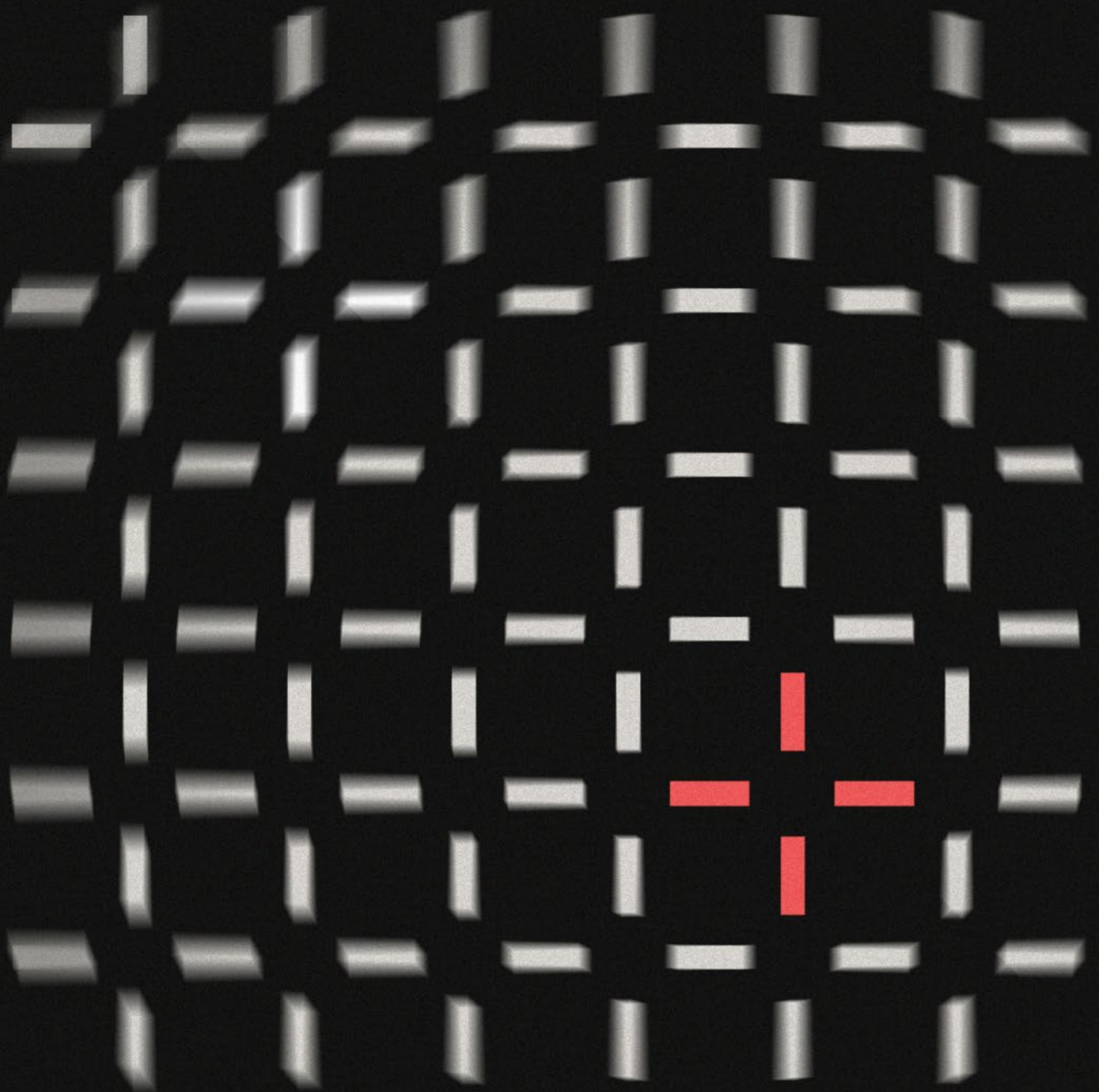




Medical Devices - Sales imperatives

Research findings - A future proofing roadmap for sales leaders and their organisations.



