

*Experts in
Business to
Business
Customer
Engagement*

From Physicians to IDNs: Building the Medical Device Sales Force of the Future

Signorelli Consulting Group, Inc.

Anthony Signorelli, President



SIGNORELLI
Consulting Group

From Physicians to IDNs: Building the Medical Device Sales Force of the Future

Introduction

Today's health care business environment is changing dramatically from what it was only a few years ago. Driven by the Affordable Care Act, industry consolidation, efforts at cost containment, and the need to enhance profitability, these changes are rearranging the key relationships within the medical device industry that drove sales success in recent years and decades. Buying decisions are being moved away from physician owners, and into the matrix of issues and concerns represented by hospital systems and Integrated Delivery Networks (IDNs). These networks are the dominant new buyers in the industry, and transitioning the legacy medical device sales force to the new reality has been difficult and left many companies with sales falling behind expectations. It doesn't have to be that way.

Situation

Most medical device companies come into this new era with old world "sales technology." They have large sales forces that possess enormous amounts of intellectual capital. Many sales reps have been in the industry for 5 or 10 or 20 years—maybe even more. These reps are extremely skilled at building relationships with physicians that lead to sales of devices for the physician's patients.

Legacy practices include discussions with physicians over the scrub sink before entering the operating room, using one-to-one consultative sales skills to sell to physicians in the physician's office, product demonstrations or clinical presentations, or even an outline of the financial benefits of a particular procedure with a particular product.

Because the relationships and one-to-one sales skills were so critical to the business, sales reps in this business were highly sought after. There was a time when the best reps could command premium bonuses to move from one company to another, often taking their relationships with them. Those days are coming to a close.

The reason is simple: An increasing amount of the business is no longer being conducted with physicians. Hospitals and Integrated Delivery Networks (IDNs) are consolidating the industry. Many are buying out physician practices, and the physicians are becoming employees. Although this change does not remove the physician altogether from the buying process, it profoundly changes their role, influence, and interests in the outcome of those buying decisions. It also profoundly changes how those buying decisions are made, who is involved, and what is required to successfully sell to these larger organizations.

To illustrate this, let's use an example. When you are selling to a physician who owns his or her own practice, the concerns and issues they have are pretty predictable:

- Not enough money—budgets are tight, costs are high, insurance cuts their payments, and cash flow is always a challenge.



- Not enough time—the house is on fire, they are working way too much, and patient requirements are never ending
- Exhausted and overwhelmed—beyond practicing medicine, physician owners are frequently exhausted and overwhelmed with administration, HR, facilities management, and all the other vagaries of busyness that afflict all small business owners.
- Heal people—they want to do well by their patients

While there is a double bottom line when you are dealing with medicine, physicians are still the center of the universe for the independent practice—everything comes back to the physician owner. Therefore, if your offering is perceived to make them more money, save them time, or make them and their staff more productive, you can rest assured they will be interested. In short, he or she makes the decision, takes all the risk, and gets all the reward.

Hence, decision making in small organizations is rather straightforward. The savvy rep builds a relationship, develops trust, positions the product against these concerns, and the physician finds it in his or her interest to buy. It is a simple, straightforward process, even though it can be challenging to actually succeed in.

The Big Difference

Here's the challenge: Decisions are not made that way in large hospital systems and IDNs. The physician's role has changed completely. He has moved from an invested practice owner to an employee. And that change alters EVERYTHING about that customer and the sales rep's relationship with them. If reps are positioning to these customers like they do to an independent physician-owned practice, the positioning will fail because in the new environment, your product can't deliver those things to the IDN employee.

- Save time? No matter how successful, you will not reduce the physician's time at work because now they are a full time employee.
- Make more money? No matter how successful, you will not create more income for them because as an employee, they are on a compensation package, the core of which is a salary.
- Reduce the overwhelm? Unlikely—the patients keep coming, there is more need than they can meet, and in all honesty, most of the overwhelm probably left when they sold the practice in the first place.

Many sales leaders in medical devices assume that if a rep is good at selling to a physician owner, he or she will also excel with IDNs. "It's the same thing, but on a bigger scale," they may think. The change, however, is not a matter of scale. Sales leaders face a qualitatively different buying process and buying environment, and that necessitates new behaviors, new interactions, new processes, and new skills and competencies on the part of the sales force. While some reps will in fact successfully transition, they do so because they adapt to the new game. Optimizing the entire customer-facing sales force requires meeting these new needs systematically, not just on a one-by-one basis.

While the physician's move from owner to employee is critical, there are two additional changes that are even more important. The buying process and decision has moved from the purview of a single person who takes all the risk and gets all the benefit, to an organizational model in



which many players are involved in the decision to acquire product. Plus, there are players in the market heavily involved in the decision making process that have little or nothing to do with the actual two customers involved—the physician and the patient.

Complex Buying Decisions

First, in big organizations like IDNs, there are many buyers involved with any given sale. Sales process experts have given them various names and shades of meaning over the years, but essentially they come down to four types.

