

The Experience Is the Marketing

Surgeons need to shift their focus to attract patients.

BY SHAREEF MAHDAVI

Throughout 2007 I have highlighted companies whose products and services excel in their respective industries via my column and in various other articles for *Cataract & Refractive Surgery Today*. My editorials took us well outside the ophthalmic industry to see what one can learn from personal music players, gourmet coffee, warehouse shopping, fine dining, charitable giving, video gaming, and even outdoor adventures. What these examples have in common is their intense focus on customer experience; each type of company described has taken the customer experience to a new level, has succeeded in differentiating their offering, and achieved a leadership position within their specific industry. They are standouts in a new form of economy that is taking shape in our society: The Experience Economy.

In their book by the same name,¹ economists B. Joseph Pine and James H. Gilmore developed a frame-

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work that helps all of us understand what the Experience Economy is about. Called the *Progression of Economic Value* (Figure 1), the model provides historical context to help us appreciate the long-term structural shift that is underway in our economy. It starts with the 19th century when farming was the predominant occupation of society, accounting for 90% of the workforce. Commerce was based on an agrarian economy and the extraction and trading of commodities (natural resources).



Figure 1. The Progression of Economic Value model helps explain the Experience Economy.

PROGRESSION OF ECONOMIC VALUE

With the rise of the industrial age in the early 20th century also came automation and factories whereby manufacturing was the predominant occupation. As farming became increasingly automated, workers migrated from the farm to the factory. At the peak of the industrial economy, 50% of the labor force worked making goods (tangible things) in factories. Although the manufacturing-based economy flourished, it too became subject to increased productivity through automation. Where did those workers go? By the 1950s, the majority of the workforce was involved in a service-based economy, working to perform intangible activities on demand. With increases in productivity (for which we can thank the personal computer, among other things) came parallel increases in living standards. As it was the case for the transition from farming to the fac-

tory, people were in a position to pay for services they once did for themselves, including lawn mowing, oil changing, house cleaning, and wedding planning. These few examples illustrate how entire industries emerged to provide services to consumers who were willing to pay for them.

Today, according to Pine and Gilmore, only 3% of the workforce is involved in farming and just 12% in manufacturing. That means the rest of us—85% of the workforce—are part of the service economy in the US. Just as with farming and manufacturing, the service economy is also becoming increasingly automated. How often do you visit a bank teller? Most of our banking is done by an automated teller machine. Voicemail now largely replaces secretaries that once took phone messages. Airplane tickets are purchased over the Internet rather than at travel agencies. This automation has caused a similar migration from services to experiences, where companies are seeking to differentiate their goods and services by shifting resources to offer (the technical term is *stage*) better experiences for customers.

An iconic example of the Experience Economy at work is Starbucks (Seattle, Washington), which has succeeded in taking a commodity worth pennies (the value of the beans in a typical cup of coffee) and charging \$4 plus (a quantum leap in economic value) for the company's typical beverages. They have wrapped a basic commodity in an environment (referred to as the third place after home and work) that makes for a better coffee drinking experience. Starbucks' success is evidenced by its growth from one to more than 12,000 locations worldwide during the past 20 years.²

THE FINAL STAGE: TRANSFORMATION

In their book, Pine and Gilmore describe a fifth level of economic offering—transformation—where the customer is the product. This economic offering is an apt description of refractive surgery, whereby the surgeon is transforming the vision of his patient. As the Experience Economy is increasingly adopted and the economy takes greater hold, Pine and Gilmore predict the emergence of transformational offerings.

A BUSINESS IMPERATIVE

In modern society, most people already have one of all the basic appliances in their home. Likewise, consumers are inundated with service offerings of all kinds. For goods manufacturers and especially for service providers (that's you!), differentiation of the offering is going to occur mainly in the realm of customer experience. This is a global phenomenon, as highlighted in a recent survey of 240 CEOs of corporations across 20

industries around the world: "With companies increasingly selling similar products, CEOs said the quality of customer service was often the only differentiator."³

This phenomenon similarly needs to take place within the practice of medicine.

MARKETING IS NOT ENOUGH

The rising popularity of refractive surgery has put ophthalmic surgeons in an awkward position. Although they are trained medically to diagnose and treat patients, the elective "self-pay" nature of LASIK and other procedures has forced them into the world of retail, which requires skill and training to serve customers effectively. To compensate for this lack of expertise in dealing with customers, many physicians determined they needed to somehow market themselves and their practices in order to attract patients. In this process, the role of marketing was reduced to simply advertising and promotion. In other words, refractive practices were under the influence of a mass marketing approach: just attract interested consumers and the benefits of our offering will be readily apparent.

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In reality, as many doctors will attest, it is not that easy to market LASIK. At first, many surgeons I speak to are disappointed about their results from advertising to attract patients. I attribute this dissatisfaction to the typical mediocre quality of LASIK advertising. I also ascribe this to the fact that LASIK is a highly thought-out purchase, meaning that individuals take a long time thinking about whether or not it is a procedure that they want. Trying to garner direct response ("call now") for a highly considered product is very challenging. An even greater challenge lies in trying to reach consumers at all. They are saturated, being exposed to several thousand advertising messages a day. They are skeptical, after being subjected to many claims that seemed (and were) too good to be true. Furthermore, consumers are strapped for time, striving to balance the demands of work with the desire for personal time.

