HINDIN HEALTHCARE ADVISORS LLC

SIMPLE BUT POWERFUL SOLUTIONS THAT PRODUCE RESULTS

A Growth Strategy for Tough Times: Look For "Headroom"

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Simple But Powerful Solutions That Produce Results has championed a central theme: FOCUS (Strategy) + EXECUTION + LEADERSHIP = RESULTS. In this issue, we suggest an alternative to focusing solely on your strengths.

Retailers had it great over the last 15 years. US economy grew at 5% annually from 1996 to 2008; retails sales grew 15%. Revenue, profits, and share prices all soared. That is the history for most retailers and many healthcare providers as well.

Sound Familiar? Are you trying to build profitable programs and volume in the face of declining demand, hard economic times, changes in care delivery, or reduced payment rates? Are to trying to position your organization to take advantage of reform initiatives?

Successful retailers weathered downturns and emerged stronger without turning their business models upside down. This according to a study of 50 major US based retailers reported in the April 2009 issue of the Harvard Business Review. Opportunity for growth in tough times is in *focusing on people who currently are not their best customers.*

Successful organizations build profitable volume, in good times and bad, by investing in and promoting or extending their strongest most competitive and most profitable products and services. Adding a point or two of market share in a leading service line, such as cardiology, has significant financial impact.

Promoting growth during difficult times may benefit from an alternative, perhaps counter intuitive approach. Rather than just leveraging your strengths, look for opportunity or "***Headroom***" where there is no clear leader. Headroom is defined as "market share you don't have minus market share you won't get." Market share you won't get is comprised of customers loyal to your competitors and unlikely to switch to you. The higher the headroom the more attractive the opportunity.

Highly competitive service lines with little differentiation in reputation, outcomes, price and/or service levels, have limited headroom or opportunity no matter how attractive the business. A dominate 60% share with competitor strong loyalty (physicians or patients) of 35%, provides only a 5 % opportunity for growth. We all know how difficult it is to move market share in contested markets.

A service line with no significant differentiation or customer loyalty to you or your competitors may have significantly higher headroom or opportunity that can be captured with relatively modest investments. Your 15% share combined with your competitors 30% share or customer loyalty creates headroom or opportunity of 50%.

You can apply this opportunity analysis to geographic or demographic market segments.

How do you convert headroom into new business? Target "***Switchers.***" Switchers are prospects or customers who are not loyal to you or your competitors." They may only use your services selectively if at all to meet a small portion of their healthcare needs.

You build volume by increasing the percentage of healthcare services switchers or unaligned customers obtain from your organization. They might be attracted or put off for a number of reasons: availability, image, reputation, access, customer service, convenience, physician relationships etc. Careful market research will help you determine the attributes that will better meet the needs of switchers and create loyalty and growth.

The formula for increasing healthcare market share in probably no different than retail businesses must do in tough times: identify and fill unmet needs, invest in services and business processes of value to targeted customers, and offer desired access and convenience.

Application to Healthcare

How might this approach change or supplement the more typical competitive analysis? Many healthcare organizations focus priority attention on services that are well recognized, profitable, have substantial growth potential, and have a strong or dominant franchise or powerful stakeholder investment. Attention is rarely focused on serve lines with low visibility, differentiation or low market share.

We suggest you expand your growth opportunity thinking to include a careful headroom analysis focused on services, demographic segment, and geographic areas ***with low volumes and penetration and high growth opportunity.***

Some important questions to answer include:

1. How big is the opportunity?
2. What are the costs and barriers to entry or expansion?
3. How will we attract the "Switchers"?
4. What capabilities must be expanded or acquired?
5. What is the return on investment?

Adding headroom analysis to your normal competitive strategic thinking may well identify alternative high return growth opportunities you may have previously ignored.

If you would like to discuss how these ideas might be helpful in your situation, please call or email.

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