

Value-Based Selling: Achieving Sales Success in the Medical Device, Equipment and Diagnostics Industry

How do sales professionals and managers optimize corporate, individual, and especially customer-oriented results? By adding value to their prospect and customer relationships. Achieving the strongest top- and bottom-line numbers is associated with a wide variety of processes and best practices; the challenge for sales leadership is to match the right approach, to the right staff, to the right scenario. The highly competitive and rapidly-changing medical devices, equipment and diagnostics industry commands these executives to constantly focus their teams on measurable value delivered to all customer stakeholders. This Sector Insight identifies the most effective value-based selling techniques associated with this highly regulated and competitive industry.

Research Brief

Aberdeen's Research Briefs provide a detailed exploration of a key finding from a primary research study, including key performance indicators, Best-in-Class insight, and vendor insight.

Setting the Stage for Success

Aberdeen surveyed 67 medical devices, equipment, and diagnostics industry executives in April and May, 2012, to understand how the most effective sales teams conducted themselves around value-based selling techniques. By delineating between Leaders and Followers (see sidebar, page 2), we are able to identify how the strongest performers are guiding their sales professionals toward individual, company, as well as customer success. Figure 1 summarizes the four approaches to effective professional selling that will be discussed in detail below, and measured around a consistent set of current and year-over-year sales metrics.

Figure 1: Best Practices in Value-Based Selling: Leaders Show the Way

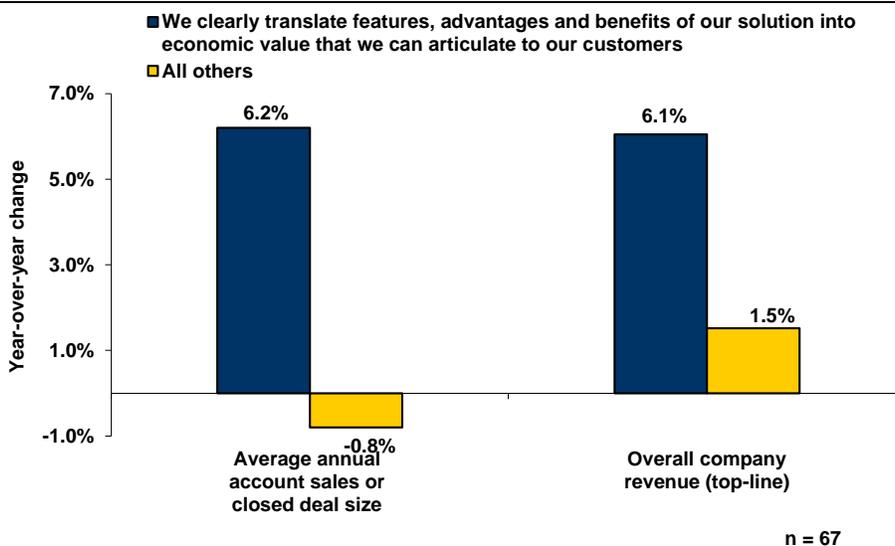


Source: Aberdeen Group, May 2012

Show Me the Money! How to Showcase Economic Value

While traditional salespeople were once taught to focus on the features of their product or service, the more savvy sales professionals understand the “WIIFM” rule, or “what’s in it for me?” approach. They think about the end-game first: how will the customer’s line-of-business or economic sponsor ultimately “win” within their organization? They also understand that if their customer can demonstrate a clear return-on-investment (ROI) around their solution, a re-order or up-sell opportunity is much more easily attained. Not only do Leaders far more aggressively adopt this approach in comparison to Followers; analyzing the performance of those who take this path, versus non-adopters, reveals a **42% higher customer retention rate** (74% vs. 52%) and **32% more on-staff sales reps achieving their annual quota** (58% vs. 44%). Additionally, we see in Figure 2 that year-over-year accomplishments around the medical devices, equipment, and diagnostics companies’ own success are far greater for those whose sales forces adopted this value-based selling approach.

Figure 2: Measurable Benefits Defining Customer Value



Source: Aberdeen Group, May 2012

While growing revenue faster is a self-explanatory benefit of any best practice in medical devices, equipment, and diagnostics industry sales, it is worth exploring the average deal size metric in Figure 2 in more depth. Given the significant pressures of a stuttering economic recovery and selling in these heavily regulated industries, certainly no sales team would turn down the opportunity to hit quota more easily through simply increasing the size of their typical contract or customer relationship. Using value-based selling techniques can support the closing of larger deals for a number of reasons:

- Adding long-term economic value and visible customer benefits to sales messaging can move the purchase of a product or service away from purely transactional content, and more toward strategic, consultative and professional services. These solutions are well-known to represent

Value-Based Selling: Defining Leaders and Followers

The top 30% of companies (the Leaders) in this research achieved the following average performance metrics:

- √ 89% average current customer retention, compared with 51% among Followers
- √ 58% current market share, vs. 21% for Followers
- √ 10.5% average year-over-year growth in company revenue, compared with 0.9% among Followers
- √ 5.7% average increase in company profits, vs. 1.5% for Followers

longer-term and more profitable relationships for the supplier organization.