Where do all of the aforementioned obstacles leave the refractive surgeon? All along, one of my goals is to show that for most practices, advertising is not the key to sustainable growth in procedure volume. Like global

CEOs, physicians need to adopt the mindset that the future growth of their business is linked to how well they treat and serve their customers—as an antidote to the inevitable commoditization of services that can occur even in medicine, where all providers begin to look the same to the consumer.

To avoid this sameness, surgeons need to recognize the type of business in which they are involved. At first glance, it appears that surgeons are paid for the services they perform. But a closer look at the fifth level of offering in the Progression of Economic Value model described earlier shows that surgeons are actually in the transformation business, changing the vision and the lives of their patients. Refractive surgery is inherently a transformational offering; however, surgeons have taken a leap from services to transformations and skipped right over the experience, leaving a gap between what patients want and what they are offered.

To help fill this gap, I have summarized some ideas for doctors that fit under three terms that we will explore in more detail: authenticity, attractiveness, and affordability.

AUTHENTICITY

In their recently published book on the subject of authenticity,⁴ Pine and Gilmore describe a fundamental shift in the criteria used by consumers in decision making that mirrors how the economy is progressing. In the farming economy, purchases were made primarily on availability (ie, harvest time). In the manufacturing economy, the ability to mass produce goods allowed consumers to purchase on the basis of *price*. With the rise of the service economy, *quality* became the means of comparison in the purchase decision. In addition, with the experience economy, *authenticity* is what consumers are seeking in their purchase decisions.

You do not have to look far to begin to see how the desire for authenticity becomes evident. Notice the rising popularity in natural and organic foods (Whole Foods Market, Austin, TX), American-made motorcycles (Harley Davidson Company, Milwaukee, WI), and, yes, even in advertising (Dove's Campaign for Real Beauty, Unilever PLC, London, UK).

Pine and Gilmore describe authenticity in this business context as “purchasing on the basis of conforming to self-image.” Applying this definition to the world of elective surgery brings to the forefront how critical it is that surgeons understand how the consumer is evaluating what a practice has to offer. The decision for a consumer to purchase an elective procedure is based on the offering itself (“I like that”) and, equally important, on how well that offering matches up to the consumer's

beliefs and values (“I am like that”).

Every refractive practice's staff should ask themselves what they can do to render their customer experience as more authentic for its patients. The two key questions in this regard are (1) is our practice “true to self” and (2) is our practice what it says it is?

ATTRACTIVENESS

A major goal of most surgeons is to attract new patients to their practices. With advertising becoming less effective, surgeons would be wise to increase their attractiveness by looking inside the practice. What impressions are you making with potential customers, especially over the telephone? Research conducted by SM2 Consulting during the past several years has shown that very few LASIK practices consistently demonstrate the skills to properly handle phone inquiries from prospective patients.⁵ An indication of this problem is the qualifications of the person handling incoming calls. That individual tends to be the lowest paid and least experienced and knowledgeable. The aforementioned is not a formula for creating a great first impression. Similarly, what happens when people arrive at your practice? What type of welcome and reception do they receive? If your patients still sit in a “waiting room,” what can you do to make the time they spend there more worthwhile?

Your office is full of cues, both negative and positive, that reinforce a person's impression of you and your refractive offering. A valuable exercise is to go through every room that patients enter and do a sensory assessment with the entire staff of what you see, hear, smell, and touch as a customer. This process will allow you to identify and eliminate negative cues and replace them with positive ones that reinforce the image of the practice that you are trying to convey. These small steps will work together to enhance your attractiveness to current patients and the future ones they refer to you.

AFFORDABILITY

In refractive surgery, *affordability* simply suggests making it easier for patients to have refractive surgery. As the industry has painfully learned, lowering price did not translate to increased demand and contributed to a lowering of overall procedure volume in the US.⁶ Affordability in refractive surgery is achieved the same way as in other consumer categories—through financing. A \$5,000 procedure is much more affordable at \$100 per month. Without financing, the percentage of home ownership would be a fraction of what it is today, and the demand for new automobiles would be much lower.

Although the percentage of LASIK revenue that is financed hovers around the 20% range⁷ (with some practices financing much higher percentages of their procedure volume), there is still a lot of room for growth in this area. Part of the solution lies in making sure that the key personnel interfacing with patients can answer questions about price and financing with confidence. Another part of the solution rests in consistency; ask all patients if they would like to learn how to make the procedure more affordable. With a positive response, a counselor (rather than the doctor) can go into details about financing options and flex spending (another form of increasing affordability by using pre-tax income).

Finally, I recommend the use of a specialty bank, such as GE's CareCredit (Costa Mesa, CA), rather than a local bank. The speed in processing and higher approval rates are more convenient for the patient and more than offset the difference in fees. ■

Shareef Mahdavi draws on more than 20 years of medical device marketing experience to help companies and providers create demand for new procedures and technologies. He is a consultant to GE CareCredit. Mr. Mahdavi may be reached at (925) 425-9900; shareef@sm2consulting.com.



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