

# Institutionalization of Marketing in Hospitals in the Czech Republic

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## Abstract

This paper deals with the specifics of marketing management in hospitals and the role of marketing in hospitals in the Czech Republic. Its goal is to present marketing as a tool enabling hospitals to compete in an open market. Nowadays, hospitals increasingly realise that there is a need for marketing management in health care services. The importance of marketing management is then represented by the institutionalization of marketing by means of establishing marketing departments or appointing people to deal with marketing and marketing management. This paper presents the results of a project financed by the Internal Grant Agency of FaME TBU No. IGA/FaME/2012006 - Research and application of the marketing management tools in the health care management considering reforms in the health sector.

*Keywords: Health Care, Hospital, Marketing, Marketing Department, University Hospital, Stand-Alone Hospital, Health System*

## 1. INTRODUCTION

The term hospital, as a type of health institution, is not defined in any legal standards. Act (no. 372/2011 Sb., Česko, 2011) states 3 basic terms that are related to hospitals in the sense of health institutions.

- **Health care establishment**, which means a facility where the health care is provided.
- **Health care provider** is described as a natural or legal person authorised to provide health care services in accordance with a law act.
- **University Hospital** is the only type of health institution that is specifically defined in act no. 372/2011. In accordance with the act, a university hospital is a government funded institution that provides health care services, undertakes relevant scientific research or development activities and provides facilities for education and clinical practice.

According to Gladkij et al. (2003), a hospital is “an inpatient medical establishment licensed to provide health care, owns a certain number of beds, has an organised team of medical professionals with relevant qualifications and is continuously able to provide medical and nursing care services”. In a hospital, the emphasis is not placed on out-patient care but rather the mission is to treat patients with such conditions which do not allow for out-patient treatment.

### 1.1 Specifics of marketing management in health care establishments and hospitals

The American Marketing Association (2007) defines marketing as “the activity, set of institutions, and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large”.



According to Kotler & Armstrong (2009) marketing is “a social and managerial process by which individuals and organizations obtain what they need and want through creating and exchanging value with others”.

Due to the nature of health care services, its specific economics as well as opinions and attitudes towards the health care, it is not possible to apply common tools used in the environment of economic competition as these specifics have to be respected. The main reason for the complexity of the marketing management in the health care sector is the differentiated structure of health care organizations, of which some operate as business subjects while others are non-profit-making organizations.

According to Zlámál (2004), the fundamental characteristics that differentiate the health care services in general from the other economic fields are the primary aims to help others, the aspiration to save human life and to improve the quality of life. However, those are very difficult to grasp and any measurement, from an economic point of view, is highly problematic.

Buckley (2009) defines marketing in the health care sector as self-education with the aim to find the needs and requirements of potential clients. Consequently, we will attract those clients if we are able to offer the required services when needed, at the right time and in the right place.

Winston (1985) defines marketing in health care sector as a discipline that helps us understand:

- Functioning of current marketing services
- The role of health care institutions in providing the health care services
- Mechanism for balancing the capacity of establishment with service demand
- The way to establish the level of client satisfaction

Winston (1985) also defines the initial assumptions when applying marketing strategies in health care:

1. In the health care sector a client is a patient.
2. A patient's recommendation is the biggest marketing success of the health care establishment's marketing.
3. Every health care institution has to evaluate the effectiveness of their services regularly and must not assume the fact that having clients using their services means that they are indeed satisfied.
4. Marketing is a useful management tool but it cannot offer solutions to all problems related to the effective management of a successful organisation. It has to be complemented by financial management, human resource management, strategic planning and economic analyses.

If we were to apply a definition of marketing in the health care sector to hospitals, we could state that hospital marketing is the process of recognizing the needs and requirements of clients, anticipating demands and reacting and meeting requirements in such a manner that brings both client satisfaction as well as ensuring the effective financial management of the hospital. According to Gladkij (2003) the focus of marketing management is mainly to establish long term goals in regards to expected external economic trends.

Competition in the hospital market provides the groundwork for the application of marketing management and marketing tools in this field. According to Hoffmann, Grossterlinden, Rueger

& Ruecker (2012) the marketing has to be focused on the stakeholders needs. Concomitant factors are patient satisfaction, the establishment of cooperation networks and the improvement of the quality of health care. Hibbard, Stockard & Tussler (2003) state that due to competition in the market hospitals are motivated to improve the quality of the service. Maeda & Lo Sasso (2011) endorse the statement by declaring that hospital strive to keep their share of patients in the competitive patient market.

