

MarkeTrak III: The Billion Dollar Opportunity In The Hearing Instruments Market

By SERGEI KOCHKIN

This is the fifth and final article in a series published by The Hearing Journal on the MarkeTrak III research. The four previous articles—on trends, consumer satisfaction, price elasticity, and reasons for not purchasing hearing instruments—were published in the July 1992, August 1992, September 1992, and January/February/April 1993 issues, respectively.

In the four previous articles in this series, we presented considerable documentation on the size of the nonowner market,¹ self-reported consumer satisfaction with hearing instruments and service (46 measures),² and reasons why people do not purchase hearing instruments (75 measures).³ We also explored the impact retail pricing would have on growth of the market.⁴

This concluding article will summarize and synthesize the previous articles for the purpose of identifying key obstacles for growth of the hearing instruments market and positing market interventions to overcome those obstacles. Hopefully, this article will stimulate dialogue on the structural problems leading to concerted efforts to grow the market.

THE OPPORTUNITY

At least 20 million people in the United States are potential candidates for hearing instruments. Nearly six out of ten of these report a moderate, severe, or profound hearing loss. It is likely that the actual number of prospective hearing instrument users is considerably greater

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than 20 million, since the MarkeTrak survey did not sample persons in institutions, such as the armed forces, nursing/retirement homes, colleges, and prisons.

That 42% of potential hearing aid users report only a mild impairment is not reason for failing to reach this market segment opportunity. A significant proportion of these people are either minimizing or denying their hearing loss because of the stigma attached to hearing loss. In addition, the industry's marketing programs, to date, have not been designed to appeal to the mildly impaired population.

Let us assume that 25% of the nonowner market can be persuaded through market-development efforts to purchase hearing instruments over the next 5 years at today's binaural rate (53%) and at the current, mean retail price (\$716). Under this scenario, our industry would sell an incremental 1,530,000 hearing instruments per year. The retail network would realize an additional \$1.1 billion in revenues, or about \$130,000 per retail outlet. Given a repurchase cycle of 5 years, it can be seen that there is an opportunity to grow the market by an additional 1.5 million hearing instruments per year on a permanent basis.

Some readers might argue that the level of growth proposed is too optimistic. But even if we were to grow the market over a 10-year period, the figures look promising: an incremental 750,000 hearing instruments per year and half a billion dollars at the retail level. With this oppor-

tunity in mind, we will now summarize the growth obstacles and put forth some potential solutions for developing the U.S. hearing instruments market.

PROBLEMS AND SOLUTIONS

Consumer Satisfaction

Consumer satisfaction is critical for the growth of any market. In the MarkeTrak survey, we have shown that, compared to very dissatisfied consumers, very satisfied consumers are significantly more likely to repurchase their current brand (12 times more likely), generically endorse hearing instruments to their friends (4 times more likely), and recommend the dispenser who fit their hearing instruments (7 times more likely). In addition, we have documented that 4 million potential consumers with a hearing difficulty have indicated that they have not yet purchased hearing instruments because of the negative opinion of friends who own hearing instruments. More than 90% of these "lost" sales come from individuals reporting either a moderate or mild hearing impairment. Consumer satisfaction directly affects the growth, success, and profitability of every player in our industry.

Approximately six out of ten consumers report overall satisfaction with hearing instruments and the service they received; two out of ten are dissatisfied. Among the product characteristics correlated most highly with overall satisfaction ratings are: ability to improve hearing, reliability, usefulness in multiple situations (not only one-on-one communication in a quiet environment), value in relation to price, and sound quality. The factors most correlated to consumer dissatisfaction with the prod-

uct are on-going expense, failure to enable the user to determine from what direction a sound is coming, whistling/feedback/buzzing, and performance in background noise.

By segmenting consumers, the Marke-Trak research has clearly demonstrated that this industry has the technology and the skills to achieve 80%-to-90% overall satisfaction ratings. We have consumers right now who are happy with their hearing instruments at home, at work, at the ball game, and in noisy restaurants. At the same time, 12% of our customers put their hearing instruments in the drawer, never to be used again; another 7% are satisfied with hearing instruments only in one-on-one communication. Why is it that we can achieve remarkable success with one consumer and fail miserably with the next? The secret to cracking the consumer-satisfaction mystery is to work methodically on understanding what differentiates satisfied from dissatisfied consumers.

Consumer satisfaction is hypothesized to be a function of variables related to: (1) the consumer (e.g., nature of hearing loss, lifestyle, motivation, need, psychological and sociological factors), (2) the dispenser (e.g., fitting skills, instrumentation validity and reliability, counseling skills), (3) the product (e.g., linear versus nonlinear instruments, adaptive versus nonadaptive, size, color, adequacy of fit, sound quality, directional versus nondirectional, type of amplifier), and (4) the interactions between consumer, dispenser, and product. The body of literature reviewed suggests that, as an industry, we have not adequately and systematically researched the construct of consumer satisfaction with hearing instruments.

