

Network Healthcare Holdings Limited

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Netcare Analyst Day

Web cast - Transcript:



Richard Friedland – Netcare: Chief Executive Officer

It gives me great pleasure to introduce you ladies and gentlemen to Tumi Nkosi who is our marketing director here in South Africa. Thumi joined us some eight months ago and has a pedigree stretching from MX health, Cell C and Coca Cola. He has done an enormous amount of work on our brand as we seek to simplify our businesses into primary care, emergency services and hospitals. He is going to take us through that and some of the strategic initiatives in marketing.

Tumi Nkosi – Netcare: Marketing Director

Thanks Richard. Sanbonani. Let me start by saying that I'm sitting there with Victor and he says to me, I'm happy that I'm finished, you are next. I don't know what that is supposed to mean. But for me marketing is a very interesting subject, particularly in our sector. It's a very interesting sector. It is a different sector. It's a different product. You are dealing with different services; you are dealing with different people. It is not a Coca Cola. It is not a Unilever brand. You are dealing with an emotive kind of brand. So a brand is a brand and a company is a company, and there are differences. We have got to find those differences as we begin to understand our consumers. When you listen to all the presentations that have been presented so far it says to you that there are huge opportunities from a branding and a marketing point of view. So the task before us is quite hectic. We're going to take it step by step. I'm not going to stand here and promise the world. Eight months is not enough for us to begin to understand our patients, but some groundwork has been done from a branding point of view. I think all the presentations revolved around patients. You can see that the focus is pretty much on understanding the patients. And so we want to take our brands and embed our brands into the patients' lives so that they begin to connect with our brands in a most meaningful way. Of course you've got the physicians and the doctors who are playing a very crucial role in delivering the quality of service that the patients require. And therefore there are also going to be opportunities around that in terms of how we connect with those segments.

Now all the presentations spoke about a number of segments. So it is not only the patients. It is not only the doctors. You also have the communities that we operate in. You also have the government, you have primary care and you have a number of stakeholders. At some stage we have to make choices and focus; the resources are also limited. For me there are five areas that we need to focus on going forward. The first one is that we need to consolidate our brands. I will take you through a slide that is quite exciting to look at. The second one is to continuously send positive messages into the market. We have to be specific; we have to be targeted. The third one is of course when patients

interact with our facilities, what kind of experience do they experience? Are we warm? Are we welcoming? Do they know that they're within a Netcare facility or Medicross or Primecure? And of course physician partnership and alignment. Most importantly it is around the brand research which we are undertaking and I will share with you some of the results that we have picked up. This for me is quite critical, to understand the insights as we build our brands.

The reality as we stand now is that we grew very fast. Nothing wrong with that. We are a giant today, we are a big company, and we are strong. We grew very fast. The unfortunate part is when you grow that fast and begin to bring different services into the market and there is no one that can put it back from a brand and strategy point of view, you then end up with a number of logos, a number of services and a number of brands. People have got energy and they want to do things. Nothing wrong with that. We are at the point now where we need to consolidate, because when you have a focus brand it is easy to market. When you have a number of brands and limited resources it becomes very difficult to communicate. And so there is a brand performance strategy that is underway. We have made progress in that regard.

This is the slide that I was talking about. This is what we are dealing with. There is a lot of energy that went into this; there is nothing wrong with this. But I think now we need to consolidate. You have got your primary brands which are Netcare, Medicross, Netcare 911 and Primecure. The others if you think about it are value-added services. We just have to make sure that they link nicely to where they belong. You can't market this. It is very difficult to market this. Now I'm not saying that we are going to destroy the value that has been created here. There is immense value. There are opportunities that have been created here. We need to understand where they fit within the performance strategy and drive it accordingly. So what we have done is looked at our primary segment, the hospitals. Then you've got your primary healthcare segment, Medicross and Primecure. And then you have emergency services. And then underneath each you've got an opportunity to come up with value-added services. Of course somewhere here you have the Netcare brand holding all these brands together. The Netcare brand becomes your mother brand.

