



Contents lists available at ScienceDirect

Journal of Business Research



The Caribbean Medical Center case: Marketing decision-making for hospitals facing customer attrition

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ARTICLE INFO

Article history:

Received 1 May 2015

Received in revised form 1 October 2015

Accepted 1 November 2015

Available online xxxxx

Keywords:

Hospital management

Case study

Marketing strategy

Segmentation

Positioning

Health care industry

Executive education

MBA program

ABSTRACT

Within today's cut throat business environment, hospitals, like any other business, must apply strategic managerial practices as well as modern marketing principles in order to remain competitive. Thanks to globalization, this perspective applies now for all private hospitals, from large high-end hospitals in developed countries, to low income small to medium sized hospitals in the developing world. This case study offers instructors and readers alike a chance to think critically about a real life dilemma in hospital management, in which the general manager of a private medical center in Panama must decide where to focus the center's limited resources after losing their biggest client. To solve this problem, the general manager must apply sound marketing strategies in order to determine the best course of action. Through the analysis of this case study, readers can conduct a segmentation exercise, establish the medical center's value proposition, conduct a competitive analysis, and define the hospital's strategic positioning. This case study uses information primarily acquired through in-depth interviews with the hospital's senior management, staff, members of their executive committee, and members of the medical community in Panama; an on-site visit was also performed.

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1. Introduction

At the end of September 2013, Wendy Berrios, the Director of the Caribbean Medical Center (CMC), was evaluating growth options for the hospital, which faced an imminent decrease in their main client base.

This 30 bed medical center in Colón, Panama, was considered the best private hospital in the city. Since its foundation, the CMC strived to satisfy its clients by providing general and specialized medical services to not only the local population in Colón, but also the tourists that visited the city. The hospital had also obtained excellent business contracts with insurance companies in the area, in particular with AXA Assistance insurance, which administered the health benefit plans for the retired workers of the Panama Canal. These AXA insured workers made up 60% of the CMC's client base and their revenue. However, this source of income had decreased by 20%. The AXA clients were all elderly patients who used to work for the Panama Canal when the canal was under U.S. administration, and were insured by the U.S. government. After the transfer of the Panama Canal to local authorities in 1999, the population of these retirees gradually diminished in size. As of 2012, the average age of AXA clients was 73 years old and the life expectancy in the city of Colón was 77 years.

This situation threatened the future profitability of the CMC, as the hospital would potentially lose most of its clients in a short amount of time. Over the last two years, the hospital's management had begun improving the CMC's services by investing their resources in updating older equipment, digitalizing their case files, and digitalizing their laboratory. They also renovated the hospital itself, building new offices in order to attract new doctors with medical specialties not yet available in the city of Colón. Furthermore, they planned to give the hospital itself a facelift by improving the general facade and the lobby areas.

The CMC's management team had assigned \$50,000 to \$75,000 USD for their marketing budget, but was unsure about how to best invest this sum. They had identified five potential customer segments of interest in the city of Colón: 1) private insurance companies serving customers in Colón, 2) private clients paying out-of-pocket for their medical services, 3) clients aboard the shipping companies managing cargo ships and ports in the area, 4) tourists from the cruise ships that departed from the city, and 5) the medical community itself. However, they had not yet determined which of these customer segments they should focus their resources on, or how to attract, develop and retain these new valuable customers in order to replace the AXA insured retirees. Additionally, the CMC had to decide which socio-economic sector to target, determining whether to aim for Colón's AB social class segment, Colón's C class segment, or continue with segments D and E, as each sector would require a different strategic approach.

In this context and with great uncertainty, Ms. Berrios, wondered what to do next, as she would soon have to decide how to best advise

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the hospital's board of directors, and clearly define what segment or segments they should target.

2. Historical background

The province of Colón, located on the Atlantic coast of Panama, was where the North Terminal of the Panama Canal was located, and served as the main port for the country's import and export of merchandise. Historically, Colón played an important role in the economic development of Panama (see [Graph 1](#) for map of Panama). The gold rush in California increased demand for travel through the region, and in 1852 the United States government signed a contract with Panama and began the construction of an inter-oceanic railway. The city of Colón was founded at the northern end of this railway. The Panama Canal, built during 1904 and 1914, entailed a 48 mile-long (77 km) international waterway that allowed ships to pass between the Atlantic and Pacific oceans and saved an estimated 8000 miles (12,875 km) compared to a journey around Cape Horn at the southern tip of South America.