In a recent poll of industry dispensers,⁵ only 34% of dispensers reported that they routinely follow up with their patients to determine if they are satisfied with their hearing instruments. Audiologists in private practice and audiologists in clinics were less likely to follow up on patient satisfaction (26% and 30%, respectively) than hearing instrument specialists (39%). Without continuing feedback from consumers, how can we possibly enhance our knowledge so as to maximize the possibility that a customer leaves our practice satisfied? With these issues in mind, consumer satisfaction could be improved by the following:

- We need to develop a multidimensional consumer-satisfaction construct for this industry that would give us consistent feedback on what works and what does not. There are many ways to measure consumer satisfaction, including speech-recognition scores aided and unaided, audiologic measurements of the difference between aided and unaided

hearing, changes in handicap perception, wear time, and self-reported satisfaction. But, does it really matter if a hearing instrument wearer shows little improvement in speech-recognition scores as long as the patient reports that hearing instruments have significantly improved his or her quality of life?

- If a significant number of us consciously begin questioning/researching/studying/uncovering the factors that result in a successful fitting, we will make progress in improving consumer satisfaction. The Collaborative Marketing Committee has made "improving consumer satisfaction" its top priority and the leading industry associations are currently rallying around this topic, improving the prospects that consumer satisfaction will increase in the near future. This exercise may involve questioning everything we do relative to fitting a consumer with hearing instruments.
- Most industry leaders would agree that the largest unsolved problem in hearing instrument reliability is cerumen buildup and that current solutions are inadequate. This would seem to be a prime area for concerted industry research.
- A wide variety of hearing instrument technologies, ranging from simple linear devices to multiband programmables, is currently on the market. Yet, despite the availability of programmables for the last 5 years, only six out of ten dispensers have programmable fitting capability. Those who *do* dispense programmable instruments report they are only 12% of their business. Thus, programmables represent only 7.2% of fittings, while linear instruments predominate (63.7% of fittings).⁵

If there is such a thing as a "superior" technology or if we knew, for instance, that one amplifier was superior to another in terms of customer satisfaction, wouldn't dispensers unanimously embrace this technology? Does our industry's slow acceptance of technology stem from our inability to demonstrate that customers will be happier with the new technology? Systematic analysis of product features that improve consumer perceptions of value, sound quality, and usefulness in multiple listening environments, followed by adequate communication of the results of clinical or field studies, would seem to be critical to achieving market acceptance of new technologies.

- Fewer than four out of ten dispensers currently do a post-audit on consumer satisfaction. If this figure could be doubled and if dispensers

routinely categorized their customers as either satisfied or dissatisfied, and then related satisfaction to the procedures and technologies used in their practice, consumer satisfaction would, in all likelihood, improve rapidly. For if a dispenser knew that consumer satisfaction in his practice was only 40%, surely that dispenser would adjust his behavior in some way to produce more satisfied consumers. However, if we don't know how consumers perceive our services and products, then what reason do we have for making any adjustments? And how can we establish goals for the future unless we know where we are today?

Stigma, Market Positioning, And Denial

The stigma of hearing loss is pervasive and the symbol of hearing loss—the hearing instrument—is rejected by millions of potential consumers each year. Recognizing that consumers feel they need to hide their "dirty little secret," our industry has moved toward making hearing instruments as inconspicuous as possible.

A few weeks ago, I saw an 85-year-old man in an audiologist's office sitting in an almost catatonic state staring at a pair of beautiful half-shell concha hearing instruments. They had been remade for the second time so that they would be smaller. All he kept on saying was, "They're too big. Can't you make them smaller?" After about 10 minutes, he finally rejected the hearing instruments and said that he was going to find a dispenser who would fit him with in-the-canal instruments that other people would not notice.

Hearing loss is an emotional issue to many people, and it is only when more consumers learn to accept their hearing loss that they will come forward and choose the hearing instruments that can best address their hearing problems. How many times are instruments rejected for being "too large" or because the dispenser did not know how to handle the negative emotions of the potential consumer?

Previous research has shown the many faces of stigma:

- Hearing instruments are negatively positioned in the marketplace as devices for elderly, retired, inactive persons who are not well educated and are nearly deaf. There is a major incongruity between this image of the current hearing instrument wearer and the typical person who could potentially benefit from amplification.
- People reject hearing instruments because they feel that hearing instruments denote aging, incompetence, feebleness, or imperfection.

- Most people who have hearing difficulties but have not yet purchased hearing instruments explain, "I hear well enough in most situations," "My loss is not severe enough," "My hearing loss is not disruptive to my life," or "I don't need fine hearing." These potential consumers may be into heavy denial concerning their hearing loss and the impact it has on their lives. By minimizing our hearing loss, we find ourselves more acceptable.