## 1.2. Marketing department and its role in the process of the hospital management

Many authors such as Schroeter (2010), Alam & Granderson (2008), Herald (2008), Sermeus (2001) and others address the issue of the organizational structure of hospitals and its effectiveness.

However, it is important to understand that marketing represents a philosophy that has to be adopted by the whole organisation. Therefore, it is apparent that integrating marketing activities within the organizational structure of a hospital together with defining competencies and responsibilities is the first step when implementing this philosophy. According to Buckley (2009, s. 43-44), the main questions to be asked when introducing marketing to the hospital management are:

- What is the appropriate size of a marketing department for our hospital?
- Is it appropriate to separate planning and marketing or should they operate within a one department?
- What is the most suitable structure of marketing department?
- How much money will be needed to finance our marketing program?

The other attributes that have to be considered are:

- What activities will be carried out by the marketing department?
- How will the co-operation with other departments be outlined?
- Will a marketing manager be directly accountable to the hospital director or to the manager of the financial department or other?

Answers to these questions are not straightforward. They are influenced by both the internal and external environment of a hospital.

- How big is our hospital? How wide is the spectrum of our services?
- Who are our competitors? Are we a unique hospital or do we provide widely available services?
- What is our image?
- In which state of its life cycle is the service that we provide? Are we presenting a new approach?
- What is our mission, vision and goals? Do we strive to increase our share of the market, improve our image and hold our position in the market? What is our strategy?
- How are we integrated into the health care system? Are we a university hospital accountable to a government ministry? Are we one of the health care holding hospitals?
- What are our financial resources?

## 2. INSTITUCIONALIZATION OF MARKETING IN HOSPITALS IN THE CZECH REPUBLIC

### 2.1 Role of hospitals in the health care system in the Czech Republic

The basic classification of stand-alone hospitals and hospital network has been used for the purposes of the initial analysis of the hospital system and its structure. As university hospitals play a special role in the hospital system in the Czech Republic, they have been studied as a separate category.

- a) University hospitals – are defined by law act no. 372/2011 Sb. as government institution funded by ministry departments. University hospitals provide health care services and undertake scientific research or development activities as well as provide facilities for education and clinical practice.
- b) Stand-alone hospitals – these include two types of hospitals: acute health care hospitals and hospitals with chronic beds. In accordance with the Ministry of Health information (MZCR, 2012) the average treatment time is no longer than 30 days in the acute health care hospitals while the hospitals with chronic beds provide care for long term patients who require treatment, which is on average above 30 days.
- c) Network hospitals - Šebestová (2010) states that the main advantages of network hospitals for the hospitals themselves are the intergration of related surgical and general medical fields and most of all the improved specialized medical care and access to new methods of treatment for a patient. Currently, there are 44 hospitals in the Czech Republic that belong to the group of the health care holdings which, according to Šebestová (2010), benefit from this partnership by reduced medication and medical supplies costs and through the optimization of the range of health care services.

According to the Institute of Health Information and Statistics of the Czech Republic (UZIS, 2012) the situation in the Czech Republic on the day of 30.6.2012 is as follows: there are 187 accredited hospitals, of which the highest amount (27 hospitals) are in the Capital of Prague region followed by the Central Bohemia region with 25 hospitals and the lowest amounts with 6 and 5 hospitals respectively are in Vysočina Region and in Karlovy Vary Region (see Fig. 1).

