**Writing Sample**

**Excerpt From Case Study of Shouldice Hospital and Hypothetical Marketing Strategy**

**III. PROBLEM ANALYSIS**

Despite Shouldice’s clear advantage in the niche market they serve, several problems have risen at the facility in the 75 years since Dr. Shouldice created his methods. While there seems to be little actual issue with the service, customer satisfaction, or costs of the facility, the itch for expansion is inevitable. Demand is in excess, and supply is at a peak. Because a characteristic of the service industry is intangibility, the only way to meet demand is to significantly expand the service capabilities and/or capacity of the Hospital. Dr. Earle Shouldice’s son is now a surgeon on the staff and owns fifty percent of the hospital. When interviewed, he stated that he is frustrated with the cap on supply and the amount of competition profiting from it. He points to an ad for a hernia specific clinic that offers the “Canadian Method.” Sadly, that location is now a podiatry center, likely because they emphasized the out patient procedure. “No overnight stay” didn’t offer the success rate Shouldice does, therefore failing to offer the customer experience. Regardless of the current evidence, Dr. Shouldice looked to the sprouting US competition to build a case for the hospital’s expansion. He expressed general concern about the older surgeons on staff, and believed that their resistance to change would hinder the success of the center.

Another issue pointed out by surgeons on staff is the lack of marketing. Dr. O’Dell added that they do not advertise directly to patients, and stated that they were even nervous about distributing what has been newly created. Apparently, as of 2004, about 1% of their total customers were medical doctors, and he suggested utilizing their satisfaction with the center to gain word of mouth from professionals rather than relying only on the friends and family of clients.

While the facility appears to be operating at “best operating” level, the issues pointed by the staff are justified given that they both can be answered by lowering demand for both primary (operations) and secondary services (total customer experience elements). While not addressed as an official problem, managing demand should be the most important part of Shouldice Hospital’s strategy. Upon evaluating alternatives, traditional demand control devices cannot be utilized. Raising prices to deter demand is fantastic in theory, but according to the chart provided on 586 of the text, the majority of patients rated the price as “not important” when asked about “Fees charged for operation and hospital stay.” Additionally, there is no evidence that hernia diagnoses rise or fall at any particular time; they are in a steady stream. So techniques involving stretching capacity or monetary and non-monetary manipulation are not relevant to this industry. Dr. Shouldice’s recommendation to extend operating times falls within techniques to increase supply to catch up with demand, but is it enough?

**IV. ALTERNATIVE ANALYSIS**

Regarding the suggestion of marketing, two alternative solutions should be analyzed. The first is to create an integrated marketing strategy. This strategy could be a full-blown medical campaign that would include widely distributed brochures, local billboards, even TV ads. This is the most expensive option as it requires the most time, effort, and materials. And, since demand is in excess at Shouldice, using money to gain further demand seems counter intuitive. The more excess demand occurs, the longer the extensive back order list, (2,400 and increasing 100 every six months) and unfortunately, the longer the back order, the more frustrated potential consumers will be. The second option is to follow up on Dr. O’Dell’s suggestion of marketing to general physicians including both current patients as well as local practices.

The need for expansion is clear, given that the hernia rate has risen steadily over the last nine years. There are three somewhat feasible alternatives to evaluate; however, our team would like to point out the general lack of statistical data provided by Shouldice Hospital online and in the article; these suggestions are recommended with assumptions in data where holes are. The first alternative is to follow up on Dr. Shouldice’s suggestion of extending surgery days to include Saturdays. He states that this would increase the center’s capacity by about 20%. The numbers *are* impressive. There would be no need to renovate the facility, no need to hire additional surgeons, and significantly increase capacity and therefore profits. Issues are unfortunately abundant. Extending operating days would drastically affect the patients’ overall satisfaction and enjoyment of the experience. This is proven since there are only 89 beds in the facility and each patient stays for four days. This not only puts unnecessary pressure on all employees—cook staff, nurses, housekeeping, administrative staff, and surgeons—but is also a temporary band-aid for a much larger demand issue. Currently the waitlist is 2400 potential patients and climbing. A 20% increase in capacity will mean that the new total annual surgeries will reach 9,120, a mere increase of 1520 patients a year. Fitting in this many patients to the same facility without increasing staff or accommodations will no doubt lead to a less relaxed facility with more pressure from employees for patients to leave. This change in atmosphere for an already high functioning service facility will add to the anger of the older surgeons. O’Dell states concern that a potential increase in capacity would make it impossible to maintain the same working “relationships and attitudes” and that the staff was absolutely not pleased.

