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SALES & MARKETING INSIGHTS

Building a Sustainable Targeting Capability in Medical Device Companies

A powerful lever to improve top- and bottom-line performance

By Bret Caldwell and Brian Chapman

Medical products companies recognize the potential of targeting as a powerful tool to boost top-line revenues. Targeting focuses promotional effort on a subset of customers who have been identified to have the potential to respond disproportionately to sales force or marketing promotion. A well-planned and implemented targeting initiative can have a significant impact on top- and bottom-line performance. Yet targeting initiatives may fail to yield expected results due to some common pitfalls. This paper discusses how sales organizations can avoid some of the common causes of failure, including incorrect or inappropriate data, insufficient organizational buy-in, poor communication and training support and a lack of appropriate support tools.

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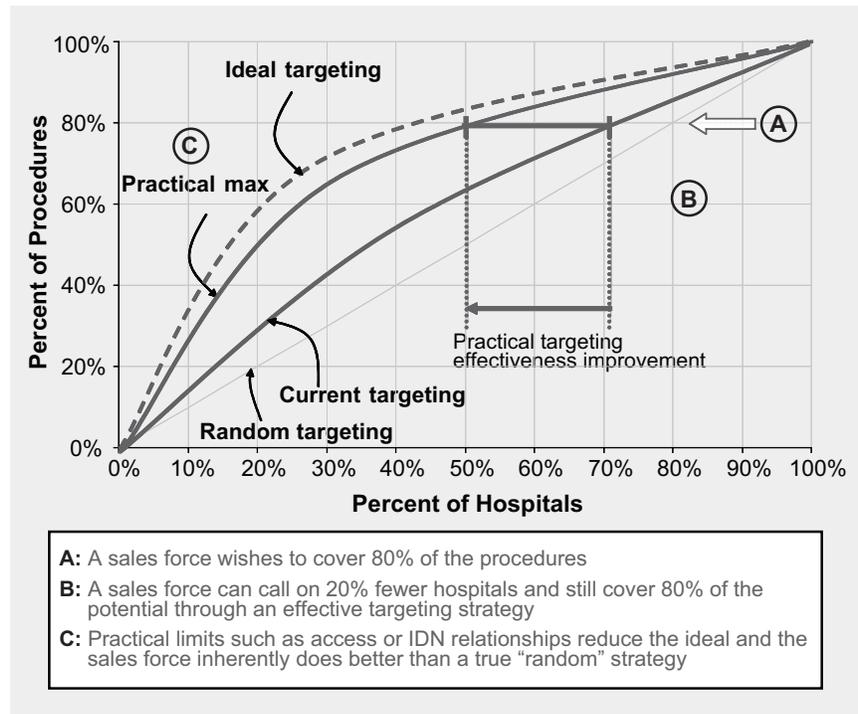
Introduction

The biggest single investment of most medical product companies is the sales force. It is not unusual for a company to spend 10% to 15% or more of revenue on the sales force to communicate the value of a company's offering, negotiate and support transactions and train clinicians on the proper use of its products and services. With such a substantial investment, it is important that managers target these resources at the people and accounts where they are likely to have the most impact. Unfortunately, often the sales force is more focused on loyal customers and medium-size accounts, while ignoring high-value competitive opportunities.

Targeting's value comes from the fact that market potential is never evenly distributed across all customers. If properly identified, a subset of customers has the potential to yield significantly higher value than the rest. Specific sales force effort and marketing tactics can be directed toward these more valuable customers, where the company can realize the best return.

To better understand how sizeable the value of targeting might be, reviewing a market concentration curve may be helpful. Illustrated in Figure 1, the market concentration curve is developed by rank-ordering all known existing and potential customers based on a business-opportunity metric (in the example, procedure volume per hospital).

Figure 1. Typical Gains From Targeting



The hospitals on the far left represent the largest procedure volume. Using a random targeting approach to the customer universe (see the “random targeting” line above), a company that wishes to cover 80% of the market value must cover 80% of all of the accounts. The curvature of the “ideal targeting” line demonstrates the upside opportunity of better targeting—more-concentrated markets will have a steeper curved targeting line, which translates into higher-efficiency gains for companies that properly implement and leverage targeting instead of covering the market randomly.

In practice, the benefits of targeting are slightly less than the gap between random and ideal targeting. Few companies target randomly, but instead have some knowledge of their customers’ value. Similarly some high-value accounts may have access barriers due to entrenched competitors and contractual agreements that can reduce the potential of some accounts, at least in the short term. The “current targeting” and “practical max” lines in Figure 1 illustrate a more realistic depiction of the targeting environment a typical medical device company might face. Here we see that although the gap to “ideal” is reduced, it

can still be significant. In Figure 1, a company with a strong targeting program should cover 80% of the market by targeting only 40% to 50% of the accounts.

