

**Read the questions carefully and justify all your answer.  
You cannot use any class or personal materials.**

**1.**

“I just hope the quality differences are visible to our patients,” said Dr. Barbro Beckett as she looked to the office of her well-established dental practice. She had recently moved to her current location from an office she felt was too small to allow her staff to work efficiently—a factor that was becoming increasingly important as the costs of providing dental care continued to rise. While Dr. Beckett realized that productivity gains were necessary, she did not want to compromise the quality of service her patients received.

The dental care industry was changing dramatically. Costs rose as a result of labor laws, malpractice insurance, and the constant need to invest in updating equipment and staff training as new technologies appear. Due rising costs there was a movement in the United States to reduce health care costs to insurance companies, employers, and patients by offering “managed health care” through large health maintenance organizations (HMOs). The HMOs set the prices for various services by putting an upper limit on the amount that their doctors and dentists could charge for various procedures. The advantage to patients was that their health insurance covered virtually all costs. But the price limitations meant that HMO doctors and dentists would not be able to offer certain services that might provide better quality care but were too expensive. Dr. Beckett had decided not to become an HMO provider because the reimbursement rates were only 80–85 percent of what she normally charged for treatment. She felt that she could not provide high-quality care to patients at these rates.

These changes presented some significant challenges to Dr. Beckett, who wanted to offer the highest level of dental care rather than being a low-cost provider. With the help of a consultant, she decided her top priority was differentiating the practice on the basis of quality. Since higher quality care was more costly, Dr. Beckett’s patients often had to pay fees for costs not covered by their insurance policies. If the quality differences weren’t substantial, these patients might decide to switch to an HMO dentist or another lower- cost provider.

The move to a new office gave Dr. Beckett a unique opportunity to rethink almost every aspect of her service. Dr. Beckett hired an architect to design a contemporary office building with lots of light and space and parking space for patients. She felt it would be a critical factor in differentiating her service. The new office waiting room and reception area were filled with modern furniture. Live plants and flowers were abundant, and the walls were covered with art. Classical music played softly in the background. Patients could enjoy a cup of coffee or tea and browse through the large selection of current magazines and newspapers while they waited for their appointments. The treatment areas were both functional and appealing. There was a small conference room with toys for children and a DVD player that was used to show patients educational films about different dental procedures. Literature was available to explain what patients needed to do to maximize the benefits of their treatment outcomes.

The examining rooms were very comfortable and adjacent to one another. There were also attractive artifacts hanging from the ceiling to distract patients from the unfamiliar sounds and sensations they might be experiencing, or even overhear other people’s conversations and bad reactions to procedures. Headphones were available with a wide selection of music. State-of-the-art computerized machinery was used for some procedures. All the technical equipment looked very modern and was spotlessly clean. Dr. Beckett’s dental degrees were prominently displayed in her office, along with certificates from various programs that she and her staff had attended to update their technical skills.

There were eight employees in the dental practice, including Dr. Beckett (who was the only dentist). The seven staff members were separated by job function into “frontoffice” and “backoffice” workers. Front office included a receptionist and a secretary. The back office was divided into hygienists and chair side assistants. The entire “back office” staff wore uniforms in cheerful colors.

Dr. Beckett valued her friendships with staff members and understood that they were a vital part of the service delivery. “90 percent of patients’ perceptions of quality come from their interactions with the front desk and the other employees—not from the staff’s technical skills,” she stated. When Dr. Beckett began to redesign her practice, she discussed her goals with the staff and involved them in the decision-making process. The changes meant new expectations and new office procedures, and the current group works very well as a team. Dr. Beckett and her staff have meetings every other week to discuss strategic issues and resolve problems. During these meetings, employees made suggestions about how to improve patient care. Some of the most successful staff suggestions include: “thank you” cards to patients who referred other patients; follow-up calls to patients after major procedures; a “gift” bag to give to patients after they’ve had their teeth cleaned that contains a toothbrush, toothpaste, mouthwash and floss; and coffee and tea in the waiting area.

The expectations for staff performance (in terms of both technical competence and patient interactions) were very high. But Dr. Beckett provided her employees with many opportunities to update their skills by attending classes and workshops. She also rewarded their hard work by giving monthly bonuses if business had been good. Since she shared the financial data with her staff, they could see the difference in revenues if the schedule was slow or patients were dissatisfied. This provided an extra incentive to improve service delivery. The entire office also went on trips together once a year with expenses paid expenses by Dr. Beckett.

Dr. Beckett’s practice included about 2,000 “active” patients (and many more who came infrequently). They were mostly white-collar workers with professional jobs (university employees, health care workers, and managers/owners of local establishments.) She did no advertising; all of her new business came from positive word of mouth by current patients. All new patients were required to have an initial exam so that Dr. Beckett could do a needs assessment and educate them about her service. She believed this was the first indication to patients that her practice was different from others they had experienced.

“Redesigning the business was the easy part,” Dr. Beckett sighed. “Demonstrating the high level of quality to patients is the hard job.” She said this task was especially difficult since most people disliked going to the dentist or felt that it was an inconvenience and came in with a negative attitude. Dr. Beckett tried to reinforce the idea that quality dental care depended on a positive long-term relationship between patients and the dental team. This philosophy was reflected in a section of the patient mission statement hanging in the waiting area: *We are a caring, professional dental team serving motivated, quality-oriented patients interested in keeping healthy smiles for a lifetime. Our goal is to offer a progressive and educational environment. Your concerns are our focus.*

Although Dr. Beckett enjoyed her work, she admitted it could be difficult to maintain a positive attitude. The job required precision and attention to detail, and the procedures were often painful for patients. She often felt as though she were “walking on eggshells” because she knew patients were anxious and uncomfortable, which made them more critical of her service delivery. It was not uncommon for patients to say negative things to Dr. Beckett even before treatment began (such as, “I really hate going to the dentist—it’s not you, but I just don’t want to be here!”). Even though patients seldom expressed appreciation for her services, she hoped that she made a positive difference in their health or appearance that would benefit them in the long run.

a) Characterize Dr. Beckett’s practice service concept. [3,5]

- b) How can dental services customers be segmented? Characterize the segment(s) that Dr. Beckett's practice targets. [3]
- c) Explain the price Elasticity of Demand (EPD) concept. What do you expect the price Elasticity of Demand to be for Dr. Beckett's customer segment? Do you believe that EPD is the same for all customer segments in dental care services? [3,5]
- d) People are an important component in services. Which elements Dr. Beckett's practice take into account when managing people in service delivery? What are the Dr. Beckett main challenges? [3,5]
- e) Characterize the main dimensions of the physical elements of Dr. Beckett's practice. Why are they so important for the service that Dr. Beckett's provides to its customers (use Russel's Model of Affect to explain)? [3,5]
- f) Suppose that Dr. Beckett's intends to launch a communication campaign to enhance its image and positioning with customers who use HMO dental service providers. Develop a communication strategy, justifying your choices. [3,0]