From Cost Center to Profit Center
How investing in commercial operations drives growth for medtech, and three strategies for getting started

By Andrea Traverso and Bhargav Mantha
In a commercial environment that becomes more complex by the day—due to factors such as increasing margin pressures, evolving customer-buying processes and the industry’s increasing focus on outcomes—new technology holds promise for medtech companies to overcome these challenges and turn them into opportunities. However, many firms consistently fail to capture that promise. According to ZS’s recent Medical Products and Services Commercial Operations Study, more than 80% of companies find it challenging to justify an ROI from their commercial operations investments.
The study assessed the commercial operations practices and performance of medtech companies in order to understand current and future trends, opportunities and pain points within medtech, and how different companies are planning on addressing these issues. The study included 60 medtech executives from companies with annual sales ranging from $50 million to $2 billion, including a majority of the top 25 companies in the industry across a range of medtech categories.

The study shows some of the gaps that medtech companies have across commercial operations. One of the biggest gaps was identified within advanced analytics: 36% of respondents indicated that their capabilities were below average compared to the industry (see Figure 1). Poor analytics can lead to a host of downstream implications for the business, including missed revenue opportunities, suboptimal commercial spend and negative customer experience.

Companies understand that their current approach to commercial operations is falling short. However, the study also shed light on the fact that medtech companies seek to improve. Over 60% of respondents indicated that they want to advance their commercial operations capabilities to be above industry standards.

The resources required to improve commercial operations increases the level of scrutiny in major investment decisions. Key technology initiatives can easily reach seven figures and require significant internal monetary and personnel resources. Oftentimes, these implementations take months or even years, which adds to the uncertainty about the results and potential impact. In fact, around 75% of the study participants argue that the uncertainty around implementation times is also one of the biggest challenges, ranking just behind the inability to justify ROI.

Of the companies that actually invest the time, money and resources to improve their commercial operations function, about one-third do not see any return on that investment. However, there is a silver lining, evidenced by the fact that 33% of medtech companies are, in fact, able to achieve significant ROI on their investments in commercial operations (see Figure 2). As a result, we must ask ourselves a key question: What are these companies doing differently?

—VP Commercial Ops, Capital Equipment Company

"[I would improve] quality and consistency of data resulting from commercial operations—actually all operations, as it’s critical to being able to use automated analytical tools to support business operations."

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![Figure 1: A significant number of medtech companies have below-average commercial operations functions, with advanced analytics being the biggest gap.](image)

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ROI AFTER ADOPTION OF NEW TECHNOLOGIES IN PAST 18 MONTHS

<table>
<thead>
<tr>
<th>Return Type</th>
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<tr>
<td>10% or More</td>
<td>33%</td>
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<tr>
<td>5–9%</td>
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<td>22%</td>
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Figure 2: One-third of companies saw no return on their investment, but another third was able to achieve significant ROI.

Turning Commercial Operations Investment Into Bottom-Line Growth

It’s well-known that companies with successful commercial operations practices start with a vision and a roadmap, which outlines how different commercial operations functions link together to support the business. Successful companies discuss how a new technology will fit into the bigger picture of commercial operations and how it will help the company achieve its business objectives, such as saving time or costs, boosting sales force productivity, or increasing accuracy of insights. Yet despite these commonly acknowledged first steps, many companies still struggle to achieve them: The business side and IT have difficulty aligning, there’s increasing pressure to finish projects quickly, and there’s a lack of buy-in from sales leaders and executives.

While everyone knows that these initial steps are critical, of course, they’re insufficient on their own. Once you’ve laid the foundation, you need to know how to get results. Here’s how:

1. **Develop an analytics-driven strategy.** The study showed that 62% of the medtech companies that achieved significant ROI from their commercial operations investments had made a greater portion of those investments in analytics processes, tools and data-acquisition strategy compared to only 22% of the companies who reported no ROI (see Figure 3). For these companies, the objectives of commercial operations were aligned closely with the overall business objectives, and they reported using analytics to drive those objectives. In addition, they were far more effective when using analytics to empower decision makers, such as sales leaders and field personnel, by making the analytics more action-oriented.
“Any investment should be able to yield a very high return, as otherwise we would not decide to invest in a certain technology.”