Huthwaite Future Forward Series

In our Future Forward series we investigate the micro and macro trends in different sectors around the world. We examine the likely implications for those responsible for sales and negotiation performance and provide practical insights on staying ahead of the curve and embracing the opportunities ahead.

Contents

1.0 Foreword	04
Methodology	06
2.0 Key findings	08
A skills gap: Diminishing returns on existing selling skills	09
Creativity is crucial to growth and success	12
Future growth will come from innovation	14
A systematic approach to selling and negotiating is key to profitability	17
3.0 Conclusion	19
About Huthwaite International	21
Authors	22
Further reading	23

1.0 Foreword

For the past 20 years Huthwaite International has trained sales professionals operating in the Medical Device sector across the world, helping them excel in their roles and drive growth for their organisations.

In this time Huthwaite's consultants have seen first-hand the seismic changes happening at the coalface of the Medical Device sector, not just the ever-evolving techniques and skills required for effective sales professionals to secure deals and meet their quota, but the shifting landscape when it comes to buyers, whether they are governments, healthcare bodies or other administrative organisations.

This position brings Huthwaite International unique insight into the sector. For the first time, the global training company has commissioned a European-wide benchmarking study of more than 300 senior medical device sales leaders to examine the pressures, challenges and strategic imperatives required for them and their teams to not only survive in such a demanding market, but excel in the future.

This report offers new perspectives to the much-reported challenges facing Medical Device sales organisations, such as;

Changing regulatory environments

This remains a top issue for many Medical Device manufacturers according to industry research. The increasingly global nature of Medical Device manufacture and sales adds complexity to an already highly regulated industry, which in turn drives up cost, as well as increasing the risk of compliance failures. Increased regulation can – and is – directly impacting on sector performance. For sales leaders this often means longer sales cycles and more complicated deals, not to mention the need to constantly manage the exponentially increasing cost of bringing a product to market.

Shrinking healthcare budgets

Governments and health insurers worldwide are increasingly implementing cost-control measures while public hospitals are operating on tighter budgets, and private facilities are receiving lower reimbursements from insurers. This presents numerous issues for sales leaders, not least the need to offer excellent value – despite rising R&D costs – as well as alternative commercial models and payment structures that allow healthcare organisations to more effectively manage their budgets.

Evolving buying methods

Purchase decisions were once the sole preserve of doctors. However, increasingly these are now made by a Decision Making Unit (DMU) made up of regulators, hospital administrators and other non-clinicians. This broader set of influencers each bring their own objectives, and the result of this is a shift from individual outcomes to a focus on population-level effectiveness.

Increased competition

Not only from the big players, but from start-ups and spin-offs. This has the effect of reducing profit margin for all Medical Device manufacturers, while customer loyalty also takes a hit due to industry consolidation, reduced product differentiators and increased choice. As scientific innovation in these categories has become harder to identify, smaller companies are gaining market share by offering very low prices and innovative business models, with a concentration of imports emerging from the Far East.

Increasing complexity of medical devices

Increased complexity of devices – driven by patient and buyer needs – can result in more difficult diagnosis and repair processes, while also serving to increase the cost of field service. This can also raise the cost of training of field service technicians. Adding further complexity is the growth in the market for wearables – of which the healthcare sector is one of the fastest growing markets. With regulators such as the US's FDA demanding 'appropriate safeguards' are made, the manufacturers are responsible for putting appropriate mitigations in place to address patient safety risks and ensure proper device performance.

Increasing R&D outlay

These aforementioned issues impact the bottom line for manufacturers, and the challenge becomes about overcoming the burgeoning cost of product development.

For those selling into this sector, these pressures create the perfect storm of complexity, regulation and competition, and a marked shift towards providing added value at every stage of the sales cycle; moving towards increasingly differentiated offerings, innovative pricing and creative commercial models.

