The Israeli healthcare market is made up of individual medical organizations (HMOs) which are in stiff competition with one another as they try to gain the heart and pocket of each customer for an ever-growing range of medical services, which are being offered at varying prices. These HMOs are also obliged to accept any insurees wanting to become their members, without imposing conditions on them. Having been given the upper hand, the insurees themselves are then entitled to switch between HMOs with relative ease and at frequent intervals.

There are several barriers hindering HMOs from exploiting their potential for growth. These include a tendency of medical organizations to focus on their companies rather than on the customer, the absence of branding for complementary health services plus inconsistent advertising messages and visual lines. Coupled with the customer’s reluctance to change HMO (only about 5% change HMO per year), rooted both in a lack of awareness about the simple changeover procedures, loyalty to their doctors and a fear that their medical history will be lost, it is easy to see why HMOs struggle to forge ahead on the market. To cap it all, strict regulation of the healthcare system has a major impact on the ability of HMOs to address prospective members. A range of laws, constraining market activity and limiting advertising budgets, prevents the HMOs from conducting marketing campaigns or granting benefits.

In such a challenging environment, it becomes absolutely critical that HMOs find a suitable approach to attracting customers and increasing profits. In this article, we will show the guidelines of the marketing strategy methodology with a specific reference to the Israeli health market, which enables the HMO to choose a suitable marketing strategy.

The Marketing Strategy

A marketing strategy aims to generate growth for the HMO, based on its resources and capabilities, by choosing the right approach and USP to the segmented clients.

The sources of growth are greater numbers of members (insurees switching from other HMOs, new customers e.g. new immigrants being attracted to the HMO and natural population growth) and an increase in average revenues from existing members (more profitable mix of customers and expansion of activities into additional health services).

The key challenge is therefore to adapt a marketing strategy that will generate growth, suitable to the organization’s USP and prominent market trends. In order to understand what makes an organization unique, we need to look more closely at the product or the service offered and at the organization’s customers. The marketing plan should include an analysis of the customer base, market structure, and the HMO competitors all under the diagnostic stage, followed by creation of a brand and positioning strategy which matches the organization’s financial reality and goals.

Diagnostics

Market structure analysis

A market structure analysis provides detailed information about the state of the industry, helping us identify the areas worth penetrating and the most efficient way to approach this.
The healthcare market in Israel provides its services at two main layers: a basic layer which also includes “additional health services” and a commercial layer mainly supplied by insurance companies.

The basic layer comprises a basket of services and drugs specified by the “State Health Insurance Law” which is regularly updated. HMOs may also offer their members additional health services over and above this basic package. This is where an in-depth analysis could pinpoint engines of future growth for the HMO.

The commercial layer contains a selection of private insurance products, serving as supplements and extensions to the cover offered by the HMOs. These focus on exceptional events of low probability and high cost. Considering that the needs of the customers at which these products are addressed differ widely from one another, it is advisable to examine the extent to which these private insurance policies may threaten the core activities of the HMO.

Customer analysis
In this phase, we need to conduct a demographic analysis of the market shares and characterize the customer profile of each HMO, while also examining its strengths and weaknesses. By narrowing the examination down to several individual populations, we can identify existing sources of potential growth. For example: despite their low volume, students form an attractive target audience due to their age and ability to channel marketing activity to campuses. The young age-mix of the Ultra-Orthodox and the prediction that they will make up a larger proportion of the population in future also makes this category a promising one for major growth.

If we are to understand the main motivation which customers have for switching medical organization and their motives for joining the new HMO, we also need an in-depth analysis of the content worlds preferred by customers and the individual perception that each customer has of both the HMO and rival organizations.

Finally, it is important to identify those target audiences which now show greater signs of openness to the transition action than in the past.

Competition analysis
We now need to create a map showing where competing HMOs stand in relation to their service portfolios and unique marketing messages. This phase clarifies the target audience addressed by each HMO and helps us decide the value which sets each HMO apart from the rest. Using this map, we can then choose the best differentiating marketing alternative.

Differentiating marketing alternative

Identifying strategic alternatives
Based on the diagnostics findings, we can now derive potential alternatives capable of differentiating the HMO in the future. These alternatives will be prioritized according to their “impact on the organization” and “ease of implementation”. The former is primarily influenced by the rating which HMO customers assign to the alternative but also by the degree of innovation, differentiation from the competitors, and the reliability of the move in the eyes of the customers. The “ease of implementation” is influenced by current operating costs and the infrastructure investments required to implement this approach, the extent of management attention required, the ability to leverage the move from existing assets, and the types of risks to which this alternative will expose the HMO.

