

# Marketing Of Laboratory Services

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**Abstract:** *The services sector has been the major growth propeller of the Indian economy with the highest sectoral contribution in India's Gross Domestic Product (GDP).with other services healthcare is one of the booming services in India. The Indian healthcare industry size is expected to touch US\$ 160 billion by 2017 and US\$ 280 billion by 2020. The growth in healthcare has opened up new avenues for the supplementary services, diagnostic services is one of them which is also experiencing boom. The paper attempts to explain the role of diagnostic/laboratory services in healthcare. The key characteristics of services (intangibility, inseparability, variability and perishability) are discussed for laboratory/diagnostic services. Marketing mix i.e. 7p's of marketing (Product/service, price, place, promotion, physical evidence, people and process) and strategies in accordance to diagnostic services are examined. How diagnostic services are different from other services is explained in brief. At the closure of the article the flipside of marketing for laboratory services are revealed.*

**Keywords:** *Healthcare, Laboratory, Characteristics of Services, Marketing-Mix., strategies.*

## I. INTRODUCTION

Since Liberalization and privatization, the service sector has bloomed like never before. This pavement has not left a single service untouched .Even healthcare service experienced remarkable growth. The Indian healthcare sector is expected to reach US\$ 100 billion by 2015 from the current US\$ 65 billion, growing at around 20 per cent a year, according to rating agency Fitch. The Indian healthcare industry size is expected to touch US\$ 160 billion by 2017 and US\$ 280 billion by 2020. The major reasons for this growth in the sector is on account of rising income, growing old ageing population, changing pattern of modern lifestyle and related health issues. Also, cheaper costs for treatment, health awareness among masses, thrust in medical tourism, improving health insurance penetration, increasing disposable income, government initiatives and focus on Public Private Partnership (PPP) models are also responsible for the rise in healthcare sector.



*Figure 1: Healthcare Industry in India*  
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Diagnostic services sector is totally driven by the scene in healthcare sector. This unprecedented growth in healthcare sector has catapulted the diagnostic sector. We can say that, to a certain extent, both these sectors are interdependent on each other.

## OBJECTIVES OF THE STUDY

- ✓ To explain the present healthcare scenario and role of private diagnostic laboratories in it.

- ✓ To put forth and explain the characteristics of services marketing for laboratory services.
- ✓ To discuss marketing-mix strategies for laboratory services.

## II. METHODOLOGY

The paper is descriptive in nature. It is based on secondary data which is sourced from review of past researchers, various agencies, journals, articles and books.

### ROLE OF DIAGNOSTICS IN HEALTHCARE

Dr. Rana Mehta (2015) has mentioned that the current market size of diagnostic market in India is USD 2 billion which is growing at 20 per cent CAGR. The market in India is highly fragmented with over 40,000 laboratories where organized sector constitutes less than 10 per cent of the market. This growth is faster than any country in the world.

Diagnostics is a first step in deciding the action plan for the treatment of patients. Without accurate diagnosis, proper treatment cannot commence. Apart from identifying a patient having a specific disease, it is now used to support clinical development of drugs, predict disease before symptoms begin and forecast the progress of a disorder. Today, laboratory is an important component in healthcare and is widely acknowledged as the seat of medicine. Most critical treatment decisions are based on laboratory results and with the advent of information technology and computers, people are becoming more and more health conscious. Accurate diagnosis usually requires a specific diagnostic test, often involving access to a diagnostic laboratory.