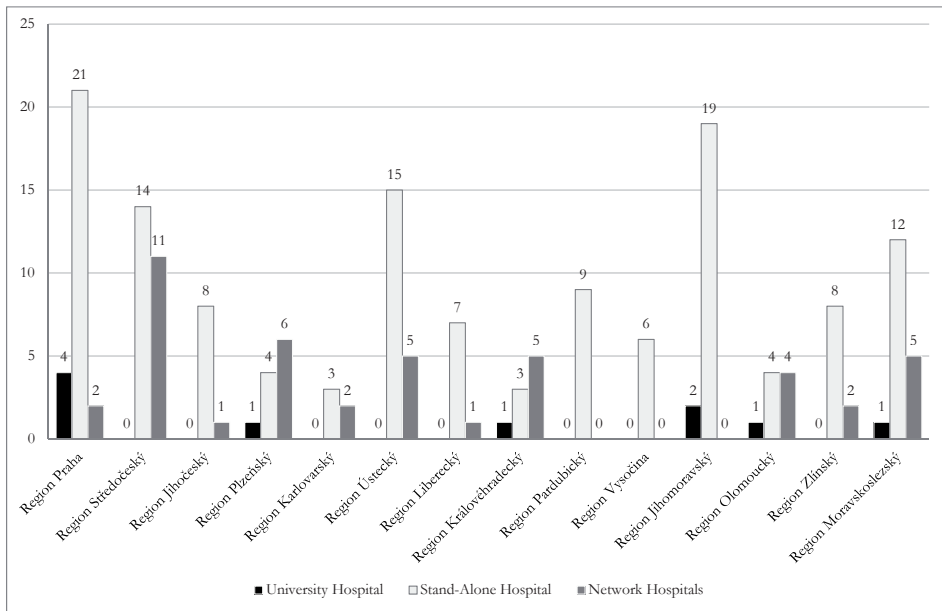


Fig. 1 – The number of hospital in the Czech regions. Source: UZIS, 2012.

Hospitals can be also classified according their founder

- a) founder ministry,
- b) founder regional, city or municipal administration,
- c) founder church,
- d) founder other legal body.

On 30.6.2012, a total of 120 hospitals founded by other legal body were registered in the Czech Republic, which accounts for 64% of all hospitals. A further 40 hospitals (21%) were founded by the regional, city or municipal administration, 24 hospitals (13%) were founded by ministry, of which 19 were established by the Ministry of Health, 3 by the Ministry of Defence and 2 by the Ministry of Justice. The remaining 3 hospitals (2%) were founded by the Church (see Fig. 2).

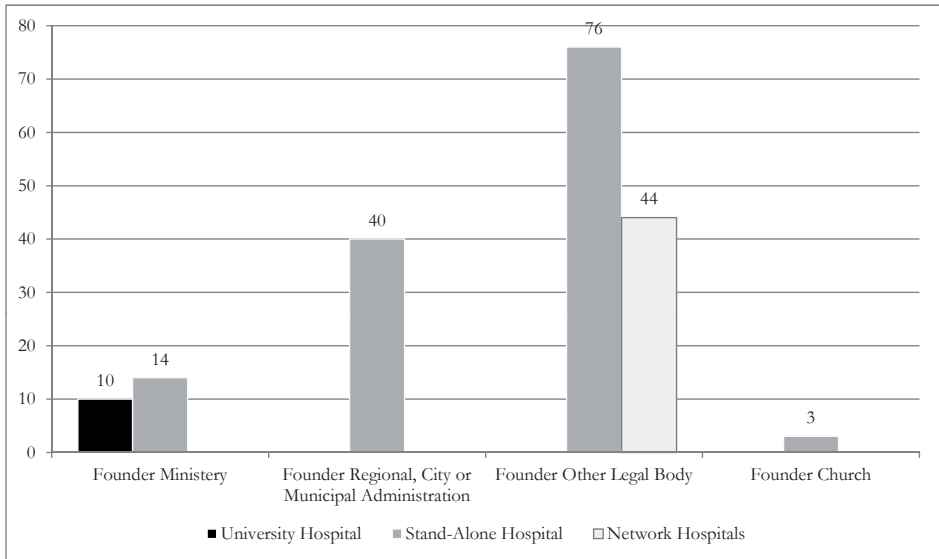


Fig. 2 – The number of hospital in the Czech Republic by founders. Source: UZIS, 2012.

## 2.2 Research Goals, Methodology and Sample Characteristics

The aim of the research carried out by the Faculty of Management and Economics was to analyze, through quantitative and qualitative research methods, a competence level of marketing and marketing management in hospitals in the Czech Republic. The main purpose of this paper is to present the organizational structure of marketing and the marketing activities in hospitals.