The U.S. held a strip of land approximately 10 miles wide and 50 miles long of Panamanian territory in the Canal Zone, which was considered official U.S. territory. During this time, the residents of the Canal Zone in Colón were primarily U.S. citizens and West Indians who worked in the Zone and on the canal. In 1948 a Free Trade Zone was created in Colón, which became one of the largest contributors to Panama's GDP (see [Table 1](#) for macroeconomic data of Panama) and the economy of Colón thrived, converting Colón into a very prosperous city. However, Panama City blossomed over time and became a modern city, overtaking Colón in the process and making Colón less relevant. By the 1960s, Colón began to decline and the city fell into a depression. Compounding matters, the division of Panama's territory due to the U.S. occupation caused tension and civil unrest. In 1977, after nearly 20 years of protests and riots, the United States' president Jimmy Carter and Panama's president general Omar Torrijos signed a treaty that would transfer control of the canal to Panama on December 31, 1999. The transition at the end of 1999 was very smooth, as at the time more than 90% of the canal employees were all Panamanian nationals. However, the reduction and closure of the U.S. military bases in Colón further accelerated the economic demise of the city. Poverty and unemployment grew as most of the U.S. citizens left, and many of the middle and upper class residents of Colón moved to Panama City.

According to the last National Institute of Statistics of Panama's (INEC) census in 2010, the population of the province of Colón was 241,928 inhabitants, of which 86% lived in the district of Colón. Recent data from a World Bank report stated that Panama's population was economically divided in the following manner: 25.8% poor (E), 30.7% vulnerable (D), 36.8% middle class (C) and 3.7% rich (AB). Most of the inhabitants of Colón belonged to the E and D segments, with few people in the C segment, and even fewer AB residents, as the majority of the country's wealthy population lived in Panama City.

Even though much of Colón's infrastructure was deteriorated, Colón did have modern ports for cargo and cruise ships. In 2009 a modern highway opened parallel to the Panama Canal, connecting Colón with Panama City and making it easier to travel between the two cities. The Free Trade Zone in Colón had recently been expanded to accommodate approximately 3000 companies and over 30,000 employees, and received an average of 122,543 visitors between tourists, investors, and buyers. Additionally, an international airport had recently opened in Colón. Furthermore, in October 2006, Panamanian voters approved a USD \$5.25 billion plan to double the canal's size by 2015 and better accommodate modern ships (Post-Panamax), which would bring a construction boom to Colón. All of these factors created a great deal of speculation about the future of Colón. The potential for economic development and tourism was great, and Colón's residents hoped that these investments would translate into more jobs and social development for the area.

3. Caribbean Medical Center

A market study conducted in 1978 indicated that the city of Colón had a deficit of 246 hospital beds. In 1986, a group of doctors and businessmen founded the Caribbean Medical Center; this group wanted to satisfy the city's demand, and create a private hospital that provided specialized medical services as well as basic medical attention for the residents of Colón and the tourists that visited the area. Originally, the Free Trade Zone population was not considered a target market for the CMC.

The CMC was the first private hospital in the city of Colón, and many local residents still regarded the CMC as their preferred hospital due to their vast experience, and high-quality service. Residents of Colón perceived the CMC as the hospital with the most trusted doctors, and were fiercely loyal to these doctors. The CMC's management considered that they were the best option in Colón, as unlike any other hospital in the area, they had established clear and defined job descriptions, procedure manuals, and installed a digital system that guaranteed the reduction of human error. This system gave insurance companies a platform where they could view their policy holders' information online and thus achieved a significant reduction in terms of response time and decision making. They also continuously trained their staff members, provided a wide variety of high-quality products and were laser focused on patient safety.

The CMC had a total of 30 hospital beds, out of which 4 were designated for intensive care patients. Of the 26 remaining beds, only 2 were located in private rooms and the rest were in shared rooms with 2 beds per room. The hospital had a total of 102 workers, including 14 doctors and 26 nurses. The CMC also had 37 doctor's offices, 2 operating rooms, one delivery room, one X-ray and one ultrasound machine. The CMC's management team believed that their hospital was the best option in Colón because the CMC had the best specialized doctors. The CMC had expanded its service offerings to provide 24 medical specialties including: cardiology, general surgery, peripheral vascular surgery, gastroenterology, gynecology, hematology, internal medicine, pulmonology, neurosurgery, odontology, orthopedics, otolaryngology, pediatrics, rheumatology, dermatology, nephrology and urology. The hospital also offered the following diagnostic services: medical laboratory, medical imaging, endoscopy and 24 hour emergency attention ([Table 2](#) lists all of their services).

Since its inception, the CMC had a humanitarian vision, incorporating social responsibility programs such as free cataract surgeries for the elderly and underprivileged residents of the city of Colón. The CMC also provided support for shelters, educational institutions and sponsored the city's soccer team.

The CMC was also in a great location for those living or working within the city of Colón, however, the construction of the highway between Panama City and Colón was still underway, and caused terrible traffic jams making it harder for people who lived outside of the city to access the hospital. The CMC was near the main entrance to the Free Trade Zone, and before long the CMC would be adjacent to this Zone due to a future relocation and expansion project. The CMC was also very close to the Social Security Hospital of Colón where many of its doctors also worked. This was very convenient for these doctors as they simply crossed the street from one hospital to another depending on their medical agendas.

