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THE MARKETING MIX FOR LOW COST HEALTHCARE

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Abstract

The Indian health care industry has a history of dealing with poor doctor-patient ratio, shortage of medical professionals, poor health infrastructure, and low expenditure on healthcare information technology; steep out of pocket spending (OOP), low health insurance coverage, inadequate government spending, poor access to health care facilities and social stigma related to diseases. The unique mindset and ability for frugality has successfully been applied in offering low cost healthcare of uncompromised quality. While this has been achieved by few innovative entrepreneurs, it is imperative to help the new entrants with the collective experience in dealing with the rural market.

A qualitative study was undertaken. Five Indian organizations, that have earned accolades and awards for successfully innovating for the poor were studied in-depth. The research looked into the challenges faced by the entrepreneurs. The methods and measures that evolved from their operation were analyzed. In order to help marketers learn from the pioneers, the paper has simplified the measures and steps in marketing to the familiar P's of the marketing mix. In healthcare, the product is tied with service and the need is to work on all the 7P's is useful. Keywords: frugal, innovation, entrepreneurship, marketing mix, healthcare.

Keywords: Healthcare; Low Cost; Marketing; Strategy; Entrepreneurs; Innovation.

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1. Introduction

World over the healthcare sector is witnessing a change in investment, innovation and intervention. The developed countries are grappling with issues of aging population, proliferation of chronic diseases, lifestyle based illness, with a rising focus on value and quality.

The Indian health care industry has a history of dealing with poor doctor-patient ratio, shortage of medical professionals, poor health infrastructure, and low expenditure on healthcare

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information technology; steep out of pocket spending (OOP), low health insurance coverage, inadequate government spending, poor access to health care facilities and social stigma related to diseases. India currently faces 'Triple burden of diseases' – Unfinished agenda of communicable diseases, Emerging Non-communicable diseases related to life style and Emerging infectious diseases, NHP (2015) The unique mindset and ability for frugality has successfully been applied in offering low cost healthcare of uncompromised quality. While this has been achieved by few innovative entrepreneurs, the gap is still wide in meeting the requirements of the poor and the rural population of India.

Despite these limitations, India has inadvertently emerged as a lead nation in pioneering unique solutions that will disrupt the existing healthcare system. The acute need for low cost healthcare with quality standards has resulted in some of the most successful ideas originating from the Indian market. These models are scalable and can be remodeled after accounting for the market dynamics of a host country.

In this paper, the marketing mix for low cost healthcare offerings is studied to generate an understanding of the factors addressed in all successful healthcare ventures designed for the low income segments in India.

The Indian healthcare system is expected to reach USD 160 billion in 2017, accounting for 4.2 per cent of GDP and is poised to grow to USD 280 billion by 2020 according to KPMG, April 2016 report on *The Indian Services Sector: Poised for Global Ascendency*.

Healthcare system in India is predominantly held by private players with 70% to 80% share. The growth has come with the infusion of private equity and foreign investments. The role of the public sector has been a modest 1.1% of GDP.

There is a need for additional 1.8 million beds to achieve the target of 2 beds per 1000 people by 2025. The growing requirement of doctors is1.54 million. The funds required to fix the gap in manpower is USD 86 billion. The current method of spending on healthcare is very discouraging. Less than 15% of the Indian population is covered through health insurance. The out-of-pocket spending has resulted in low interest in medical treatments. This also means that the sector as high growth potential, where the total size of the insurance sector is projected to touch USD 350-400 billion by 2020.

The hospitals are held privately mostly by individual doctors or group of doctors as clinics or nursing homes. Single specialty and multi-specialty units are commonly held by corporate and trusts according to Nishith Desai Associates Report (2016).

The market has witnessed many aborted attempts to cater to the poor in India. The reasons for failure can be the unsustainable business model, technology glitches or the consumer value offered.

India is a unique market and needs a model completely designed to address the complex healthcare issues. The Millenium Development Goals which concluded in 2015 (MDG) has helped bring significant changes in the healthcare delivery systems yet challenges persist in

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lowering maternal and child mortality, improving nutrition, achieving progress in curbing infectious diseases such as tuberculosis, malaria, cholera, and hepatitis (WHO,2016). The achievements are modest and the country needs innovative measures to bring sustainable changes. According to the AT Kearny report (2013), the power of frugal innovation lies in focusing on the core needs of customers. Value does not mean providing more sophisticated offers to customers; instead success will lie in providing simple solutions at affordable prices.