## III. LITERATURE REVIEW

A service is an intangible product involving a deed, a performance, or an effort that cannot be physically possessed (Lancaster and Massingham, 2001). Service, according to Kotler and Keller, (2009) can be described as any act of performance that one party can offer to another that is essentially intangible and does not result in the ownership of something. Intangibility, Inseparability, variability and perishability are the characteristics of pure services (Palmer 1994). Traditional marketing mix includes 4p's of marketing that serve as a tool for marketers (McCarthy, 1964). But for services, the 4Ps was found to be inadequate and there was a growing consensus in the services marketing literature that services marketing are different due to nature of services and their inherent intangibility (Berry, 1984; Lovelock, 1979; Shostack, 1977) Kombenjamas W. and Lertrattananon N. (May 2011). Hence, it was proposed that, services require a different type of marketing and a different marketing mix. The model of Services marketing mix included 3ps (People, physical evidence and process) in addition to traditional 4ps. The service marketing mix model lies on the foundation of these 7p's (Booms and Bitner 1981). The traditional definition of product was given by Kotler (1976) that the product means quality, features and option, style, brand name, packaging,

product line, warranty, etc. The definition of price can be stated as list price, discounts, allowances, payment period and credit terms (Kotler & Keller, 2009). Booms and Bitner suggest that place in a service-oriented company includes the accessibility of the service Kombenjamas W. and Lertrattananon N. (2011). Kotler (1976) suggested that promotion includes advertising and personal selling and other publicity. Physical evidence is the tangible component of the service offering (Ivy, 2008). Service marketers make use of the marketing mix tool to differentiate their offering.

### LABORATORY SERVICES MARKETING

Laboratory services are usually unsought services. No person willingly visits a laboratory for any tests unless advised by doctor. Generally a patient visits a doctor with some health issue / problem. In certain cases, just judgment and symptoms are not enough to reach at a particular conclusion for treating a patient, hence the diagnostic tests are advised. The reports of such tests provide appropriate directions for further treatment. Good quality diagnostic tests are of prime importance in efficient diagnosis and effective treatment. The choice of diagnostic tests advised to the patient depends upon the symptoms and the doctor.

### CHARACTERISTICS AND STRATEGIES OF DIAGNOSTIC SERVICES

Services have four major characteristics that differentiate physical goods from services. They are namely, intangibility, inseparability, variability and perishability.

- ✓ **INTANGIBILITY:** Services are intangible in nature. Unlike physical products, they cannot be seen, tasted, felt, heard or smelled before they are bought. To reduce uncertainty, buyers will look for signs or evidence of the service quality. They will draw inferences about quality from place, people, equipment, communication material, symbols and price that they see. Therefore, the service provider's task is to "manage the evidence", to "tangibilize the intangible". In case of pathology laboratories, since the test is mandatory and is advised by doctor, a patient is ready to undergo this service, willingly or unwillingly. A patient is advised by the doctor to visit a particular laboratory or a patient decides on his own, which laboratory to visit a for a particular test. Appropriate sample, viz; blood / urine / sputum / stool / tissue, etc., is collected and reports are issued after conducting laboratory analysis on the sample. This report is the ultimate end product / service for which the patient pays. Further treatment will depend on this report. Here, patient is not allowed into the premises where the process of actual testing is being carried out, thus increasing the degree of intangibility. However, the tangible product regarding these services is the report that falls in the hands of the patient. To reduce this uncertainty of intangibility, often we will find quality certificates / certification (external assessment), some practicing guidelines, news / details about test with pictures /

photographs, price list, etc., displayed in the reception area of a laboratory.