In recent years, the CMC had invested in improving their equipment and technology, and began replacing obsolete equipment with cutting-edge modern equivalents, as well as digitalizing their services. Also, the CMC launched a communication plan to promote and give visibility to the hospital. The following were the hospital's short, medium and long term strategies, which were considered vital to its operation.

4. Short term strategies

As part of the Caribbean Medical Center's short term strategies to remain competitive and attractive to a new potential market segment, the CMC's management decided to renovate the hospital rooms. They replaced the furniture in the hospital rooms and updated them to make

them more appealing and comfortable for their patients. Among other things, they replaced the beds, televisions, curtains, dressers and updated the bathrooms. Trying to meet their doctor's demands, the CMC also invested in updating the operating rooms, replacing basic equipment such as lamps and anesthesia machines.

One of the main short term goals of the CMC was to strengthen their external ambulatory services. In October 2013, the CMC installed a new electronic hospital management system that was able to manage their patients' information, from their admission to their release, and also send information digitally to the CMC's accounting system. Prior to this, the CMC lacked an electronic system for case files and appointments. The new system with electronic case files, enabled them to consolidate all the information from the different areas of care each patient received, making for a new, and more efficient process. This system also created a communication mechanism between the different service and diagnostic areas, which streamlined patient care and allowed their results to be sent directly to their case files, thereby minimizing the time for their delivery.

Additionally, the CMC installed a new system for the digitalization of their laboratory services. Through this system, the diagnostic equipment itself created the patients' test results and delivered them via e-mail, minimizing human error in the transcription process, and improving the patients' experience. This new system made the CMC more competitive as they were able to offer better services to the doctors and insurance companies, offering them statistical information on the patients and comparative charts of test results over a given period of time.

Another area in which the digitalization of patient files made the CMC more competitive was in their radiology department. Very few radiologists lived in Colón, which held up patients' treatments because they sometimes had to wait multiple days to receive their diagnosis. This was partly due to the fact that the CMC used printed plates, which required a doctor to be physically present to read and interpret them. Once the imagery equipment was able to produce digital images, the radiologists no longer needed to physically be in the CMC. The digital images were sent to the doctors who connected remotely to view them, reducing the time required to produce results and being of great help to the doctors and patients alike. These digital images were also filed in the clients' electronic case files.

Finally, in order to remain relevant and give the CMC a competitive advantage over other hospitals in Colón, the hospital hired more local doctors to expand the variety of services the hospital offered. These doctors were focused on corporate plans, mainly for the Free Trade Zone of Colón, offering preventive healthcare plans for their staff. The CMC's objective was to offer these companies an integral service plan that included periodic revisions, routine exams, statistical information about their workers, and educational presentations on health, among other services.

5. Medium and long term strategies

The CMC had already begun the construction of eight new offices in order to attract even more doctors, but this time they focused on medical specialties that were not currently offered in Colón. The city lacked many medical specialists such as an allergist and an endocrinologist. The CMC's management already had a few doctors from Panama City in their sights, and as the new highway made daily commuting more viable, they had to convince these doctors that working in Colón was an attractive option. The CMC's management believed that new offices that were comfortable and of higher quality would help to attract these new doctors. Wendy Berrios, the CMC's director, believed that this improvement would help the hospital differentiate itself, "We are currently serving a low-middle and low-low market, the idea is that we target a part of the middle and upper middle classes, and having a greater range of services that does not exist in other hospitals in Colón would help us achieve that."

Additionally, since the CMC's management wanted to attract a slightly higher segment, they met with architects and redesigned some of the hospital's main areas. They made many changes including

new floor plans for the waiting rooms, the creation of a play area for children, indoor gardens for the patients and fountains throughout the hospital to create a relaxing atmosphere. Management wanted to renovate the look and feel of being in the hospital. They wanted to create a clinical but pleasant environment that would raise the patients' mood and give them a feeling of well-being. Ms. Berrios expressed what they wanted to achieve in the following years with the hospital's renovation stating, "We want to have an environment where you do not feel as if you are in a hospital, but rather you feel as if you were in a SPA. Where the patient arrives to a hospital with comfortable areas, in which the services received are an enjoyable experience."

This effort was all part of the CMC's management team's attempt to position the CMC as the hospital with the highest-quality service and the best doctors in Colón. Despite the fact that the management team felt that the hospital's appearance was an important factor in attempting to attract the AB and C segments of Colón, this was not their priority. Given the limited economic resources of the CMC, management decided to prioritize the changes that would improve the medical services being offered and to leave the esthetic changes to the hospital's appearance for last.

6. Communication plan

In 2012 the CMC had set aside \$50,000 USD for the promotion of the hospital, and distributed this sum in the following manner. The CMC spent \$30,000 USD to sponsor Colón's local soccer team, for which the hospital's logo would appear on the shorts of the players' uniforms and on banners in the stadiums. A total of \$10,000 USD was spent to advertise in the Association of the Users of the Free Trade Zone of Colón's Magazine (180 affiliated companies). Finally, a sum of \$10,000 USD was spent to sponsor smaller (minor) local events.

