



Contents lists available at ScienceDirect

Industrial Marketing Management



Establishing brand equity among business-to-business referral sources in the emerging markets: The case of specialty medical practice[☆]

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ARTICLE INFO

Article history:

Received 13 September 2014

Received in revised form 4 November 2014

Accepted 14 January 2015

Available online xxxxx

Keywords:

Specialty medical practice

Business-to-business channels

Referral marketing

Brand equity

Emerging markets

ABSTRACT

The goal of this study is to establish brand equity among business-to-business (B2B) referral sources in the emerging markets. We consider the case of specialty medical practices (SMPs) within these markets to achieve this objective. In this regard, we conducted a qualitative study among doctors/managers involved in SMPs in a developed market to understand the functioning of an SMP, and observe the process of building brand equity among referral sources. Based on the insights, we propose a conceptual framework to establish brand equity for SMPs in the emerging markets that focuses on B2B relationships. This is one of the first studies to explore the SMP industry in the emerging markets. We also highlight future directions and call for empirical validation of the proposed framework.

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1. Introduction

Research on brand equity among business-to-business (B2B) referral sources in the developed markets context has focused on customer-based brand equity (Kumar, Petersen, & Leone, 2007). However, this approach treats referral-based equity as a component of customer-based equity instead of an independent construct. This study considers a different business scenario where customers and referral sources are two different entities, thereby making it necessary to make the distinction between the two. Specifically, this study investigates the sources and accrual of brand equity among B2B referral sources in the emerging markets. We achieve this by exploring the specialty medical practices (SMPs) industry within these markets.

Consider the case of a private ophthalmological (ophthalmic) practice operating in an emerging market. Despite extensive marketing efforts and first-rate physicians, the practice was not acquiring more patients and revenues were stagnant. Why were patients not drawn to the practice? How can private SMPs in emerging markets ensure the sustainable acquisition of new patients and, in turn, revenues?

Turning to academic literature to address this question, we discover that the traditional channels of B2B and B2C do not accurately describe the specialty medical field in emerging or developed markets. This study

explores the complex channel of SMPs, distinctive to any channels previously studied. However, this only begins to answer our question. Once the SMP channel is defined, we still need to identify what motivates patients to interact with SMPs in the emerging markets context. In conventional business scenarios, managers often utilize strategic manipulations of the brand and associated equity to garner and measure awareness, image, trust, affect, purchase intention, and loyalty (Kumar, 2013a). However, the applicability of these dimensions to the specialty medical industry in emerging markets consisting of private practices specializing in diverse medical fields from ophthalmology to cardiology needs to be investigated.

The focus of this research is to outline a unique channel that is currently successful in the developed markets, and propose a channel framework for the emerging markets that will utilize a novel form of brand equity to assist SMPs in acquiring more referrals and, in turn, earning more revenues. Specifically, by marketing effectively to obtain referrals and increase revenues in a sustainable manner, SMPs will elevate brand value. Subsequently, this elevated brand value will garner even more referrals. This cycle of effects continues as SMPs change their initial push strategies to build brand equity into pull strategies that rely on augmented brand equity to sustain their patient flow.

The study is structured as follows. First, we begin with a background of the healthcare landscape in the emerging markets. We then highlight how specialty medical practices operate in developed markets noting key challenges faced by the SMPs. Next, we outline the motivational factors for the SMP model in the developed markets by demonstrating differences in SMP marketing and general marketing utilizing qualitative

[☆] The authors thank Parul Khator for valuable feedback on this manuscript.

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interviews of SMP managers. We also emphasize the need for referral marketing stimulated by brand equity as a strategic approach using prior literature on brand equity and business channels. Next, we apply our learnings from the developed market to develop a specialty medical practice model for the emerging markets. We conclude with highlighting implementation issues and identifying future research directions.

2. Healthcare landscape in emerging markets

In this section, we provide a brief review of the healthcare landscape in emerging markets. These markets can be better understood when viewed from the following four factors: demand for physicians, healthcare costs, mode of medical practice, and government intervention.

The demand for physicians is rising dramatically in emerging markets. For example, an average population growth in India of nearly 20% every ten years since 1951 has led to a population of 1210.6 million in 2011 (*Office of the Registrar General of India, Ministry of Home Affairs, 2011*). This growth has easily outpaced the amount of practicing physicians (*Kumar, 2013b*), especially considering that 50% of the Indian population is under the age of twenty-five (*Basu, 2007, July 25*). Experienced medical practitioners are increasingly hard to come by in the emerging markets. This is further exacerbated by the rise of the middle class in these markets because as more of the population gets health insurance, typically via employee benefit packages, people are more prone to seek medical care (*Yohannan, 2014, March 21*).

Although healthcare costs in the emerging markets are among the lowest in the world, the majority of patients within those markets cannot afford the expense (*Kaul, 2013, October 20*). As more advanced medical technology works its way into emerging market's medical practices, these costs are expected to increase. In many emerging markets, the nature of healthcare costs is pricing patients out of the market in favor of serving the medical tourism target segments because healthcare costs in these markets remains low on a global scale (*Cortez, 2008*).

