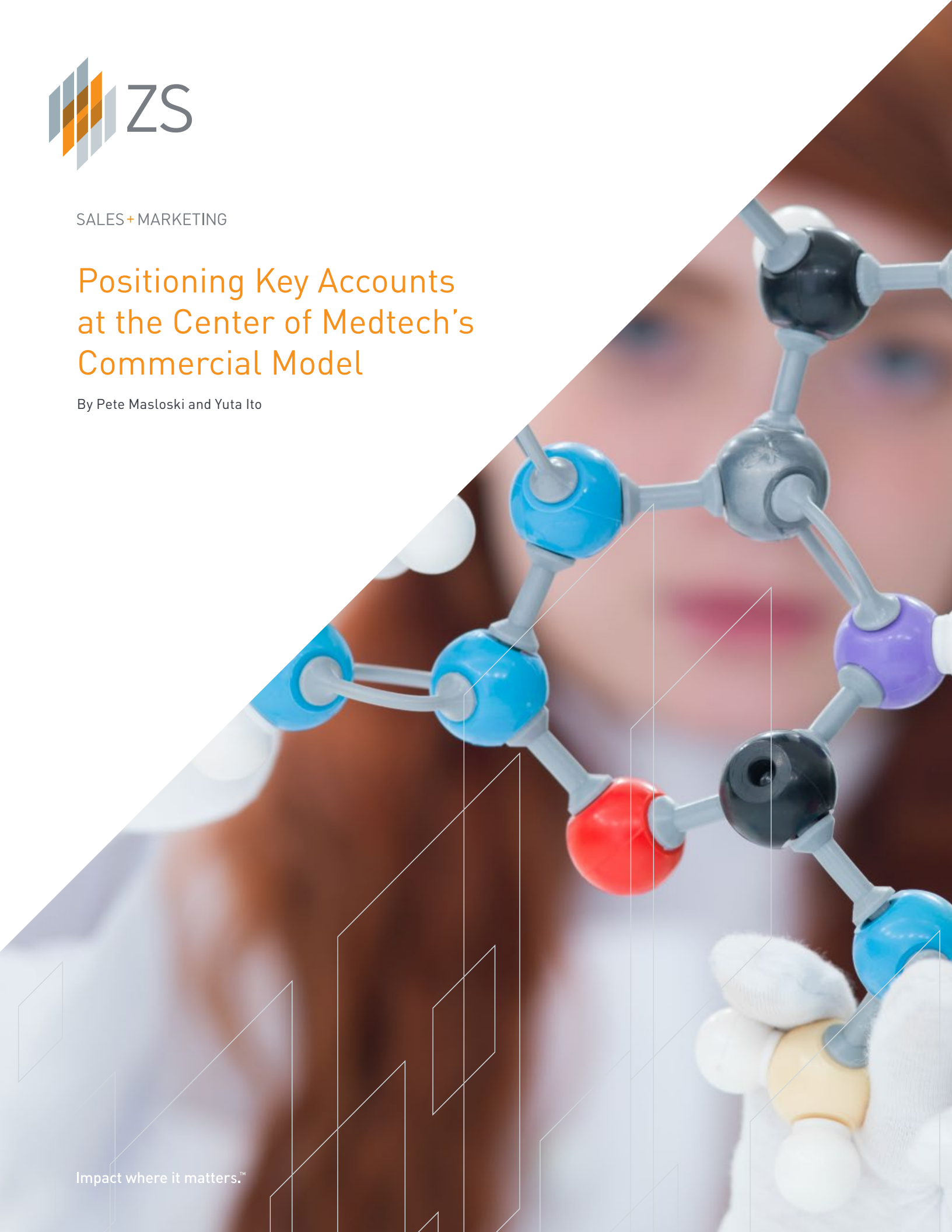


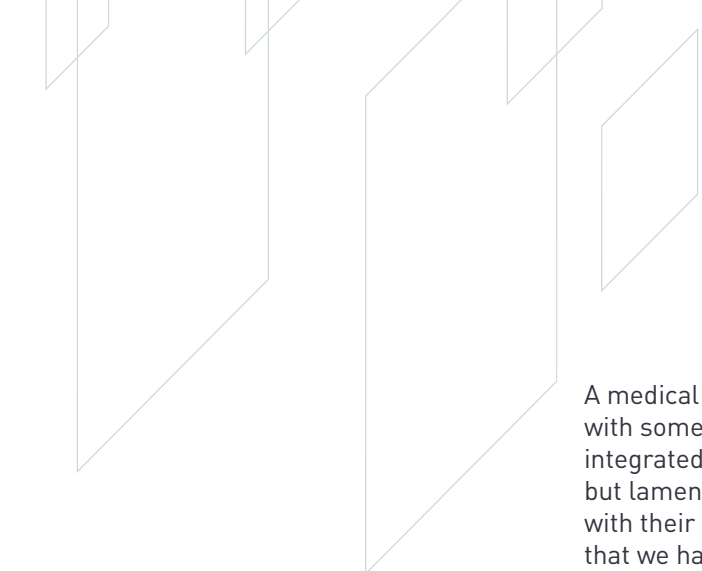


SALES + MARKETING

Positioning Key Accounts at the Center of Medtech's Commercial Model

By Pete Masloski and Yuta Ito





A medical device company was working hard to secure strong contract positions with some of the largest and more influential hospital buying groups and integrated systems. The contracting team was proud of their accomplishments but lamented the challenges associated with capturing value from these contracts with their current selling model. “There are so many salespeople and managers that we have to work through to negotiate and implement a contract with a large IDN. With all of the competing priorities, it would be much better if our sales team was aligned by key account in the field. In addition, it’s unclear who’s really responsible for value selling in many of these accounts. We aren’t as coordinated as we need to be. Looking ahead, with all of the price pressure that we face in our market, and IDNs continuing to consolidate, I don’t know how we will be able to afford our current field-selling model in the future and provide the necessary emphasis required on IDNs.”

Many medtech companies now find that integrated delivery networks (IDNs) are becoming their main customers. Consolidation has created larger and more powerful IDNs as these providers seek greater economies of scale and negotiating leverage with payers and suppliers. Continuing at the recent pace, additional provider consolidation will result in a relatively small number of IDNs controlling the lion’s share of the U.S. healthcare market. In fact, based on our analysis, within the next five years, the top 50 IDNs will control at least 50% of the market.

Today, most medtech companies’ commercial focus has been selling to individual physicians and hospitals with a geographically aligned field sales team, and IDNs have been served by a much smaller group of key account managers. The majority of resource investment and mindshare has historically been focused on the field sales teams, with less emphasis on IDNs. As decision making shifts to IDNs and they get larger and more influential, stresses like the ones highlighted above begin to appear in this traditional model. To address these challenges, medtech companies must begin to transform the model of their commercial organizations from field-sales-centric to key-account-centric. Those that succeed in this transformation and build the required capabilities will emerge as the winners in an increasingly competitive and complex market.

The Evolving IDN Landscape