The CMC had also distributed flyers with information on their top of the line equipment, and new services and procedures offered. The hospital also advertised their services on local radio spots, as well as on local health magazines. The CMC supported, and often sponsored health-related activities, such as health fairs, and health lectures for employees of companies located in the Canal Zone. However, in 2013, the hospital canceled their sponsorship of the soccer team, and used those funds for the implementation of the electronic case file system. Finally, the CMC planned to update their website and intended to create a social media presence, as they did not currently have a Facebook or Twitter account. For 2014, their marketing budget was \$50,000 to \$75,000 USD.

7. Market segmentation

The CMC had a rather broad segment of clients covering all income class levels (A, B, C, D, and E). This was partly due to the fact that the CMC provided services for private health insurance companies in the district of Colón, as well individual clients paying out-of-pocket and people onboard cargo and cruise ships.

As far as the key factors that influenced the consumer decision making process of patients in Colón that visited the CMC, Ms. Berrios noted that, "According to our records and estimations, doctors' medical recommendations represent approximately 40%, family references account for an estimated 30%, insurance companies availability around 20%, and price represents an average of 10% (this last one was still a very important factor, especially for programmed procedures, such as surgeries)".

7.1. AXA Assistance clients

AXA Assistance was one of the biggest insurance companies in the world. In Colón, this company managed the insurance plan for the retired Panama Canal workers, providing health insurance to the retired Canal personnel with funds from the United States of America's Federal

Government. These retirees had an estimated population of 2465 people. Every year, the CMC would negotiate a fixed fee per insured retiree with AXA that would cover everything except specialty products such as pacemakers or very expensive medication. The socio-economic level of these AXA insured retiree clients was generally D and E class. These AXA insured patients represented 60% of the CMC's billing, and a CMC internal audit revealed that the average age of their AXA clients was 73 years old. AXA Assistance covered the medical expenses of their insured clients and any children below the age of 25, however once the insurance holder was deceased, the coverage for their dependents expired. Recent data from the World Health Organization estimated that life expectancy in the province of Colón was 77 years (74.47 for men and 80.16 for women), so within a very short time AXA insured patients would no longer be the CMC's main source of income. This represented an imminent threat for the CMC.

However, just as AXA Insurance clients dropped from 80% in 2008 to 60% in 2012, all the other client categories experienced steady growth. In this same time period, out-of-pocket clients who paid individually increased from 10% to 18%; private insurance company clients grew from 5% to 11%; shipping company clients doubled from 3% to 6%, and, finally, cruise ship clients increased from 2% to 5% (see Tables 3 to 5).

7.2. Individual clients

This segment included patients who could afford to pay the CMC's medical services out-of-pocket. Generally, these were individuals of the C class segment who lived in the residential areas in the outskirts of Colón. Additionally, a few AB patients also visited the CMC because they wanted access to a private specialized hospital without having to go into Panama City. As of 2012, these clients represented 18% of the CMC's income.

7.3. Private insurers

The Caribbean Medical Center had contracts with other insurance companies such as ALICO, who was the insurance provider for Panama Ports, Generali, Pan American Life, Ancon Insurance, and British American Insurance, among others. Within this segment were also insurance companies hired by the Canal Zone companies to provide health insurance for their workers. The CMC had arrangements and established corporate plans with some of these companies to provide preventive health care services for their workers. Many of the multinational companies within the Free Trade Zone cared about the health and well-being of their employees, and wanted to lower absenteeism and work related disabilities, so they insured their workers at the CMC. The fact that the hospital was within such close proximity to these companies allowed many of their employees to be able to attend medical appointments without having to miss work, which was a very compelling factor for these multinationals in the Free Trade Zone. Patients in this segment were classified as C and D. These contracts with private insurance companies and multinationals represented 11% of the CMC's income.

7.4. Shipping companies

Colón had 5 large cargo ports: Colón Container Terminal, Manzanillo International Terminal, COASA, Cristobal Port, Bay Mine Port and the Mine Refinery Port. The CMC had reached important contracts with 10 shipping companies and had signed an exclusivity contract with the Unigreen Marine Company, French Shipping Agency and Norton Lilly International. As of 2012, this segment represented 6% of the CMC's income. Patients in this segment were classified as C, and D patients.

7.5. Cruise ships

Colón had 3 cruise ports: Port Colón 2000, which was located just two blocks away from the CMC, Home Port and Cristobal Port. Cruise

ships from these ports carried tourists aboard companies such as Royal Caribbean, Pullmantur, and Paul Gauguin, among others. Occasionally tourists aboard these cruise ships needed medical attention for emergencies or accidents, for which they visited the CMC. These patients were classified as AB, and C patients. However, they represented only 2% of the patients the hospital received and only 5% of the CMC's revenue. Given Colón's tourism potential, the CMC's management believed that in the future this could represent a more attractive segment.