On an emotional level, publicly admitting to hearing loss by wearing hearing instruments is often traumatic because wearers are immediately confronted with doubts about their self-worth and social acceptance. Often these feelings really have nothing to do with hearing instruments or hearing loss. Hearing loss may simply serve as a catalyst in forcing a person to confront issues of self-worth. If these feelings are too painful to deal with, the individual will reject hearing instruments. Recent research in our industry indicates that younger adults with high self-esteem are more likely to accept their hearing loss and use hearing instruments, while those with low self-esteem are less likely to do so.⁶

If we are going to grow the market significantly, we must use the media and public relations to deal with the stigma of hearing loss at a psychological level. Elsewhere, I have discussed a number of market interventions designed to address the stigma issue and will not repeat them here.⁷ The key issues in overcoming the stigma problem are as follows:

- Audiologists and hearing instrument dispensers need to upgrade their counseling skills to help potential consumers work through the emotional issues associated with hearing loss and self-worth.
- We need to reposition hearing instruments in the marketplace to close the gap between the image of the current hearing instrument user and the reality of the potential younger user. Significant public relations and media campaigns will be necessary to do this and to help hearing-impaired persons "feel good" about themselves.
- There are positive movements to make hearing aids appear acceptable or even fashionable (e.g., brightly colored hearing instruments and creative accessories and packaging). We need to weigh carefully the quick sale versus the long-term impact of our current marketing message. Don't flesh-colored hearing instruments denote mechanical prosthetic devices? When we promote our hearing instruments as being hardly noticeable, don't we reinforce the

message, "Hide your hearing loss," which translates into, "You are unacceptable/unlovable as a person because you have a hearing loss."

- These media interventions will cost significant monies, probably in the range of \$5 to \$10 per hearing instrument. Unless retailers take control over their own destinies and assume responsibility for developing the market, it is unlikely that existing organizations or manufacturers will take a leadership role in growing the market. A grass-roots movement at the state association level may be the only way to accomplish this result. Perhaps networks of state dispenser associations can be coordinated through a central governing body representing all parties in an equitable fashion.

Affordability

Knowles' MarkeTrak research shows that nearly 9 million potential consumers have indicated they have not purchased hearing instruments because they cannot afford them. A significant number questioned the value received (55%), where value is defined as performance versus cost. Our research estimated that a \$100, \$150, and \$200 retail price for in-the-ear hearing instruments could potentially grow the market by 94%, 85% and 77%, respectively. We have also documented at these prices the potential for significant consumer buy-down behavior or cannibalization.

It is evident that there is tremendous opportunity to work our way up the demand curve, as so many other industries have done. It is important to get as many properly fit amplification devices out there as possible. There is safety in numbers. The more people who wear hearing instruments, the less stigma. With respect to the affordability issue:

- Greater support should be given to organizations such as Hear Now whose mission is making amplification affordable to everyone. At a local level, we should make sure that such service organizations as the Lions Clubs are involved in donating hearing instruments to persons who cannot afford to buy them.
- We are in an era of postretirement healthcare take-backs on the part of corporations because of recent changes in corporate accounting procedures. Something else is going to be needed to fill this third-party reimbursement gap. However, with nearly 50 cents on each tax dollar already going to social service programs, including Medicare, government is unlikely to embrace paying for hearing instruments.

- We should work toward convincing corporations to include hearing instrument purchases in flex-dollar employee benefit programs. Flex-dollar programs allow employees to spend medical and healthcare dollars according to their individual needs and also allow direct pre-tax contributions to the flex-dollar account. Thus, an employee could conceivably have his company use contributed flex-dollars to pay part of the cost of hearing instruments, while the employee would pay the rest, before taxes. This is virtually equivalent to deducting the cost of hearing instruments on your federal tax return.
- Consider creative tie-ins with networks of dispensers and local chapters of insurance companies. Recently, the Illinois chapter of the Academy of Dispensing Audiologists established a Members Plus program in which Blue Cross members receive a small discount from participating dispensers. The sales generated by this creative tie-in are still being measured, so it's too soon to tell how well the program is working.
- Because hearing instruments carry an average price tag of over \$700, a significant number of Americans cannot afford hearing instruments. The MarkeTrak research has shown that some of the top opportunity segments in the market have household incomes in the \$18,000-a-year range. Typically, in other industries, retailers "work their way up the demand curve" by offering lower priced products with fewer features to less affluent populations.

Is there a market in this country for lower price hearing instruments? The research indicates that there is. The way to test this is to offer a lower cost, self-prescriptive device, either through existing distribution outlets or new ones. Such a device would come with fewer features (both physical and service) and would carry perhaps only a 90-day warranty, like most consumer electronics devices. If their expectations were appropriately shaped, then perhaps persons with easy-to-fit hearing losses would derive value and benefit from such devices, just as some consumers benefit from inexpensive reading glasses. It is hypothesized that offering low-price hearing instruments would attract hearing-impaired persons who would otherwise have never tried amplification. If these devices were priced low enough, even persons with normal hearing might be interested in using them to enhance their hearing.