- ✓ **INSEPARABILITY:** Services are typically produced and consumed simultaneously. First, it is very important for a service provider or consultant to carefully manage the "production process" as the client is able to observe it in action and make judgments about quality and value. Second, the client often expects the service to be provided in a specific way or by a specific individual—and that can pose challenges in assigning staff, managing the process, and ensuring the frontline people display the appropriate knowledge, attitude, and appearance when delivering the service. Sample to be collected from a patient is a linkage for laboratory service. The patient has to visit laboratory to submit his sample to be tested. In case of old aged patient, infants, bedridden patients, etc., a provision of out of laboratory collection of sample by technicians is also practiced by few laboratories. The sample collected from the patient relates the service seeker and the service provider together, also terminating the ties between them after the process of giving / collecting the sample is over. Physically patient is relieved, but his/her sample proceeds with further process of testing.
- ✓ **VARIABILITY:** Service depends upon who provides them and when and where they are provided, are highly variable. Rendering high quality service by standardization and customer satisfaction through brand building can overcome variability. Laboratories vary in terms of service mix, i.e., list of various tests carried out in laboratories, qualifications of doctors, accreditations / certifications achieved, pricing for various tests carried out in laboratories, reputation/goodwill of laboratory, etc. This attribute of variability for laboratory can be overcome by means of Standardization, adopting SOP's (standard operating procedures), gaining accreditations / certifications by opting for external assessment for laboratories, prompt services, customer satisfaction, etc.,
- ✓ **PERISHABILITY:** Services cannot be stored. Perishability also affects performance, as balancing supply and demand can be difficult. Demand may be seasonal, time sensitive, or crisis driven. When demand fluctuates, it can be a challenge to maintain high performance levels. Most of the time, diagnostic services are urgent / timely services. Storing degenerative samples of biological origin for days, and then testing them as and when essential, is out of question. In most of the cases, the samples received have to be tested and reported at the earliest, irrespective of time, manpower, etc. In case of some specialized tests, the sample is sent out of city, creating the need for maintenance of a cold chain and fast transport.

#### IV. 7 P'S OF SERVICE MARKETING AND STRATEGIES

Marketing mix consists of 7p's for marketing of services. Below described are 7p's i.e. product, price, place, promotion, people, physical evidence and process for laboratory services and their strategies

**PRODUCT:** A product is anything that can be offered to satisfy a need or a want. Pathology laboratories are known for offering various diagnostic tests. The variety of test depends on the investment on equipments made to carry these tests, demand for the test, availability of skilled employees, workload, etc. It is not possible always for all the laboratories to carry out all the tests. Many of the laboratories take care that patient should not go empty handed. In case if the test is not available in the laboratory, it is outsourced, i.e., a sample is sent to some other laboratory where the same test is done. The service mix includes Laboratory/ Diagnostic Services which includes Pathology, micro-biology, clinical genetics, hematology, histopathology and biochemistry. Goodwill of the pathologist / brand name of laboratory is an important factor here. For some special tests, laboratories go for tie-ups with specialized institutes or well established brands.

**PRICE:** The price element of the services marketing mix is dominated by what is being charged for the delivery of service. For laboratory services, 'price' is the 'charges' paid by patients in exchange for laboratory services offered by them. Price charged for the test depends upon nature of test. Markup pricing method is usually followed in private laboratories. The more the investment, there is a need for maintenance of these machinery and equipments. The laboratories often get credit and discounts from dealers for the kits/machines purchased, but for patients it's on cash and carry basis only.

**PLACE:** A patient visits a particular laboratory as advised by a doctor. A pathologist also has more than one laboratory in different areas. Many laboratories have collection centers to collect blood samples from the clinics/hospitals itself for the sake of convenience of patients and reports are provided there itself. Collection of sample from residence of patients is also facility provided by few laboratories with extra charges.

**PROMOTION:** Promotion is the way in a business that makes its products known to the customers, both current and potential. Laboratory business depends on doctors reference. Hence good contacts, acquaintance and knowhow of doctors is crux of this business. Mutual trust and faith also matters a lot in this profession. Word-of-mouth publicity through doctors and patients also works well. Few laboratories also recruit Public relation officers and marketing executives to spread their business to physician doctors, surgeons, clinics, hospitals, etc. Senior citizens are offered discounts for charges. Blood testing camps are organized and its awareness is spread through pamphlets, paper-cutouts. Tie-ups are formed with corporate organizations to increase its business. Online reports and SMS report facility is also provided by few laboratories.