A variety of new players are disrupting the healthcare climate in the emerging markets. From medical tourism upstarts to global business conglomerates manufacturing medical technology (*Immelt, Govindarajan, & Trimble, 2009*), there are a plethora of novel healthcare options for private medical practices to integrate and/or compete against. Each of these options draws from the already limited source of doctors in these markets (*Gentleman, 2005, December 2*). This represents a changing marketplace scenario that has important implications on the mode of healthcare practices in these markets.

Emerging market governments have not adopted a *laissez-faire* approach in the healthcare market. This includes, but is not limited to, encouraging the growth of medical tourism, government subsidized free care clinics (*Ladinsky, Nguyen, & Volk, 2000*), and requiring companies to supply employees with health insurance (*Yohannan, 2014, March 21*). In other words, the governments in the emerging markets have an active role to play in the functioning of the healthcare industry.

3. Specialty medical practices in the developed markets

In this section, we will review how SMPs function in the United States. This knowledge will serve as a foundation for building a SMP business model for the emerging markets.

3.1. Healthcare landscape in the United States

In reviewing the healthcare landscape in the United States, we consider the demand for physicians, healthcare costs, mode of medical practice, and government intervention to be able to obtain a comparative perspective to that of the emerging markets.

In the United States, as the baby boomers ascend in age, the demand for physicians is rising (*Lowrey & Pear, 2012, July 29*). A recent report from the Robert Graham Center shows that the U.S. is expected to

need 52,000 more primary care physicians by 2025, whereas the funding for teaching hospitals expires in late 2015 (*Krasselt & O'Donnell, 2014*). Further, the Association of American Medical Colleges estimates the shortage of doctors by 2025 to be 130,600 (*Association of American Medical Colleges, n.d.*). These developments place an enormous pressure on the need for healthcare professionals.

With respect to healthcare costs, dwindled savings from the financial crisis of 2008, social security depletion, and other economic impediments have made healthcare consumers considerably more price-sensitive in the United States (*Keehan et al., 2008*). The juxtaposition of these forces has meant that physicians receive less revenue per office visit or procedure they perform. In addition, recent regulatory obstacles have made it difficult for medical practices to collect compensation for services performed, thereby, increasing operation costs (*Wu, Hu, & Ahn, 2012*).

The private medical practitioners in the U.S. are finding it more difficult to survive in today's environment (*Jackson Healthcare, 2012*). The unstable healthcare climate has given rise to hospital systems, care networks, and new spins on the old concept of private practices in order to secure profits (*Brady, 2014, August 19*). Groups like Kaiser Permanente and Sutter Health have established all-in-one healthcare networks that both insure patients and provide them care, effectively circumnavigating many of the pitfalls of the newfound healthcare environment (*Hendricks, 1993*). This model also takes scalable profits from physicians, simply hiring them as salaried employees of the network (*Kane & Peckham, 2014*).

The United States' government also plays a role in the shifting healthcare backdrop—as of April 2014, over 8 million people have selected a plan through the Health Insurance Marketplace (*ASPE Office of Health Policy, 2014*). The government's Affordable Care Act initiative requires Americans to have health insurance. Therefore, there will be more insured patients for physicians to attend to in the United States. However, government-run insurance differs from private insurance options in various ways contributing to the unfamiliar landscape of healthcare.

This unfamiliar setting has been unsettling for physicians in the United States. A recent report found that many doctors in the United States are even choosing to migrate away from private practice, up to one third in 10 years (*Jackson Healthcare, 2012*). The report also found that doctors are citing diminishing reimbursement, profit decline, complex business operations, and high overhead as reasons for their migration. The majority of these physicians are choosing to enter hospital employment or a practice owned by a hospital. Many established physicians and physicians just exiting residency believe that hospital work offers them security and predictability over owning or co-owning a private practice (*Harris, 2010, March 26*). These medical practitioners are interested in preserving their livelihood. Meanwhile, patients are still steadfastly focused on the most capable specialists to assist them in an effort to preserve their health. As all of these diverse factors impact SMPs in the United States, a novel approach to SMPs has arisen. This approach has proven successful and can be adapted and applied to SMPs in the emerging markets to ensure future success.

3.2. Specialty medical practice marketing drivers in the United States

In order to understand the SMP model that has proven successful in the United States, we first need to understand the differences between SMP marketing and general marketing. Undocumented differences exist within SMP marketing and general marketing. Gaining a robust understanding of these differences is one of the primary ways this research can be used to assist SMPs in the emerging markets. To do this, we must first examine how patients of SMPs differ from consumers of other types of services in the United States. Then we can compare the patient's situation in the United States to those in the emerging markets to understand what drivers differ and how to proactively approach the changing medical landscape in the emerging markets as an SMP.

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