It Takes Two to Tango

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For years, B-to-B manufacturers of all stripes thought that the best way to stave off commoditization was to enhance their products’ features and benefits. Companies looking for a way out of the race to the bottom built their strategies off of a saying that has become a business idiom: Make a better ball bearing. Now even ball bearing companies realize that that’s not the answer.

The medtech industry is in good company as it works to transition from supplier to partner. However, in the dance of strategic partnerships with large healthcare delivery systems, medtech organizations are stepping on IDNs’ toes, missing important cues, and failing to coordinate their moves with their partner organizations for a better overall performance.

ZS recently conducted a research study in which we spoke to IDN executives and medtech leaders, and we found that most IDN executives are dissatisfied with the nature of their relationships with typical medtech suppliers. Medtech executives apparently recognize the disconnect. In fact, only 25% of the medtech leaders we surveyed believe that they have a strong partnership with their top customers.

There’s a basic truism that applies when we think about how to create a successful B-to-B partnership: It takes two to tango—and tangoing is an especially apt analogy here, actually. For medtech companies to successfully partner with provider organizations, they need to stop hanging back and start identifying the right partners, and then take the lead to determine and address the partner organizations’ needs, strategically choreographing their internal moves and tapping the right talent to perform. And the provider organizations have a role to play here, too. They need to be open about their strategic priorities, be willing to collaborate with and trust medtech partners to find and implement innovative solutions, and share in the risks and rewards of partnership. Finding internal advocates at provider organizations can help medtech firms increase their rate of success.

IDNs are looking for trustworthy partners who genuinely listen to their needs, tailor solutions to meet those needs and proactively bring those solutions forward.

Turning Barriers Into Opportunities to Partner

When it comes to what hospital executives are looking for in strategic suppliers, our survey results revealed many of the traditional suspects, indicating that IDNs are looking for trustworthy partners who genuinely listen to their needs, tailor solutions to meet those needs and proactively bring those solutions forward (figure 1).

While financial solutions like risk sharing fell toward the bottom of the list, it’s important to remember that each IDN is different and that some factors may figure more prominently in some partnerships than in others. Furthermore, IDN executives told us that getting quality products at the right price points is a basic expectation from any true medtech partner. In our survey, this attribute was the least important in differentiating a strategic partner from an average medtech vendor.
Medtech companies need to fundamentally rethink what it means to bring value to IDNs. In a world of value-based care, medtech products with bells and whistles but without proven clinical outcomes simply don’t cut it.

IDNs have clearly articulated what they want in a customer-supplier partnership, so why is the industry struggling? Instead of responding to IDNs’ needs, improvising when called for and thinking strategically, medtech companies often haven’t stepped forward to find ways to build lasting partnerships with provider organizations. They’re missing out on the chance to move beyond price discussions to deliver valuable solutions for health systems and the patients they treat.

Medtech Needs to Be Solutions-Oriented, Not Product-Driven

To begin with, medtech companies need to fundamentally rethink what it means to bring value to IDNs. In a world of value-based care, medtech products with bells and whistles but without proven clinical outcomes simply don’t cut it. The vice president of supply chain of a top health system on the East Coast told us: “There is no evidence-based information whatsoever to show that one company’s product is better than another. This is not pharma, where there is proven clinical information on outcomes.”

In order to truly become a partner to IDNs, medtech marketing managers need to become smarter about the pain points and clinical, economic and operational outcomes that their customers (hospital departments, clinicians, administrators, supply chain, IT and other stakeholders) care about and start bringing to market holistic offerings beyond products to address pain points. In our survey, 84% of IDN executives indicated that strategic partners can differentiate themselves by providing a broad range of value-added services beyond products such as education and training, inventory management, benchmarking, clinical protocol support, patient services and operational consulting support.
One IDN executive we spoke with shared an example of a hospital bed manufacturer that has moved beyond being a supplier to partner with its customers by enhancing its offering to include a program with guaranteed reduction in bed-related falls. The program includes evidence-based processes and technologies, as well as clinical education and training to reduce the risk of patient falls. “It’s really got to go above and beyond, ‘I sold you a product,’” as the IDN executive said.

A urological products manufacturer recognized one major challenge that many critical care departments face: minimizing urinary tract infections from the improper use of catheters. To drive product sales, the company developed a systematic assessment program to measure and benchmark hospitals on infection rates, and to train nurses on proper product usage. As a result, the company helped reduce infection rates and strengthened the partnership with its customers.

In our survey, medtech leaders cited the following four main internal struggles that are preventing their companies from building new or better relationships with health systems. First, medtech organizations’ commercial structures limit collaboration among business units and integral roles including key account managers. Second, many firms have underdeveloped data and analytics capabilities, which limits their understanding of what affiliations IDNs have, what services bring value to individual organizations and how products are used. Third, medtech leaders often have a short-term focus and aren’t committed to the work required to transform the organization. Fourth, the sales organization doesn’t have the right people, capabilities and culture to shift to the value-based selling model.

