

Lessons in Healthcare from Giorgio Armani

Last month, the IHT ran an interesting story about how some of Europe's leading luxury goods companies are shifting manufacturing from Europe to Asia. In the case of Giorgio Armani, some of their product lines are made exclusively in Asia. On the face of it, this is a totally unremarkable story – yet another company/industry outsourcing to save costs. But there is more.

Luxury goods are different from toasters and TVs. Brand cache for luxury goods is anchored, in large part, to where they are made. You expect an Armani shirt to be manufactured in Italy, not China, and a BMW manufactured in Germany, not Mexico. And the same is true about Americans and healthcare; they expect it to be delivered in America and that's what they are paying for.

Americans have accepted the reality of globalization in cars and computers, but not in healthcare... or at least not yet. In healthcare, attitudes are significantly less global, and that is largely an issue of perception. As John Hooks, deputy managing director at Giorgio Armani, put it, "There is no reason why you can't make good things anywhere in the world, as long as you have the artisans and the attention to quality. At the end of the day, it's about perception."

Ostensibly, Armani products are the same, regardless of where they are manufactured. Same designer, same materials, same quality control processes. The only thing that sets one product apart from the other is the "made in" label. But Dr. Gupta, the Indian born, Harvard trained specialist working in Hyderabad, is faced with the same challenge as Armani -- convincing Americans that quality is not tied to geography.

How do you convince a Safeway employee and his HR director that traveling to India may not just be a cheaper option, but a better one as well? Traversing the perception gap is key to unlocking the power of global healthcare, or so it would seem. Studies by McKinsey, Deloitte and Mercer validate that medical offshoring is a real and credible option with the potential to generate cost savings in the billions of dollars. Despite this, employers and insurers have been slow to engage, in large part because of perception concerns.

Hooks says that manufacturing in Asia not only lowers production costs but allows Armani to spend more on fabrics and elaborate techniques that can actually improve the quality and sophistication of the final product. A convenient rationalization maybe, but most medical tourists would agree this statement. Overseas medical centers deliver a better patient experience because they can afford to spend more money on care.

This is a hard swallow for American healthcare. How do you protect your 'world's best' image when 75 million have limited or no access to your services? Doctors are like artisans; their skill set is not confined to where they live or work. There are thousands of American trained doctors working in hundreds of American accredited medical centers that provide same quality services at half the cost BECAUSE they do not live and work in America.

Armani's approach to globalization is paradoxical. To compete globally they have to decouple their brand identity from the thing that makes their brand valuable – the "made in Italy" label. The same applies to healthcare in the US. For the US to compete as a world leader in healthcare, it may need to rethink its "slavish obsession", as Hooks puts it, with where medical services are delivered and focus more on how those services are delivered.

The reality is that healthcare in America is becoming a luxury product beyond the reach of mainstream America. US healthcare would do well to take a page from Armani's playbook and look at the opportunities that globalization offers. Changing the game, it would seem, is simply a matter of changing the mindset.

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