7.6. Internal clients

The Caribbean Medical Center had 14 doctors who were considered important internal clients. Many of these doctors had been working at the CMC for over 20 years. These doctors were divided into ones who were employees of the Hospital and exercised their practices exclusively at the CMC, and medical specialists who also worked at other hospitals. These internal clients were very important to the profitability of the hospital as patients in Colón were characterized as being very loyal to their doctors and were known to follow their doctors from hospital to hospital. Also some doctors had direct agreements with private insurers who provided services to companies in the Free Trade Zone. These doctors brought a lot of volume and sales of diagnostic services (X-ray, ultrasound and laboratory) for the Caribbean Medical Center. The city of Colón had a shortage of doctors with certain medical specializations, who actually lived in the city and could work for the CMC. This was a main concern for the hospital management.

8. Hospitals in Colón

Colón was only 58 km from Panama City, which represented a 45 minute commute. The city of Panama had large tertiary hospitals with newer facilities, equipment and specialties. Also, some of these hospitals had important partnerships with hospitals accredited by the Joint Commission International. Regarding how these hospitals in Panama City competed with the CMC, Dr. Trejos Alvarado, Medical Director of the Center, said, "In my experience very few of the high income residents of Colón visit the Caribbean Medical Center, because most of them eventually go have surgery in the best hospitals in Panama City, and if they have even more money they go get treatment outside Panama, to the U.S. for example. This is why I think that attracting these clients will be very difficult, but nothing is impossible".

Most of the patients in the AB socio-economic segment who could potentially be clients for the private hospitals in Colón either lived in Panama City or were more than willing to travel to Panama City to receive their medical services there. Even if they worked in Colón, the vast majority lived in Panama City and commuted on a daily basis.

8.1. Hospitals in Colón

The district of Colón had 29 medical facilities, which were divided into hospitals, specialized centers, polyclinics, health posts, and medical centers without hospital beds. Out of these the most important hospitals according to their capabilities and market penetration were the following: the Public Hospital San Andres, the Private Hospital La Excelencia, and the Caribbean Medical Center.

8.2. Hospital San Andres

The San Andres Hospital was the public hospital of the City of Colón, to which all social security patients were assigned. This hospital was currently located right next to the CMC which was very convenient for some doctors who worked for both hospitals. However, the Panamanian government had begun construction of a 110 million dollar project which would build new facility for this public hospital just outside of the city of Colón in an area called Coco Solo, a former submarine base from the United States occupation. This new hospital was expected to

be completed in 2014, and would have state of the art technology and capacity for 477 medical beds.

8.3. Hospital La Excelencia

La Excelencia represented the CMC's main competitor, as it was also a private hospital and offered very similar services. This hospital was founded in 2006 when part of the founding medical members of the Caribbean Medical Center, decided to part ways with the CMC. La Excelencia had 26 beds and offered specialized medical services in orthopedics and traumatology surgery, obstetrics and gynecology, general medicine, internal medicine, nephrology, urology, pediatrics, cardiology, ophthalmology, dermatology, gastroenterology, otolaryngology, endocrinology, radiology, pathology and rheumatology. This hospital also had diagnostic services among which were a clinical laboratory, medical imaging, X-ray and ultrasound equipment. La Excelencia had a 24 hour ambulance service, and a pharmacy open to customers, which the CMC did not have.

La Excelencia Hospital also provided packages for different surgical specialties, as well as maternity packages and corporate plans. This hospital had contracts with Blue Cross and Blue Shield of Panama, and also provided services to the police and cadets in Colón. Given the rate of accidents and emergencies that the police in the area encountered, the hospital's area of orthopedics and traumatology was considered better because they had more doctors specializing in these areas to satisfy the demand.

La Excelencia Hospital was located on the outskirts of the City of Colón, which made it inaccessible to many people who lived in the city itself because this hospital was far away from them and not in walking distance. However, their location made this hospital more attractive to the more affluent patients who lived in the residential areas just outside of the city of Colón. Due to the number of traffic jams getting into the city and the construction of the new highway, these same affluent

patients often did not want to go into the city to visit a hospital, and therefore found La Excelencia's location quite convenient. Because of this, this hospital had a slightly higher client base (AB, C and D).