#### V. PHYSICAL EVIDENCE

The physical evidence essentially wraps the service and conveys an external image of what is inside to consumers. The building, Reception area, display window/board with information of (tests and price list, news on medical fraternity related to diagnostics, certifications of external assessment for quality, Awards won by pathologist/Laboratory, etc)

arrangement in waiting area, Signs ,medical equipment of laboratory, lighting, ventilation ,employee uniform, clean and well maintained toilets, reports and stationery , telephone facilities, pleasant environment plays a vital role in creating an impression of laboratory on patients/visitors.

**PEOPLE:** People involved in providing service matter a lot to the customer. Laboratory includes a Pathologist, senior technicians, technicians, marketing personnel, delivery boys, administration staff personnel. A person at reception counter is a key person who creates first hand impression on visitors. It is expected that this person speaks politely, clears the doubt of patients/visitors. A technician who takes blood sample should be well trained to comfort the patient .If patient needs to speak to doctor then comes the role of doctor to satisfy patient's quires.

**PROCESS:** Process is an element of service that sees the customer experiencing an organization's offering. It is best viewed as something that customer participates in at different points in time. Process for laboratory service begins, when a patient enters a laboratory. How he gets greeted at reception counter, the information provided, waiting time, etc is the nodal point of contact between patient and laboratory. Once the blood sample is collected by technician the job of patient is over, but blood sample takes place of patient. It enters into pre analytical, analytical and post analytical phase next. At each and every step hygiene, proper direction, instructions and utmost care is essential mandate. Once the outcome is ready, the doctor signs the printed reports to be submitted to patients. Standard operating procedures are followed to maintain uniformity and standardization of procedure to be followed for all the samples.

## VI. LABORATORY SERVICES VS OTHER SERVICES

Laboratory services is a type of forced service, it's not like ordinary services that whenever we want we think of purchasing it like other services. When a patient visits a doctor and needs diagnosis he/she visits laboratory with a predetermined test prescribed by doctor. There is no much choice left for him. The charges paid to pathologist are also pre defined, there is no scope for bargaining, as in case of other services and also has to be paid in advance, most of the time. The promotion aspect also varies from the traditional ones. Here the client is not directly the patient but the doctors who prescribe the tests. Hence they are targeted by sales person visiting on one-to-one basis. Irrespective of physical evidence scenario the patient visits a laboratory as is prescribed by the doctor in majority of cases, which otherwise in other services depends wholly on the customer whether to accept service or not. Patient has less scope to interact with people as compared to other services. Patient gets less time to spend at laboratory while blood sample follows rest of the process (patient leaves lab leaving sample to be tested further), this is not possible in other services. The accuracy of result is of prime importance as it leads to further treatment. The services are very sensitive since they deal with life of a person.

## VII. FLIPSIDE OF MARKETING OF LABORATORY SERVICES

The practice of laboratory medicine has always been both a business and a profession. There is lot of competition among physicians, general practitioners, and other doctors. Competition for patients and worry about income tend to undermine professional values and influence professional judgment. In many instances, without the consent of the patient, the blood sample is sent out of laboratory premises to other laboratory where the same test is carried out. Here, the simple reason is that the laboratory should not lose the patients. There is no standardization in terms of usage of product that is used for testing, pricing policy, etc. Doctors are paid for referral patients by laboratories. Unnecessary tests are prescribed to patients to earn this extra income. Differential pricing is adopted for the walk-in / voluntary patients and referral patients. For referral patients the charges prescribed are more as compared to walk-in patients. In most of the cases it is observed that the charges for the tests are paid in advance, when the blood sample is collected, the time frame for charges is very less for the patients. Counseling of patients in many laboratories is not followed.

## VIII. CONCLUSION

In today's competitive world there is no option for marketing of services. Nothing is wrong in using marketing-mix concept to healthcare field, because after all it is also a business. Profit is a basis of any business but while dealing with lives of people, thin line between business and profession has to be drawn by healthcare professionals. Standards cannot guarantee profits and returns on investment, but are necessary for good business practice, assurance of value for money spent and for welfare of the patients and society. Ultimately it's the question of one's conscience.

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