According to Claton M. Christensen (2002), disruption in well-established industries has occurred on account of seemingly non-threatening start-ups. The entrepreneur identifies the crude material market they can serve in volume and launch their nascent offerings to cater to the low demanding, price sensitive market. The market welcomes the offering while the value of continuing in the market is unprofitable to the large, established players who move upwards to more sophisticated offerings at higher value. This movement continues till the new entrants drive out the veterans and occupy the lead positions. Investment, reputation, market position, pricing, positioning, targeting and value offering of the market giants become the limitations and barriers to stay adaptable and nimble in innovating for the changing scenario. India is such a market where the crude and coarse find place owing to the frugality of the Indian customer. The need to constantly identify low cost models is ingrained in the culture. Health care solutions have begun to emerge from India as there are constraints and limitations around which the best solutions have to evolve. This has resulted in significant breakthroughs in surgeries, treatment of diseases and lowering of mortality rates. These business models will disrupt the existing model for the world as they shape around the constraints of absence of adequate infrastructure, poverty, illiteracy, unemployment, health apathy and low government budget,.

C.K. Prahalad and R.A. Mashelkar (2010) present three types of Gandhian Innovation: (1) Disrupting business models; (2) Modifying organizational capabilities; (3) Creating or sourcing new capabilities. The entrepreneurs in India are forced to seek capital efficiency to keep the cost low. The consumer seeks value for money in every penny spent and this forces change in price-performance equation. The measures put forth by Prahalad and Hart (2002) to address the challenge to combine low cost, good quality, sustainability and profitability have been counter argued and debated but the pioneers in healthcare are going beyond government schemes and have made the principles of success in the BoP segment a reality.

In a departure in approach to the popular argument in favor of innovating around the poor and tapping riches from the vast majority at the bottom of the pyramid, Michael Porter (2006) argues on the importance of value based health care delivery. A complete restructuring of the existing model will enable the creation of value based models which will break away from the incremental improvement model. In his article with Thomas H. Lee, MD (2013), Michael Porter negates the approach to cost reduction, increasing volumes to gain profit, access to poor, and drives the need to align healthcare goals to value for the patient which is determined with health outcomes relative to the cost incurred in offering the desired outcome. The constant drive should be to ensure the value to the patient without incurring additional cost or by reworking the costing to lower the cost burden, but doing so without compromising the quality of care delivered. McKinsey Report (2010) has outlined strategies to market low cost healthcare solutions successfully. One strategy is to remodel the delivery process. It moves the care provider closer to the patient by identifying community and family members, standardizing the procedures for

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accurate diagnosis, equipping the unsophisticated community members with products and instruments thereby opening up opportunities for earning and enterprise.

Given the shortage of medical practitioners, empowering and training common people to handle standard procedures and tests leaves the doctors and surgeons to attend to more patients than if they were to handle the tasks themselves. This model of efficiency has emerged as a popular mode of operation and considerably reduces the cost for the patient.

Standardization has proved to be quintessential to ensure swift, even and quality service to customers. Whether it is fast food giants or healthcare providers, recording and standardizing routine steps and procedures renders the action to train those who are not experts. The vast pool of unemployed youth, housewives and illiterate from the population can now be trained and developed to work on standard procedures thereby reducing burden on the experts and ensuring treatment for more patients.

The common reason why health organizations are unwilling or unable to reduce the cost for the patients is on account of the heavy capital invested in acquiring, operating and training the staff to operate the expensive machines and tools. The need to recover the cost and bill profits is translated into costs for the patient, this further burden the middle class and prevents the poor from seeking professional help. Many enterprising organizations such as Health Management Research Institute (HMRI), Medical Home, MinuteClinics, Pesinet have modeled their reach by leveraging the reach of mobile networks, Internet access and using small space in retail outlets profitably and effectively.

The three, A's: Affordability, Access, and Availability according to Prahalad (2002) is the guide to ensure that the solutions address these concerns. Affordability is in ensuring that the pricing per unit is within the purchasing power of the poor. Access is in ensuring that the product or service is within the reach of the poor. Availability is in ensuring that the poor are not forced to defer consumption as they live on a day to day basis and rarely hoard the goods the package size and prize should allow them the avail of the product at any given time.

In response to these challenges, Govindrajan and Ramamurti (2013) offered the model to reach the poor in healthcare based on the successful case studies.

Hub and Spoke method helps the hospital to branch out to distant towns and villages while remaining the central source of operation and the spokes function to support and assist patients apart from channeling them into the central system for specialized diagnosis and treatments.
The High volumes that comes from maintaining a lean model of operation and treating high number of patients at a given time reduces the cost per individual. This makes the service or product affordable.

Hospitals can ensure availability, by cutting down the excessive comfort and service, safely reusing equipment's, innovating low cost products, paying fixed salaries instead of fee-for-service model and reducing the customer touch points, the hospitals can offer quality service at much lower cost.

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2. Research Design

The objective of this paper is to understand how healthcare providers have altered the business model to cater to the poor in India. The empirical research uses the case study research methodology. The published cases, interviews, videos and company website of five innovative organizations: Infant warmer by Embrace, GE Electrocardiogram, Narayana Hruduyalaya, Emergency Management and Research Institute (EMRI), Aravind Eye Hospital. The goal was to identify how the organization modeled their organization to deliver the low cost healthcare to the poor of the country. The case study approach was best suited to do an in-depth study of the dynamics which are often lost in quantitative data analysis. The detailed understanding of reality is critical in assessing strategies. Multiple cases allow for discovering patterns and procedures which are common among them and unique to the system at large. The findings offer empirical evidence to sharpen the theory. As the objective was to understand and verify the theory and not testing, the use of case studies was best suited for the research.