Notice that I did not list “decision maker”. The notion of a decision maker in large organizations like IDNs is actually a fallacy in most cases. Yes, there always is a person who finally has to sign the paper and is ultimately responsible. But given the ways most large organizations work, that person is usually anything but a decision maker.

In the medical device marketplace, for example, a sale can be torpedoed by many different issues:

- The implant procedure doesn't reimburse enough, so physicians don't want to do it.
- Great product, but there isn't enough return on the use of operating rooms, which are otherwise filled to capacity with higher returning activities
- The cost of storage loss is too high because the procedures are too complex for nurses and staff to follow
- The device is not compatible with other high cost capital equipment that is important for the hospital to use
- The device is an excellent diagnostic tool, but the hospital doesn't offer a treatment for that disease state, thereby forcing them to transfer patients

And many more. Our clients have heard and addressed all of these issues (and more) in the last five to ten years from IDNs and hospital systems. Physician owned practices have few if any of these concerns. Because of this complexity, most supposed “decision makers” will attempt to get buy in from parallel colleagues, superiors, allied departments, and other stakeholders. Failure to do so can have catastrophic consequences on one's career, and if that buy-in is not achieved, that sale will not be closed.

Because of these new stakeholder roles, many new concerns and issues come into the process, some of which may go far beyond the skills and knowledge of the sales rep. Special expertise may be required—say clinical knowledge, or technical knowledge, for example—and if not provided in a timely fashion to the right person, the sale is at risk.

The reality of these new roles alters the typical success requirements for selling to large organizations of any kind—they make decisions by committee, and high producing sales people are fully prepared to handle that.

Health care is relatively unique in that it is not just a complex sale, but a complex sale inside a complex market—especially when you are selling to hospital systems and IDNs. Reps need a process, a roadmap to follow in their mind's eye, and a new set of skills and knowledge to meet the needs. This is why most organizations underperform in the transition—they don't



proactively enable otherwise successful and professional reps to succeed in the new buying environment.

Hospitals and IDNs Create Complex Markets

Complex markets, as we define them at Signorelli, are markets like health care where very significant, and sometimes the most significant, players in a buying decision are outside third parties to the actual buying organization. The two most important such players in this industry are the payers—insurance and Medicare—and outside physician practices.

Payers

Payers are critical because they pay for the product and related services. Most medical device companies inherently understand this complication in the market and address it from the highest levels. They give whatever support is proper and legal to physician customers to help ensure appropriate reimbursement for the product and procedures undertaken.

What is less clear and obvious is how these payers relate to IDNs, and what role they have in purchasing decisions for the IDN. Requirements frequently vary from payer to payer, and they may or may not be baked into contractual agreements with different stipulations. Unless these are accounted for and addressed in the customer engagement process, an entire negotiation can get stalled based on these relationships and stipulations.

Outside Practicing Physicians

Outside physician practices can still play a large role in the IDN's buying process, even though physicians themselves are not the buyers. One of our clients sold sell capital equipment (along with procedural disposables) to hospitals. The purchase decision was made by the hospital, and because the capital investment was significant, it was usually the C-Suite where the final decisions were made. But that wasn't the hardest part of the sale.

The hard part of the sale was both the hospital-owned physicians and the outside third party physician practices who would have to prescribe and use the capital equipment in order for there to be any return on it to the hospital. Naturally, the hospital had some sway with its own staff physicians and owned practices, but the relationship with the third party practices was unruly at best. The outside physician practitioners would make their decisions on an ad hoc basis, they had no incentive to commitment to anything, and so they systematically resisted any effort to get them to commit.

The hospitals, of course, understood this, and it meant that a key part of their buying decision was the ability to predict usage by the third party physicians. Even experienced sales executives who knew the C-Suite exceptionally well struggled in this environment. There were just too many moving parts to keep straight. In today's world, many companies and reps trying to address these realities are simply failing the test.

By now, it is probably obvious that the sales force that got your company or product to where it is today is not the sales force that will get you where you need to be tomorrow. The environment, the skills, the competencies, the knowledge, the customers and influencers—they have ALL changed. So how do you remake the sales force to deal with this new reality?



How to Build the Medical Device Sales Force of Tomorrow

The first answer you often hear from senior management is this: “Get a new VP and let him hire all new team of reps.” You could do that if you are the CEO, but it usually doesn’t work out too well because the problem isn’t the leadership team, and it is certainly not going to be solved by hiring new people to do the same thing.

As shown above, the move from selling to a physician practice to selling to an IDN organization represents a substantial, qualitative change. A sales organization optimized for the physician customer cannot be also optimized for the IDN because the engagement process needed by IDNs is very different.

The specifics of that difference depend on the type of device being offered, the nature of the procedures involved with the device’s use, and even the typical patient profile. While there is no established set of best practices across the board, Signorelli offers a method that can be used as the basis of making a transformation of the sales force.