—Director of Commercial Ops, Consumables/Disposables Company

Advanced analytics holds tremendous promise, and while many medtech companies are investing in analytics systems, a significant number of them are not generating insights that lead to clear actions for sales reps. Among the findings, 75% of companies indicated that improving productivity through analytics is a key priority, yet 40% of respondents are unsatisfied with their advanced analytics functions.

2. **Take an integrated approach to investments.** Companies that have seen bottom-line results from their commercial operations investments have not only invested in technology but also in building the right processes and teams to support their commercial teams. The study noted that 63% of the companies that reported high ROI had highly established sales planning and execution processes, including alignment management, quota management and incentive compensation administration [see Figure 4]. They also had strong project management processes to ensure discipline around each technology implementation, track progress against goals and identify mid-course issues.

Figure 3: 62% of high-ROI companies invested in analytics processes, tools and data acquisition versus just 22% of those with low or no ROI.

Figure 4: 63% of high-ROI companies had highly established sales planning and execution processes versus just 28% of those with low or no ROI.
This integrated approach also requires the support and engagement of key stakeholders in order to fully realize the ROI. That goes beyond who will be running the tool or owning the processes; it includes anybody who will play a role in the successful rollout of an initiative. For example, involving the first-line managers of a sales force while aligning the sales territories and setting quotas will ensure greater buy-in, thus enabling a more seamless deployment and improved sales force morale.

Think beyond the training and implement a comprehensive change management approach, select champions who will spearhead the change, and engage them throughout the process. If change management is not well thought out, the users may be reluctant to adopt the new tools and processes and change the way in which they have typically done things. This can lead to under-utilization of the new process or, ultimately, the failure of the overall investment. We have seen that a commercial business process that not only leverages technology but is agile and, more importantly, is developed collaboratively between commercial operations and its internal customers enables up to a 30% increase in sales productivity that directly contributes to top-line revenue.

3. Leverage partners to help transform commercial operations. Compared to other industries, the commercial operations function in medtech has yet to realize its potential. Industries such as pharmaceuticals and high-tech have honed their commercial operations organizations over the years to a point where they’re on their way to becoming profit centers—centralized teams that are closely aligned with the business. These sophisticated organizations focus on core competencies and partner with experts to bring in the right level of sophistication, industry knowledge and deep technical expertise to drive the business.

On the other hand, commercial functions in medtech are often deeply fragmented across multiple departments such as IT, finance and HR, and many of the functions are managed internally (see Figure 5). Additionally, approximately 85% of respondents say that they rely on “personal experience” to stay on top of commercial operations best practices, yet key commercial operations functions such as advanced analytics, incentive compensation and information management are highly sophisticated and require deep technical knowledge, and they are constantly evolving (as are the technologies associated with them). As a result, it can be difficult for an internal team to keep up with new developments for these functions.
“[If I could improve one area of commercial operations, it would be] integration between programs to speed and streamline implementation.”

—VP Sales, In-Vitro Diagnostics Company

| MANAGEMENT OF CAPABILITIES: INTERNAL VS. OUTSOURCED |
|---------------------------------|---|---|---|---|---|---|---|
| Internal                        | 57% | 77% | 48% | 52% | 73% | 68% | 73% |
| % Partially or Fully Outsourced | 40% | 22% | 47% | 30% | 23% | 20% | 17% |

Key: Highest across areas, Lowest across areas

Figure 5: Medtech companies tend to manage most commercial operations functions internally.

This has created a big gap in service levels, and medtech companies that transform their commercial operations will have a huge competitive advantage. Partnering with an expert who has both the depth and the breadth in offering these services can help medtech make this leap. Our study has shown that companies that have reported a high ROI on their commercial investments leverage partners 2.6 times more than companies with no or low ROI. Partnering with an expert offers deep domain knowledge and can allow the internal team to focus on their core business functions, which, in our experience, can result in a 5 to 10% increase in revenue and a 25% decrease in commercial costs.

While medtech companies face many hurdles to improving their commercial operations, it’s a worthwhile endeavor that will lead to major opportunities companywide. By adopting an analytics-driven strategy and an integrated approach to investments—and embracing outsourcing when necessary—commercial operations functions will lead to improved processes and better productivity among the sales force and commercial operations teams. As a result, there’s a key opportunity for medtech companies to position commercial operations as an important driver of revenue—no longer an inefficient cost center—that adds real value to your organization.
About the Authors

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