Here are a few ways that companies can overcome the barriers and bring more value to their IDN partnerships:

+ **Develop internal structures that foster collaboration.** To elevate their relevance, medtech companies need to leverage the strength of their portfolios and create valuable solutions for hospital partners. This approach requires reaching the stakeholders who own the big issues and the broad purchasing decisions within the hospitals. The problem is that many medtech companies don’t have the right internal structure in place to expand beyond the sales department’s narrow focus. And small and midsize companies may need to rely more heavily on the strength of their products.

The divisional nature of most medtech companies creates an environment with strong one-on-one product selling and accountability, but this strength becomes a weakness when coordinating across internal departments. Incentives typically are tied to the business unit rather than the company, and costs incurred by unique solutions or profits from combined deals are difficult to allocate.

To overcome these challenges, medtech companies need to develop internal structures that enable sales leaders to establish partnerships with IDNs and to create an incentive-based system for rewarding progress. One surgical visualization company tackled this problem by studying the drivers for when and why its customers invest in refurbishing their operating rooms, the purchase decisions they make,
and what design, tendering and implementation difficulties they face. By mapping the buying process, the medtech company gained insights into not only how they can win, but also how they need to restructure their roles internally to partner seamlessly with their customers. Mapping this process also made painfully clear the barriers that their own organizational structures had created to collaboration.

Another medtech company invested three months in redesigning its credit and allocation system. It turned out to be time well spent, as it helped to minimize incentive-related disputes among teams from different departments. While some of the tasks associated with developing standard operating procedures and rules of engagement can be mundane and clerical, in this case team members were assured that the company would “keep them whole” during big partnership deals.

Another solution is to create structures that foster shared accountability across more levels within the organization. The goal is to move away from having large, independent national and regional teams for each business. Instead, mid-level managers, like sales directors, would assume cross-portfolio responsibility and bring solutions to IDN customers in their regions. This can be accomplished by building key account teams, aggregating similar business units into sub-structures like cardiovascular and orthopedics, for example, or aligning teams geographically.

+ Make bigger investments in data and analytics. As in any relationship, developing a strong mutual understanding of one another is crucial. But for some medtech companies, gaining even a basic understanding of their customers is surprisingly difficult.

With rudimentary segmentation processes, medtech companies can miss factors that are critical to understanding IDN systems, such as hospital IDN affiliations and potential, decision structures (buying processes and control), and philosophies (focus on cost vs. patient centricity, etc.).

Often, our first job as consultants is to aggregate and analyze a client’s customer universe data from a variety of sources, and clients can’t believe the level of insights that we’re able to yield from data that was at their fingertips all along—albeit in a state of disarray.

One diagnostics company had an eye-opening moment when we aggregated the potential and sales data across child accounts to show the dismal penetration at top-20 IDN systems. The client intuitively already knew that big accounts were an area of weakness, but seeing actual numbers made it real and accelerated the urgency in pursuing a go-to-market transformation.
Another specialty medical device company was shocked to see the variability in sales performance across child accounts affiliated with the same IDN systems. One reason for the variability could be that the IDN system has de-centralized buying decision structures. However, the company’s KAM team that’s responsible for selling to IDN headquarters lacked a holistic view of the IDNs as far as affiliated accounts, potential, portfolio sales, behavior and performance, which meant that it was difficult to be successful in their role.

The problem is that there’s often no one within the client organization who’s charged with continuing that data maintenance, meaning that access to those insights is lost once again. Medtech companies need to incorporate a system that facilitates ongoing data maintenance to keep the insights fresh and targeted. With that approach in place, medtech companies are equipped to answer questions such as which IDNs to target and how to structure the relationship.

A medtech company might produce insights on how to get more value out of products and drive operational improvements, share benchmark data that reveals how one institution compares to similar hospitals, and provide contract analytics to show areas where value can be maximized.

Once the right customer targets have been identified, providers look to medtech companies to take the lead in providing actionable insights that can solve their challenges. For example, a medtech company might produce insights on how to get more value out of products and drive operational improvements, share benchmark data that reveals how one institution compares to similar hospitals, and provide contract analytics to show areas where value can be maximized. When a medtech company is properly aligned with an IDN partner’s needs, anticipating and solving obstacles becomes second nature.
Too often, medtech companies miss out on the opportunity to deliver. Even when companies can perform the herculean task of creating a report, providers find those reports to be inaccurate, incomplete or without insight, leaving them unable to take action. One top-10 health system executive we spoke with aptly summed up the problem: “We’re living in a world where there’s a lot of data and information but no insights.”

There’s a clear-cut way out of this dilemma, but it requires investment. Databases don’t assemble themselves, nor do insights and implications magically appear in spreadsheets. The best approach emphasizes an evergreen process to integrate data continuously so that reports and insights remain timely. And that means being disciplined about data governance by avoiding one-time fixes like creating multiple records for one customer account to work around temporary accounting problems.

Medtech companies need to make investments in relevant third-party data. As an industry, we bemoan the lack of available data, but in reality, much of the data that we need actually is available if we care to look for it. Once the data is uncovered, reports can be carefully constructed around relevant insights and desired actions.

