Domestic Health Tourism: Alternatives for Increasing the Occupancy Rate in Hospitality Services

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Abstract

Health tourism is a market that moves millions of dollars around the world and continues to expand. Domestic health tourism, even though an important segment of this market, is still little known and exploited. Part of this segment is formed by public hospital patients and those accompanying them, where both the treatment and travel expenses are funded by the government. Despite this, patients and those accompanying them could become users of tourism services. Based on a previous study on accommodations in the areas close to two public hospitals in the city of Porto Alegre (in the state of Rio Grande do Sul, Brazil), there were four establishments that offered 145 beds for an estimated population of 17,687 guests/year, staying 17.92 days on average. This represents approximately one bed for every 122 guests/year. It was observed that the occupancy rate related to the segment varied from 0 to 40%, and in some it varied from 0 to 10%. It was also noted that 75% of the interviewees knew about the segment. Using hotel chain models directed toward tourism in general, this study seeks to propose some marketing and administration alternatives in order to raise the occupancy rate. Following are some suggestions: form a network with the main sending cities to promote lodging options, publicize these with the Social Services departments of the reference hospitals and create an overnight stay option as a way of reducing the costs of the caregivers accompanying the patients.

Key Words: marketing, hotel, tourism, health, domestic
1. Introduction

The global medical tourism market is currently estimated at approximately USD 40 billion and is still growing (Jadhav, Yeravdekar & Kulkarni 2014). These data refer to patients who travel outside their home country in search of medical treatment. However, patients also travel within their own country or region with the same purpose. While the motivation of those who travel internationally for medical treatment is largely financial, those who travel domestically are driven by the lack or inadequacy of medical facilities in their place of residence (Baksi & Verma 2013). Regardless of motivation, domestic medical tourism can also boost the economy, generate income and provide an additional attraction for those who work in the tourism services industry. These services include accommodation, the target of this study.

2. Literature Review

The Medical Tourism Association defines medical tourism as people who live in one country traveling to another one to receive medical, dental and surgical care while at the same time receiving equal to or greater care than they would have in their own country. Their reasons are affordability, better access to care or higher level of quality care (Medical Tourism Association n.d.). It is a growing market. In its report on the medical tourism market, the Transparency Market Research website valued the market at USD 10.5 billion in 2012, with an expected CAGR (Compound Annual Growth Rate) of 17.9 % from 2013 to 2019, reaching an estimated value of USD 32.5 billion in 2019 (Transparency Market Research 2013).

Domestic medical tourism is a little known and underexplored segment of health tourism. The definition used in this study is that proposed by Almeida, Ribeiro and Santos (2015), whereby domestic medical tourism refers to patients who travel within their own region or country in search of treatment with the purpose of maintaining or recovering their health, and remain at their destination for more than 24 hours with no distinction in terms of cost. We opted for this definition because the treatment of some patients is funded by the National Health System (Brazil’s public health care system). The issue of cost was disregarded.

Although transportation and treatment are financed by the national health system, patients and their companions could become consumers of tourist services. Services involve a social relationship in which the act of serving and having your needs catered to is implicit (Alberto 2011). These services include accommodation. Almeida (2016) conducted a study on accommodation facilities in the vicinity of two public hospitals in the city of Porto Alegre, Rio Grande do Sul state (Brazil). Four establishments were found, namely 1 (one) apartment hotel, 1 (one) hotel and 2 (two) hostels. The total number of beds was 145 for an estimated
population of 17,687 guests/year, staying 17.92 days on average. This represents approximately one bed for every 122 guests/year.

Born & Hartz (2013, pg. 115) advise those looking for information on the market to check buyer statistics. In this case, the buyers are the patients and their companions, as well as the data obtained at hospitals. A noteworthy aspect of their study is how establishments became aware of the medical tourism sector. When asked, interviewees from 3 (three) of the 4 (four) establishments reported knowledge of the subject, but only 1 (one) through a talk on tourism and the other 2 (two) from guests. The item regarding medical tourism-related occupancy was significant and varied from 0 to 40%, with one of the establishments exhibiting a maximum of 10%. The highest occupancy was for a hostel. We noted that medical tourism-related occupancy is low, with higher rates in establishments that are less expensive than hotels. How can medical tourism-related occupancy be increased?

