SALES + MARKETING

Boosting Sales Force Effectiveness in Medtech

How firms can gauge—and improve—their ROI on sales initiatives

Tobi Laczkowski and Eric Scott

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The medical products and services industry has an established history of investing in sales force effectiveness (SFE), typically to boost the productivity of companies' highly experienced field reps, yet some firms struggle to gauge the performance of those investments. Firms may have trouble determining accurate competitor benchmarks because of the medical technology industry's expansive breadth, with products ranging from basic supplies to highly sophisticated medical technology (with correspondingly different business models). Moreover, SFE encompasses different types of initiatives and different levels of ambition—from small, continuous-improvement activities to more comprehensive transformations—which adds to the challenge of determining a target return on investment.

This is a clear challenge: Sales leaders in medtech know that SFE investments pay off through incremental revenue and profits, but they don't have clear benchmarks to indicate what success looks like.

To better understand the impact of SFE investments, ZS Associates recently conducted the Explorer Study, a rigorous, cross-industry analysis of more than 800 data points from a wide range of survey respondents; literature sources including academic journals, white papers, trade publications and other business media; interviews with industry leaders; and internal ZS case studies, searching for data on quantifiable gains in performance following SFE investments. The study found that investments in a single sales force initiative can yield an average increase in revenue of 4 to 8% across all industries. For the subset of medtech companies in the sample, SFE investments lead to increases in revenue and profitability of 2 to 8%, meaning that such programs often can pay for themselves, and larger transformative initiatives across several SFE areas can generate even greater impact.

Increased Investment Coming

A central conclusion from the Explorer Study is that medtech respondents plan to increase their investment in SFE as a percentage of their overall budgets, from 11% to 13% over the next two years (see Figure 1). Such increased investment makes sense given the changes under way in healthcare. Consolidation among payers and providers, a shift to value-based care, new consumer-oriented entrants and other factors are all creating a far more dynamic medtech market, and SFE investments will be critical if incumbent companies are to successfully adapt.

HISTORICAL VS. FUTURE PROPORTION OF BUDGET ALLOCATED TO SFE INITIATIVES

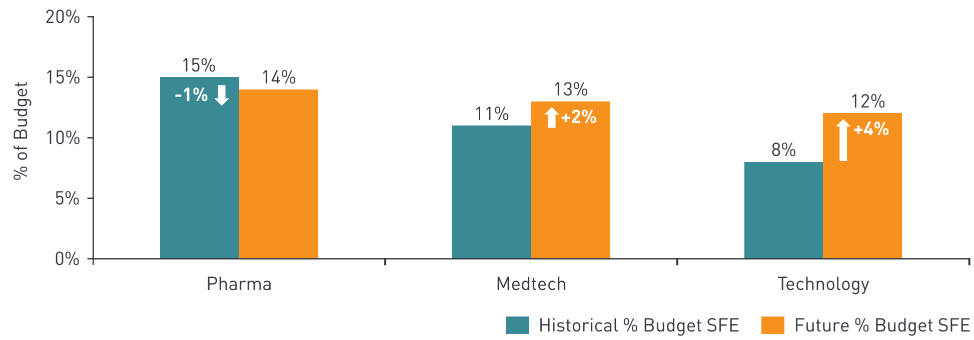

Figure 1: The ZS Explorer Study found that medtech respondents plan to increase their investment in SFE as a percentage of their overall budgets, from 11% to 13% over the next two years

Because SFE includes a broad range of areas, the Explorer Study broke the overall concept down into several categories. A closer look at these categories shows clear differences between medtech and other industries (see Figure 2). For example, in terms of ensuring the right customer coverage, medtech respondents are more likely than the overall sample to invest in areas such as territory design, targeting, and territory sizing and allocation.

Similarly, in terms of increasing the impact of each customer interaction, medtech respondents are more likely to invest in sales processes and account planning, and less likely to invest in training initiatives potentially because medtech reps often already have significantly more experience than sales reps in other industries.

Notably, medtech is marginally below other industries in terms of its investments in data management and analytics. Traditionally, that area hasn't been a priority for medtech companies. However, given changes in the payer landscape, and increasingly savvy customers, information management will take on greater importance in the coming years. As a result, companies likely will need to invest accordingly so that field teams have access to data-driven—and actionable—insights.