Much of the IDN consolidation today is local in nature because what drives leverage is share of local healthcare markets, but there is a limit to how consolidated local healthcare markets will become. The FTC is concerned with providers gaining too much leverage and has challenged several recent provider deals based on this concern.

However, economies-of-scale benefits and leverage with suppliers can be gained by consolidation beyond local markets. Some IDNs have been expanding to have more of a regional focus, such as Sanford Health, with facilities in Minnesota, South Dakota and North Dakota, or Sutter Health, with facilities across Northern California. Some other large IDNs have even expanded nationally, such as Tenet Healthcare, Kaiser Permanente and LifePoint Health. This patchwork of changing IDN footprints puts stress on the current selling model as many of these systems cross sales region boundaries, complicating the coordination of efforts within the company.



General Hospital

While all IDNs are motivated to capture improvements in outcomes, patient care and cost, each has its own organizational priorities. Cleveland Clinic, for example, focuses on patient experience and outcomes with its “Office of Patient Experience,” which aims to monitor treatment outcomes and patient safety. Another system, Intermountain Health, has a different approach: Its mindset is more skewed toward pursuing operational excellence, such as supply chain optimization, which is evidenced by Intermountain’s acquisition of the GPO Amerinet in 2015. The scale, complexity and variation in the needs of these large systems makes it challenging for medtech companies, which are used to keeping things simple for the field sales force by focusing on a narrow set of messages around product benefits.

Time to Flip the Model

Success in this new IDN-dominant healthcare ecosystem requires that medtech companies shift the balance between a field-sales-centric to a key-account-centric strategy. For companies whose customers have increasingly become the large IDN, now is the time to “flip the model.”

What, exactly, does it mean to “flip the model”? A useful way to understand this is to look at other industries with greater levels of consolidation and understand how successful companies organize in those markets. In the future, all operational areas—the field force, clinical staff, inbound customer service, technical services, medical affairs, pricing, marketing and commercial operations—must collaborate to enable the key account strategies to succeed. This change won’t happen overnight, so medtech companies must evolve their commercial organizations to keep pace with the changes.