According to Kotler (1999), companies do not always realize that their markets are constantly changing. Whereas previously the focus of accommodation establishments was tourism and leisure, medical tourism has emerged as a market with significant growth potential. In its leaflet on medical tourism, the Brazilian Ministry of Tourism reports that this sector may be an alternative to the seasonality of tourism, since it does not conform to the periods typically favored for travel (Ministério do Turismo [MTur] 2010). The first step is knowledge of the sector. In fact, it could be described as a niche market (Kotler 1999, p.43), since the “target audience” of these establishments are the companions of patients at public hospitals. It is important to determine the statistics for quantitative analysis of the target market (Born & Hartz, 2013, pg. 115). In the case of domestic medical tourism, data sources are hospitals in the field of study, which can provide data on the number of patients treated, their city of origin and length of stay (some of this information was determined by the authors of the previously mentioned study). There is a need for approximation between hotels/hostels and hospitals. In order to have an idea of what 17,687 companions a year represents, it is important to analyze official data on medical tourism in Brazil and in the city of Porto Alegre. In the Brazilian Ministry of Tourism’s 2016 Tourism Statistics Yearbook, medical tourism is not listed individually under reasons for traveling to Brazil. We can assume that it is included under a more comprehensive index. Tourists that travel for reasons other than leisure, business, events or visiting family account for 3.3% of the total (around 208,092 tourists). In its assessment of the medical tourism sector, BEMTUR 2014 (Municipal Tourism Statistics Report for Porto Alegre 2014) (Secretaria Municipal de Turismo [SMTur] 2014) reports that the number of patients treated in the city was 4,428 or 5% of total tourists. The data source was Porto Alegre Health Care, a cluster of hospitals in the city aimed at patients who finance their own treatment (private hospitals or private health insurance). The same calculation applied for patients in the National Health System results in 4,428 companions, which
represents 25.03% of the public generated by domestic medical tourism in only 2 public hospitals.

According to the same report (BEMTUR 2014), revenue generated by medical tourism was approximately 35% of total tourism revenue. Domestic medical tourism will not generate this type of revenue, but can contribute in some degree.

It is important to underscore that medical tourism-related occupancy of accommodation facilities is low, and that the occupancy rate for the city’s hotel network as a whole was 53.67% as stated at BEMTUR 2014. In the city of São Paulo the occupancy rate was 63.62% in the same year (Mendes 2015).

3. Methodology

The literature review applied the following criteria: articles published from 2010 in national or international journal, in Portuguese, English, French or Spanish; material from books published from 1997; official Brazilian government publications; publications on the websites of tourism-related companies and associations and; the annals of conferences and seminars. A search was conducted using the following keywords: tourism, health, medical, hospitality, rate, occupancy, domestic.

4. Discussion

As previously mentioned, knowledge on the domestic medical tourism industry is still limited. The data presented corroborate this statement, with only one of the interviewees reporting they were aware of the sector through a talk on the subject. In order to successfully exploit the sector, it is important to conduct an analysis of the market, what is represents and its potential. As suggested by Alberto (2011), it is vital to meet the needs of the segment. According to Born & Hartz (2013, pg. 109), the main aim of this analysis is to identify opportunities to develop marketing strategies that may help the company achieve its objectives. There is an estimated volume of patients and companions that could become potential consumers of accommodation services and are in the city for a medium to extended period of time. Nevertheless, occupancy rates are low. The existence of an available market represents an opportunity for planners (Born & Hartz 2013). Planners in this instance may be marketing professionals or those from the hotel and tourism sector.

For strategic purposes, and when dealing with services, it is important to consider the customer, understand them, and at the same time ensure the training of those catering to their needs (Alberto 2011). According to Prahalad (as cited in Alberto 2011, p. 72), the secret of innovation and a strategy for business in today’s world us focusing on the customer. In his article, Alberto uses the expression “unique individuals, based on their unique needs” (2011,p. 72). We are faced with a new segment, with needs different from those of tourists in general. In considering a strategy to increase occupancy in accommodation establishments, it
is important to make use of successful experiences aimed at other market segments. This brings us to a study on the formation of a cooperative network between small hotels to ensure participation in the market (Cerqueira, Sacramento & Teixeira, 2010). The study was conducted in a city on Brazil’s northeastern coast and concluded that the formation of a cooperative network provides a number of benefits for participants, including reducing publicity costs and sharing information. We could apply this model and propose that establishments in the study area form a similar network, and share information and experience. In the case of this specific sector, it is important to know the city of origin of the patients and their companions. Knowing the “originating market” makes it possible to devise publicity strategies alongside city councils and health department, making hotels and hostels benchmarks in accommodation. Moreover, as part of a network they could approach the Social Services departments of hospitals in the area to identify the real needs of patients/companions. It is also important to know the social and economic profile of these potential users, keeping in mind that their treatment (and transport) is funded by the government health system. At this point, it is important to emphasize another general marketing concept. As stated by Kotler (1999, p. 187) when addressing the personalization of company products and services, “companies engage in an intimate relationship with the consumer when they are capable of tailoring products and services to suit the tastes of specific individuals”. Knowledge of companion behavior and hospital operations tells us that family members may stay with patients throughout the day and even overnight. This can be exhausting, prompting companions to seek an opportunity to rest (especially at night). We found that only one of the establishments studied offered the option of day rooms. We suggest the creation of an “overnight stay” stay option, offering a bedroom and bathroom, and possibly breakfast, at a lower price than a standard room rate. This would allow a greater number of companions access to accommodation facilities.

5. Conclusions and Recommendations

Domestic medical tourism is a niche market that has emerged as a good business opportunity for accommodation establishments in the vicinity of hospitals. In order to increase occupancy rates, we suggest that establishments form a cooperative network. Based on similar networks established in the leisure tourism sector, this would make it easier to publicize accommodation facilities among the hospitals and health departments of the cities of origin. In terms of being “customer-oriented” and “personalizing products”, we propose the creation of an “overnight stay” option to provide more affordable accommodation. This paves the way for a broad field of research and practices in the areas of marketing, administration, hospitality and tourism.
References


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