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How Medical Device Companies Can Strategically Sell to Customers

As healthcare purchasing changes, medical device companies need to develop new sales strategies to keep up.

By Brian Chapman and Pete Masloski

Economic pressures on the health system have been mounting for years, pushed by demographics, shrinking reimbursements, increasingly expensive therapies, and, ultimately, payer consolidation and reforms. Hospitals are the fulcrum and the pinch point for these pressures. Medtech companies no longer can afford to focus on clinical benefits without seeking other avenues to drive value for their hospital customers. This has led to the key account management imperative: Find a way to create value beyond the product alone for stakeholders beyond traditional clinical buyers.

Key account management is critical to hone in on the most important customers—a pivotal approach for medtech sales teams to combat the aforementioned economic pressures and find areas of mutual value. Nobody doubts the need, but key account management and strategic selling are clouded by all sorts of practicalities in execution. Many multidivisional companies that stand to gain the most from a key account management and strategic selling capability face the biggest challenges in implementation. Divisions are structured around products and are autonomous with separate management structures, and sometimes these multidivisional companies haven't even fully integrated themselves from previous acquisitions. The practical questions are as follows:

- If we agree on the need, which businesses should "pay" for a key account management capability?
- Which roles are needed in account management?
- Where should these key account management roles report?
- Who actually "owns" the common customers in the end, as well as the final decisions?
- What should be done to compensate when the strength of one business is needed to subsidize the success of another?

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These questions are deeply charged with financial importance and polarized by big company politics. When it comes to reporting, many multidivisional companies do not work across divisions until at the very top of the organization. Creating a mandate is the critical step, but many companies struggle to do so.

And yet the commercial customer is begging to be served in a more consolidated and coordinated fashion. "One face to the customer" is a common refrain, but it is so difficult for sales teams to deliver—especially in a multidivisional company, where the customer likely is served by a myriad of business units and service lines.

To overcome these hurdles, companies need to structure their sales approach around the customer, rather than around the offerings. There are three critical steps:

Examine the Portfolio

Understand the value of the portfolio as a whole. Is it based on economics and scale or on a more integrated value that comes from using all of the component parts? Sometimes the value is in the combined offer to a department or a stakeholder. Occasionally, a portfolio is built around a site of care or even a specific type of patient. Conduct a critical examination of the value of the portfolio, with an emphasis on "critical." It can't be a theoretical value or an ambition. It needs to be a true value that comes from the portfolio. And it needs to be distinct from the value of your portfolio in comparison to your competition.

Examine the Customer

Naturally, there isn't just a single customer. Department stakeholders, hospital stakeholders, and health system stakeholders must all be understood. In the end, there will be a customer who cares deeply about the portfolio that you offer, and this customer likely sits at some point below the very top of the organization—within cardiology, radiology, general surgery, biomedical engineering, etc. This step often isn't as clear-cut as it seems because no two customers are organized exactly the same, but there will be a point where your company's offering has a particular heft and resonance, where the common customer has a strong stake in the offerings. Another key ingredient is that this customer has leverage. This customer can influence the usage and brand decision. It is nice to have someone who cares, but this customer also needs to be able to drive action—be it use or standardization. This is your key customer, or your key account on which to focus.

Assess How the Customer Wants to Interact

After choosing the key customer leverage point, the final step is to understand how this customer wants to be sold to. Is the customer looking for value-added services, programs, and outcomes or simply deals and contracts? Think about what your company currently offers and also where your portfolio is headed.

These three steps are imperative for understanding where the value is in your portfolio and how to operationalize it for a strategic customer. While it can be speculative, the outcome is a strategic selling capability that is aligned to customer needs.

Case Study: Medtronic's Cardiovascular Group

Medtronic, the world's largest standalone medical device firm, approached the important question of strategic selling four years ago. With a portfolio that spans pacemakers to stents and spinal implants, pain management devices to insulin pumps, Medtronic's offerings are difficult to characterize, but the company's scale is undeniable. When it set out to improve its strategic selling, it approached this critical question with care.

Medtronic chose to carefully examine its customers and how they buy. It became clear that, while the entire breadth of the portfolio made the company very compelling to a hospital, very few customers could get sufficiently organized to deal with Medtronic in a holistic way. There was just too much to take in. So Medtronic made the simple observation that its customers were capable of working with the company at the cardiovascular services level. Spine, neuro, diabetes—they were all a bit too far away. But the company's heft and relevance in cardiovascular was meaningful and valuable.

Medtronic created the Cardiovascular Group (CVG) and rather than just creating an overlay organization of key account managers, the company made a much larger integrated commitment, combining the sales teams at the management level to ensure that Medtronic sales reps stayed focused while managers viewed the entire portfolio and engaged the customer in a broader way. Typical sales representatives remained dedicated to their own businesses, with their traditional surgeon call points, but sales management was combined, reporting into a single sales organization, allowing for a much more coordinated sales approach to the cardiovascular department.

In the end, Medtronic was both progressive and conservative. The company was progressive in combining the sales force in a holistic way across CVG and enabling a service line approach, but it was conservative in that it chose not to try to sell the entire portfolio in such a coordinated way. Medtronic recognized that today its customers are not organized correctly for that new approach to work. The company conducted a critical examination of its portfolio, examined its customer, and eventually organized around how the customer wants to interact.

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