Providing the sales force with access to robust account-potential data, as well as appropriate training, coaching and tools to support its targeting strategies, can have a positive impact on company sales and profit. In one case, the authors helped a client develop better potential data, as well as a tool to easily identify accounts with upside opportunity. Shortly after implementation, one of the client's district managers helped a sales representative identify a valuable account that the representative had never visited, and within a few weeks was able to establish a relationship that grew to over \$100,000 per year. Over time many more growth opportunities were identified simply due to access to better information and coaching on how to capitalize on these newly discovered opportunities.

Through our experience over the past several years, we have found a 5% to 10% top-line improvement from targeting initiatives. Unfortunately, despite their clear value, initiatives to improve targeting effectiveness often fail to deliver on their promise. Initiatives fail for a variety of reasons, often related to oversights in process and design that may not be that difficult to correct. For example, sales representatives find examples where the market potential data differs from reality, and they begin to distrust the entire initiative. Occasionally sales managers are not appropriately trained and cannot provide the proper coaching to their team. Even worse, they become a barrier to implementation because they do not have buy-in to the concept. For these and many more reasons, targeting initiatives often fail to achieve their true potential. Below, we discuss the most important success factors for building a sustainable targeting capability.

Success Factor No. 1: Get the Right Facts

One of the most common underlying failures of a targeting initiative occurs when the effort is built around an incorrect or inappropriate fact base. Companies use the wrong facts for several reasons. Some may not be familiar with available third-party potential data (e.g., procedure data) or do not fully understand the strengths and weaknesses of the

external data being used. Another common pitfall is to centralize the data development and review process (i.e., relying on one person to do everything), which can hurt data quality and possibly alienate end users.

Any data underlying a targeting initiative **must be sufficiently accurate** to add valuable insight. This means the data need not be 100% precise but need to be accurate in a relative sense to inform effort allocation. In most health-care markets there are commercial sources that provide market potential data from reliable entities (government sources, providers, payers, etc.). While completely exhaustive data is not necessary, any data set used should provide sufficient market coverage such that a significant majority of the market is represented.

Commercial or government sources of targeting data are often based on reimbursement data (e.g., Medicare, claim records, etc.). Although never 100% accurate, such information can serve as a good indicator of potential for a product or service, with caveats. It is important to understand the collection source and methodology to ensure that there are not inherent weaknesses, such as payer mix or market coverage, that might lead to incorrect conclusions. For example, Medicare procedure data is not likely to provide sufficient accuracy for markets that are growing and/or changing rapidly, since the data is often 14 to 25 months old.

If only general demographic data is available, a sound means should exist for projecting value to all accounts based on an analysis of a sample. As an example, a company selling diagnostic testing equipment and supplies to hospitals leveraged its inside sales team to collect market information from a small sample of accounts. That market data was then used to project the broader hospital universe using common demographic data. It is worth emphasizing in this case that the value of the resulting data needs to be clear and compelling to the representatives (e.g., they make more sales, better incentive compensation, etc.) in order for this to succeed. If the sales representatives are unmotivated, such a situation will often lead to incomplete or inaccurate data collection.

The data **must be appropriate** for the use intended. Ideally, market opportunity data should focus on a specific market and customer base,

and should account for any market barriers a product is likely to face. Prior to purchasing third-party data, it should be evaluated to ensure it is sufficiently complete and has sufficient demographic information to be useful. Most data vendors will provide free samples of their data, which can be stress-tested in geographies where a company might be well represented or especially familiar with the details of the current market situation. In addition, it is important to examine the level of data available versus your specific need. For example, data at the account level can be difficult to incorporate into a sales process and targeting effort that is focused at the *individual* level (e.g., surgeons, purchasing managers, etc.).

In the search for the best targeting data, it may not be possible to purchase information about the precise procedure or application for a particular product or service. In these cases, a well-chosen proxy, such as census data, prescription data, general surgical procedure volume, staffed beds or department-level patient volume can often be highly effective.

In addition, the data **must be unbiased**. Biases can emerge when the source of the data only represents, or is projected from, an unrepresentative subset of the market. For example, using Medicare-based procedure data to estimate potential for a product used primarily by young patients would likely be inappropriately biased.