DIFFERENCES IN MEDTECH SFE INVESTMENT COMPARED WITH OTHER INDUSTRIES

% of Companies Investing in Drivers: All Industries vs. Medtech

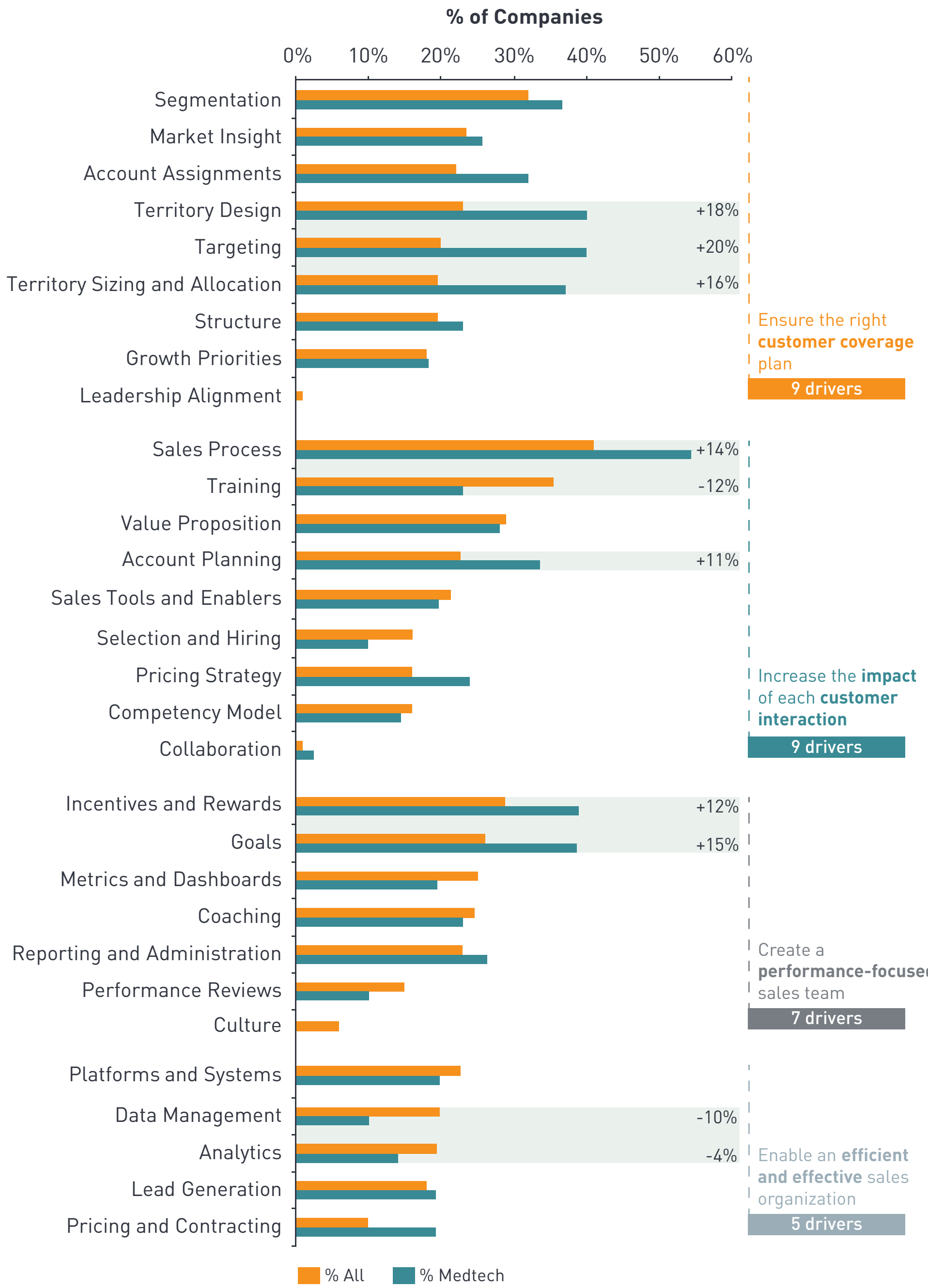

Figure 2: Medtech respondents are more likely to invest in areas such as territory design, targeting, territory sizing and allocation, sales processes and account planning, and less likely to invest in training, data management and analytics.