So we still have to go through the process of how we link these brands together. Do we link it at all or don't we link it? I think we can't decide internally. We need to speak to our target audiences. We need to speak to the patients, to understand how they want to interact with our brands. But you'll agree with me that certainly this is much cleaner, it is simpler to understand and it is also simpler to market. And of course the theme is that patients' experience is key across all the segments. Recently we spend close to R500 000 on a brand study. This is a qualitative study that we have done. I'm not going to spend a lot of time on this, but what we looked at was all our primary brands, Netcare, Medicross, Primecure and Netcare 911. I must also say that in terms of Medicross and Primecure we just looked

at the facilities. So really for me the cons are not really the cons. These are opportunities. For me, these are opportunities to change some of these things. But we're not going to do that as yet, because this is a qualitative study. It just provides insights in terms of how patients think about us. This study was conducted among the patients, the public, doctors and the government. What I'm sharing with you here is specifically around the patients. When you look at the Netcare brand for example, I didn't think the patients would think of the Netcare brand as being inspirational. But at the same time they're also saying that we are not reaching out to the emerging market. So there is an opportunity there. They are telling us that it is a recognised brand that is well established.

They are also saying that there is confusion around the hospitals. They don't know exactly which hospitals belong to whom. So there is an opportunity from a branding point of view. When you look at Medicross they say it is good value for money. It is community-based. There are opportunities of course in terms of re-looking at the image of Medicross. There are also opportunities to market Medicross aggressively. For me Medicross is one brand that will tap nicely into the black diamonds. This is one brand to tap into that market. The black diamonds are moving to the suburbs. We were told that about 50 000 per month are actually moving into the markets. We need to capture that market. It's an opportunity for Medicross. When you look at Primecure they are saying to us that it's affordable. Consultation is affordable. They attend to patients fairly quickly. They are friendly. There are opportunities because it is not well marketed and it is not active in the community in which it operates. They also say that the buildings are dull. When you look at Netcare 911, which is the brand that a lot of people associate with Netcare the company, because it is so visible. It is strong. It is reliable. This is the brand in this sector. It can be perceived as expensive. What we would like to do is to divorce to some extent the Netcare mother brand from Netcare 911 and make sure that the Netcare mother brand stands on its own without depending on the Netcare 911.

So these are just some of the results that we have claimed from that study. What is going to happen now is we're going to go into the quantitative study where we begin to understand the perceptions before we make any changes. We don't want to rush into it. Out of that we will have to develop brand character and brand position. A brand needs to own a name. When you say 'Netcare' it has to conjure some name in your mind. When you say 'Medicross' it has to say something to you as a patient. So we're going to develop brand positioning statements and then we will be able to define the brand value and continue to ensure that on a quarterly basis to see how we are performing against those value drivers. And of course there is an opportunity at a facility level. Currently as I said in the research results, when patients go into our facilities they don't know that they're in a Netcare facility. There is a huge opportunity to remind them when you get into an Absa Bank you have no doubt that you're actually in an Absa branch. And in fact by the time you leave Absa they have probably sold you some of their products and the likelihood is that you may decide to buy one of their products. We have an

opportunity. At Netcare facilities we see about half a million patients per month. Medicross have about three million. We have a lot of people that go to our facilities. We want to take that opportunity. We want to utilise it.

This is the study that was done by Mackenzie. What it basically says is that there is a process that you have to go through in terms of what I've just explained to you about the customer insights. I think we have already started work in this area. We still have opportunities in terms of understanding the journey that patients take as they navigate our facilities, but also the occasions around the facilities themselves. Those moments of truth have been defined. We just need to activate them accordingly. And the value proposition is what I was talking about. When we have quantified the research we then need to define the value proposition for the various primary brands. And then when we have decided which sub-brands we're going to take forward and which we're going to leave behind we also have to re-define those propositions. This has to be supported by a streamlined structure in order to be able to deliver the new positioning and the new direction from a brand point of view. And then of course on a continuous basis we have to measure what we do. On a quarterly basis we're going to be using the research company to actually measure the results for us on an ongoing basis based on the value drivers that we have defined.

What are some of the things we are doing currently to interact with our patients? The first one is the outbound telephonic patients' satisfaction survey. This was started a long time ago. This helps us to understand what kind of service the patients have received in our facilities. Where are opportunities for growth? From a branding and marketing point of view it also provides us with information to understand how we can improve our service delivery. Then we have the SMS that we sent to our patients to thank them for visiting our facility and encourage them to speak to us when there are any problems. Technology is going to play a critical role going forward. We need to acknowledge that. One of the things research is telling us is that patients don't want to sit in reception filling in reams and reams of forms. So we are trying to make it available where ever they are so that they can fill in those forms before they come to our facilities. It will cut down on the waiting times at the reception and make it easy from an administration point of view. So technology is critical and I think we will be investing a lot of time to understand what else we can do in that area. Ryan spoke about patient information leaflets. They are being loaded as we speak. By the end of next week they should be complete. This talks to the informed consent, but it also talks to the fact that the consumer is becoming discerning. And therefore it is important that we make information readily available for the patient to make a choice.