Sometimes the data simply has projection issues. As an example, a surgical products company found that its purchased database was biased due to under-reported Medicare procedures in California. Without appropriate oversight and safeguards, biases can also emerge if targeting data is collected or updated by the sales force. It is not uncommon to find that representative-sourced data is biased toward customers with strong relationships and/or customers who are easier to access. Common examples of appropriate oversight include first-line manager review and verifying aggregated data at higher levels of geography (e.g., city level, MSA, state level, etc.).

Finally, it can be tempting for a company to use its own product sales data as a proxy for market potential, especially since this is the easiest data to collect and it is usually the most current information available. Such an approach is appropriate only in cases in which the company

has a broad and dominant market position. In cases of desired expansion or rapid market share gain, use of a company's existing product sales data can lead to seriously erroneous targeting decisions.

Success Factor No. 2: Build Support Processes and Tools

Simply delivering a list of account-level market potential data to the field will likely have no impact on sales force performance. Instead, targeting initiatives need to include appropriate support processes, such as training and support tools. These processes need to ensure that everyone knows how to use targeting information properly to identify incremental opportunities and understands the appropriate next steps to convert these opportunities into sales.

Appropriate training is required to ensure a correct and **consistent vision** is articulated to the field and field management. The initiative must be rolled out in a manner that provides clear direction and manages expectations. This task is seldom successful when done in a remote setting (e.g., field-wide conference calls with managers). The most successful targeting initiatives are driven by coordinated training that includes clear explanation of the underlying data, examples of how to use the data, demonstration of supporting tools and clear expectations of outcomes. Face-to-face meetings (e.g., national sales meetings) or in-field training are effective ways of demonstrating commitment and improving buy-in.

Support tools are often required to codify the desired processes and turn the initiative into an ongoing capability. There will always need to be a mechanism through which targeting data is shared, but most successful initiatives also include measurement and representative planning mechanisms. These processes measure and communicate ongoing results and provide support tools to the sales representatives to help them more easily identify opportunities, plan next steps and track their own progress over time. Support tools can be as simple as well-formatted Excel files, or as complex as customized adaptations of existing SFA or CRM systems. One manufacturer of surgical devices created a tool to capture action plans and track progress against these plans. The trick was not the complexity of the tool but instead the way in which the

field managers used the tool to track activity and encourage the right targeting behaviors.

Targeting data also needs additional **data-quality processes** to keep the information current. These support processes may involve refreshing databases, periodic field-data collection and identifying and incorporating new data sources. Processes for collecting field feedback are also important to keep the data as accurate as possible and to maintain field confidence. Targeting data will likely change over time, and it is critical to design processes to ensure the data is updated and adjusted appropriately.

Success Factor No. 3: Build Broad Organizational Support

Because it often involves fundamental change and commitment by several departments and levels in the company, targeting initiatives require broad organizational support. Initiatives driven primarily from top-level sales leaders may not translate into changed behaviors in the field, and grass-roots initiatives can fall short if there is a lack of managerial or departmental support.

Senior management sponsorship is essential to get a targeting initiative off the ground. Initiatives that do not garner high-level organizational support as early as possible can struggle to receive the funding necessary to acquire data or create processes and systems to start. Sales and marketing leadership must also continually challenge the ideal state of the initiative and ensure it has the resources to evolve appropriately over time.

Sales representative buy-in is essential to making a targeting initiative thrive. Sales representatives, after all, are the people who are being asked to do things differently. They must internalize what is expected of them and, perhaps more important, understand how the tasks they are asked to perform will ultimately improve their own sales results.

A targeting initiative will not succeed if the sales force merely goes through the motions of compliance but does not truly embrace the approach and understand the value it brings them. For example, one surgical device company began a targeting initiative by specifying a set

number of visits to top customers. The initiative failed when representatives focused on delivering (or perhaps simply reporting) what managers were measuring, instead of truly using the tools to improve effort allocation based on the data as well as their own local knowledge of customer needs and opportunities.

First-line management buy-in is perhaps the most essential factor to making a targeting initiative prosper. These managers often serve as the most direct line of communication for the initiative to field representatives. Managers need to champion the process and emphasize not only the vision but also the tactical details of how to turn the initiative into results. They need to be able to explain and interpret the data, as well as help representatives identify opportunities and articulate strategies to convert opportunities into sales. They need to be involved in the creation of plans and follow-up, as well as tracking of activities. The first-line managers in many ways have the most critical role in the entire communication strategy. For this to succeed, they need to be involved in the initial design of the solution to ensure that they understand how the program will enhance the effectiveness of their people.