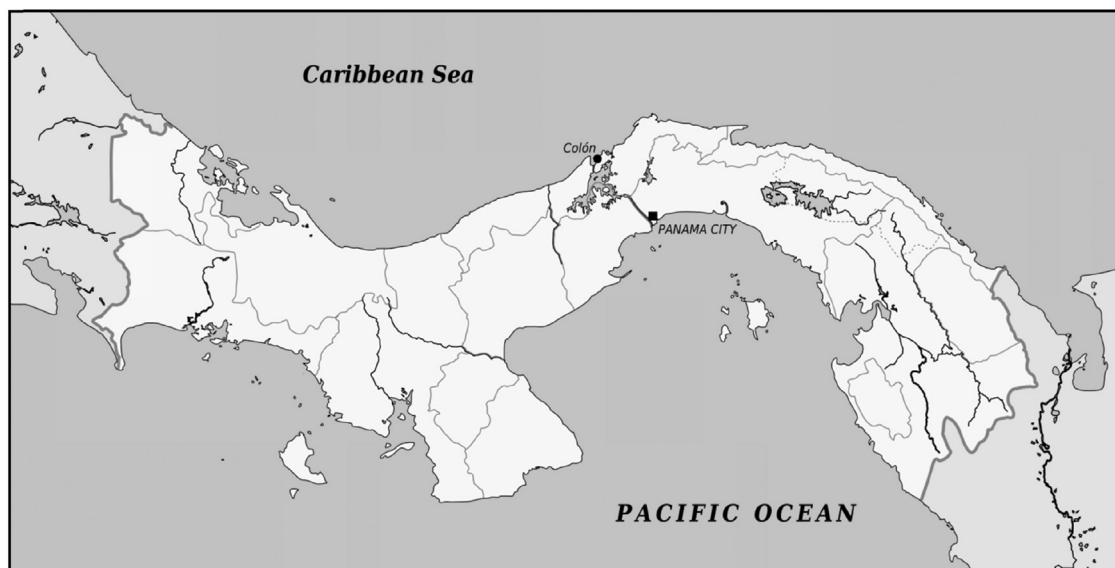
According to the general practitioner, Dr. Eduardo Pitin, who works for both the CMC and La Excelencia, location played an important role in the perception of customers. Due to Hospital La Excelencia's out-of-the-way location, they had a smaller volume of customers and this also made many people view the CMC as a more accessible hospital. Also many customers preferred the CMC because this hospital always had a general physician present providing medical care for outpatients, while the Hospital La Excelencia only had general physicians at the emergency room level, but not for outpatients.

9. Final reflections

On a Monday morning in October 2013, Wendy Berrios, Director of the Caribbean Medical Center analyzed the hospital's revenues and wondered what to do in the short and medium term to continue growing the CMC's client base even though they were losing their biggest client. Wendy had to give concrete recommendations as to which customer segment the CMC should target and where they should focus their limited resources. After careful deliberation she wondered if the CMC should continue with their hospital upgrades and renovations to give the CMC a facelift, trying to improve their current image to attract the AB segment of the population who lived or worked in Colón, and that of potential tourists. Should they invest all their efforts in competing with Hospital La Excelencia in order to be perceived as, without a doubt, the best private hospital in Colón? Or should the CMC focus on Private Insurance Companies, trying to replace AXA Insurance clients with other companies currently insuring the Canal Zone workers? Within a couple of days, Wendy would have a meeting with the executive committee of the Hospital and would have to advise them on what to do next.

Appendix A. (Tables & graphs)

Graph I. Map of Panama, Panama City in relationship to Colón.



Source: World Atlas

Graph I. Map of Panama, Panama City in relationship to Colón.

Table 1
Macroeconomic data of Panama.
Sources: IMF Data and Statistics of the IMF and World Bank Development Indicators, October 2013. Estimations the Economist Intelligence Unit, October 2013. Economist Intelligence Unit Country Profile Panama, October 2013.