On the other hand, the possibility that such devices would reduce consumer-

satisfaction levels and encourage consumer buy-down behavior must be closely monitored and understood. We have seen that mail-order hearing aids, with their lower prices, result in significantly lower consumer-satisfaction ratings. In other words, increasing market size at the expense of more negative word-of-mouth advertising might do more harm than good for our industry.

Physician/Audiologist Recommendations

Only 18% of consumers report having received a hearing screening during their last physical exam. Even this figure is considerably higher than I typically find when I ask this question in public forums. When physicians do make recommendations regarding hearing instruments, they make three negative recommendations for every positive one; audiologists give three negatives for every two positives.

According to our MarkeTrak research, the recommendations of the physician and the audiologist are the single most powerful predictors of hearing aid purchase. Given two persons of the same age and with equal hearing losses, the person to whom amplification is recommended is eight times more likely to decide to purchase a hearing instrument than the person who receives no recommendation. In view of the importance of recommendations and of the tendency of medical doctors to view hearing aids negatively, our industry needs to continue to working on the physician issue:

- Because of the number of negative recommendations made by both family practitioners and otolaryngologists, it behooves our industry to find out more about physicians' recommendation process. Once we understand the recommendation process, we should design public-relations programs that use existing medical-education channels to turn negative physician attitudes around.
- In recent years, some manufacturers have developed physician-education brochures or kits. Such programs should be expanded, and they should focus on teaching dispensers how to establish relationships with physicians.
- Start lobbying efforts to add identification of hearing loss and hearing aids to medical school curricula.

The Negative Image Of Hearing Instruments

More than half of of hearing-impaired nonowners question the value of hearing instruments in relation to their price. Among other reasons most often given for not purchasing hearing aids are: "They're a hassle," "They amplify background noise," and "They're expensive

to maintain."

The best way to improve the image of hearing instruments is to increase satisfaction among current wearers. If we can achieve this, then negative comments and attitudes by both consumers and physicians should decrease.

As stated earlier, the use of newer technologies, including programmable devices, could enhance the image of hearing instruments. Among the reasons why many dispensers have been slow to embrace programmable technology are: absence of proof that it increases consumer satisfaction, the higher price of programmables relative to the incremental value received, the power supply problem, the dispenser's fear of technology, the time required to fit, the high initial investment, and the lack of standardized software.⁸⁻¹¹

Now, findings about consumer satisfaction with programmables are beginning to come in. Initial studies suggest that consumer satisfaction with hearing instruments is significantly higher than with conventional linear hearing instruments.¹²⁻¹⁴

Hearing Loss Issues

Attitudes persist that unilateral hearing loss, nerve damage, tinnitus, and mild hearing loss are valid reasons for not purchasing hearing instruments. The majority of these beliefs would appear to emanate from the medical community.¹⁵ Suggested interventions include:

- Communication with physicians on viable candidacy for hearing instruments, backed by solid empirical evidence and tied to on-going physician-education programs, should change physician attitudes.
- Some hearing loss issues are really manifestations of denial and could be addressed by a well-executed anti-stigma campaign.
- To make inroads into the mildly impaired population is going to require an entirely new marketing approach. The mildly impaired segment of the market tends to be younger, better educated, more likely to be working, and more prone to self-esteem issues than the overall hearing-impaired population. More persons with mild hearing impairments will purchase when hearing instruments are repositioned. We will need to demonstrate empirically that hearing instruments significantly improve the quality of life of individuals with a mild hearing loss.
- It is conceivable that completely-in-the-canal (CIC) hearing instruments, a pure-product approach to the stigma problem, will appeal to mildly impaired persons and may

cause a significant number of them to try amplification.

- One of the key factors keeping people out of the market is their perception that hearing instruments provide insufficient value (performance versus price). Perhaps the availability of low-priced hearing instruments would cause consumers who consider their hearing loss to be mild to view such devices as offering better value for their money.

CONCLUSION

In my view, the way to tap the billion-dollar undeveloped market for hearing instruments is to work together to overcome some of the structural problems facing our industry. Although we have talked about these problems for years, we have not always agreed on the nature of the issues, much less a course of action. Moreover, existing industry associations have shown little willingness to experiment or take risks.

Recently, many industries have been successful in working collectively to improve the image of their products (e.g., eyeglasses, raisins, beef, dairy products, cellular phones). Given the huge opportunity within our grasp, isn't it time that the various organizations within the hearing industry joined forces, had a meeting of minds, and raised the funds necessary to finally realize the remarkable potential of the hearing instruments market in the United States?

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