Whether you are the CEO, VP of Sales, or a product marketer, you can tackle this problem by addressing five key questions:

- 1) What do IDNs need in order to buy from you?
- 2) How can your sales team engage with IDNs to deliver those needs?
- 3) What specific actions are required for each role in the sales team?
- 4) How do we train people to do this?
- 5) How do we manage people to do this?

These questions can be addressed in five sequential steps, as shown below.

Step 1: Research the Customer Buying Needs

Everyone will say you need to do market research, and this is true. What do customers and patients need? What problems are they solving? How can we make a product that meets those needs. What messaging will work? What do they respond to? And what should we not say to help keep from torpedoing our own sales? These are all central to the market research process as it is typically practiced. Central, important, even critically important, but insufficient in the new world.

What is typically missed, and is central to building the new sales force as it tries to address IDNs, is market research that defines not the product needs, features, benefits, and messaging, but rather research that uncovers the buying process of the customers. What are their concerns? Interests? Business needs? Individual professional needs? Who in the buying organization has what concerns, questions, needs, and interests? When do they have them during the buying process? And so forth.

This information provides the basis for creating a more effective method of customer engagement with complex customer organizations.



At Signorelli, we use many strategies for this research, including qualitative interviews or facilitated debriefs. The methods and processes used by customers are detailed, complicated, and intricate, and these research methods are best suited to uncovering those details.

Step 2: Create an Organizational Method to Responding to Those Needs

Once you define those customer buying needs in detail, you can determine what behaviors are needed to meet those needs. In most companies with legacy practices, certain roles in the sales force will be obvious choices to meet certain needs. But a close examination will almost always reveal gaping holes in the process, which suggest redefining of the roles is required, or perhaps an entire restructuring of the sales force. The key is to match the roles to the customer needs in a planned process so that you can ensure that the customer needs are not only getting met, but getting met at the right time and place in the process—and by the right people on your sales team.

One efficient way to do this is to work with your core leadership team to work out a proposed solution. Then, socialize and validate that proposed solution to stakeholders in the organization. This process usually results in significant improvements to the process, achieves buy-in, and sets the stage for positive change.

Step 3: Define Role Behaviors and Competencies

Once you have aligned the roles in the process, you can define the specifics of each role—its behaviors, competencies, skills, and knowledge necessary. This will usually result in a profile of the perfect participant in each role.

When this is completed, you can assess your organization for its preparedness for the new roles, and determine if the gap can be closed by training and management, or if new hires are required, or if some people need to be let go because the market has changed and they are not prepared to change with it.

At Signorelli, we offer competency mapping to define these needs. Again, we work with clients to create proposed solutions, and then validate and socialize those ideas with the rest of the organization to improve them, validate them, and achieve the necessary buy-in.

Step 4: Training to the New Roles

New role definitions and the competencies that go with them, require that the people in those roles are trained to perform them. This training is not general. It is specific to the role and product, and includes coordination points and how to work as a team.

Training can take any form necessary, from e-learning and self-study to full blown sales simulations. One of the most effective methods we use are scripted sales simulations wherein “mock customers” respond to sales people from a detailed, well studied script, and learners learn by having real sales behavior rewarded (or not) in real time with mock customers.

Most sales training involves a combination of these methods, but we almost always recommend simulations to ensure knowledge translates into behavior and that your people can practice and make mistakes before they get in front of customers.



Step 5: Post Launch Management

The critical factor for most launches is that if you do the previous steps correctly, the sales organization can still fail without proper post launch management. Usually this needs to be driven by product management, but implemented by sales management. Regional or district sales managers play the lead role here, especially in a large sales organization. They must have tools, training, buy-in, and commitment to the new process for success to be sustained.

At Signorelli, empowering the sales managers to reinforce the needed behavior by their team helps to ensure that all the hard work pays off. We can provide the tools, the training, and even mentoring on how to manage to the new process.

Conclusion: The Question You Face

The new medical device sales force will look and feel different than those of only a few years ago. Changes in the market are forcing sales leadership to change the way the company engages customers. Organizations like IDNs and hospital networks bring a far broader array of concerns to the buying decision than a physician owned practice. In most cases, much of the expertise needed will go beyond the expertise and capability of the individual sales representative.

The solution depends on the specifics of your situation, business, product, and market. Most sales forces are becoming more complicated because they require specialized skills to meet the information needs of customers before they buy. Instead of just a star rep who has good relationships, success in this new world involves a process that is designed to meet those customer needs, a rep who can quarterback that process and build good relationships, and a sales management team equipped to monitor and manage all related activity to that process.

The medical device sales force of the future is going to be more complex because it must be to meet customer demands. The question facing leadership is this:

Are you going to limp your way there organically and suffer depressed sales in the meantime?

OR

Are you going to proactively transform the sales force to capture the sales and revenue increases ahead of the competition?

For more information about what you can do to overcome these and similar challenges, contact Tony Signorelli at: tony@signorelli.biz.

