Return on Investment Analysis for Healthcare Marketing

by David Marlowe

The following article is a highlight summary from David Marlowe's book "A Marketer's Guide to Measuring ROI," published by HealthLeaders Media.

There has been a growing level of interest among healthcare providers in tracking and proving the "value" of marketing efforts through Return on Investment or ROI analysis. For our purposes, we will discuss "Effort" ROI, the return on a specific marketing campaign or effort and not the traditional accounting definition of ROI (the return on owner's equity).

Implementing tracking of "Effort" ROI for healthcare marketing efforts is not easy. There are a number of challenges, including:

- **Time delay** from marketing efforts to actual consumer usage of a service
- **How much consumer or referral source choice is involved** in usage (e.g. trauma neurosurgery vs. bariatric surgery).
- **Obtaining necessary information,** from provider financial systems.
- **Lack of marketing systems** to connect marketing effort A to usage B.
- **Many marketing efforts are not aimed at near-term usage** but focus instead on brand-building. (In these cases, ROI is not an appropriate metric.)
- **Difficulty in separating various marketing elements** in order to determine unique ROI (e.g. the return from print vs. radio vs. direct mail, etc.).
- **Lack of organizational patience** necessary for marketing efforts to mature and develop returns.

When attempting to measure ROI know that:

- There are no absolute "right" approaches. Many assumptions are right if they are agreed upon by all key internal parties. (These assumptions may not be right for the next provider down the line.)
- All key measurement tools and assumptions need to be determined up front, before the marketing effort starts.

Key steps for measuring marketing "Effort" ROI:

- Define the specific program or service that is being marketed.
- Determine what types of returns are acceptable (e.g. will you count a woman who has knee surgery but who attended an OB related promotion?).
- Assess the costs of the marketing effort (including staff time).
- Track results, either directly or via changes in historical patterns.

Return on Investment Analysis for Healthcare Marketing

by David Marlowe

(continued)

- Establish how long you will measure the effort (ideally a minimum of 6 months but probably longer).
- Determine criteria for "business we would have gotten anyway."
- Measure the actual collected revenues (not gross charges) as a result of the marketing effort.
- Apply direct costs (costs directly resulting from the incremental new business, not allocated overhead).

Following is a brief illustration of "Effort" ROI:

- **Provider Category** - Freestanding Occupational Health Center.
- **Issue** - To determine ROI from new participation in local industry trade shows.
- **Objective** - New clients and new revenues.
- **Marketing Elements** - Participation in 2 local trade shows in a 12-month period. Requires a display booth, entrance fees, handout materials, and staff time. Total Cost = $11,500.
- **Measurement Period** - At end of calendar year (shows occurring in April and September).
- **Direct costs of providing services** - 40%.
- **Results:** 14 inquiries, 6 new clients (determined by the fact that the Center had never provided services to them before), $41,500 in new client service revenues in the calendar year (or $24,900 after application of direct costs).

- **ROI Measurement: (Net Revenue after Direct Costs - Marketing Expense) / Marketing Expense x 100 = ROI** ($24,900 - $11,500) / $11,500 x 100 = 116%

Note: In this case the ROI may be understated since the measurement period was somewhat artificially cut off 90 days after the second trade show.

For more information about Effort ROI, please contact:
David Marlowe, Principal
Strategic Marketing Concepts
Ellicott City, MD
Dmarlow1@ix.netcom.com