

## What's Your Brand Worth? The Benefits of a Brand to Consumers

As discussed in the first installment of this four-part series, *trademarks* and *trade names* are symbols that represent an intangible quality of the good or service provided under the trademark/trade name. These attributes might include quality, reliability, and/or dependability, and they may be classified generally as *reputational*. Value for a trademark/trade name arises from its ability to transfer this *reputational* quality to a product or service.<sup>1</sup> Trademarks and trade names are both components of the brand of a business entity.

The first part of this four-part series set forth an overview of trademark and trade name valuation as it relates to the healthcare industry. This second installment will review the economic benefits accruing to the consumers of the trademark or trade name (i.e., patients).

In many markets, consumers face information asymmetries, where sellers have more information regarding the good or service, which information may play a crucial part in the consumer's decision making process. These information asymmetries faced by consumers in the healthcare industry are exacerbated by: (1) the third party payor system, as patients receiving the treatment are not always the ones paying for those healthcare services; (2) healthcare consumers are typically required to choose a physician or health system within the third party payor's network of providers; and, (3) physicians and other providers often have extensive expertise with regards to an individual's health and the medical necessity of the suggested course of treatment. With the *availability* of a variety of options and *unavailability* of all of the relevant information, consumers face difficulties in making the final, and correct, decision, regarding their choice of a provider that meets their needs and the choice of services to be provided. Trademarks and trade names may render additional, valuable knowledge about the providers of services and may facilitate quicker and more efficient consumer decision making, and may increase the probability of a transaction materializing.

It is important to note that there are certain situations in which branding does not play a role in the patient's decision, especially during an emergency. However, depending on the severity of the patient's medical condition and the availability of time, when the patient has to make a conscious choice about healthcare providers, the trademark or trade name, and the brand it provides, can play a significant role.

While one of the primary methods for a patient to make a healthcare decision is based on their consideration of the physicians and the hospitals or clinics with which those physicians affiliate, a large number of patients, especially among the younger generations, continue to seek out additional sources of information to assist in making their healthcare decisions.<sup>2</sup> Easily identifiable trademarks or trade names reduce the indirect costs incurred by consumers in searching for their desired healthcare experience,<sup>3</sup> and the associated information can provide the consumers with a deeper understanding of the organization itself and the services to be provided and mitigate the uncertainty arising from the asymmetrical level of information existing between the healthcare consumer and the healthcare provider.

Dependency on a trademark or trade name, to some extent, relieves the consumer of the risk of relying on an unknown provider or service, whose information regarding their competence may not be readily available to the consumer. The economic benefit provided by a trademark or trade name to the consumer is the *decrease* in the uncertainty arising from the information asymmetry, i.e., *increasing* availability of relevant, but inaccessible, information through a brand name. Facing multiple seemingly homogenous good and service choices, the consumer tends to rely on the brand name to provide some assurance as to the quality of the good or service. In the context of healthcare, the number of physicians and healthcare systems providing similar services creates an equally daunting choice, and branding plays an important role in reducing the information asymmetries and thereby creating value for the consumer.

The consumer/patient may be willing to pay a premium for the service or care they receive in exchange for the quality assurance associated with a branded good or service. Brands play an especially important role in healthcare, as the *quality* of the services provided by a healthcare entity can directly impact a patient's quality of life, or even the life or death of a patient.<sup>4</sup> When a patient's wellbeing and life depends on their choice, they will generally be more willing to pay a premium for a brand associated with positive outcomes.

Mayo Clinic and Cleveland Clinic, considered the top two hospitals in the U.S. according to U.S. News,<sup>5</sup> are two of the biggest brand names in the healthcare industry. Approximately 8.4 million patients visited these two

hospitals in 2016 for care.<sup>6</sup> The hospitals have propagated their mission to provide the best care to patients,<sup>7</sup> along with positive patient experiences,<sup>8</sup> to build a reputation that commands trust from patients. Reputation of a hospital is one of the major factors considered by patients when choosing a provider.<sup>9</sup> Services offered by healthcare systems such as Mayo Clinic may be more expensive as compared to other providers and may lead to consumers paying a higher premium to avail of their high-quality services (especially if the hospital is outside of the patient's insurance network of providers),<sup>10</sup> but this

does not appear to have been a deterrent in the case of these branded institutions, as evidenced by their ever-rising number of patient visits.<sup>11</sup> It is the trust built by these hospital brands that encourages patients to approach them for better care in spite of the potentially higher costs.