We assign a ranking value on the basis of both “impact on the market share” and “ease of implementation” before focusing more closely on the options which ranked highest.

Selecting a differentiating marketing alternative
As explained above, the core marketing strategy is to generate demand for a product or service by building a concept that sets the organization apart from its competitors and differentiates it in the eyes of the target audience.

The diagnostic stage has highlighted several preliminary alternatives from which we now need to choose the most suitable differentiating alternative for the HMO. Rather than over hastily selecting a solution which requires the organization to start from scratch, it’s worth taking the time to establish whether an advantage could be gained by leveraging already existing infrastructures.

To illustrate possible options, we will review a range of differentiating marketing alternatives and see how they can be expressed on the HMO market:

- **“Best service”:** one approach is to emphasize how the HMO excels in its ability to provide an outstanding service e.g. at its branches and in achieving short waiting times for set appointments. Successful implementation of this option requires clear-cut objectives for individual services and coverage areas, operational infrastructures to support the service goals, and control mechanisms to ensure that the competitive edge is maintained in the long term.

- **“Best doctors”:** this approach focuses on branding the HMO as one which employs top doctors, who dispense the best possible treatment, using the latest technologies. In this case, key points may include precise marketing activity to embrace the value of professionalism, a gradual move to increase the percentage of specialists in pediatrics.
and family medicine, and recruitment of renowned doctors in important medical professions i.e. offering second opinions from highly respected specialists.

- **“Best healthcare for children”**: this option involves developing a concept which highlights the HMO's unique expertise in the treatment of children, making it stand out from the competition. The main target audience will be parents and young families who constitute a growth engine due to their desire for the best possible treatment for their children. A secondary objective would be to sign up the parents themselves as well. Key points for successful implementation could include an attractive basket of services specially designated for children, regional centers for child-related treatments, child-oriented services at every stage of the process or a series of complementary services, classes and paramedic services for children.

### The marketing campaign

After the differentiating alternative has been identified, it is important to define an appropriate marketing campaign. Marketing activity is generally divided into two parts: Above the Line (ATL) and Below the Line (BTL). ATL activities consist of advertising in the mass media channels, appealing to the general public, while BTL activities focus on one-on-one marketing that appeals to a more closely defined segment.

For a long time, BTL was considered the “small brother” of advertising, but the situation has reversed over recent years and, in the United States, budgets channeled into BTL now exceed those channeled into ATL.

If we take the differentiation alternatives “outstanding functional service” and “focus on children” as an example of marketing concepts for the HMO, we need to create a dual marketing strategy which supports each of them separately. The “functional service” marketing message is likely have an effect on the whole public and would benefit from a campaign focusing on functional service values, while “focus on children” is relevant only to families with children and will require marketing that is more direct.

### Defining goals and controls

The final phase is to implement and control the marketing plan. This requires clear-cut qualitative and quantitative goals in order to measure the company’s performance, to identify the reasons for gaps, and to select corrective actions for closing these gaps.

Quantitative goals include standard data such as annual growth rate, market share etc. which we are used to interpreting while qualitative goals are slightly less tangible. One approach is to use the “Hierarchy of Effects” model which maps the different levels of customer relationship to a certain product or service. According to this theory, customers progress from basic “awareness” to having an “interest” in the product or service (customer has a positive perception of the company and thinks about signing up) and on to the key “preference” stage. This is where the customer goes beyond the passive relationship and actively prefers one above the rest. This preference will be reflected in the final “selection” stage, provided there are no technical constraints preventing switching from one HMO to another. Loyalty to the HMO is demonstrated at the “repeat selection” stage.

![Hierarchy of Effects model](Hierarchy of Effects model)

Experience shows us that, although the customer’s final choice is the result we aim for, the emotional connection to the brand and the positive associations with the brand are key stepping stones along the way. In order for the marketing strategy process to be successful, it is therefore important to create a unified message, clear and consistent over time at all points of interaction with the customers. This requires total commitment by the management, a long term vision and a profound knowledge of the market trends and competition situation, in order to encourage flexibility and adaptation to future market changes where needed.

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