The research was conducted in 3 stages:

a) The first stage of the research took place from 1.1.2012 till 31.3.2012 with the aim to identify the key elements in the market in relation to hospital marketing management. Complex information was collected from 161 hospitals in the Czech Republic, including the following data relevant to the research presented:

- Name and type of hospital, owner, location of the hospital – region and municipality
- The manner of dealing with marketing matters, by means of a marketing department or a marketing operative, or any other approach
- Organizational structure, integration of marketing into the organizational structure
- Presence and activities of a spokesperson and ombudsman

The source of information was primarily annual reports, hospital web pages and internal hospital documents.

Tab. 1 - Sample characteristics of the secondary research. Source: own survey.

| Sample Characteristics |  | N   | %   |
|------------------------|--|-----|-----|
| Type of hospital       | University Hospital                                | 10  | 6%  |
|                        | Stand-Alone Hospital                               | 108 | 67% |
|                        | Hospital Network                                   | 43  | 27% |
| Founder                | Founder ministry                                   | 20  | 12% |
|                        | Founder church                                     | 2   | 1%  |
|                        | Founder Regional, City or Municipal Administration | 34  | 21% |
|                        | Founder other legal body                           | 105 | 65% |

b) From 1. 4. 2012 do 31. 5. 2012 a total of 187 hospitals were asked to take part in a survey. The questionnaire response rate was enhanced by direct communication with hospital employees which resulted in 60 questionnaires filled in by the hospital managers thus providing further information about the role of marketing management.

The questionnaire, with regard to the focus of the paper, mainly covered the following fields:

- General opinion on the importance of hospital marketing management
- Utilization of marketing management tools in hospitals
- Institutionalization of marketing activities in hospitals

Tab. 2 - Sample characteristics of the primary research. Source: own survey.

| Sample Characteristics |  | N  | %     |
|------------------------|--|----|-------|
| Type of hospital       | University Hospital  | 6  | 10%   |
|                        | Stand-Alone Hospital                                       | 50 | 83%   |
|                        | Hospital Network   | 4  | 7%    |
| Founder                | Founder ministry   | 7  | 11,5% |
|                        | Founder church, Regional, City or Municipal Administration | 28 | 47%   |
|                        | Founder other legal body                                   | 25 | 41,5% |

c) Based on the results of the first and second researches semi-structured interviews were carried out with 5 hospital directors and with the representatives of marketing or financial departments between 1.11.2012 and 15.2.2013. Concerning the focus of the article, two ranges of problematic matters were discussed during the interviews.

#### General issues of the marketing management

- The role of marketing in hospital management in the current circumstances of the Czech Health Care system
- Role of a client in the Health Care system
- Role of an ombudsman and a spokesperson in the Health Care system

### Organisation of the marketing management of the particular hospital

- Allocation of competencies and responsibilities in the marketing proceedings
- Role and structure of the marketing proceedings
- Role of a spokesperson

Tab. 3 - Sample characteristics of the in-dept interview. Source: own survey.

| Number of Hospital | Type of hospital     | Founder             | Owner                   |
|--------------------|----------------------|---------------------|-------------------------|
| 1                  | University Hospital  | Ministry of Health  | Ministry of Health      |
| 2                  | Stand-Alone Hospital | Other Legal Body    | Regional Administration |
| 3                  | Stand-Alone Hospital | Other Legal Body    | Regional Administration |
| 4                  | Network Hospital     | Other Legal Body    | Other Legal Body        |
| 5                  | Stand-Alone Hospital | City Administration | City Administration     |

### 2.1 Research Goals, Methodology and Sample Characteristics

The following assumptions were defined within the framework of the survey:

H<sub>10</sub>: The use of a marketing department for market problem solutions is independent of the hospital organization type.

H<sub>20</sub>: The use of a spokesman is independent of the marketing department in a hospital.

## 3. MAIN RESULTS

Research activities carried out by the Faculty of Management and Economics confirmed, that due to current circumstances in the Health Care system, the role of marketing in hospital management is increasing and that senior managers in hospitals acknowledge the necessity of adapting to the present situation by acting as a market subject. 90% of hospital managers agree that a marketing orientated organisation is required in the hospital management at the present time. 10% of hospital managers consider marketing unnecessary in the field of hospital management and none of the respondents answered that marketing is generally needless.

The research also revealed that 22% of all hospitals have an independent marketing department, 28% of hospitals have a marketing operative, who dedicates his or her work to marketing, in 42% of hospitals marketing is ensured by people in senior management positions and 8% of hospitals are not engaged in any marketing at all. (see Fig. 3).

