



SPECTRUM

Society for Healthcare Strategy and Market Development®

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Marketing

Tracking ROI with Traditional Marketing Tools

Measuring return on investment can help you prove the value of your marketing efforts and prioritize your marketing investments. Follow the tips below to get started.

In healthcare marketing, return on investment (ROI) is the measure of investment in a marketing activity compared with how much your hospital has profited from that activity over a period of time. Measuring ROI can help hospital marketers make marketing projections, prioritize marketing investments, prove that marketing is generating new business, and attain bigger marketing budgets. No matter which way you calculate ROI (see sidebar), it takes work.

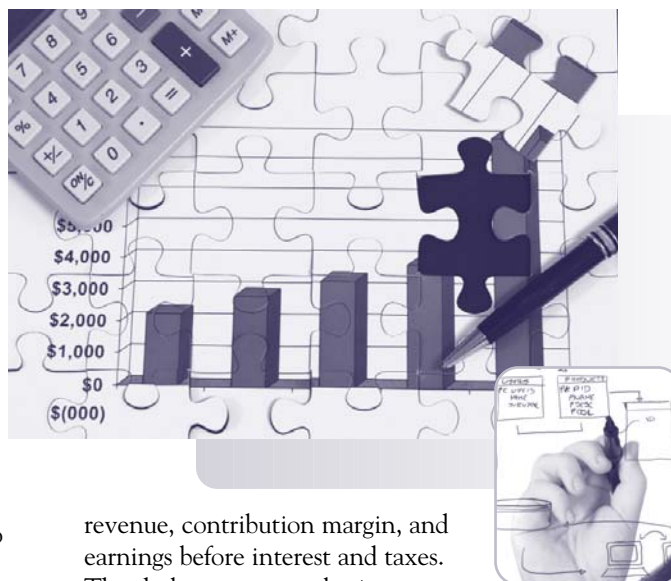
Tenet Healthcare Corporation and Coffey Communications, Inc., teamed up to tackle measuring ROI from day one of the rollout of Tenet's consumer publication, *Healthy Visions*. Using this traditional direct-mail community magazine, Tenet has seen ROI in excess of four to one for its marketing efforts.

How do you get there? It starts with a plan and plenty of preparation.

Do Your Homework

Know your business. Before launching into any ROI measurement program, have a clear understanding of your organization's market environment. Take time to do a SWOT analysis—analyzing your organization's strengths, weaknesses, opportunities, and threats—and your ROI data will be much more reputable and useful. This includes a thorough analysis of your organization's internal and external environments as well as its financial, profitability, and market share data.

At Tenet, which owns and operates 64 hospitals in 12 states, hospital profitability is reviewed by geographic area. Tenet focuses on data showing which of its area hospitals are dominant in any market, which of the area's ZIP codes are best represented in its patient base, and which ZIPs represent the best



revenue, contribution margin, and earnings before interest and taxes. That helps to create a business strategy that serves as a foundation for all of the system's marketing and tracking efforts.

Know your customers. As part of your overall analysis, study your existing and potential customers. Having a keen understanding of what your customers will respond to is just as vital as a sound marketing strategy.

In Tenet's case, research indicated that direct mail was the best method to engage existing and potential customers. Customer perception studies in six Tenet hospital markets all yielded the same result.

To track and prove ROI, two essential systems must be in place and fully operational:

- A consistent method to capture response, such as a call center, a dedicated phone line, or a website.
- The ability to compare your response data with downstream patient revenue.

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Market Development
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The editorial office is located at:

One North Franklin, 28th Floor
Chicago, IL 60606
Phone: 312.422.3888
Fax: 312.422.4579
E-mail: stratsoc@aha.org
Website: www.shsmd.org

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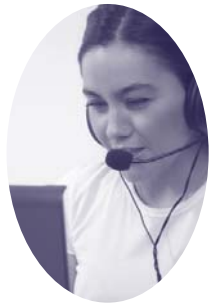
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Tracking Response Through a Call Center

Call centers are an increasingly affordable and profitable way of handling customer contacts. Tenet's robust use of its call center to handle marketing calls is a result of a well-designed and executed partnership. Tenet hospitals collect name, address, phone number, and basic demographic information for every caller. For more specific interests, scripts are developed for call center staff.



To make the most of your call center partnership:

- Help your call center representatives understand you. Periodically provide summary sheets and FAQs addressing your hospital's size, mission, local products, and services.
- Give call center representatives ample notice about promotions. Provide them with your ads, newsletters, magazines, calendars, radio scripts—anything that encourages people to contact you. Include detailed information about audience and timeline.
- Set your goals and keep them visible. Tell your call center partners about your strategic goals and how their work will contribute to success.
- Constantly revise and improve. Ask how calls are going, what information is being collected, and whether your scripts and identifiers are working.
- Speak up quickly and clearly. If a report format doesn't work for you, or if you're not getting the data you need, say so right away.