Part three of this four part series will specifically focus on the economic benefits accruing to the trademark or trade name grantee.

- 1 For more information, see the first installment of this four part series: "What's Your Brand Worth? – Valuation Considerations for Healthcare Enterprises" Health Capital Topics, Vol. 11, Issue 1 (January 2018), [https://www.healthcapital.com/hcc/newsletter/01\\_18/PDF/TRADE.pdf](https://www.healthcapital.com/hcc/newsletter/01_18/PDF/TRADE.pdf) (Accessed 2/19/18).
- 2 "A Marketer's Guide to Brand Strategy: Advanced Techniques for Healthcare Organizations" By Chris Bevolo, Marblehead, MA: HCPro Inc., 2008, p. 42-43.
- 3 "Intellectual Property: Valuation, Exploitation, and Infringement Damages" By Gordon V. Smith and Russell L. Parr, Hoboken, NJ: John Wiley & Sons, 2005, p. 37.
- 4 "Branding in Healthcare: 14 Reasons Why Strong Brands Win" ParkerWhite Brand Interactive, January 13, 2015, [https://www.slideshare.net/parkerwhite/branding-in-healthcare-slideshare?from\\_action=save](https://www.slideshare.net/parkerwhite/branding-in-healthcare-slideshare?from_action=save) (Accessed 1/8/18)
- 5 "2017-18 Best Hospital Honor Roll and Overview" U. S. News & World Report, <https://health.usnews.com/health-care/best-hospitals/articles/best-hospitals-honor-roll-and-overview> (Accessed 2/28/18).
- 6 "An Inside Look at Mayo Clinic" Mayo Clinic, 2017, [http://www.mayo.edu/pmts/mc7300-mc7399/mc7360.pdf?\\_ga=2.120380876.517549277.1519833416-1678074553.1519833416](http://www.mayo.edu/pmts/mc7300-mc7399/mc7360.pdf?_ga=2.120380876.517549277.1519833416-1678074553.1519833416) (Accessed 2/28/18); "Cleveland

Clinic: 2016 Year-End: Facts and Figures" Cleveland Clinic, 2016, <https://my.clevelandclinic.org/-/scassets/files/org/about/who-we-are/cleveland-clinic-facts-and-figures-2016.ashx?la=en> (Accessed 2/28/18).

7 *Ibid.*

8 "Quality and Mayo Clinic: Patient Satisfaction" Mayo Clinic, 2017, <https://www.mayoclinic.org/about-mayo-clinic/quality/quality-measures/patient-satisfaction> (Accessed 2/28/18); "Cleveland Clinic: State of the Clinic" Cleveland Clinic, 2017, <https://my.clevelandclinic.org/-/scassets/files/org/about/who-we-are/state-of-the-clinic-2017.ashx?la=en> (Accessed 2/28/18).

9 "Where would you go for your next hospitalization" By Kyoungrae Jung, Roger Feldman and Dennis Scanlon, Journal of Health Economics, 2011.

10 "Mayo Clinic faces new price of success", Duluth News Tribune, 2014, <http://www.duluthnewtribune.com/business/3643380-mayo-clinic-faces-new-price-success> (Accessed 2/28/18).

11 "An Inside Look at Mayo Clinic" Mayo Clinic, 2017, [http://www.mayo.edu/pmts/mc7300-mc7399/mc7360.pdf?\\_ga=2.120380876.517549277.1519833416-1678074553.1519833416](http://www.mayo.edu/pmts/mc7300-mc7399/mc7360.pdf?_ga=2.120380876.517549277.1519833416-1678074553.1519833416) (Accessed 2/28/18).



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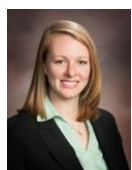
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