Critical Factors in Projecting Returns

It's also worth noting that the returns for medtech companies (2 to 8% in revenue and profitability increases) show slightly more variation than returns for the overall base of companies that we analyzed (4 to 8%). As mentioned earlier, the medtech sector includes a wider range of products and underlying business models than other industries analyzed in the Explorer Study (such as the pharmaceutical industry). As a result, companies seeking to develop a target ROI for SFE investments need to weigh several factors regarding their category and competitive position (see Figure 3).

For example, certain medtech categories are relatively commoditized, such as surgical bandages and similar supplies. These goods are sold primarily on price, with strong competition and limited differentiation, and SFE investments may have less impact. Conversely, other categories such as advanced imaging devices involve more differentiation through innovation, and the sales force has correspondingly more impact, so SFE investments in these categories have the potential to generate higher returns.

DETERMINING A TARGET ROI FOR SFE INITIATIVES REQUIRES ASSESSING FIVE FACTORS

Five factors predominantly dictate where a company is likely to fall in the range of observed impact of SFE initiatives

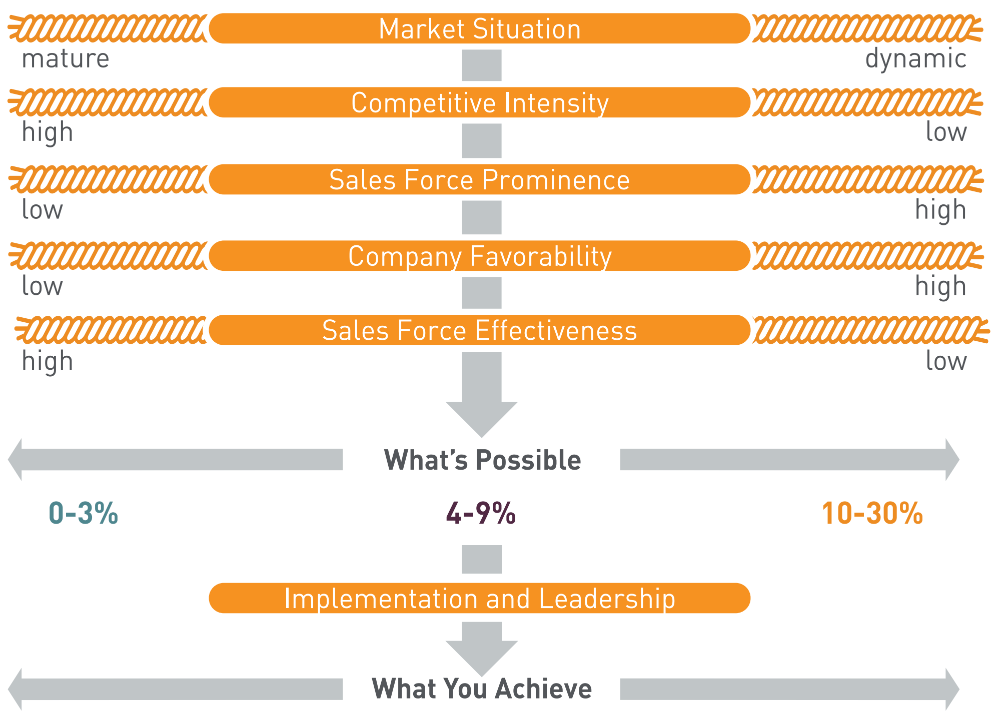

Figure 3: The effectiveness of an SFE investment depends on factors including the current market situation, the firm's sales force prominence and company favorability.

Another factor to consider is the baseline level of SFE within a company before it launches an improvement effort. Some larger and more established companies already have relatively sophisticated sales functions, with strong processes in place. These companies already have captured the "easy" gains, and future returns may be lower. At the other end of the spectrum are younger, fast-growing companies that may not yet have mature sales functions in place. These companies have bigger opportunities to improve through SFE initiatives, which increases their potential returns.

