ZS Interview: Medical Products Companies Discover the Keys to Key Performance Indicators

Participant: Kelly Tousi

In the medical products and services industry, competitive pressures have made sales performance improvements an important growth strategy.

Key performance indicators (KPIs) can give companies important insight into sales performance—not just raw numbers, but why a product is selling well or poorly, and ways to improve.

So why haven't some medical products companies eagerly embraced KPIs to help them develop sales strategies?

Kelly Tousi, a ZS Principal with extensive experience working with medical products companies, talks about how key performance indicators have become a critical element in helping shape sales force strategy and operations, why some medical products companies have struggled to develop effective KPIs and how companies that use KPIs can develop a competitive advantage.

About the Expert

Kelly Tousi, Principal

ZS Associates Evanston, Ill.

Kelly is a leader in ZS's Medical Products and Services area. She is also a sales effectiveness practices leader, and has worked with numerous medical products companies on the use of key performance indicators to diagnose and improve sales productivity.

What makes key performance indicators particularly important in the medical products industry?

KELLY TOUSI: Changes in health care are putting huge revenue pressure on the medical device market for two reasons. The first is that clinical benefits in and of themselves are no longer sufficient to fuel growth. Companies used to rely upon new technology with major clinical benefits to sell their products, but now providers are demanding more information and data on the economic benefits, which takes time and investment to generate.

The second element is on the regulatory side, where the FDA is lengthening the approval process. Since it's taking longer to get products through the review process, it's harder to fuel growth with new technology.

How do the changes relate to KPIs?

KELLY: Companies spend a lot of time launching products; in the old world, you could have a great product and guarantee uptake. In the new world, that's no longer the case: You need information to be smarter in the market to ensure success. For instance, you need to understand where in the market you will be successful and then measure if this is happening—and why. KPIs are early indicators that help you identify success.

What makes a KPI different than a statistic?

KELLY: KPIs give a concise view of what's happening in the business, but also provide insight into why. Anybody can see sales going up and down in the aggregate, but KPIs can help show where and why sales are growing and falling, and what measures executives can take to affect change. Statistics are lagging indicators, like average sales, but KPIs are leading indicators, like customer perceptions of product performance.

You need to look under every rock to uncover possible sales. What KPIs will do is uncover the rocks for you and show you the opportunities, rather than forcing you to look everywhere for everything.

Can you give an example of a company using KPIs?

KELLY: I've worked with a medical products company taking market data, customer data and feedback on sales force interactions, and integrating the information to develop KPIs to evaluate its new sales model. KPIs helped them go beyond comparing sales for the new model versus the old one. They identified leading indicators of sales outcomes—customers' perceptions and receptivity to messages—and were able to see how different customer segments responded to the new model and how this translated to market share and growth.

So KPIs have enabled the company to refine the new model. They're looking at costs and finding the most profitable path to pursue. Without this approach, the evidence of the impact of their new sales model would be anecdotal.

Why are KPIs for medical products different than for other industries?

KELLY: KPIs are not really different, but medical products companies have been so successful in the past that they haven't needed to evaluate their KPIs. When the tide is up, it hides the dangers. But when times are tough, sandbars crop up. You need to have data and analytics to help see the dangers before running aground.

Medical products managers and executives have come from a world in which they were immersed in the market, and had great depth of personal knowledge—both clinical and market. They've lived and done well that way because the tide was up. But the market changed, and that personal knowledge may no longer be relevant.

With these sales challenges, have most companies embraced the use of KPIs?

KELLY: There's been hesitancy for a few different reasons—sometimes, companies don't think they need KPIs; others want to integrate KPIs into sales strategy but don't know how to develop them. And still others say their market doesn't have the data to support KPIs.

Most executives know that KPIs are valuable, but they're stuck—they simply don't know how to get them or they're not convinced they're worth the effort. There's a few who know how to get KPIs, and a smaller, best few who know how to integrate them into operations and decision making.

Aren't some of those criticisms valid?

KELLY: The skepticism from medical products sales executives about data is that it's not accurate or not specific enough. Or they feel that there's a time lag that makes data insignificant, or they feel it's too expensive.

What I say to that is, "If I was struggling through the desert, I would love an air-conditioned limousine to drive up and rescue me, but I would take a camel or a horse." The data is not perfect, but it's better than nothing. Over time, companies can improve on their baseline data.

But don't sales and marketing executives already feel inundated with data?

KELLY: It's a matter of using data versus information. If I'm an executive, I don't need to know every single thing about the business. KPIs are indicators—they say where you're doing well, where you're not doing well, and why. KPIs boil things down to three sentences rather than forcing you to read the entire book.

That's why companies that succeed at KPIs don't try to do everything at once. If you try to create perfect KPIs and scorecard reports, executives may not see an immediate payoff and get impatient. I would start with a few KPIs and build a bigger capability over time.

What's the most important thing to remember about KPIs?

KELLY: The biggest piece of advice I have is to go beyond your company's view of the market, and really challenge the beliefs that "we can't get this information" or "our market is different." If you can challenge those misconceptions, you can and will find new insights that will help run your business.

KPIs are often focused on the company's sales, which is an internal metric. They don't have enough external viewpoints, or when they do, it's at a macro level.

If your KPI simply indicates market growth is 5%, and your growth is 7%, how does that help you uncover market opportunities? Where are you gaining market share, and where are you losing it? And why is this happening? If you know where you're gaining market share and why, perhaps you can direct resources and grow 10% instead of just 7%.

About ZS Associates

ZS Associates is a global leader in sales and marketing consulting, outsourcing, technology and software. For almost 30 years, ZS has helped companies across a range of industries get the most out of their sales and marketing organizations. From 20 offices around the world, ZS experts use analytics and deep expertise to help companies make smart decisions quickly and cost-effectively. ZS comprises multiple affiliated legal entities. Learn more at www.zsassociates.com.

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