. The transition at the end of 1999 was very smooth, as at the time more than 90% of the canal employees were all Panamanian nationals. However, the reduction and closure of the U.S. military bases in Colón further accelerated the economic demise of the city. Poverty and unemployment grew as most of the U.S. citizens left, and many of the middle and upper class residents of Colón moved to Panama City.

According to the last National Institute of Statistics of Panama's (INEC) census in 2010, the population of the province of Colón was 241,928 inhabitants, of which 86% lived in the district of Colón. Recent data from a World Bank report stated that Panama's population was economically divided in the following manner: 25.8% poor (E), 30.7% vulnerable (D), 36.8% middle class (C) and 3.7% rich (AB). Most of the inhabitants of Colón belonged to the E and D segments, with few people in the C segment, and even fewer AB residents, as the majority of the country's wealthy population lived in Panama City.

Even though much of Colón's infrastructure was deteriorated, Colón did have modern ports for cargo and cruise ships. In 2009 a modern highway opened parallel to the Panama Canal, connecting Colón with Panama City and making it easier to travel between the two cities. The Free Trade Zone in Colón had recently been expanded to accommodate approximately 3000 companies and over 30,000 employees, and received an average of 122,543 visitors between tourists, investors, and buyers. Additionally, an international airport had recently opened in Colón. Furthermore, in October 2006, Panamanian voters approved a USD \$5.25 billion plan to double the canal's size by 2015 and better accommodate modern ships (Post-Panamax), which would bring a construction boom to Colón. All of these factors created a great deal of speculation about the future of Colón. The potential for economic development and tourism was great, and Colón's residents hoped that these investments would translate into more jobs and social development for the area.

3. Caribbean Medical Center

A market study conducted in 1978 indicated that the city of Colón had a deficit of 246 hospital beds. In 1986, a group of doctors and businessmen founded the Caribbean Medical Center; this group wanted to satisfy the city's demand, and create a private hospital that provided specialized medical services as well as basic medical attention for the residents of Colón and the tourists that visited the area. Originally, the Free Trade Zone population was not considered a target market for the CMC.

The CMC was the first private hospital in the city of Colón, and many local residents still regarded the CMC as their preferred hospital due to their vast experience, and high-quality service. Residents of Colón perceived the CMC as the hospital with the most trusted doctors, and were fiercely loyal to these doctors. The CMC's management considered that they were the best option in Colón, as unlike any other hospital in the area, they had established clear and defined job descriptions, procedure manuals, and installed a digital system that guaranteed the reduction of human error. This system gave insurance companies a platform where they could view their policy holders' information online and thus achieved a significant reduction in terms of response time and decision making. They also continuously trained their staff members, provided a wide variety of high-quality products and were laser focused on patient safety.

The CMC had a total of 30 hospital beds, out of which 4 were designated for intensive care patients. Of the 26 remaining beds, only 2 were located in private rooms and the rest were in shared rooms with 2 beds per room. The hospital had a total of 102 workers, including 14 doctors and 26 nurses. The CMC also had 37 doctor's offices, 2 operating rooms, one delivery room, one X-ray and one ultrasound machine. The CMC's management team believed that their hospital was the best option in Colón because the CMC had the best specialized doctors. The CMC had expanded its service offerings to provide 24 medical specialties including: cardiology, general surgery, peripheral vascular surgery, gastroenterology, gynecology, hematology, internal medicine, pulmonology, neurosurgery, odontology, orthopedics, otolaryngology, pediatrics, rheumatology, dermatology, nephrology and urology. The hospital also offered the following diagnostic services: medical laboratory, medical imaging, endoscopy and 24 hour emergency attention ([Table 2](#) lists all of their services).

Since its inception, the CMC had a humanitarian vision, incorporating social responsibility programs such as free cataract surgeries for the elderly and underprivileged residents of the city of Colón. The CMC also provided support for shelters, educational institutions and sponsored the city's soccer team.

The CMC was also in a great location for those living or working within the city of Colón, however, the construction of the highway between Panama City and Colón was still underway, and caused terrible traffic jams making it harder for people who lived outside of the city to access the hospital. The CMC was near the main entrance to the Free Trade Zone, and before long the CMC would be adjacent to this Zone due to a future relocation and expansion project. The CMC was also very close to the Social Security Hospital of Colón where many of its doctors also worked. This was very convenient for these doctors as they simply crossed the street from one hospital to another depending on their medical agendas.

In recent years, the CMC had invested in improving their equipment and technology, and began replacing obsolete equipment with cutting-edge modern equivalents, as well as digitalizing their services. Also, the CMC launched a communication plan to promote and give visibility to the hospital. The following were the hospital's short, medium and long term strategies, which were considered vital to its operation.

4. Short term strategies

As part of the Caribbean Medical Center's short term strategies to remain competitive and attractive to a new potential market segment, the CMC's management decided to renovate the hospital rooms. They replaced the furniture in the hospital rooms and updated them to make

Download English Version:

<https://daneshyari.com/en/article/10492565>

Download Persian Version:

<https://daneshyari.com/article/10492565>

[Daneshyari.com](https://daneshyari.com)