Our key note research not only supports these existing trends, but fleshes them out giving us new insight. Specifically where sales leaders believe future growth will come from, and the skills and processes they are and will be using to get them there.

But it doesn't end here. More changes are on the horizon, changes that have the potential to further disrupt and fragment the sector, from the diminishing effectiveness of existing selling techniques, to a need for increasingly creative commercial models like never before, and our study also sheds light on these. Failing to adapt and prepare is likely to have catastrophic consequences for those selling into the sector.

This paper is aimed at providing a practical roadmap for sales leaders to help future proof their teams and businesses and maximise the opportunities ahead of them.

We hope you find it useful.



Tony Hughes
CEO, Huthwaite International

Methodology

Huthwaite International's research was conducted through B2B market research specialists, One Poll, in the first quarter of 2018. In total, 300 decision making sales leaders who work in the Medical Device sector were surveyed through an online panel.

Respondents were targeted in the UK, Germany, Belgium, The Netherlands, France and Switzerland, with surveys presented in native language before being subsequently translated into English. Data was broken down by a variety of demographics, including; age and gender.

“Cheaper imports are growing. It’s not enough anymore to just meet a customer’s current needs. We have to get out and ahead and take them into new ways of thinking. Can we sell to the Far East with European prices? If we get our creativity right, we can.”

Sales and Development Director
Global Medical Device company

2.0 Key findings

Summary:

2.1 A skills gap: diminishing returns on existing selling skills

Across Europe, there is a collective feeling that existing sales techniques simply aren't as effective as they once were.

2.2 Creativity is becoming more crucial to growth and success

The skills for success today and in the future are based around creative commercial thinking and a true understanding of the DMU.

2.3 Future growth will come from innovation

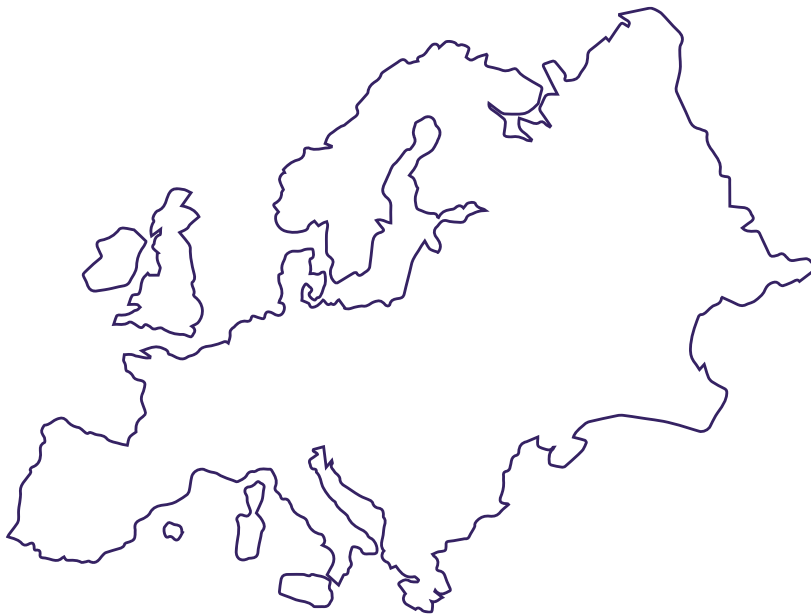
Future growth will come from NPD and innovation, as well as creative commercial models and innovative pricing.

2.4 A systematic approach to selling and negotiating is key to profitability

Teams with systematic approaches to selling are more profitable than those without.

2.1 A skills gap: Diminishing returns on existing sales skills

The bottom line: across Europe, there is a collective feeling that existing sales techniques simply aren't as effective as they once were.



