



5 REASONS YOU NEED TO **START THINKING** LIKE A RETAILER

Smart healthcare systems are adopting practices long used by retailers to prioritize markets, evaluate sites and forecast potential.

Matt Montgomery, Senior Vice President, Buxton



THINKING LIKE A RETAILER

For many years, retailers and restaurants have used a wealth of available consumer and trade-area data to find, study, and market to their customers and prospects.

When it comes to real estate strategies, successful retailers use multiple data sets with increasing precision to determine the best sites to place new locations based on their potential for revenue growth.

For healthcare system leaders, the story is slightly different. While data sets are increasingly part of their decision-making toolbox, the truth is that the resulting modeling and analytics aren't typically as sophisticated as those of the retail sector. In fact, many health system leaders continue to "go on their gut" when it comes to site selection and network optimization.

Are you missing an opportunity?





THE CHALLENGES AND COMPLEXITY OF HEALTHCARE

While delivering healthcare today is arguably far more complex than traditional retailing, healthcare systems have become more “retail” in nature as market dynamics require providers to expand ambulatory strategies and patients demand more convenience. Hospital-based networks, HMOs, private practices and multispecialty groups are under tremendous pressure to grow their available access points.

Healthcare organizations of all stripes are vying for patients — patients who’ve been hit with a 10.8 percent increase in health insurance spending from 2008 to 2010 alone, according to the Bureau of Labor Statistics. Many patients are frustrated with having to spend more on healthcare, considering they’ve faced year-to-year increases for both healthcare and health insurance for well over a decade.

The similarities between healthcare providers and retailers can no longer be ignored.

In the face of industry consolidation, many healthcare enterprises struggle to effectively integrate practice acquisitions into their networks. Practice mixes by facility need to remain fluid to better serve the community. Government healthcare policy decisions, including looming healthcare reform and patient privacy requirements under the Health Insurance Portability and Accountability Act (HIPAA), further complicate the picture.

These market forces render the process of strategic planning — including making the best site location, specialty-service mix and marketing decisions — complex. To ease the process, here are five methods for adopting retail strategies as part of your planning and marketing:



ONE:

THINK OF THE PATIENT AS A CUSTOMER



“Successful retailers don’t move on gut instinct alone; data is a significant part of their playbook...”

As a retail customer yourself, you know how important convenience and accessibility are on your purchase path. Consider the space in the corner of the mall that goes unrented because it’s a mere 30 steps out of the way. Not only does location matter; it’s a game of inches. Now substitute “patients” for “customers” and you can begin to imagine how the same rules of retail apply to healthcare.

Successful retailers don’t move on gut instinct alone; data is a significant part of their playbook, especially when it comes to identifying geographies where core potential customers lie. When you apply this concept to healthcare, the importance of trade-area characteristics, such as ease of

access to a clinic, drive time and distance from the highway, becomes clear. The same goes for demand data, such as the propensity for households within a reasonable drive-time radius to utilize the specific services being offered.

Major retailers sift through data, weigh their own knowledge against the numbers, and look into the future with predictive modeling based on selecting the right data to define site potential. It’s not wizardry; it’s smart, strategic site selection. These retailers also know how to appeal to prospects and customers by mining data, including many types of household information, to create targeted, even personalized marketing communications. Likewise, patients and prospective patients can be found and easily targeted in household-level data. For example, psychographic information, including lifestyle choices, behaviors, healthcare and media preferences, add insight into healthcare site location and marketing.



TWO:

DETERMINE THE BIG PICTURE WITH BETTER MARKET PLANNING

In the long term, strategic planning assesses where your healthcare organization is today and points the path to the future, whether five, 10 or even 20 years down the road. Just as it does for retailers, routinely incorporating the science of data analysis into the planning process helps you reduce capital risk. Such plans, backed by analytical tools, can arm you and your team of decision-makers with the big picture to better understand your markets. The process of formulating future facility and service placement, for example — whether by region or in individual markets — becomes less of an exercise on paper and more of a science with a better success rate.

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Patient and facility information, household demographic and psychographic data, and trade-area characteristics can help you get there. You can leverage this data in the planning process to identify trade areas with promising growth opportunities and also optimize your existing ambulatory facilities. Market assessments of these existing locations inform the process. After creating an action plan and identifying priorities for each market, you can then begin to implement plans.



Start by conducting simple assessments of each facility with scorecarding to determine benchmarks.