It is also critical to **involve marketing** early in the design of a targeting initiative to ensure that it will support the department's strategies. An understanding of key product and segmentation strategies can help shape the data collected and the design of support tools. For example, if marketing is planning to roll out a field program aimed at under-represented accounts, it will be critical to ensure that field tools help the representative understand market share.

With broad organizational support, targeting initiatives will launch more successfully as fewer roadblocks are encountered, and will also have better results because they incorporate broader feedback and insights.

Success Factor No. 4: Develop a Communication Strategy

Well-designed communication strategies are also critical to targeting success. Clear and timely communication can help set appropriate

expectations, and ensure a consistent vision of how information should (and should not) be used.

Managing expectations is important to any initiative the field organization is asked to undertake. Perhaps the most important expectation to manage is the accuracy of the data provided. As noted earlier, such data need to be sufficiently correct. But “sufficiently correct” is quite different than “perfect.” Most underlying data used in targeting initiatives is not 100% precise and predictive, but instead represent the general situation. That is, good targeting data can help point representatives to higher-potential accounts and away from smaller opportunities with reasonable accuracy (and will often have better accuracy than the representatives could have figured out on their own).

There will be situations, however, when the data for a particular account is inaccurate. If the field is led to believe that the data is 100% accurate and then finds errors, there is the risk that all the data will be discredited and the targeting initiative will die. Communicating that the data will be *directionally appropriate in most cases*, as well as communicating what to do when data issues are discovered, can be instrumental in setting data-quality expectations.

Communicating a consistent and compelling vision is essential for success. It is not enough simply to communicate data or segments to the field without providing direction on how to tailor the approach, activities or messages to different accounts. A vision needs to be communicated that tells people in the field how the initiative will help them succeed in their own territories. Depending upon the underlying strategies and opportunities, this vision may be as simple as identifying new, high-potential accounts or more complex, such as identifying appropriately tailored offerings, depending upon the segmentation of a target account. In some cases, marketing should be closely involved in the creation of related segments, offerings and guidelines to ensure that sales and marketing strategies are properly aligned and implemented as representatives target activity.

Success stories are an excellent vehicle to demonstrate the desired vision. Leaders can relate situations and outcomes that directly mirror the vision of the initiative and use these real examples to demonstrate the desired behaviors—and resulting outcomes—to the field. This also

changes the tone of communication from prescriptive and metrics oriented to supportive and providing guidance, as leaders share proven behaviors for success.

Building a Sustainable Targeting Capability

It should be clear that targeting initiatives can fail for many different reasons. Many factors need to be in place, well designed and strongly supported in order for the initiative to succeed. As difficult as it is to design and implement a successful initiative, it is also clear that organizations that get it right can enjoy improved top- and bottom-line performance.

The value of targeting is recognized by many medical products sales organizations, but getting all of the details right is difficult and represents the difference between success and failure. Obtaining sound targeting data is an important foundation, but is not enough. The initiative must also be supported by the appropriate processes and tools and rolled out with a well-designed communication plan.

In addition, the initiative needs input and support from top to bottom within the organization and must include ongoing processes to allow the initiative to adapt and thrive over time. Achieving the promise targeting can provide is not easy, but will always be worth the investment.

Seven Tips for Targeting Initiative Success

1. Carefully select and evaluate data sources, and reevaluate over time.
2. Develop upfront and ongoing training programs for sales reps and field managers.
3. Incorporate support tools that help representatives find value in the data and process.
4. Actively manage expectations about data quality.
5. Get broad organizational support, with special focus on first-line managers.
6. Focus on providing, communicating and reinforcing value to the representative.
7. Create clear guidelines for desired field activities and results, and establish metrics to track progress.

About the Authors

Bret Caldwell is a Principal based in the Evanston office of ZS Associates, focusing on medical products and services clients. His experience includes sales force sizing and structure, segmentation and targeting, territory alignment, productivity and incentive compensation. He has worked with clients in the United States, Latin America, China and Canada.

Brian Chapman is a Manager with ZS Associates in the firm's Evanston office. He has worked with medical device and diagnostics companies on a range of sales and marketing issues such as sales force effectiveness, organizational design, opportunity assessment, channel design, new product launch strategy, value proposition development, territory alignment and incentive compensation. Brian has also worked in Asia on consulting and training engagements with multinational pharmaceutical, device and diagnostics companies.

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For more information on ZS Associates, call +1 847.492.3602 or visit www.zsassociates.com.



ZS Associates

www.zsassociates.com

inquiry@zsassociates.com

+1 847 492 3602

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