With respect to the type of hospital, 50% of University Hospitals have an independent marketing department and the other 50% of University hospital marketing is provided by the hospital's marketing management. As for the other types of hospitals, marketing departments exist in 11% of stand-alone hospitals and in 49% of hospital network (see Fig. 4).



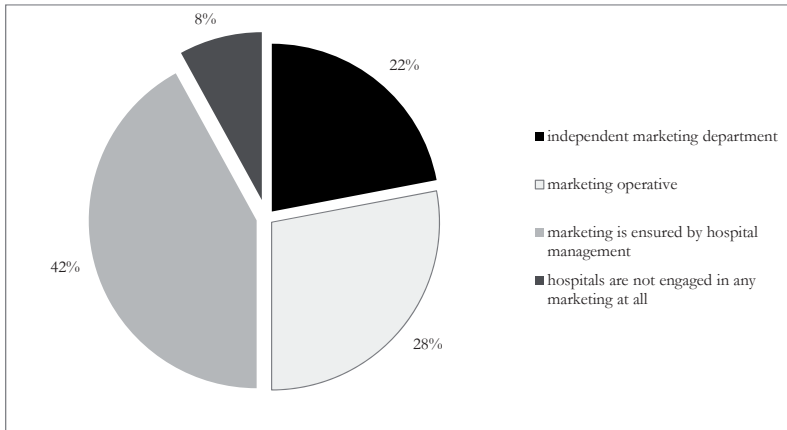


Fig. 3 – Institutionalization of hospital marketing. Source: own survey.

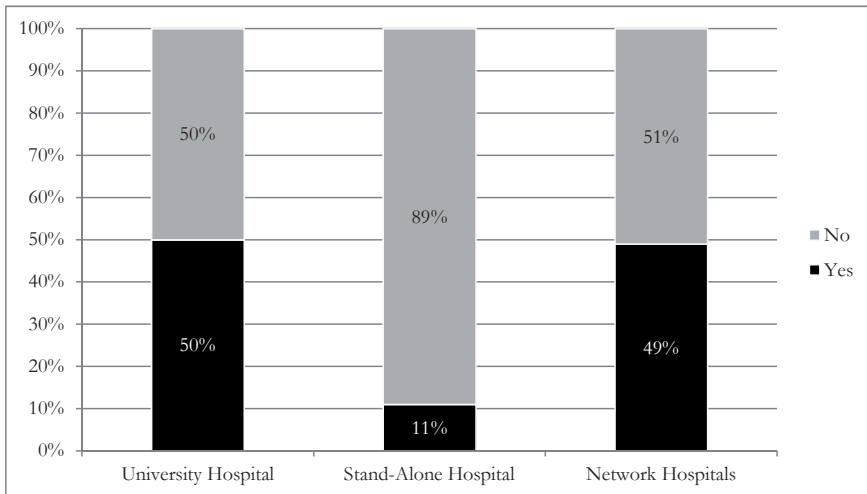


Fig. 4 – Do you have a marketing department? Source: own survey.

Is it apparent from the research results that the responsibly for the marketing in the hospitals in the Czech Republic is most frequently undertaken by the departments of Marketing and Public Relations – 33%, followed by independent Marketing departments – 14% and the departments of Customer Relationship Management – 14% , and finally by the departments of Public Relations – 11%. Other department titles included:

- Department of Sales and Marketing
- Department of External Public Relations and Communications
- Department of Communications and Public Relations
- Department of Communications and Promotions
- Department of Contingency Planning

- Department of Contingency Management
- Department of Sales, Marketing and External Public Relations
- Department of Marketing, Purchasing and Public Contracts
- Department of Education, Marketing and Public Relations

The interviews with members of hospital management revealed that when they stated that they have an appointed marketing operative, they refer, in most cases, to a hospital spokesperson who does address marketing issues, however, mostly only the ones centered upon marketing communications. Some of the hospitals organize their marketing through outsourcing, but it has become clear from the in-depth interviews that such arrangements are only a temporary solution and that their plan is to build their own independent marketing department that will be integrated within the hospital's organizational structure.

