

# Why medtech companies should implement regionalized sales models

Having more flexibility in how sales roles are deployed and allowing more customization in regions represents the next frontier of productivity.



**Pete Masloski** |  
Principal |  
ZS Associates |

**In today's dynamic healthcare environment**, IDN consolidation and centralized medical device purchasing are creating significant pricing pressure on the medical device industry. In fact, on average, prices for costly medical devices have been declining recently, according to the Emergency Care Research Institute. Medtech business leaders, therefore, have to work to find ways to evolve and grow earnings in this highly competitive and challenging environment.

One of the ways in which industry executives have reduced costs has been optimizing the sales model. Medtech companies have been shifting resources from more highly paid sales reps to lower-cost roles such as clinical specialists, telesales or junior reps to sell to specific customer segments or assume less critical sales reps' tasks. These new roles have helped reduce the cost of sales but maintain a similar level of customer service and support. Companies have also increased sales manager spans of control and have consolidated back-office functions across business units in

hopes of finding efficiencies. However, the desire for earnings growth in this challenging environment means that while the hunt for efficiency isn't over, it's getting harder and harder to implement. The low-hanging fruit may be gone in many larger selling organizations.

At the same time, market changes haven't been progressing at a universal pace across customer segments, geographies or industry sub-sectors. Consequently, customer needs are changing significantly and heterogeneously across geographies. For example, some parts of the country, like Boston, have been more progressive in terms of adopting new payment models or accountable care, and others, like Utah, have unique and dominant systems that have an outsized influence.

Now is the time for medtech companies to push the envelope on more flexible regional sales deployment models. Having more flexibility in how sales roles are deployed and allowing more customization in regions represents the next frontier of productivity. The traditional model of deploying sales forces involves first agreeing on set sales roles and then spreading them like peanut butter—an even distribution, despite regional differences—around the country. But now more than ever, needs vary regionally, resulting in inefficiencies with a national model. There might be some roles that are more appropriate in some geographies than in others. For example, the need for specialized support resources such as reimbursement or clinical specialists is dependent on the specific needs of customers in a given region.

Some organizations have started adapting to this approach by approving exceptions based on requests from individual sales managers. Many companies

are willing to accommodate a few of these one-offs or carve-outs but are loath to offer flexibility more broadly for fear of facing challenges in managing the complexity or chaos from every sales manager wanting her own unique approach. They're also concerned that if the structures are allowed to flex too much across regions, then it becomes more challenging to track and measure performance accurately. Also, systems and tools need to be adapted to accommodate different models, and this can be costly and complicated. Moreover, not all of the ideas floating in from the field are worthy of an exception, and some are sometimes done for the wrong reasons, such as to protect a specific individual or maintain someone's compensation level in the commission plan.

However, if implemented with the right balance, there's significant value to be realized in this approach. Based on ZS experience, variation in sales forces cost as a percent of sales across sales regions can be as high as 40% in some sales forces. Some of this variation can be attributed to the desire to invest in areas with more growth potential, but optimizing the selling model in these cases could lead to substantial productivity enhancements.

The key to capitalizing on the productivity gains with more regional models without resulting in chaos and loss of manageability is to implement a structured governance process. Here's how:

1. Thoughtfully define the range of sales and support roles that are "allowable." These would comprise the set of pre-approved roles that sales leaders could deploy at a regional level.
2. Allow sales leaders flexibility in how they deploy these roles in their regions, but define the criteria or guardrails for when certain roles can be

- deployed. For example, deployment of a product specialist might be justified by a significant amount of growth opportunity supported by data within a defined geography or set of accounts.
3. Support sales leaders with the right data and tools to help them make the right decisions and balance trade-offs. Tools that allow leaders to optimize the geographic deployment within a set total cost of sales for a region help them evaluate the trade-offs necessary to optimize their models.
  4. Connect the investment in costs by region to the expected growth

- in the quota. If a sales leader feels compelled to have a higher-cost selling model in his region, then there should be a corresponding expectation of greater sales growth than other regions.
5. Implement an ongoing process of alignment and sales model management. For example, every quarter, sales administration could meet with sales leaders to review key metrics about the selling model and discuss the need for potential adjustments and how they might be managed.

In the end, implementing a structured and data-driven process to support sales leaders and help them make the right decisions about what roles should be deployed in their region will set their team up for the greatest chance of success. Having the right team is the foundation for success in sales, and increasingly that decision needs to recognize the needs of local markets. **M**

**About the author**

*Pete Masloski is a principal with global sales and marketing firm ZS and a member of the firm's medical products and services practice.*



Image courtesy of U.S. Census Bureau



**Impact where it matters.**

**Global HQ: +1 855-ZSA-GROW (855-972-4769)**

**ZS Europe: +44 207-915-4300**