These changes are no small undertaking. The critical first step is finding the will, and the investment, to change from the current state in which ownership is distributed to a single owner. Another key move is realizing that it’s really a business problem, not an IT problem. The will to change the status quo needs to be summoned and owned by the business.

*Seek leadership’s support for the transformation.* With fundamental changes happening across the healthcare industry, commercial organizations need to make transformational changes to be truly successful. By nature, transformations require significant investments of time and resources, and the returns aren’t immediately seen in the short term. With the quarter-to-quarter pressure that executives face, it’s difficult to commit to transformations that require resources without the certainty of a proven business case.

This fundamental vision isn’t trivial: A leader needs to see the benefit and set the vision in an unwavering manner, and, even more importantly, ensure that the resources are available.

During a recent engagement with a medical products manufacturer, the client’s executive team found it difficult to rock the boat because the current business performance was deemed “acceptable.” This classification prevented the company from making the investments required to launch a multi-year commercial transformation journey, one that would take it from a product vendor to a solutions provider.
One way that organizations can minimize risks and strengthen the business case for commercial transformations before committing to large-scale investments is by testing and refining concepts through an early experience team (EET). The EET approach helps to build advocates for the broader transformation, and active investments set it apart from the “conventional” piloting approach.

Additionally, executives often play a personal role in account engagement. The Strategic Account Management Association places enormous value on executive engagement in its strategic engagement course. To overcome commitment barriers, company leaders need to go above and beyond by providing sufficient resources for the transformation and visibly prioritizing the long-term vision over short-term priorities. And for some companies, personal engagement in key accounts helps to galvanize action. The regional president of one large medtech company took on the task of seeking hospital partnerships by personally attending meetings and pushing the organization.

**Strengthen the sales organization’s people, capabilities and culture.** Change management and talent management can be the most difficult aspects of an organization’s transformation. We know that an organization’s entire sales force plays a pivotal role in shaping the relationship with a vendor, but this is also where the rubber meets the road. Our primary research suggests that this is where medtech companies have the most opportunities for growth and improvement.

During the last decade, we’ve seen a fundamental shift in the buying process within the healthcare industry: IDN headquarters are centralizing the decision-making process, and economic buyers are making key product selection decisions. No longer are purchase decisions based on the latest bells and whistles that a product offers. Instead, they’re driven primarily by the economic, clinical and operational outcomes that an offering can yield and that are proven by evidence.
Historically, a sales rep’s success was measured by her ability to sell a product’s features to physicians. Today, successful reps must be skilled at value-based selling, which requires a consultative selling approach and an ability to engage with the economic buyers (including C-suite executives, department heads and materials managers) to understand strategic priorities and goals, needs and challenges. Moreover, reps need to be able to show empathy, collaboratively design solutions, communicate an offering’s value and build long-term relationships.

Sadly, the typical sales rep today might lack basic knowledge about his customers’ businesses. One vice president of supply chain and operations at a major Midwestern IDN system had the following to say about her medtech vendors: “I think a lot of them have zero understanding of how hospital reimbursement works—for example, what we pay versus what we charge, versus what we’re reimbursed.”

Many medtech clients struggle with how to shift their sales teams to a value-based selling model. One sales leader at a diagnostics company lamented that he has tried everything from training to role playing to change the behavior of his sales reps and managers, but nothing seems to be working. He remarked, “It’s as if they just don’t get it.”

IDN executives also expressed overall dissatisfaction with the quality of the sales reps they deal with. The vice president of corporate materials management for a top-10 health system had this to say: “Tom” and “Mary,” who have just graduated college, have been incentivized to sell, sell, sell and make commissions. His advice: They need to go to their ivory towers and really understand what model is needed to be a long-term partner.

Change must begin on the leadership level—particularly with first-line managers who have worked in a fee-for-service model—to ensure that they’re properly prepared to coach sales reps on value-based selling. Otherwise, the broader sales organization transformation to value-based selling is likely to run into challenges. The same sales leader of a diagnostics organization summarized that situation succinctly: “It’s a case of the blind leading the blind.”

Transforming the capabilities of the salespeople to succeed in the value-based selling world is no easy task. Medtech companies need solutions that help their salespeople rapidly assimilate to new ways of acting, thinking and being. Our research shows that achieving this sort of change requires people to experience the difference first-hand out in the field. This approach helps the sales team move through the change process more quickly, speeding up the adoption of new behaviors and providing more opportunities to become more personally engaged with the need for change.
Sales leaders also should be prepared to make changes if members of the current sales organization aren’t able to make the transformation to value-based selling. The first step is to bring clarity to the role requirements (skills, competencies, behaviors and star qualities for success), assessing current people against the job requirements and developing them where possible, and hiring for the redefined roles to fill gaps when current people are unable to succeed in the new role.

The key to providing value in a mature B-to-B selling environment is to meet your partner organization where they are, pay attention to its cues and guide as needed. Medtech’s partnerships with IDNs are no different. Medtech organizations need to step up and start identifying the right partners, and then take the lead to determine and address their IDN partners’ needs, strategically choreograph their internal moves and tap the right talent to perform. As the partnership grows and the moves get more complicated, a solid foundation of practice and dedication will ensure that your partner will want to join you for another dance.
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