Then lastly there are good things that we do internally. Ryan spoke to these quality outcomes. I think we need to publish them. When we are ready we're going to publish them, because the patient

demands transparency. Also what is important is to reassure them that when they go to our facilities they are guaranteed good quality care. I think we need to differentiate ourselves going forward, because to a larger extent a hospital is a hospital is a hospital. You've got to find a differentiator. I believe when you look at products like cosmetic surgery and the offerings around women that will begin to lever the opportunities that exist within the market. I think women are a very interesting category, particular in South Africa. Women and youth in fact, those are the segments that we need to be talking to because of the immense growth that we are seeing in that area. So we are going to be looking at opportunities to provide services around cosmetic surgery as well as a clinic for women.

In summary the relationship with patients going forward is critical. Understanding our segments so that we market them correctly with relevant products is also important. Messages that we send out to the market are critical. There is a balancing act that we operate in a very sensitive environment. There are certain things that we have to say in a particular way. We've got to publish the quality outcomes that we continue to perform in our facilities and of course social responsibility will remain always a key initiative for us. The unfortunate part is that we are not publishing some of the good work that we do as Netcare. This is something that we are going to do going forward, and then lastly, the brand tracking study. Thank you.

QUESTIONS AND ANSWERS

Richard Friedland – Netcare: Chief Executive Officer

Are there any questions ladies and gentlemen? We have one question in the front.

Audience member

Micro-lender Capitec Bank has done a lot of research into black diamonds and they say that black diamonds are very brand conscious. Do you not think that Medicross might be perceived as a lower brand?

Tumi Nkosi – Netcare: Marketing Director

I don't think so. There are opportunities certainly to work on the Medicross brand. I think there are things that we can leverage now that Medicross brand is delivering in terms of quality healthcare. There are definitely opportunities to market Medicross and to find out exactly what the black diamond is looking for. I'm not going to sit in my office and decide what they want. This quantitative study will be talking to them to understand what they want from Medicross, Primecure and Netcare. I think there is certainly an opportunity to re-look at some of our brands.

Richard Friedland – Netcare: Chief Executive Officer

Is that a question? I'll come back to you.

Audience member

Tumi thank you for a great presentation. On the quant side I'd like to get a sense of the commercial benefit of this. Netcare is essentially a group of hotels. It offers beds, nurses and toys for the doctors. Now if I go to Sunninghill hospital, typically if you are going to one of these hospitals it is elective. You're not going to Netcare; you're going to a particular physician. And whether that physician is at Netcare or Mediclinic is not particularly relevant. You're going to see that person. And therefore if I understand it correctly, the job at Netcare is to try and attract quality physicians within its network and very good support staff. And I'm not quite certain in my mind how a branding exercise would assist that process.

Tumi Nkosi – Netcare: Marketing Director

A lot of the presentations referred to the self-pay market for example. I think we need to talk to that market. What we are also saying is that the consumer is becoming discerning. They are making their own decisions. I think there will come at a stage where patients are actually questioning even the doctors. And so I think we don't want to wait and wait for that time to come, and you find that we're actually not ready. As I said I think the branding exercise we need to do here is totally different from any branding exercise you'd do in any other sector. We take those nuances and sensitivities into account as we do this. For example you just said now Sunninghill hospital. We prefer that people should say Netcare Sunninghill Hospital. So there is an opportunity to educate the market, because

we've got to make sure that there is a differentiation between one hospital and another. So there are a lot of things we still need to understand. We're not going to rush into it and make decisions when we don't really understand.

Audience member

I see that the Netcare brand was damaged by the rebate saga and what-not, and I just want to understand the plans that you have to repair those perceptions, not just for Netcare but private healthcare generally?

Tumi Nkosi – Netcare: Marketing Director

I don't think that by going out and putting out ads will necessarily repair the damage. We don't understand the extent of the damage, and I think if there is any damage the quantitative study will also want to understand whether there has been an impact and to what extent that impact has damaged our brand. Certainly I think we're going to be sending out positive messages. One of the things that we're going to be doing when the strategy around pricing is complete is that Richard will once again go out and explain to the media the direction that we are taking. That is one of the ways we're going to try and deal with that perception. But from a branding point of view we need to go back to the basics. Going out there and spending money would not necessarily redeem us. I think the handling of these issues in my view was handled properly by Richard.

Richard Friedland – Netcare: Chief Executive Officer

Are there any further questions? Tumi thank you for an outstanding presentation and that insight into where we are going with brand and some of the marketing issues.

ENDS



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