Five Imperatives for Becoming a Key-Account-Centric Organization

In order to transition to a key-account-centric commercial organization, medtech companies should focus on building capabilities in five areas (see figure 1).

1. Develop an actionable IDN segmentation. Most medical device companies that I’ve consulted with have had someone in their key accounts team who is credited with the following statement: “If you’ve seen one IDN, you’ve seen one IDN,” therefore rendering any attempt at IDN segmentation a fool’s errand. However, an effective key-account-centric commercial strategy starts with a deeper understanding of your IDN customers and an actionable segmentation to inform the right coverage model. Today, medtech firms typically have their key accounts teams focused on the larger IDNs selected on the basis of sales volume or size. Many also have tiered coverage, in which the larger national IDNs and large GPOs are covered by a national accounts team, and the regional IDNs or smaller systems are covered by an IDN account manager or the field sales force. While overall size and contracting activity are important, they shouldn’t be relied on exclusively to determine the deployment model. Other factors that should be considered include:

- + **Influence value:** Identify a customer’s value to you on the basis of prestige or influence. Academic institutions may have an intangible value, such as by being thought leaders nationally (for example, Cleveland Clinic) or regionally (like Geisinger Health System).



A Hybrid Approach

For medtech companies, simultaneously designing commercial strategy around key accounts and local geographies is a complex endeavor, but it has been done successfully in other industries. One large high-tech company with multiple business verticals—including software and hardware, consulting, IT, finance and more—has built and implemented a two-pronged approach.

A core aspect of this company's strategy is its "menu" of customer-facing roles, which can be combined in different combinations to maximize coverage effectiveness and efficiency suited to the situation. These roles include KAM roles responsible for the entire portfolio, business-unit-specific KAM roles, and an array of field and inside product and service sales specialists, technical specialists, and other specialized customer-facing roles and channel partner options.

For the top tier of strategic accounts, fully dedicated teams are customized to each account. Each account is treated as a "segment of one." Teams for subsequent tiers of key accounts are designed in parallel with district-level coverage decisions. District-level team mix is guided by analytics and refined by a district area leader who has enterprise-wide accountability spanning all business units. While overall headcount for a district is set by top-down analytics, the district leaders have the ability to tailor the mix of roles and the deployment of those roles against accounts and local geographies. The district leaders do so by considering the largest opportunities in their districts, along with the specific composition and dynamics of their districts. In this way, they're able to customize the coverage model for specific accounts in their geography while ensuring optimal coverage for the overall district as a whole. Should they determine they need greater or fewer resources than available, they can also make the business case for such changes.

This company's unique deployment model shows that geographically tailored and account-tailored teams can not only co-exist but thrive. Other companies are solving the puzzle, too, and will reap the benefits of transforming to a customized, KAM-centric deployment model.

KEY-ACCOUNT-CENTRIC STRATEGY: A DESTINATION MAP






	FROM	TO	Required Capability and Assets
 IDN Segmentation	Volume- and size-based	Incorporating influence value, decision structure, geographic dispersion and willingness to partner	Robust IDN master database management, including systematic customer profiling process
 Value Proposition	<ul style="list-style-type: none"> + Design- and feature-based + Clinical and operational benefits 	<ul style="list-style-type: none"> + Needs-based + Emphasis on economic benefits 	<ul style="list-style-type: none"> + Voice-of-customer research + Value-centric innovation and portfolio planning
 KAM	KAM viewed as a team or roles focused on contracting	KAM as an organizational transformation	Institutionalized KAM culture, systems, processes and enablers
 Deployment	National model (national field roles/ teams)	Customized deployment based on local/regional customer needs and aligned with IDNs	<ul style="list-style-type: none"> + Flexible deployment strategy and process + Ongoing governance
 Commercial Ops	"Cost center" with a reactive mindset	Consultative partner with a proactive mindset	<ul style="list-style-type: none"> + Data and analytics toolkit + Flexible systems and business processes

Figure 1: To keep up with today's evolving IDN landscape, medtech companies must focus on five key areas—including their segmentation strategy and value proposition—to enable the transition to becoming a key-account-centric organization.