As stated above, a spokesperson plays an important role in hospital marketing. His task is to fulfill the hospital's goals and mission with regards to its surrounding environment and he is the key person who communicates with the media and partners. The position of a spokesperson has been established in a total of 37% of hospitals. University hospitals show the best score of 70%. The post of a spokesperson exists in 67% of network hospitals, of which 7 hospitals have their own spokesperson and 22 hospitals use the services of a spokesperson within the framework of a parent company or of a corporate hospital holding spokesperson. Only 29% of stand-alone hospitals have a spokesperson and as one of the hospitals states, the position only existed at the time of the hospital crisis (see Fig. 5).

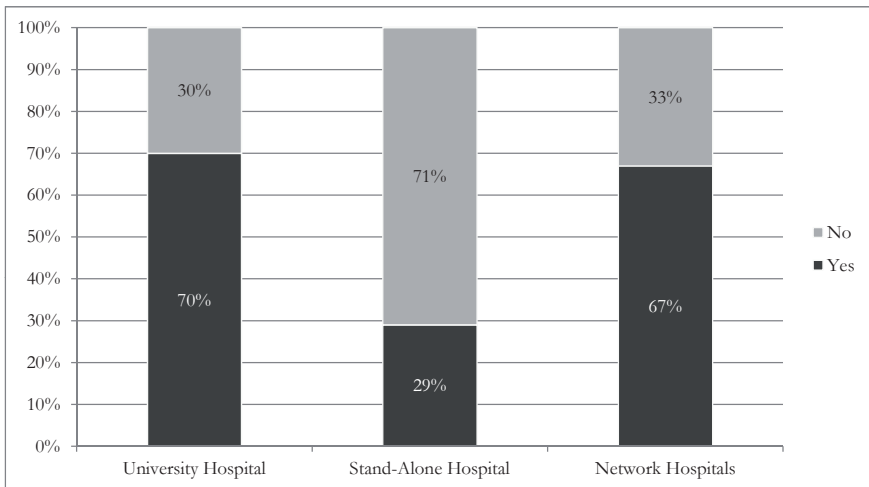


Fig. 5 – Do you have a hospital spokesman? Source: own survey.

As many of the hospitals do not have an independent marketing department, or it is included in a joint department with multiple competences, it was difficult to define the activities of marketing departments in hospitals. Nevertheless, a list of common hospital marketing activities has been compiled and outlined using the data collected during the interviews with hospital directors.

Unfortunately, regarding marketing, the declared activities are usually limited to public relations matters and advertisements and rarely consider the broader perspective of hospital marketing management:

- Formulate and upgrade the advertising and public relations strategies
- Develop plans for advertising and public relations, observe and report the implementation of a plan, monitor responses to promotional activities
- Direct the external hospital communications, organize meetings of hospital representatives with regional and public authority representatives as well as meetings with sponsors
- Direct the internal hospital communications, ensure the information on the Internet and the internal information systems are updated (including of information boards and notice boards etc.)
- Organize patient and employee satisfaction surveys, process questionnaires and report results to management
- Participate in creating the hospital web pages and ensure that the information is updated
- Provide information to the media, mediate contact between directors or medical specialists and the media when required
- Arrange and organize press conferences during important and special events or at anniversaries, prepare and distribute press statements
- Regularly monitor current affairs in newspapers and on the Internet
- Participate in creating promotional materials for the general public
- Be responsible for publishing a hospital magazine
- Ensure operations and communications in times of crisis

The appointment of a hospital Ombudsman, as a legal representative of patient rights, is a new trend that is proving to be beneficial to hospital management. The duty of an Ombudsman is to aspire to improve communications between patients, family members and hospital employees. He also helps to handle issues related to treatment, deals with complaints and seeks resolutions for all parties involved. There are currently 8 Ombudsmen representing patient rights in hospitals in the Czech Republic, of which 5 operate in University hospitals and 3 in stand-alone hospitals.

By using Pearson's chi-square we assessed a comparison – test of independence. A test of independence assesses whether paired observations on two variables, expressed in a contingency table, are independent of each other.

The value of the test-statistic is (1)

$$\chi^2 = \sum_{i=1}^r \sum_{j=1}^s \frac{(n_{ij} - n_{ij}^*)^2}{n_{ij}^*};$$

$\chi^2$  = Pearson's cumulative test statistic;

$n_{ij}$  = an observed frequency in a given contingency table;

$n_{ij}^*$  = an expected (theoretical) frequency, asserted by the null hypothesis;

$r$  and  $s$  are the number of rows and columns in the table, respectively.