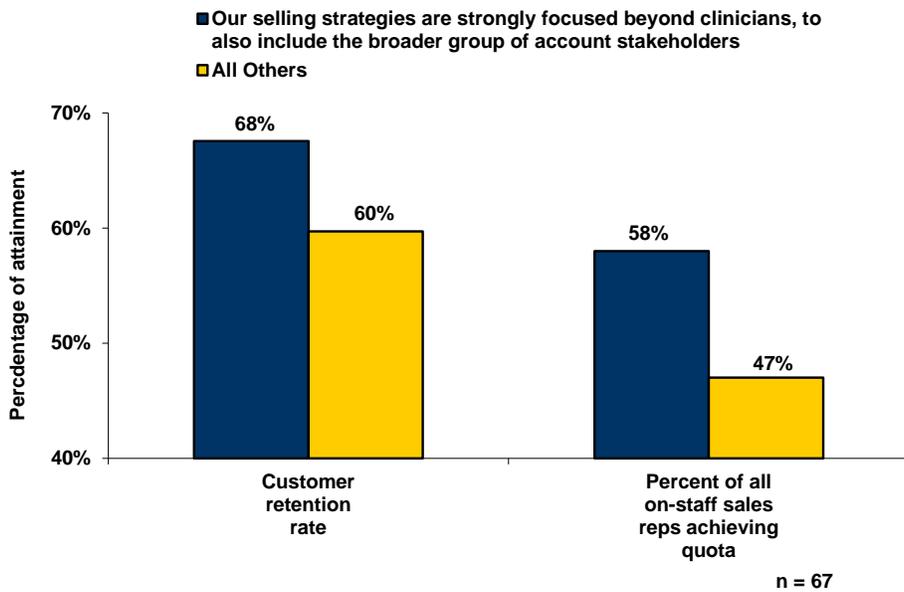
- If a professional seller is in a position to showcase the broad economic value of their solution to a wide variety of sponsors, champions and stakeholders inside their prospect/customer company, the likelihood of a larger selling footprint increases along with the potential corporate impact.
- Customization represents an enormous opportunity for both buyer and seller, when the opportunity to move a standard product or service into a highly configured one presents itself. Rather than selling “X number of Y units,” and hoping that all of the customer’s needs are met, a value-based seller will take the time to comprehend all of the different ways in which their solution will actually be used, post-sale. The buying organization will undoubtedly reap greater benefits from, as well as adoption rates of, what they have purchased because it works with their specific needs.

Thinking Outside the Box: Selling to non-Clinicians

Leader organizations are 93% more likely than Followers (58% vs. 30%) to show their front-line staff the benefit of selling not only to medical clinicians, but to a wide array of stakeholders and leaders inside the prospect/customer company. They understand intuitively that these purchasing/strategic sourcing, executive suite, legal, financial, operational and administrative functions all stand behind the practitioner in pursuit of both quality patient care and stable business practices. From the perspective of value-based selling, one of the most effective strategies here involves understanding the needs of different constituencies within the buying company, building relationships with these different executives regardless of their specific decision-making authority, and ensuring that the sales rep knows how to connect the dots between them all with a master plan for their customer’s overall success.

When we compare the performance of companies who take this approach against those who do not, and use the same year-over-year metrics from Figure 2, we see that annualized growth in both company revenue and average deal size are also optimized. Indeed, the top-line revenue number increases at almost twice the pace (5.3% vs. 2.7%) among the "big picture thinkers," and the average contract amount grows at a healthy 4.3%, compared with only 1.4% amongst companies not adopting this value-based selling best practice. Looking at current performance metrics, we note in Figure 3 that both the buying and selling entity derive measurable benefit from focusing the sales effort on a group of stakeholders beyond just the practicing clinician. A 13% higher customer retention rate (68% vs. 60%) is obviously desirable, especially if one considers the traditional maxim that holds, "it is far easier to keep a current customer happy, than to find a new one." Plus, with 23% more reps achieving their quota number (58% vs. 47%), sales leaders who empower this approach will undoubtedly benefit from lower turnover among their team members.