	2009	2010	2011	2012	2013	2014	2015
<i>GDP</i>							
Nominal GDP (millions of US\$)	24,163	27,053	31,316	36,466	40,701	45,205	48,952
Real GDP Growth (%)	3.9	7.5	10.8	10.3	7	7.1	4.9
<i>Components of aggregate demand (% of real change)</i>							
Private consumption	-2.8	27.4	7.1	7.1	5.5	5.3	5.3
Public spending	4.1	15.3	4.4	13.8	10	11	5
Gross fixed capital	-6.2	11.6	19.9	22.2	12	15.7	7
Exports of goods and services	-1	1.6	21.2	9.1	4.1	4.9	6.8
Imports of goods and services	-9.9	18	21.1	11	5	7.7	8
<i>GDP per sector of origin (% of real change)</i>							
Agriculture	-7.8	-14.6	-2.9	4.3	3.5	2	2.5
Industry	3.1	4.7	10.8	15.7	9.2	9.5	5.3
Services	4.9	9.5	11.6	9.5	6.7	6.8	4.9
<i>Population and income</i>							
Population (millions)	3.6	3.7	3.7	3.8	3.9	3.9	4
GDP per capita (in US\$)	14,627	15,637	17,386	19,171	20,490	21,962	23,059
Unemployment rate (%)	6.9	6.8	4.5	4.4	4.5	4.6	4.7
<i>Fiscal indicators (as % of GDP)</i>							
Nonfinancial public sector income	25.9	25.4	24.8	24.9	25.4	25.7	26.2
Nonfinancial public sector spending	27	27.3	27	27	28	28.2	28
Gross public debt	45.4	43	40.9	39.6	39.8	38.2	37
<i>Financial indicators</i>							
Consumer prices (% of change)	1.9	4.9	6.3	4.6 ^a	4.1	4	3.4
Money supply M1 (% of change)	17	20.8	17.7	22.3	17.2	16.6	13.7
Money supply M2 (% of change)	11.1	13	7.2	15.2	11.3	11.7	9.8
Average interest rate	8.3	7.7	6.9	6.9 ^a	6.3	6.2	6.1
<i>Current account balance (in millions of US\$)</i>							
Balance of trade	-2143	-4527	-6016	-5736	-7737	-7831	-8440
Exports of goods FOB	12,071	12,687	16,926	18,878	18,874	22,268	25,843
Imports of goods FOB	-14,214	-17,214	-22,942	-24,614	-26,611	-30,099	-34,283
Current account	-178	-2765	-3826	-3267	-5064	-4832	-4697
<i>External debt (in millions of US\$)</i>							
Debt	11,244	11,382	12,584	13,557	15,218	16,359	17,105
Debt service payment	875	1047	930	1861	1197	1329	1403
Principal payment	190	320	185	1135	429	529	654
Interest payment	685	727	745	725	768	800	749
<i>International reserves (in millions of US\$)</i>							
Total international reserves	3028	2715	2304	2466	2666	2866	3016

Table 2
Medical specialties offered by CMC.
Source: CMC's Company website.

CMC medical specialties by doctor count	
Specialty	Doctor(s)
Allergology	1
Cardiology	3
General surgery & laparoscopy	5
Peripheral vascular surgery	1
Dermatology	1
Gastroenterology	2
Gynecology and obstetrics	3
Hematology	1
Critical care medicine	1
Physical medicine and rehabilitation	2
General medicine	6
Internal medicine	4
Nephrology	2
Pneumology	2
Neurosurgery	1
Nutrition and diet	1
Ophthalmology	2
Odontology	1

Table 2 (continued)

CMC medical specialties by doctor count	
Orthopedics and traumatology	2
Otolaryngology	1
Pediatrics and neonatology	4
Psychiatry	2
Rheumatology	1
Respiratory therapy	1
Urology	3
Other medical specialties	
Colonoscopy	
Electrodiagnostic	
Endoscopy	
Hemodialysis	
Clinical laboratory	
Mammography	
X-rays	
Magnetic resonance	
Tomography	
Ultrasound	
24 hour emergency	

Table 3

CMC's percentage of revenue by client (2008–2012).
Source: CMC's internal data.

Revenue by clients					
	2008	2009	2010	2011	2012
AXA Insurance	80%	78%	74%	65%	60%
Individuals	10%	10%	12%	15%	18%
Private insurance companies	5%	6%	7%	9%	11%
Shipping companies	3%	3%	5%	6%	6%
Cruise ships	2%	3%	2%	5%	5%

Table 4

CMC's hospitalization revenue by client expressed in USD.
Source: CMC's Internal Data.

Revenue by type of service and client					
Hospitalization					
	2008	2009	2010	2011	2012
AXA Insurance	\$ 1,822,346.45	\$ 1,634,191.92	\$ 1,471,153.51	\$ 1,475,569.00	\$ 1,524,798.06
Individuals	\$ 125,578.36	\$ 101,999.16	\$ 153,363.49	\$ 162,634.47	\$ 259,215.67
Private insurance companies	\$ 55,488.11	\$ 41,351.01	\$ 73,557.68	\$ 115,877.06	\$ 195,682.42
Shipping companies	\$ 77,975.40	\$ 73,604.80	\$ 126,382.88	\$ 180,930.85	\$ 226,178.38
Cruise ships	\$ 55,488.11	\$ 78,566.92	\$ 53,961.23	\$ 160,940.36	\$ 201,188.63

Table 5

CMC's external services revenue by client expressed in USD.
Source: CMC's Internal Data.

Revenue by type of service and client					
External					
	2008	2009	2010	2011	2012
AXA Insurance	\$ 513,995.15	\$ 516,060.60	\$ 630,494.36	\$ 726,772.79	\$ 1,016,532.04
Individuals	\$ 166,464.34	\$ 173,674.24	\$ 187,444.27	\$ 345,598.25	\$ 503,183.36
Private insurance companies	\$ 90,533.24	\$ 124,053.03	\$ 125,246.85	\$ 189,062.57	\$ 270,228.10
Shipping companies	\$ 9637.41	\$ 9097.22	\$ 15,620.36	\$ 22,362.24	\$ 27,954.63
Cruise ships	\$ 2920.43	\$ 4135.10	\$ 2840.06	\$ 8470.55	\$ 10,588.88