- + **Decision structure:** The optimal approach to engaging with customers largely depends on how they make decisions and where control resides within an organization. For example, if the organization has a central decision-making structure as well as the ability to enforce it on its member hospitals, then there is a clear benefit for focused key-account-management (KAM) coverage.
- + **Geographic dispersion:** How broad is the IDN's geographic footprint? If the IDN crosses several sales regions, it's likely more effectively covered by a separate key accounts team outside of the regional sales structure rather than within it. (See figure 2.)
- + **Willingness to partner:** Determine what role your customer actually needs you to play. Are they looking for a strategic partner, or are they only looking for a quality product at a low price? It's also important that customer needs and objectives—beyond their willingness to partner—can be supported by your marketing team in a way that delivers a compelling value proposition.

A LOOK AT GEOGRAPHIC SPREAD FOR KEY ACCOUNTS

Very Large	National Account Manager		
Large	IDN Director		
Medium	District KAM		
Small	District Manager/Rep		
	District	Region	Cross Region

Figure 2: This figure, which determines the right coverage model based on account size and geographic spread, provides an example of how segmentation of IDNs can inform overall coverage strategy.

The question of whether to include needs (quality outcomes, cost reduction, patient satisfaction) into the segmentation is worth discussing. The idea is that segments based on needs facilitate better alignment of solutions to different segments and facilitate better sales execution. In our experience, however, needs-based segmentations of IDNs are rarely useful, beyond perhaps establishing a basic understanding of how customers behave in general. The key to informing the sales strategy for each IDN is understanding the individual needs of each of these large customers, and having a KAM capability that enables the company to meet each individual IDN's needs—effectively, “segments of one.” (See figure 3.)

2. Broaden your value proposition. As many medtech firms have realized, it's no longer enough to concentrate only on product features and benefits, pricing and rebates. IDNs with centralized purchasing will seek to commoditize, consolidate vendors and drive down pricing, and so to differentiate and protect profits, the imperative is to differentiate your value proposition. Hospitals are facing significant pressures as healthcare reform progresses, such as the spread of new payment models (bundled payments, population-based payment, etc.). This presents opportunities: For example, these institutions are open to hearing about how you can help improve their performance on quality metrics tied to reimbursement, or reduce the incidence of “never events” that are no longer reimbursed by the Centers for Medicare and Medicaid Services. One example of this is [Stryker's SurgiCount Safety Sponge](#) System. The solution aligns nicely with a primary pain point for hospitals: retained surgical items. The system helps the surgical team keep better track of sponges and towels so that none are left behind in the patient's body after surgery. Stryker also ensures the solution's effectiveness by providing a money-back guarantee. The impact is clear: As of June 2016, the Safety Sponge has been used in 10 million procedures.

IDN SEGMENTATION SAMPLE DELIVERABLE

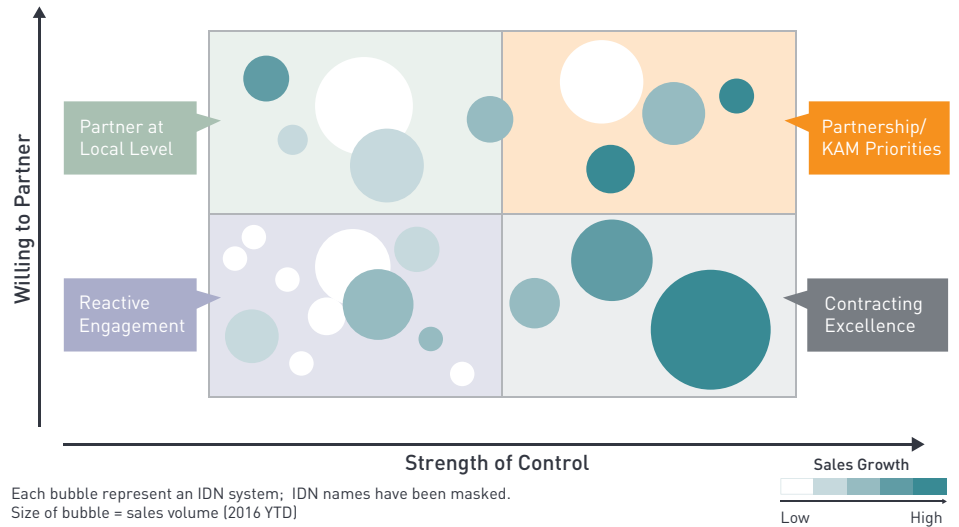


Figure 3: In another example, medtech companies find the right multidimensional IDN segmentation that will drive opportunities for growth and deep customer understanding.

3. Upgrade your KAM team capability. The concept of sophisticated KAM has started to take root in many medtech organizations as a commercial strategy rather than just another role. While most organizations understand that KAM is vital in today’s marketplace, they haven’t gone far enough. Many have concentrated primarily on contracting, and their KAM teams often lack the skills and support required to value-sell effectively.