Respondents were asked what their own biggest challenges were when it comes to selling in the Medical Devices sector today, and what the biggest challenges are likely to be in the next 10 years. Across both question tiers, the most pressing issue raised was not about being squeezed on price or struggling to keep up with advancing technology – though these issues did feature – but rather professionals' existing selling skills not being as effective as they once were.

When it comes to the top challenges today, this issue came above factors including; the increase in global competition, longer buying cycles, the need to develop new commercial models and stiffer competition on price. Meanwhile, in 10 years' time, this issue came above the same issues, albeit in

a different order; more global competition, the need to develop new commercial models, cheaper imports and competition on price.

When examining the data on a country-by-country basis, we see some interesting trends emerging. The UK emerges top when it comes to the country most likely to rate ineffective selling skills as a challenge, closely followed by Belgium and France. Conversely, the Netherlands – of all the countries questioned – is least likely to rate its selling skills as ineffective. However, when we examine forecasts over the next 10 years, it is Switzerland that comes above all other countries on the lack of confidence in selling techniques, while France is least likely to rate its selling skills as ineffective.

While the aforementioned issue tackles the effectiveness of existing selling skills, the sentiment is supported by a subsequent question in the study which explores the actual selling skills possessed by sales people in an organisation, specifically, whether sales teams have the relevant skills required to excel in the first place.

The results present a mixed bag. While there is some confidence towards current skill sets – 24% strongly agreed they and their teams had the necessary skills

to address the challenges posed by today's market – the vast majority (63%) were less certain, somewhat agreeing or rating themselves as 'unsure' on the issue. Breaking the data down further on a country-by-country basis we see some interesting trends; with Belgium and Germany ranking most confident when it comes to possessing the required skills to excel. Conversely, France and the Netherlands emerge as least confident.

Solutions

The majority of respondents admitted their organisation was actively addressing the challenges posed by the current market by first and foremost investing in sales training, followed by introducing more innovative commercial models, and finally, by focusing more proactively on addressing buyer's concerns.

So, what does all this tell us?

One thing is clear; the market is advancing at such a rate that existing skill sets are struggling to keep up.

This makes sense when you consider that sales teams – historically at least – have largely failed to train and upskill their teams. However, we are perhaps seeing a change in attitude as companies now recognise the need to invest in training in order to remain competitive into the future. Whether they invest in the right kind of training, however, remains to be seen.

“Our recruitment practices have changed. Now we look for a new breed of sales professional. Someone who is agile, can think on their feet and is capable of uncovering and articulating value.”

Director

Medical Device company

2.2 Creativity is crucial to growth and success

The bottom line: the skills for success today and in the future are based around creative commercial thinking and a true understanding of the DMU.

Respondents were asked about their vision for the essential skill set of the perfect sales team, both today and in 10 years' time. When it came to present day, the ability to create and consider new commercial models emerged top. Meanwhile, in 10 years' time, the top skill was rated as an ability to effectively sell to the Decision Making Unit (DMU). These findings are interesting for a number of reasons and are both intrinsically linked.

First and foremost, professionals today are clearly placing the ability to add value to a sale through innovative commercials – arguably out of necessity – over the need to focus on price-led selling, which historically is founded upon the pillars of strong relationships and innovative product sets.

This desire to create new commercial models, for example, providing added-value services such as remote patient monitoring, new payment models such as pay-per-treatment, or more effective patient intervention that reduces hospital readmission, may end up being more valuable to the hospital than the device itself. This innovation is being driven by a perfect storm of healthcare reform. This involves a need to prove clinical effectiveness and control costs, along with increasingly complex sales and contracting models.

This is a result, in part, to the need for professionals to sell to the DMU, cost reduction and reallocation, as well as new – often digital – promotional channels. In fact this later point

is supported in the research. The second most sought-after skill in 2018 was the ability to understand digital sales tactics.

This latter point manifests itself through, for example, interactive sales tools, mobile management, immersive interactive experiences or technology visualisation. This also involves using emerging social listening capabilities to gain new real-time insights into market perceptions of their products and more effectively manage their brands.