The Pearson's contingency coefficient is one method used to provide an easier way to interpret the measurement of the strength of an association. (2)



$$P = \sqrt{\frac{\chi^2}{\chi^2 + n}}; \quad P \in (0;1)$$

$P$  = Pearson's contingency coefficient

$\chi^2$  = the chi-square test statistic given above

$n$  = the total sample size (Klimek, Kovářík, 2011)

**Problems:**

H1<sub>0</sub>: The use of a marketing department for market problem solutions is independent of the hospital organization type.

$$\chi^2 = 28,39555 \quad p\text{-value}=6,82E-07 \quad P = 0,14992$$

*Conclusion:* With 5% data accuracy, the dependence of the use of a marketing department for market problem solutions of the hospital organization type was not proven.

H2<sub>0</sub>: The use of a spokesman is independent of the marketing department in hospital.

$$\chi^2 = 32,7544 \quad p\text{-value}=1,04E-08 \quad P = 0,16905$$

*Conclusion:* With 5% data accuracy, the dependence of the use of spokesman in the marketing department of a hospital was not proven.

## 4. CONCLUSION AND DISCUSSION

Currently, we can say that hospitals recognize their position in competitive market environments and are prepared to react to the situation by applying marketing tools commonly used in the product market.

The results of the research carried out by the Faculty of Management and Economics confirmed that there is a link between the type of hospital and the institutionalization of marketing. According to the results of the studies carried out by the Faculty of Management and Economics it is clear that the necessity of the institutionalization of marketing management is mostly understood by University hospitals. This is evident by the fact that marketing departments exist in 50% of University hospitals, the position of Ombudsmen and spokespersons have been established in 50% and 70% of University Hospitals respectively. The level of the institutionalization of marketing in a hospital network is also reasonably high. Even though none of the network hospitals employ an Ombudsman, marketing departments exist in 49% of Network hospitals and 67% Network hospitals employ a spokesperson. The lowest level of the institutionalization of marketing management is in stand-alone hospitals where marketing departments exist in 11% of them and 29% of them employ a spokesperson. The position of an Ombudsman exists in 3% of stand-alone hospitals (see Fig. 6).

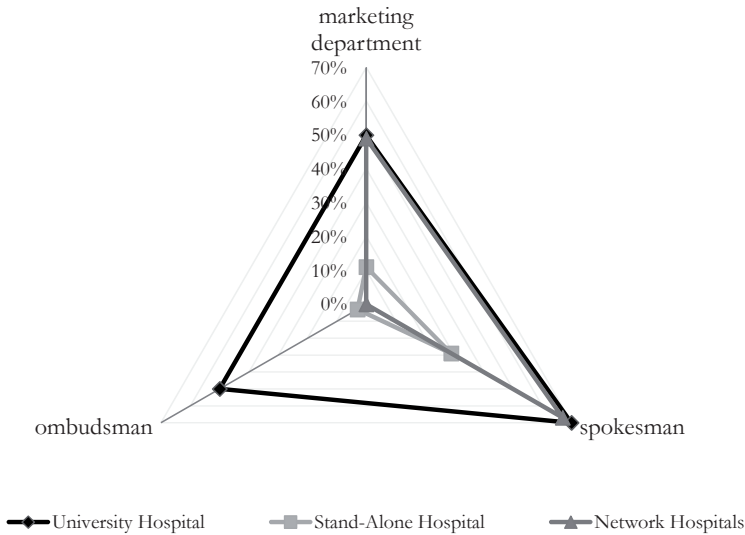


Fig. 6 – Institutionalization of marketing in hospitals in the Czech Republic. Source: own survey.

Finally, it should be emphasized that applying marketing management principles merely by the hospital management is not enough. It is fundamental that all hospital employees understand the importance of marketing management and a client orientated approach. This is the only way to gain advantage amongst the competition and become a sought-after hospital by patients at times when they require hospital services.

#### Acknowledgements:

Authors are thankful to the Internal Grant Agency of FaME TBU No. IGA/FaME/2012006 (Research and application of the marketing management tools in the health care management considering reforms in the health sector) for financial support to carry out this research.”

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