

Consumer Innovation: Customer Loyalty

A health system's most important competitive advantage

Landscape

The health care industry has become highly competitive in recent years, but the factors that determine provider success are not clearly defined. The implicit assumption is that health systems compete on clinical reputation and clinical quality. However, these are very difficult to measure and are rarely the main drivers of market share capture. What providers actually have been competing on is who best captures the available market demand at any given point in time.

Traditionally, health care systems have viewed the market as a finite number of care encounters, with everyone wanting to capture a majority of high-value services. This strategy is no longer enough for your system's sustainable growth. Consumer-focused disrupters have changed the game—they recognize that it's not always about catching high-value care transactions but about capturing and retaining high-value customers.

Moving from transactional care to meaningful care relationships

With health care providers becoming more competitive and consumers becoming more informed and mobile, it is increasingly important for providers to focus on acquisition and retention of long-term customers, rather than the biggest payout. As providers become less differentiated from one another, consumers have more options to choose the health care provider that best fits their needs. This market shift means you need to focus on building strong relationships with your customers and provide them with excellent care and services to retain their business within your health system.



Analysis of customer loyalty requires looking beyond transactions

Health systems must fundamentally shift how they think about and measure customer loyalty. Loyalty metrics must be patient centric, longitudinal and segment specific. To begin, you should understand the different segments of customers that you serve and be able to dive deeply into aspects of each segment’s customer journey. Measuring metrics like customer lifetime value, share of wallet and churn rate helps to determine loyalty drivers and to inform new strategies.

The insights gained have far-reaching applications. They can inform care continuum footprint decisions, customer engagement via access channel strategy, operational improvements, customer experience investments, segment targeting and positioning strategies, and high-level marketing and communication strategies.

Ultimately, an accurate share of wallet measurement provides a clear picture of individuals’ loyalty based on their spend allocations between you and your competitors. The share of wallet metric is also foundational to accurately measure ability to build trusted relationships, reinforce brand loyalty and convert consumers to patients.

Advantages of customer loyalty

Customer loyalty has enormous benefits for both health outcomes and market relevance. A long-lasting, trusted provider relationship offers more meaningful care interactions and increases the likelihood that a patient will follow clinical advice and adhere to preventive and prescribed care management regimens. From a broader perspective, a health system that has earned loyalty has more control over the entire health continuum and is better positioned to take on and manage risk.

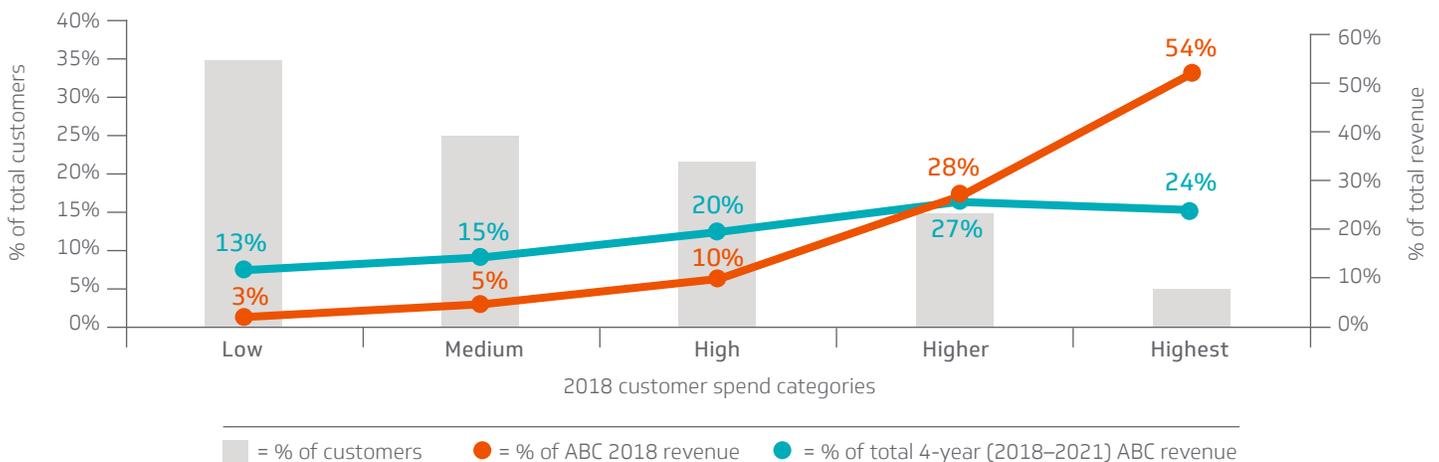
Financially, customer loyalty is the foundational growth engine. The longer you keep patients as customers, the more often they choose you for their health care needs. Prioritizing customer loyalty in your organization provides a laser focus on which everyone can align and a tangible set of tools that affects consumer behaviors and drives revenue.

For optimal growth, a successful loyalty strategy balances both acquisition and retention efforts and ultimately builds relationships that result in improved health outcomes and overall customer satisfaction.

Customers who accounted for over 50% of revenue in 2018 account for less than a quarter of revenue over four years, underscoring the importance of prioritizing customer lifetime value.

Customer 2018 spend categories and their respective revenue impact in 2018 only and in 2018–2021 overall ABC Health, 2018–2021

Percent of revenue by customer spend categories—2018 only revenue vs total 4-year revenue



Source: Proprietary Sg2 All-Payer Claims Data Set; Sg2 Analytics 2023.

► To learn more about Consumer Innovation and Customer Loyalty, contact Jon Barlow at jon.barlow@vizientinc.com or 972-910-6129.