

the “healthy” choice:

AN EFFECTIVE STRATEGY WILL PREPARE YOU FOR THE UPCOMING GROWTH EXPLOSION IN THE HEALTHCARE MARKET

BY ROBERT J. OOSDYKE

For contract furniture dealers to be successful in selling to the healthcare market, they must realize what the healthcare market buyer desires and how to effectively structure the business to meet their needs. Let me assure you, this is easier said than done.

increase substantially over the next decade. The need for healthcare facilities will grow as the baby-boom generation ages. By 2010, there will be \$10 billion worth of healthcare construction in North America, according to research conducted by Steelcase (see Cover Q&A on page 10).

enter the segment or improve an existing strategy.

STEP 1 | Avoid Misconception

Before developing an effective healthcare strategy, it might be easier to look at a few misconceptions most dealers have regarding the market.

- The manufacturer dealer’s representative “must have” a Group Purchasing Organization (GPO) contract to be able to sell furnishings products in local facilities.
- Without a contract, you cannot even get into a facility that belongs to a GPO.
- Calling on a healthcare facility and presenting the latest in healthcare furnishings, ergonomic chairs, seating and other products is enough to develop significant business.
- Healthcare selling is the same as selling to other business clients.

Although each of these statements may have had some validity at some point, these misconceptions will get you nothing but trouble and heartache in the market today.

The sooner these misconceptions can be corrected, the sooner a dealer can begin developing a real strategy. So what does it take for you to be successful in selling to the healthcare market?



Northfield Hospital in southeastern Minnesota (pictured on the Cover and left) was opened in May 2003. Rand Liedl with HGA Interior Architecture chose Nemschoff to provide furniture for the project that would complement the hospital’s serene landscape.

Although effective planning is the secret to any strategy, the disconnect between the healthcare market and the contract furniture dealer often prohibits a dealer from effectively entering this market segment.

Health Care Furnishings (HCF), a healthcare consulting firm, conducted a survey at NeoCon in June and found that 65 percent of the attendees came to its healthcare forum merely to learn the basics of healthcare. This survey illustrates one of the biggest problems facing the furniture dealer: our industry lacks the information to effectively penetrate healthcare.

The healthcare furniture market is a billion-dollar industry and is projected to

The contract furniture dealer cannot afford to be left out of an industry with this much growth potential. Taking steps now to prepare for the growth explosion will enable your dealership to capitalize on the market and grow your bottom line as the healthcare market expands.

This brings me to the core of this article: to introduce to you — the contract furniture dealer — the concepts and information needed to navigate effectively within the healthcare market.

The following five steps might not offer a universal solution to all of your questions, but they are certainly a good starting point for any dealer trying to

CUTTING EDGE HEALTHCARE FURNISHINGS

Healthcare might be a new market segment for some, but others — the veteran manufacturers in this space — continue to crank out some of the best looking furniture on the market.

Frame Series - Wieland Furniture

Frame is a lounge series fused with bold styling and angular sophistication.

Frame's characteristics and design structure can morph and scale to enhance any surrounding. A multi-sectioned back and two-piece bent plywood arms offer five distinct fabric/finish zones to enhance design creativity and flexibility while maintaining all the renewable features.



CX Patient Chair - Thonet



CX healthcare seating line, an exclusive design by John Caldwell Design, is the most current design available within the industry and offers the only field-replaceable seat sling option that can be performed by in-house staff. It also won a "Best

of NeoCon" Gold Award in the healthcare furniture category.

Cura Patient Chair - Brayton

High performance healthcare seating that elegantly addresses the needs of the patient, caregiver and facilities management by providing refined ergonomics, ease of use, and site renewable high wear components in a broad statement of line.



STEP 2 | Understand the Structure

Healthcare market knowledge is extremely important. When attendees at the HCF NeoCon forum were asked what core competencies a healthcare salesperson must possess to be successful, 61.5 percent said, "understanding the needs of the healthcare customer." Without the understanding of healthcare reimbursement issues and the basics of how the hospital customer earns its revenue, you will have a real issue deciding what to sell and to whom.

The healthcare market in general has undergone significant changes in the last 20 years. Remember when the hospital visit for a new mother was up to seven days? Today that number is down to as little as one day due to the new Diagnostic Related Group (DRG) reimbursement scheme to reduce the costs of healthcare. DRGs are used by Medicare to reimburse hospitals at fixed amounts for all similar patients, regardless of the length of stay or actual cost incurred. If you are unfamiliar with a DRG and the impact it has had on healthcare, you cannot possibly position products, services or your company in a hospital setting.

When you understand the reimbursement issues, you understand the "new marketing schemes" in healthcare today. Do you remember when medical advertising was taboo? Think about when you began to first see billboards advertising the newest oncology department, or an ad for a new and better labor and delivery department at your local hospital.

"The two most important needs of hospitals today are marketing and image," said Joseph F. Volpe, vice president of Supply Chain Services at Wheaton Franciscan Services, an Integrated Delivery Network (IDN) located in Milwaukee, WI. In other words, hospitals are focused on how they look and how the public perceives them. "Managed care" has turned hospitals into sophisticated marketing machines. Many times this is the factor that drives the purchase of furnishings in today's market. When is the last time you called on a mar-

keting department in a hospital to discuss how you can assist them in enhancing their image in certain departments or facilities? Did you even know they have marketing departments?

