

Rethinking Medical Device Sales

How Three Trends Influence Sales Strategy

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It's fair to say that medical device sales forces have encountered more changes in the last five years than they did in the last 30 years.

Furthermore, it appears the changes will not only continue but they will accelerate. Manufacturers are facing pricing pressures and the need to cut sales costs to improve margins. Revenue growth for many is flat or declining in commoditized, undifferentiated product segments. Overall, customers are adopting an entirely new decision paradigm; therefore, the traditional sales strategies must change in order to meet these new customer demands.

The medical device representative faces new sales challenges. There has been a shift in selling styles from building relationships to solution selling, and now sales reps also have to focus on healthcare economics and creating value beyond clinical superiority. This only adds to an already complex sale. Simply put, new skill sets must be learned. Sales reps, who can adapt and change, will survive, and those who can't need to consider an alternative sales role.

Three trends are impacting supplier response to buyer demands.

Trend One: The Buyer is Changing

The days of easy access to practitioners to build relationships and sell clinical superiority are numbered. It used to be that a rep could leave Company A and move across the street to Company B, bringing their book of business along with them. Not anymore. It is estimated that more than 60 percent of physicians are no longer independent but now are affiliated with a hospital.

This means they must use the devices approved at the hospital or Integrated Delivery Network (IDN) level, or be prepared to make a compelling clinical case on why they chose otherwise. Some of those who are not hospital affiliated may have their own surgery centers, and even then, the buying criteria will go far beyond clinical preference to things like price and reimbursement. The value your solution creates for the hospital administrator is not the same value for a surgeon.

Understanding the entire cast of influencers in the hospital setting, and how your solution helps each of them perform their job better, is what separates the top sales performers from the average. Ask yourself, how much time are you spending with the people holding the real purchasing authority? Chasing cases in the OR might make you feel busy and secure, but in the meantime, behind the scenes, those with the purchasing authority may be considering an exclusive contract with your competitor.

Trend Two: The Decision-Making Process is Changing

The raw number of call points has increased. It's no longer just an office call on a physician; now you must navigate committees. Often compared to the Pharmacy and Therapeutics (P&T) Committees, the Hospital Value Analysis Committees (VACs) dominate the landscape today. The VACs are multidisciplinary committees entrusted to improve patient care and control product costs. They focus on the purchase and utilization of cost-effective, high-quality products, emphasizing efficacy and a positive financial impact.

Getting an audience with physicians has become more difficult while getting access to members of the VAC can be even more of a challenge. Some committees have as many as 25 members, including administration, purchasing, finance, nursing, medical staff, materials management and risk mitigation.

On top of that, adding even more complexity to the hospital buying process is the ever-growing Integrated Delivery Network (IDN) oversight. You may get through the VAC and then find yourself negotiating with IDN procurement executives who are professional buyers. This can be a challenge for even the most seasoned seller. If you manage to get access to many of the players, you'll find this requires executive level selling skills. Clinical knowledge is just table stakes; you'll need a high level of business acumen to convince these buyers that your company's capabilities are a good match for the hospital's economically driven decision-making process.

Trend Three: The Decision-Making Criteria are Changing

The advent of the Affordable Care Act (ACA) brought about the Accountable Care Organizations (ACOs). While buyers in procurement are concerned with quality and clinical outcomes, procurement is managing costs with their supply chain and logistics. Oftentimes, they want to reduce the number of suppliers. However, the goal of being a sole source provider might be difficult to achieve because the need for niche products and assuring certainty of supply may drive buyers to split the business between suppliers. Portfolio selling, showcasing a broad range of products, and offering value-added services will win the day. Me-too products just won't survive.

Performance-Based Contracting (PBC) will become a norm. Criteria include patient safety, clinical efficacy, economic and clinical outcomes, rebates, refunds for product failure, and even product guarantees. You have to de-commoditize your offer to make price the least weighted decision criteria.

Executing your sales strategy to meet the demands of this new environment will require collaboration between sales and marketing to enable the sales force to deliver your value proposition. Sales executives may need to consider new coverage models, changing sales roles and different compensation plans. Ultimately, it comes down to asking these three questions:

1. Do I have the right talent to succeed in this new market?
2. Are my managers able to lead (recruit, train, coach) this new kind of sales force?
3. Do my existing sales teams have the skills they need to sell strategically and create value for their customers in the buying process?

About the Authors

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