Case study selection was based on the organizations that have been hailed as disruptive in their approach by media, business reports and academic journals.

The research methodology involves iterative data analysis process. The materials for case study analysis was taken from many sources such as the company website, awards and recognitions reports, interviews of pioneers, media reports, research articles, published books. Once a case was scrutinized for its innovative solution for the poor, the published materials, both in print and online were studied to identify commonalities, discrepancies and new insights. Cross referencing helped establish the authenticity of the facts and piece together the facts to extract the learning. Finally the findings were compiled and structured to build a simple theory which can work to help the new entrants wanting to serve the BoP segment with low cost healthcare solutions.

3. Results and Discussions

Table1: Selected Innovative healthcare organizations

Sl. No.	Company	Type	Offering
C1	Embrace	Product	Low cost Infant warmer
C2	GE Electrocardiogram	Product	ECG for rural India
C3	Narayana Hruduyalaya	Service	Low cost heart surgery
C4	Aravind Eye Hospital	Service	Low cost eye surgery
C5	EMRI	Service	Emergency service

A review of the cases brought out key dimensions which are critical to the success in serving the poor with low cost healthcare solutions. A marketing mix for products and services designed on the principles of frugality was identified as vital.

Frugal Product

Frugal product should be designed for the poor. There is a need to completely remove the bells and whistles and make the product function efficiently. It should incur negligible cost of ownership, usable by anyone irrespective of education, easy to train others on using it, overcomes the issues of infrastructure gaps, portable, handy, repetitive usage, accurate and durable. Embrace with its low cost infant warmer replaced the expensive incubators; GE

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launched a simplified version of ECG machine which is portable and battery operated; Narayana Hrudyalaya followed the Wal-Mart model of high volume and low cost; Aravind eye hospital borrowed from the Fast food model of delivery- increased the number of patients in the operating room and with volumes drove down the cost of supplies; EMRI used latest telecommunication, computing, medical and transportation technologies to provide affordable emergency services in tribal, rural and urban areas.

Frugal Pricing

The pricing for the target user should be 1 per cent of the nearest available option. The pack size, consumables and acquisition costs should be the lowest in the product category. Offering financial help, differential pricing, offering insurance schemes and using government grants can alter the pricing and margins.

Frugal Place

The hub and spoke model of distribution and partnerships with local social organizations, Self Help Groups and NGO's can ensure timely reach and assistance while maintaining low cost by operating a single large unit to take care of emergency cases.

Frugal Promotion

Word of mouth, Reference groups, social organizations is mobilized to create awareness and mobilizing the patients to seek timely help.

Frugal People

Training and employing the local women and young people within the villages will help them to be economically independent and productive. They will have a better understanding of the situation and will be empowered to treat the uncomplicated cases instantly thereby offering timely help. Their intervention and help will be better received and reduce apathy towards city folks and their intentions.

Frugal Process

Standardizing the process of operation to routine steps and ensuring that the whole process works on the delivery model used by fast food restaurants to service long queues. By addressing the procedures and protocols for tests and examinations, the assembly line for healthcare delivery can be operated with maximum efficiency so that the patient completes the entire check up and examination in the shortest time possible.

Physical Evidence

The medical reports checkup schedule, and advice sheets for health monitoring can help establish trust and association to complete the recovery process.

4. Conclusion

- The intent, passion and purpose of the organizations will ensure a workable and viable model. The process of refining the model should be iterative and built in response to the emerging scenario and problems encountered.

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- The issues of scale and sustainability will require leveraging existing resources from the ecosystem and redefining the role played by team members
- The pioneers will have to transfer the vision and values to all stake holders and thereby reduce conflicts of interest and perception.
- A question loop of 'why this is so' and 'what can be done to change' should help in disrupting the model and innovating low cost systems.
- The lack of trained manpower, illiteracy and poverty can be addressed positively through training and development initiatives. Addressing the lacunae within the system design will standardize the procedures and ensure delegation.
- Raising the economic wellbeing of all the participants in the production and delivery process ensures meeting the social goals.
- The family members of the patients and later the cured patients themselves can be used to promote the product and service to others in need. The referral model eases the pressure to market the offer.
- Focus and specialization improves the skill and efficiency of the service providers and reduces the time taken to address each patient.
- Seeking support and assistance from government bodies, NGOs and Self Help Groups offers the needed synergy to reach common goals.
- Using high end technology to simplify will lead to superior performance at low cost.
- Harnessing the power of communication technology reduces incidence of poor reporting. Timely care, guidance and reminders helps address concerns on a timely basis.

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