Real-World Applications

SFE is a broad concept, and companies can apply a wide degree of ambition. Some opt to launch comprehensive SFE initiatives that cover multiple aspects of the sales force, yet other companies have succeeded through targeted measures that focus on their biggest priorities. Three recent case studies fall into the latter category, demonstrating how companies are succeeding by focusing their resources on the most valuable sales targets.

+ **Generating sharper customer insights through data:** ZS recently worked with a company that sells capital radiology equipment to hospitals. The company needed to integrate multiple data sources to provide a comprehensive view of the business potential of possible targets. To that end, we helped the company connect various data elements to generate an integrated view that links hospital facilities with their corporate integrated delivery network (IDN) owners. This allowed the company to analyze the "big picture" and to target the sales force in a more robust way. As a result, the company can partner more directly with high-value customers, while executing more efficiently with lower-value customers.

+ **Redesigning a sales force and coverage model around market-share objectives:** In another recent example, ZS worked with a medtech company selling endovascular products to interventional and surgical customers. We helped the company identify areas of the U.S. where the company's market share was relatively low (indicating a strong need to "hunt" and grow), as well as areas of the country where market share was relatively high (indicating the need for a more defensive, "farming" strategy).

  The company developed a new customer coverage model, with redefined roles that corresponded to the different objectives and priorities for each market. An initiative to optimize field sizing helped the company allocate resources to new sales roles at the national level. Then a more granular optimization occurred at the territory level, ultimately leading to an improved organizational design and account coverage. To support the initiative, the company revamped its hiring profiles, compensation systems and business expectations. Overall, the sales staff can now tailor its interactions with customers to their needs while still meeting the company's business objectives.

- **Synthesizing data to improve sales territory management:** ZS recently worked with a molecular diagnostics company to improve the effectiveness of its internal processes and external field team. In this case, the company was drowning in data from a network of distributors. The field force struggled to comprehend the information enough to make solid business decisions. Internally, teams from finance and sales operations spent the majority of their time just sifting through the data and trying to connect it to the company's management systems.

  ZS helped the company implement a master data management (MDM) system that continuously "learns" so that the number of manual interventions drops with each monthly cycle. This has drastically reduced the amount of time required for data processing, and has greatly improved the quality of the data, itself. ZS also designed and implemented a reporting solution for the field force so that the team accesses high-quality data through a graphical, user-friendly interface. This has led to much better sales territory management, combining state-of-the-art tools and rigorous stewardship processes. Now the team spends its time on strategic and high-value-add activities, rather than on processing data.

As the healthcare environment becomes more dynamic, the medtech industry has a clear opportunity to improve its sales performance through SFE initiatives. The results of the Explorer Study show that such investments can generate 2 to 8% increases in revenue and profitability, offering a high ROI and making such investments self-funding. The bottom line—particularly in innovative and competitive markets—is that company leaders who recognize the value of SFE investments might garner beneficial returns that extend well beyond revenue.

About the Authors

Tobi Laczkowski is a principal in ZS's Evanston, Ill., office and was previously based in the Zurich office. He has worked primarily with medical products clients in numerous practice areas, including sales force effectiveness, go-to-market strategy and transformation, compensation design, value proposition design and recruiting effectiveness. Tobi has worked on projects in North and South America, Europe and Asia.

Eric Scott is a manager based in ZS's Toronto office. Eric focuses on broad sales and marketing issues across Canada and the Americas. Eric is a member of ZS's talent management practice area, and also is a leader in medical affairs strategy and commercial organizational design. He has helped many clients with maximizing go-to-market strategies through market insight and sales strategy, forecasting and opportunity assessments, sales operations and incentives, and broad business technology solutions.

About ZS

ZS is the world's largest firm focused exclusively on helping companies improve overall performance and grow revenue and market share, through end-to-end sales and marketing solutions—from customer insights and strategy to analytics, operations and technology. More than 4,500 ZS professionals in 22 offices worldwide draw on deep industry and domain expertise to deliver impact for clients across multiple industries. To learn more, visit www.zsassociates.com or follow us on Twitter and LinkedIn.

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