It is also interesting to see the ability to effectively sell to the DMU as the top skill required, not today, but in the next 10 years. While this is by no means a new development, it is perhaps surprising that it only ranks in fourth position today, perhaps an indication that Medical Device sales professionals view this issue as manageable today, but one which is going to grow in complexity in the future.

Effectively selling to the DMU requires a fundamentally new approach. Sales professionals no longer have to solely focus on the objectives of the clinician (who, largely, is concerned with their own department and their own clinical needs). Now the focus has to be on a much wider group of stakeholders, and the conversations and value specific to each as well as about more holistic business issues. For the sales professional this takes more time, and importantly, skill, to effectively deliver.

Solutions

So is this focus on commercial creativity and multiple stakeholders the answer to achieving success now and in the future? One thing is for sure, the Medical Device sales team of the future is a lean and agile organisation that provides effective clinical and economic information to a growing stakeholder community. It is firmly focused on solutions and outcomes.

The new sales team considers the needs of individual decision-makers and their preferences for interaction, and then aligns the product and organisation accordingly.

On this last point, we're seeing new sales roles created beyond traditional legacy structures, and which include a more diverse range of positions, from traditional product and technical specialists, to contract and commercial specialists.

Apropos of this, existing sales roles are being diversified and broken out to include value-creating sellers, commercial specialists, technical and product specialists. These new roles provide different skills, and their involvement often comes at different stages of the sales cycle, resulting in the ability to offer different price points, enabling Medical Device companies to optimise cost while effectively engaging with an evolving client base. For example, where technical advice may have historically been offered freely by the technically focused seller, this is now a more formalised optional and costed add-on service.

Anecdotally we have witnessed larger organisations repurposing team structures on the back of natural divisions occurring amongst sellers; those keen to learn effective selling skills and therefore responding well to behaviour change training interventions and

those preferring to remain in their familiar territory of features. There's an argument for keeping people doing what they do best. There will always be a role for a technical articulation of product features; mainly to a technical audience and later in the decision-making process.

The flip side to all of this, however, is the need for Medical Device companies to employ more roles to effectively secure and maximise a high value sale. To map this against selling skills and techniques, this represents a shift from traditional push selling techniques – based on factors such as mutual understanding, relationships and product features – to more sophisticated and nuanced models of consultative selling. Here, the seller offers a solution and, in some cases, a whole new vision to meet the client's expressed and implied needs, which can include commercial imperatives far removed from the product purchase in question.

This approach is much more effective and sustainable, but does require the seller to be in command of their verbal behaviour, specifically their questioning techniques, to reveal the full needs picture and so align their solution creatively and persuasively.

2.3 Future growth will come from innovation

The bottom line: future growth will come from new product development (NPD) and innovation, as well as creative commercial models and innovative pricing.

Respondents were asked about the anticipated future success and growth areas of their business. Across the board, individuals ranked NPD and innovation as two most important areas.

Fig 1.

Where do you see your company's success/growth in the future coming from in the next 10 years?

Choice	%
Changing or diversifying product set	43.33
NPD/product innovation	68.33
Creating innovative new pricing models	52.67
Creating new commercial models	46.33
Upskilling team to be more effective at selling	33.67
Charging for traditionally non-billable items (ie. product support)	31.67
Other option	0.67
I don't know/nowhere in particular	0

On a country-by-country basis we also see the same trend, with Belgium coming top when it comes to a focus on NPD, followed by Germany and Switzerland.

This approach is understandable, and historically where the Medical Device sector has seen success in the past; constantly bringing new, innovative products to market. But is this approach, in isolation, sustainable? We already know the market is more competitive than ever, the cost of R&D has never been higher and smaller challenger brands are entering the market, increasing competition like never before.