Appendix B. Teaching guide

B.1. Synopsis

The Caribbean Medical Center (CMC) is a 30 bed private hospital located in the very impoverished city of Colón, Panama. The CMC was the oldest and one of the most reputable hospitals in the city of Colón. However, the CMC had very limited resources and a lack of clarity on how to overcome losing their biggest client, AXA Insurance patients, who made up 60% of the CMC's revenue. Over the last 5 years, the income generated by this segment had decreased by 20%. These AXA clients were all elderly patients, and their population was progressively diminishing in size as the average age of each client was 73 years old and the life expectancy in the city of Colón was 77 years. The CMC's main client base was primarily the C, D and E segments of Colón. However, Ms. Berrios, the CMC's Director, believed that with the new changes to the hospital's equipment, systems and appearance, their hospital would become more attractive to the higher income segment, and perhaps that is where they should look to recover from AXA's attrition. This was in sharp contrast with what Hospital Medical Director, Dr. Alvaro Trejos believed, as he felt that attracting this AB segment would be nearly impossible, because patients with higher income levels would simply go to better hospitals in Panama City, a short 45 minute commute. The company had assigned a \$50,000 to \$75,000 marketing budget, but was unsure as how to best invest these funds. The CMC's management team identified five potential customer segments

of interest in the city of Colón, among which were: (1) private insurance companies serving customers in Colón, (2) individual clients paying out-of-pocket for their medical services, (3) clients aboard the shipping companies managing cargo ships and ports in the area, (4) tourists from the cruise ships that departed from the city, and (5) the medical community itself. Ms. Berrios would soon have to decide how to best advise the hospital's board of directors to allocate their marketing efforts, and clearly define what segment they should go after, as well as how to position themselves in Colón to be able to better capture this target segment and quickly acquire new patients.

B.1.1. Target audience

Students should have a theoretical background in marketing or hospital management in order to have productive in-class discussions. This discussion should result in solutions that can be applied to help make managerial recommendations for proactive marketing in the health care industry.

B.1.2. Teaching objectives

Upon discussing this case study, students will understand the critical role that market segmentation, targeting and positioning play in the profitability of private hospitals, and the importance of performing a segmentation exercise before determining a hospital's value proposition in order to make the most of its resources.

B.2. Suggested study questions

- Who are the CMC's potential customers and what are their specific medical/hospital needs?
- What consumer segment or segments seem(s) more attractive for the CMC? Who should they be targeting and why?
- What is the CMC's current value proposition?
- What are the differentiating factors between the CMC and its closest competitor?
- What are the CMC's competitive advantages?
- What are the CMC's weaknesses (SWOT analysis)?
- What does the 7Ps model (product, place, promotion, place, physical evidence, people and process) tell us about CMC's marketing strategy?
- What performance indicators should be present, so that the CMC's management can evaluate and monitor their progress?

B.3. General teaching strategy

In today's economy, even in emerging markets, hospitals must develop a marketing culture in order to be profitable (Sreenivas et al., 2013). The Caribbean Medical Center case is an interesting case study on managerial decision-making, marketing segmentation, targeting, positioning, and hospital management for middle and lower income segment hospitals. For the analysis of the case study, students must first perform a thorough study of the market characteristics of Colón, Panama, in order to identify groups of potential consumers. Each market segment represents a growth opportunity for the CMC. Once the readers conduct an analysis of all the existing information in the case study, the students can proceed to identify the main characteristics of each segment (e.g., size, attitudes, motivations, frequency usage, and loyalty).

After this segmentation exercise is complete, students must choose the segment or segments the CMC should focus on to try to cover the gap that AXA (who currently represent 60% of their revenues) will soon leave them.

When this is completed, students must then carefully reflect upon the CMC's positioning strategy in order to attract the desired segment(s). They must clearly establish and define the "personality" of the hospital in the minds of the consumers.

Within the positioning strategy, it is very important to analyze the CMC's competition. This case study also provides enough information to perform a competitive analysis by examining the direct and indirect competitors of the CMC. As soon as the competitors discussed in the case are identified, it is necessary to assess exactly how these other hospitals compete, in order to be able to establish a value proposition that incorporates the CMC's competitive advantage. This analysis can be performed in more detail with CMC's main competitor (Hospital La Excelencia) examining several variables such as the hospital's reputation, quality of services offered, availability of doctors, quality of equipment, location, pricing strategy, packages, etc. Students can further analyze the CMC and its competitor by using the 7Ps model.

Finally, although this case study presents limited information, readers may propose the appropriate channels to reach the desired target market(s) of the CMC, and select the promotional mix to use in order to maximize their impact.

Reference

- Sreenivas, T., Srinivasarao, B., & Srinivasa Rao, U. (2013). An analysis of marketing mix in hospitals. *International Journal of Advanced Research in Management and Social Sciences*, 2(4), 187–207.