Bottom line: Without understanding healthcare issues today, you will have a long road ahead filled with many turns and pot holes that continually slow you down.

STEP 3 | Become a Specialist

Don't try to be all things to all people. Carefully examine your marketplace and select a niche within that market and become the specialist for that niche. For simplicity, we will call these niches your "money departments." These departments are the profit centers of a healthcare facility. Consequently, the "money departments" or "business units" (as they are called by hospitals) receive preferential treatment and usually get what they need to operate more efficiently and effectively while providing a high quality image to the customer or patient.

The money departments will be advertised on the hospital's website, billboards, radio, TV and even in print. Examples of money departments can be a dialysis unit, oncology, pharmacy and many others. The emergency department, for example, is often not viewed as a profit center as indigent care can cause significant losses.

We are often asked the same question by dealers starting to pursue sales in healthcare, "Where can we get everything?" It isn't necessary to supply everything.

Analyze your product areas that fit into healthcare and then choose two or three areas on which to focus; most likely, these will be the money departments.

For example, let's become the local specialist for bariatrics, the branch of medicine that deals with the causes, prevention and treatment of obesity. Focusing specifically on this area will enable you to become more knowledgeable than your local competitors, and even more so than the manufacturer. When you do this, you

quickly become known as the person who understands healthcare and the needs of the facility. Then the healthcare furnishings manufacturers will flock to your doorstep. Becoming an expert in one area will establish you as the “go to” dealership, which often times spills over to other areas of the hospital and increases other furnishings sales more quickly.

Bariatric furniture could lead you into redesigning nurses’ stations with panel systems or other products. Did you know the average age of most nurses is 48 years old, and many are overweight and may need specialty seating? What opportunity does that create for other furniture in your dealership?

You did not have to become the dealer who tries to do it all. You can do it with a plan and a focus. Now you are becoming known as the furniture dealer who truly is different. Next you’ll be able to solve problems for the materials managers when they look to furnish a new medical office building.

STEP 4 | Develop Good Leads

Forget about using GPOs in your local market for source leads or focusing on the supposed contract that you may or may not possess. IDNs are the new customers in your local markets. Concentrate on IDNs and facilities that belong to the local or regional IDN.

An IDN is an organization or group of healthcare providers, which, through ownership or formal agreements, aligns local healthcare facilities and manages them with one governing board. They share a vision and mission of improving the quality of care and patient satisfaction.

The buying-power of an IDN enables its members to negotiate competitive third-party payer insurance, contract physician relationships, enhance supplier relationships, and drive contract compliance for products and services. Thus, in some scenarios, they are considered a competitor to GPOs. In today’s market, you should consider them the real buyer of your

products since they are the ones that actually write the checks.

IDNs are usually members of GPOs. They form an oligopoly in the local market and attempt to control what facilities you as the customer utilize for certain services. Furniture dealers call it market segmentation. Pay attention to the IDN because, unlike GPOs, they are paying the bills and care about the cost.

Examples of IDNs are Sharp Healthcare or Scripps Healthcare in San Diego, Advocate and Rush Presbyterian in Chicago, Wheaton Franciscan in Milwaukee and Allina and Mayo in the Minneapolis area. Also, Tenet Healthcare has set up IDNs across the United States and there are many others that can easily be found on the Internet. Just remember that typically two IDNs reside in every Metropolitan Statistical Area in the United States.

STEP 5 | Develop Additional Value

Just because you have two or three main product areas on which you focus does not mean your offerings stop there. Today, many IDNs or facilities are looking for an “Integrator” that brings value by offering secondary items.

You have to specialize in healthcare and carry product lines that broaden your reach. For example, if you supply a medical office building with art, exam tables, wall mounted blood pressure cuffs, stools, cabinetry, sinks and other ancillary items, you become valuable to materials managers because they might otherwise source these items to a number of other companies.

What if they came to you to synchronize the system and assist them in consolidation? You would become the integrator for them and pick up more volume. Once again, according to the voting by the HCF audience at NeoCon, it was stated that the integrator is likely to become more valuable.

Dealer integrators bring an understanding of the environment and are problem solvers for the institution, department head and,

specifically, materials manager. An effective integrator will become a partner with a hospital with a focus on service. When you can make the entire process for the materials manager painless and as efficient as possible, that is when you will win a great deal of business.

DEFEAT THE COMPETITION

There is no need to remind you that competitors are trying to steal your business. Incorporating the above five steps into a successful healthcare strategy will differentiate your dealership from the others and will help influence the local buying decision in your favor.

Your competitors will still walk into a hospital once a month, show the latest seating, and hope to obtain an order. This has proven not to be effective for many healthcare furnishings dealers.

You, on the other hand, are no longer associated with those dealerships because you have taken the time to analyze the local market, realize what is needed, and tailor your plan to a specialized area within the healthcare market.

As the healthcare market continues to expand, the sky is the limit to the market share you can control in your local area.👏

STEP UP TO the plate

A recent survey asked who is best positioned to increase sales in the next two years. The dealer community came out on top but who will be first to hit a homerun?

• Local dealers who get serious	33.3%
• National distributors who get serious	29.4%
• Direct selling manufacturers	21.6%
• GPOs	5.9%
• IDNs	9.8%

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