Figure 3: Wider Customer Footprint Benefits All Parties



Source: Aberdeen Group, May 2012

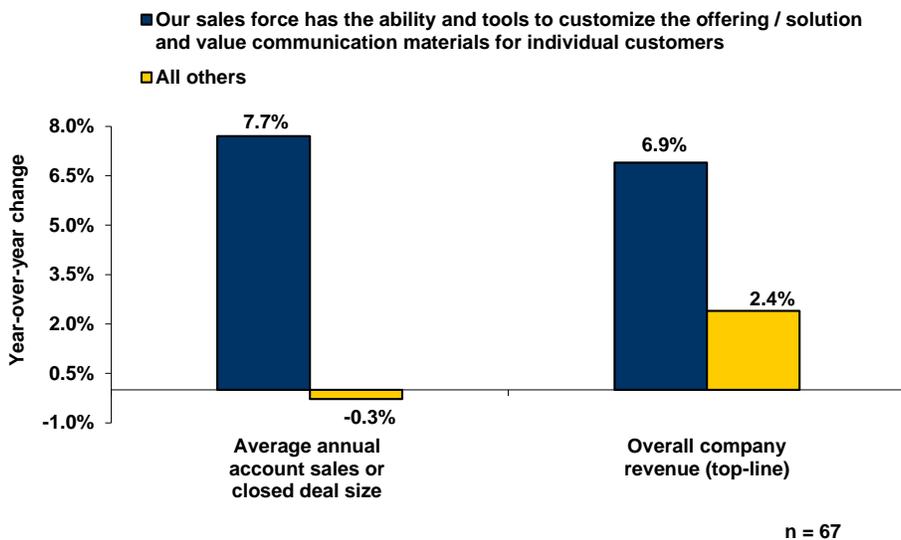
Making it Personal: Customized Selling Pays Off

In addition to showcasing the economic benefit of the solution, and making that set of values clear to a wide variety of individuals, value-based sellers also understand the wisdom of providing their customer with a product or service that applies to their own unique needs. Leader organizations, which are able to achieve stronger market share and customer retention results, and better growth in profits and revenue, are more than twice as likely as Followers (52% vs. 24%) to deploy this protocol.

As individual consumers, most of us have long been able to research the products we are considering for purchase through a wide variety of online resources and user-generated reviews/content. In the business space, Aberdeen research addresses ["The Hidden Sales Cycle,"](#) which explains how organizations similarly take advantage of the web in order to narrow down their potential supplier to a short-list of those considered most likely to provide them with benefits. One of the most important variables that buyers naturally use, in selecting the companies from whom they might buy, is to understand how the standard product or service can eventually be tailor-made to suit their own geographic, technical, compliance, regulatory or other needs. The selling teams who were most tuned in to this trend recognize it as an opportunity rather than a barrier. Indeed, Aberdeen research published in [Sales Training 2011: Uncovering How the Best-in-Class Sustain, Reinforce and Leverage Best Selling Practices](#) (October 2011) showed that top-performing companies (defined by superior performance in quota attainment, deal size growth and lead conversion efficiency) cited "creating more meaningful sales conversations that address the buyer's overall business needs" as their top

strategy for success. These highly successful sales forces, much like the current Leader group, recognize the benefit of customized selling; adopters of this best practice within the current research attain similar advantages, as illustrated in their year-over-year performance gains seen in Figure 4.

Figure 4: Customized Selling Contributes to Better Growth



Source: Aberdeen Group, May 2012

In terms of the current performance measurements used in this Sector Insight, these adopters also report better aggregated results than other firms: a one-third higher rate of customer retention (76% vs. 57%), and 23% more sales reps achieving quota (59% vs. 48%).

Right Message, Right Time, Right Person

The concept of "guided selling" is starting to become popular among professional sales organizations seeking to turn seemingly transactional deal pursuits into the kind of customized communications described above. This approach focuses on providing sellers with marketing assets, conversation paths and recommended actions for each stage of their typical selling cycle. Still, while there may be value in designing or implementing technology-driven "wizards" that can guide a seller through a flow-chart conversation path, this is no substitute for the intellectual capital required to truly understand the needs of every individual prospect or customer. Furthermore, turning these insights into the right messages and activities deployed by the seller is something that cannot be scripted.