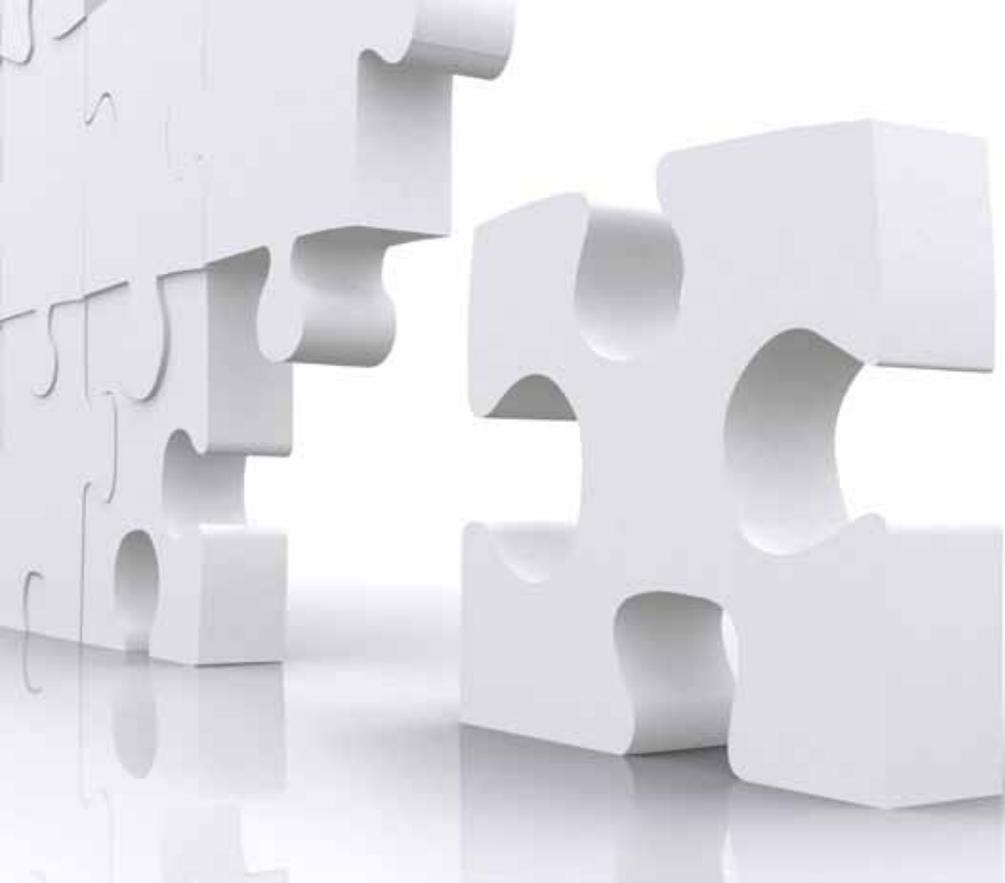
Market planning allows you to easily identify opportunities to improve the healthcare experience for patients and improve the workplace for medical professionals. Start by conducting simple assessments of each facility with scorecarding to determine benchmarks.

Consider conducting these types of evaluations, using a rating system from one to five for each element:



- **Market assessment:** Evaluate the condition of each ambulatory location, including exterior conditions, from landscaping to building condition; interiors such as the furniture and paint; patient flow; and mechanical systems, such as HVAC systems. Also, evaluate the entire staff and how they interact with patients from the very first contact to every subsequent contact.
- **Real estate placement:** Evaluate what goes on around the clinic or facility, including accessibility, visibility from the road, signage, availability of parking by time of day, and co-tenant desirability. Remember: Perception is reality. Even the condition of plants in the waiting room can make a measurable impression.

THREE:
USE GREAT
“PACKAGING” TO
MAKE A LASTING
FIRST
IMPRESSION



FOUR:

PUT IT ALL TOGETHER

DATA + LOCAL
MARKET KNOWLEDGE
= INSIGHTS

Taking a cue from retailers, you can identify, profile and segment your patients before signing leases, breaking ground or shifting services from one location to another. Retailers know the objective power that is created by mixing data types, such as “point-of-sale” information with demographic and psychographic data, to optimize product offerings by store. Similarly, in the healthcare world, opportunities for powerful analytics can be created by combining data sets.

Where are your patients and prospective patients located? What kind of lifestyle and behavioral segments do they fit into?

Patient analytics take into account the behavior of your current patient base to forecast the utilization behavior of potential patients. To make high-level, specific decisions regarding facilities and services, you can combine your organization’s data (such as facility and patient encounter data) with other meaningful data sets (from financial to demographic to psychographic) applied with proven research techniques. These analytical tools are the foundation of predictive modeling that essentially queries databases to profile the who, what and where of your patients and prospects. Combined with local market knowledge, these tools and practices enable you to locate, configure and staff facilities that fully serve your organization and its communities, and positively affect patient outcomes.





FIVE: OPTIMIZE DON'T CANNIBALIZE

Predictive modeling can help you hypothesize and evaluate any number of scenarios within your potential markets.

Retailers are also experts at understanding the potential for “cannibalization” in a market. For example, a big-box retailer introducing five new stores to a market where it already has a 15-store footprint could erode sales.

Just like retailers, healthcare systems can avoid deterioration of revenues and patient bases using predictive modeling to optimize networks. Such modeling is invaluable in forecasting the impact of relocation, consolidation or expansion of facilities within an existing market. Predictive modeling can help you hypothesize and evaluate any number of scenarios within your potential markets.

Your Next Move

By adopting these practices commonly used by retailers for strategic site selection, service placement and marketing, you can predict outcomes and make decisions with greater precision, and ensure measurability. Such a move ultimately leads to successful growth and optimization for your healthcare networks, improving both bottom-line performance and patient outcomes.



For more information, call Matt Montgomery at Buxton at 1-888-2BUXTON (888-228-9866), visit www.buxtonco.com or email us.