This concept of focusing all one's energy on NPD also becomes problematic if viewed against the context of a professional's top reasons for a sale failing; currently this is most likely to happen due to price or the seller's inability to identify and address buyers' concerns – neither of which issue will be addressed by bringing more products into an already crowded market.

However, the findings are by same part, reassuring, if you examine the reason for sales to fail in the future; the product specs not meeting buyer requirements. So, perhaps there is a need for constant NPD, just not at the expense of focusing on other growth areas.

And that leads to the second most anticipated growth area, which paints a more balanced picture; creating innovative new pricing models, followed by creating new commercial models.

This paper has already discussed the pressing need for professionals to focus on new and innovative commercial models, and it is therefore reassuring to see these issues placed as such a priority. Pricing and commercial models are absolutely the domain of the effective sales professional.

Selling to the DMU – with multiple stakeholders and a variety of objectives from clinical to business-related – is a different proposition entirely to the legacy model of features-based selling aimed directly at the clinician. A sales rep might now need to have high impact conversations with a widely varied group of people, from chief financial officers to business managers, buyers and the clinician.

As such, it is not uncommon for professionals to be required to offer value above and beyond the effectiveness of the device itself.

For example, the ability to create new revenue streams or deliver therapeutic advantage while also reducing the amount of time clinicians have to spend in the operating theatre.

While the basis of this added value will be the result of painstaking research, anecdotally we know that sales professionals often need to carry out viability calculations 'on the fly' in the meeting as they receive new information and data. This is a real skill and comes down to asking the right questions on the day. As such, many traditional sales professionals are resisting this new way of working, as it pushes them way outside of their own comfort zone.

Solutions

Agility will be a requirement of the successful Medical Device sales professional of the future. They will achieve a deep and meaningful understanding of customers' wants, needs and commercial imperatives – both explicit and implied – through skilled questioning before aligning these to a solution or equally a value

creating aspect of the solution. That could be a new payment model or a far wider holistic challenge the organisation may be facing. It's a deeper but broader approach that requires fluency in verbal behaviour coupled with agile and creative thinking.



Huthwaite
International

“It’s not uncommon to see global players like ourselves offering two price points. One with the support and knowledge of the sales rep and one without.”

Export Director

Global Medical Device company

2.4 A systematic approach to selling and negotiating is key to profitability

The bottom line: teams with systematic approaches to selling are more profitable than those without.

The study explored the link between those sales teams employing a systematic approach to selling against those without/those who only partly employed this approach. Teams were analysed on the basis of net increases or decreases in sales over their last financial year.

While more than half of sales people operated under 'best practice' with every team using a systematic approach to selling, some 43% only did this across certain teams. When it comes to country-by-country comparisons, Belgium emerged as the most structured (84% of respondents did this across every team) followed by Germany (80%) and Switzerland (62%). Conversely, France came bottom, with just 22% of respondents employing systematic approaches to selling.

The study also examined the link between those companies with a systematic approach to selling and changes in revenue. Based on mean averages, those with a systematic approach to selling are likely to have experienced 25.5% more growth than those without, in the last financial year.

This makes sense when you revisit the challenges, desired skill-sets and lack of effectiveness of existing selling techniques, as identified earlier in this paper. It also makes a compelling case for those organisations wanting to ensure they are future-fit, and prepared for the challenges the next 10 years brings.

Solutions

In the future, the most effective sales leaders will be defined by how they approach selling. Those employing an effective, systematic approach to sales will see greater business growth and increased client satisfaction than those without. There are reams of data – not only that covered in this paper – to support this assertion. Following a systematic approach to selling ensures total consistency across the board, with all teams

operating under the same methodology. Not only that, but this approach ensures all selling efforts can be measured consistently, using the same metrics. And, adopting a sustainable approach founded on timeless principles – such as SPIN® Selling – rather than transient thinking, will ensure success regardless of any new industry trends or developments.



“It’s not about selling our products. It’s about giving the customer a solution that will save them money – even in other non-related areas of their organisation. It requires us to be visionaries. It’s a different way of thinking for our sales teams and our clients.”