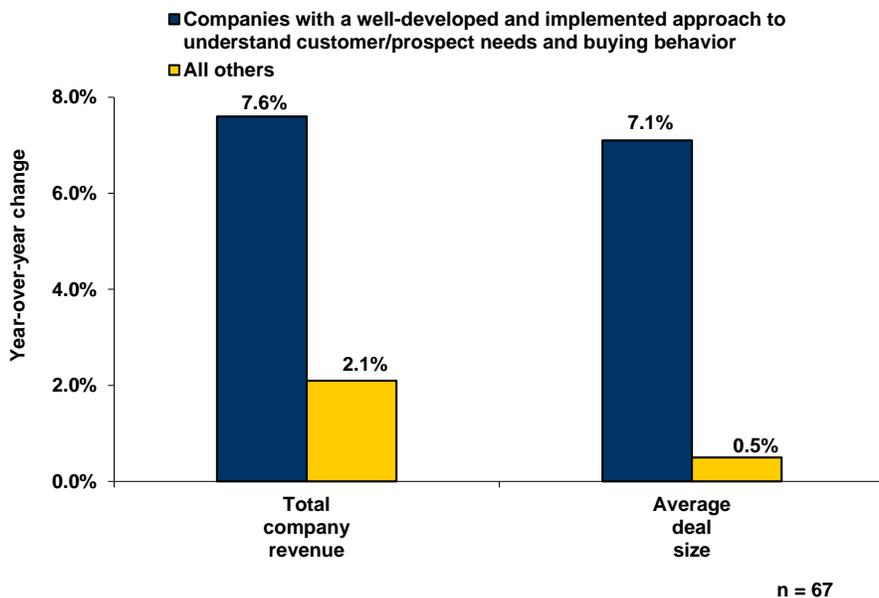
Instead, Leader organizations bake into their holistic selling process a method of enabling the seller to provide a thoughtful and well-planned strategy for every account, every buyer, and even every interaction. There are a number of ways in which strong sales leaders can support this approach:

- When hiring medical devices, equipment, and diagnostics industry sales team members, utilize the products/services available to perform assessments of

candidates that allow for the ability to carefully map the desired skills and experience to the job role at hand. The design of this assessment should be focused on promoting the value-based selling best practices in this study, such as the ability to interact with prospects or customers in a consultative, non-aggressive manner.

- Collaboration is the new norm in strategic selling. Aberdeen research published in [Social Selling: Best-in-Class Targeting of the Right Message, at the Right Time, for the Right Person](#) (July, 2012) details a number of ways in which companies are leveraging user-generated content to promote team-based selling and better knowledge capture through the use of internal social media collaboration platforms. This set of technology-enabled processes helps professional sellers capture a wider variety of tactics, messaging and other customer-facing interaction ideas, in order to best suit the needs of more unique selling scenarios.
- Additional Aberdeen research published in [Better Sales Forecasting Through Process and Technology: No Crystal Ball Required](#) (July 2012) helps companies better understand the short-and long-term health of their revenue stream. The performance dashboards, pipeline management tools and predictive analytics solutions that support this level of enhanced visibility are also valuable in helping sellers better segment their prospects and customers into the different types of behavioral patterns they need to understand. A better comprehension of where a buyer really is in the sales cycle – as opposed to where an understandably biased rep thinks they are located – can help with more objectively determining what kind of message or interaction is most appropriate at any given stage of the actual pipeline reality.

Figure 5: Measurable Benefits of Putting the Customer First



Source: Aberdeen Group, May 2012

In Figure 5, it is clear that year-over-year performance benefits accrue for companies adopting this value-based selling approach. Additionally, adopters of this approach average 25% more sales reps achieving quota (60% vs. 48%), and 17% higher customer retention rates (69% vs. 59%).

Conclusion

The advanced selling capabilities highlighted in this Research Brief are of particular relevance to today's medical industry sales organizations. Both individual practitioners as well as their leaders are realizing measurable corporate, individual, and especially customer-oriented value-based selling benefits from the best practices that define Leader status. For Follower organizations who have not yet implemented these protocols, the good news is that a wide variety of sources are available to them as they seek to implement change. By marrying these products and services to a renewed commitment to delivering value to both buyer and seller, companies seeking to attain Leader-level results are sure to begin traveling down the right path to success.

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research

[Better Sales Forecasting Through Process and Technology: No Crystal Ball Required](#); July 2012
[Sales Intelligence: What B2B Sellers Need To Know Before the Call](#); June 2012
[Sales Mobility: How Best-in-Class Remote Sellers Are Replacing “See” with “Do”](#); May 2012
[Lead-To-Win 2012: Managing People, Process and Technology to Optimize the Last Mile of the Sales Cycle](#); March 2011
[Partner Relationship Management: Channeling Better Sales Results](#); March 2011

[Sales and Marketing Alignment: The New Power Couple](#); December, 2011
[Sales Training 2011: Uncovering How the Best-in-Class Sustain, Reinforce and Leverage Best Selling Practices](#); October 2011
[Leveraging the 360 Degree Customer View to Maximize Up-Sell and Cross-Sell Potential](#); September 2011
[Streamlining the Top of the Funnel: How Inside Sales Teams Source, Qualify and Close Business](#); February 2011

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