Tracking Response Without a Call Center

You're not alone if your hospital doesn't have a dedicated call center. Many hospitals handle their own calls. It means more work initially for the marketing department, but it pays off when customers are satisfied with the personal attention they receive.

If you don't have a call center:

- Limit measurement to interactions that are related to your strategic objectives. If boosting traffic to your cardiology group is a priority, for example, don't be sidetracked by the number of birthing tour reservations received.
- Designate a single, dedicated phone number or website for all responses.
- Standardize call etiquette, policies, and training. What information should be collected from every interaction? How and where should it be recorded? These questions and more should be considered.
- Make your tracking efforts a regular topic of discussion with employees. Provide examples of how customer response is handled and tracked throughout your organization, and how management uses the data.
- Regularly audit your automated tools, such as voice-mail boxes or answering machines, to standardize your messages and ensure that the technology is working properly.

Response Versus ROI

Keep in mind that response is not ROI; there are big differences between the two. Response is the activity that is generated by a specific marketing initiative. If you received a good response to a newsletter article on diabetes management, for example, you're implying that you generated a positive level of activity from the piece.


Return on investment is the actual payoff you received from that activity. If the good response to the diabetes article resulted in dollars generated (or saved) through your diabetes management department, you have the information you need to calculate ROI.

Your organization's finance team is a vital link in your efforts to calculate ROI. Before you put your response tracking and ROI measurement systems into use, sit down for a frank conversation with your CFO about what you will need to measure and how your data will be interpreted. You may be spinning your wheels if you do not first get a good understanding of what will be accepted in your marketing reports.

Tenet has developed generally accepted parameters for how data are categorized. For example, a new patient is defined as one who has not been in the system for three years. ROI calculations are adjusted for existing market share. In addition, the finance and marketing departments have agreed on how to calculate downstream revenue for a patient who uses many different services.

As part of your preparation process, find out which ROI calculation will be most useful and how results will be presented. Most finance experts express ROI as a percentage. It is important to negotiate with your CEO and CFO and achieve common understanding on key points like these.

For more resources on tracking and measuring ROI, visit www.proveROI.com. There you'll find:

- A 13-point marketing assessment checklist to help you determine how to market programs and services.
- Industry studies and helpful data resources.
- Links to organizations that can provide further insight into ROI and marketing communications.
- An opportunity to interact with the authors in a Q&A section. 

Written by:

Carol Britton, APR

Manager, Corporate Communications
Tenet Healthcare Corporation, Atlanta, GA

770.989.4503

e-mail: carol.j.britton@tenethealth.com

www.tenethealth.com

Jodi Wagner

Director of Client Planning and Strategy Services
Coffey Communications, Inc., Walla Walla, WA

509.525.0101

e-mail: jwagner@coffeycomm.com

www.coffeycomm.com

Calculating ROI Illustrated

You arrive at ROI by calculating the revenue generated from the response you received. Three formulas are used to calculate ROI:

1. Percentage = (Revenue Minus Expense) Divided by Expense and Multiplied by 100

How to calculate: Subtract your total expense (promotion costs plus staff wages) from the revenue you realized from the promotion. Then, divide that figure by your total expense, and multiply by 100 to arrive at a percentage.

2. Ratio = Revenue Divided by Expense

How to calculate: Divide the revenue you realized from the promotion by your total expense (promotion costs plus staff wages) to arrive at a ratio.

3. Time to Break Even = (Expense Divided by Revenue) Multiplied by Time Period

How to calculate: Divide your total expense (promotion costs plus staff wages) by the revenue you realized from the promotion, then multiply by the measurement time period to arrive at the amount of time needed to break even on promotion costs.

For example, let's say you send out a publication to 40,000 people that cost \$13,000 to produce. Your expenses include the cost of staff time and the actual costs of producing the publication. You receive 900 responses; of these, 200 people come to your facility, generating revenue of \$100,000 over a one-year period.

To calculate ROI as a percentage:
 $([100,000 - 13,000]/13,000) \times 100 = 669$ percent

To calculate ROI as a ratio:
 $100,000/13,000 = 7.7$ to 1

To calculate the time until you break even:
 $(13,000/100,000) \times 12$ months = 1.56 months

These calculations tell you that the return on your marketing investment, expressed as a percentage, was 669 percent. Your profit from the publication, expressed as a ratio, was 7.7 times more than you spent. The time until you broke even was about a month and a half.