The second alternative for the need for expansion is an addition to the Thornhill facility. Given the popularity of the service and saturation of the niche market, demand is difficult to decrease, an expansion to the facility is great because it increases supply. Adding an additional floor would increase bed capacity by 50%. Unfortunately, this expansion would cost around $4,000,000 dollars and would require a more heavily scheduled operating room. Again, the older surgeons wouldn’t enjoy this considering they would be expected to work harder, faster, and with no pay increase. Customer satisfaction has fallen to second priority with this alternative. Customers will suffer by having a less intimate facility that they have all come to respect and appreciate. Shouldice’s proposal has no mention of larger lounging areas, expanding the kitchen, or adding to the surgical staff. In any industry, the danger of complacency rises drastically when the same task is done over and over again and with time constraints. The customer bares more risk with a heavier scheduled operating room. Customers will also be affected on the short term when renovations are occurring, the noise, dust, and general disturbances will deplete the customer’s experience. Considering that they are already predicting a 12 million dollar budget for operating expenses alone, (9.02 million US dollars) this seems like a very hefty investment to penetrate the same market further when the Shouldice name could be further spread for comparable costs.

The third and final alternative is to build a new facility to further penetrate the already interested US market. About 10% of Shouldice’s current and past patients are US citizens who traveled and spent up to $600 dollars in transportation fees to receive the Shouldice treatment. While a few hernia centers exist in the U.S., most utilize Laparoscopic treatments, which only heal inguinal hernias. These procedures are typically outpatient and do not have an emphasis on customer service.

**V. SELECTION OF BEST ALTERNATIVES**

The best alternatives are clear. Regarding the marketing strategy, there is a benefit to marketing to general physicians. Secondary surgeries (surgeries that fix a procedure given by another hospital) take twice as long to perform than primary operations. By advertising more heavily to other medical facilities, the likelihood of primary appointments appointed by doctor’s offices will go up, keeping botched surgeries done by general facilities at a low. This will keep surgery time down and allow surgeons to do two surgeries in the time it takes to perform one secondary operation. This alternative decreases capacity while still keeping the Shouldice name fresh in the minds of practitioners and customers alike.

Our team believes that an expansion is necessary. The Shouldice method has proven to be loved and successful, and the Shouldice Hospital experience, though a secondary service, is just as attractive to patients. Given the issues with extending workdays or adding a separate floor to the Thornhill facility, the best alternative is an expansion to the US. According to research, the majority of hernias come from people 65 and older, with 71% of males experiencing hernias and 42% of females (Beadles 2014). So for feasibility, it is important that the new facility be in a location with a high percentage of elderly residents that isn’t saturated with hernia centers. According to the US census, Maine has the second highest percentage of elderly, 17.7%, only to Florida with 18%. Florida’s medical market is saturated with other clinics serving the over 65 demographic, but Maine is untouched. There are general medical facilities statewide, but none that focus on customer satisfaction like Shouldice Hospital does, and there are none that service hernias only. Maine’s market likely has a high demand with a totally untapped market. Maine’s 17.7% elderly population breaks down to about 51% female and 49% male, or 117,351 and 112,749 respectively. So, utilizing the aforementioned statistics on hernia sufferers, 50,000 of Maine’s females over 65, and 80,051 of Maine’s males over 65 are statistically probable to have or get a hernia. To put it simply, Maine has more elderly people than 48 other states, has no specialized hernia facility, and 10% or more of its population can be expected to suffer. Shouldice has a fantastic opportunity for success *(US Census Bureau)*.