Global Sales Director
Medical Device company

3.0 Conclusion

Medical Device sales is seeing great changes. The role of the traditional sales rep is rapidly diminishing. No matter the strength of the individual's relationship with the clinician, or their ability to provide them best-in-class devices, the task right now is to understand their needs – as well as the needs of multiple new stakeholders – beyond the operating room and aligning their solution accordingly.

This is nothing new, but too many companies are still playing catch up.

A deep understanding of the organisational structure being sold to will become ever-more important – not just a general understanding of the business model. The expectation of the buyer is firmly based around the sales professional knowing this information, intimately.

Succeeding in the future goes beyond this too. More than ever it will be about combining creativity and innovation to offer different ways of thinking for the customer; new commercial visions that embrace much broader issues such as economic value. A creative approach to commercials therefore becomes a key skill, something that those traditional sellers may lack the confidence to implement.

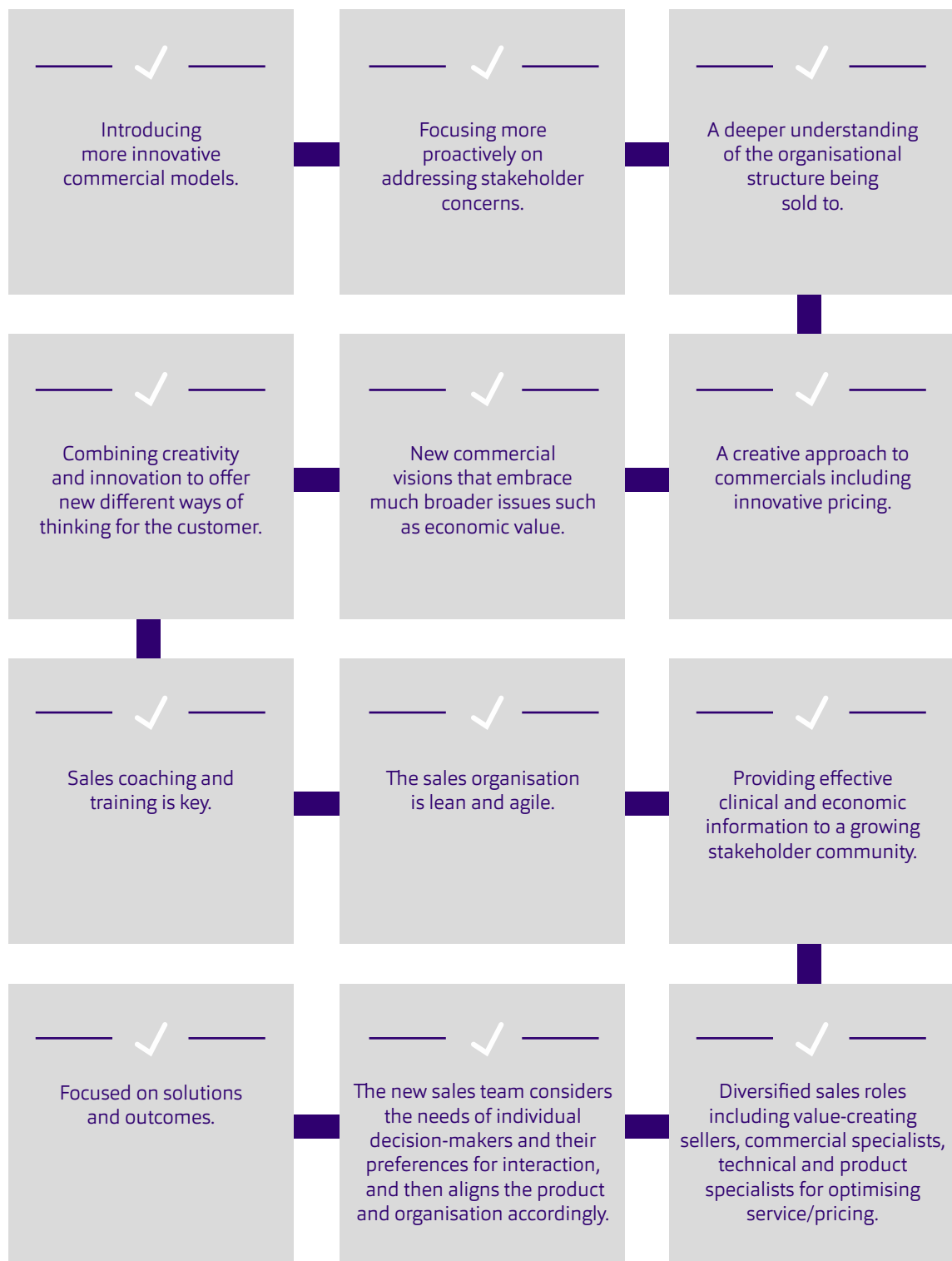
Innovation too plays its role. Firstly, innovation when it comes to NPD, specifically the ability to understand the customer's needs and adequately communicate the benefits of said product against this context. But secondly, innovation in terms of developing the aforementioned pricing models and creating new commercial models.

Mastering these different demands is a skill, and not one that sales professionals suddenly wake up, able to deliver. Coaching and training simply has to play a part in this, especially when you consider the fact that existing sales techniques are no longer as effective as they once were.

Healthcare is not going away, but the role of the sales representative will look very different in the years to come. You can start adapting and adding value now, or it may very soon be too late.

A future proofing map

The selling imperatives



About Huthwaite International

Huthwaite International is an international training provider and behaviour change specialist. We help organisations transform their sales, negotiation and communication outcomes by sustainably changing the behaviour of their teams.

We are unique. Our training interventions are founded on extensive science-led research and analysis. Through that we have identified the sales and negotiation behaviours needed for high performance. Our world-renowned methodologies align clients to those standards and our approach supports permanent behaviour change appropriate to each client environment.

These 4 components, along with our expert team, combine to help our clients achieve a high performance that is sustainable.

This is our model. We call it *Change Behaviour. Change Results.™* It is rigorous. It supports measurable ROI by transcending changing markets and short-term trends that can needlessly disrupt how professionals sell and negotiate.

It is relied on by companies around the world for their commercial success.

Talk to us

We are here to help and advise on all stages of your performance improvement. From needs analysis and business case development; to devising a flexible programme optimised for the location and culture of your professionals; to coaching, reinforcement and measurement.

Tel: +44 (0) 1709 710081

Email: enquiries@huthwaiteinternational.co.uk

Web: www.huthwaiteinternational.com

Authors



Tony Hughes

CEO, Huthwaite International

thughes@huthwaite.co.uk

Tony Hughes has been with Huthwaite International for 26 years, first as a practitioner and deliverer of behavioural change programmes, then as CEO with executive control of the Huthwaite International Group of Companies. Tony actively promotes the cause for sales and service excellence, and is part of the judging panels for the National Sales Awards and The National Business Awards. In recognition of his outstanding contribution to Sales and Marketing, in 2010, Tony was presented with the inaugural ISMM Lifetime Achievement Award at The British Excellence in Sales and Marketing Awards.



Karen Woodhead

Director of Marketing, Huthwaite International

kwoodhead@huthwaite.co.uk

Karen is Huthwaite's Director of Marketing. A postgraduate CIM Marketer she has spent more than two decades transforming brands in sectors as diverse as television, finance, technology, manufacturing, education and charities. She is a 360 degree, B2B marketer with a long history of achieving business growth through award-winning creative and digital strategies. She is a prolific writer and traveller and is fluent in Spanish.

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Tel: +44 (0)1709 710 081

Email: info@huthwaiteinternational.com

www.huthwaiteinternational.com



@Huthwaite_Intl



huthwaite-international



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