To improve KAM effectiveness, three gaps need to be addressed:

- + **Organizational alignment, incentives and decision rights**, which involves aligning the sales process and incentives across all field functions—including a KAM role—centered around key customers. Too often, KAMs are prevented from executing portfolio-level agreements due to misalignment of incentives as business leaders are hesitant to “give” for another part of the organization’s “benefit.” Many organizations are unsure of the appropriate levels of power and the right guardrails for KAMs.
- + **Talent management** specific to the KAM role, starting with a unique competency model, hiring and training programs, and career paths. Many companies struggle to find the requisite talent for these positions, as salespeople who have been successful in a clinical selling model don’t necessarily have the business acumen or complex and long-selling-cycle skills that are so important for these roles.



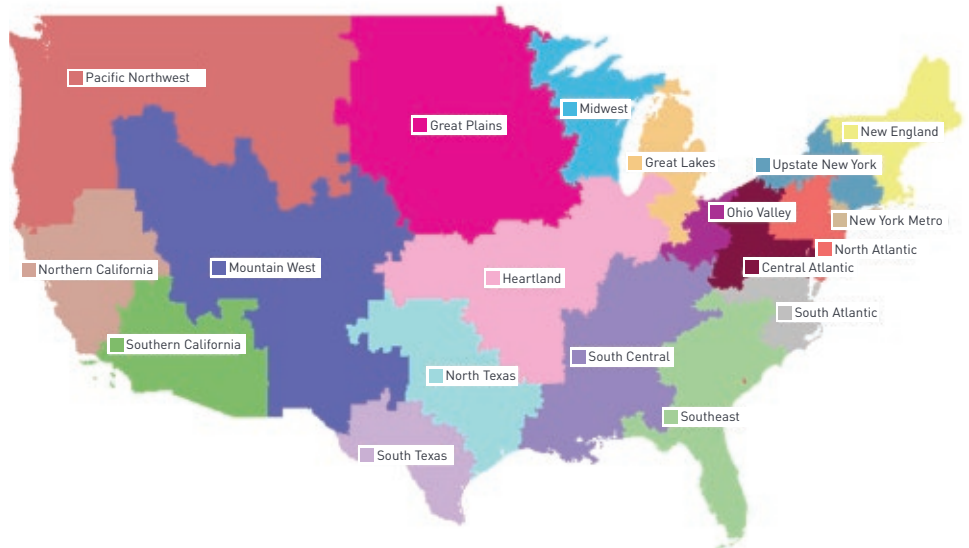
- + **Processes and tools** to facilitate effective account planning and execution specifically to drive KAM. Many organizations lack large account management business planning tools and sales process enablers specifically targeted toward large accounts.

KAM isn't just a contracting role for GPOs, IDNs and other large systems. It's a strategy that should clearly link the customer objectives (such as minimizing reimbursement penalty from CMS) and the organizational benefits to the manufacturer (like product standardization). A successful KAM strategy, in this case, could be designing and executing a risk-sharing payment. After all, a true partnership is not a zero-sum game—it's a mutual gain.

4. Redeploy around IDNs selectively by region. As pressures build on the current deployment model, here's how companies can begin to flip the model toward having a more IDN-centric field deployment.

- + **“Mirror” your field sales geographies with how IDNs, themselves, are aligned.** Aside from a handful of national IDNs, such as Tenet Healthcare, many of these systems are actually operating regionally. The key, therefore, is to understand the regional spread and the expansion strategies of these IDNs and make sure that the field force is also aligned to these IDN regions. Analyzing the alignment between IDN operating areas and sales regions, it's possible to match them up quite well. For example, in a hypothetical sales force with 19 sales regions, 90% of IDNs can be mapped into these regions where 90% of their affiliated accounts are contained with each region (see figure 4). Bridging the strategy to the execution is one clear benefit of flipping the model.
- + **Restructure your sales organization for an IDN portfolio sell.** For companies with multiple business units, an important deployment question remains: At what level should the KAM team and the field sales team be integrated? Aligning field sales leadership structures with how customers make decisions and with the KAM deployment is an effective approach. Medtronic's Cardiac & Vascular Group, for example, [restructured its sales forces](#) across its cardiovascular franchises in part to achieve this objective.
- + **Create IDN teams consisting of KAMs and dedicated field sales aligned only to that system in select areas around the country.** Since regional and sometimes local healthcare markets are becoming increasingly unique, and we seem to have hit a tipping point in trying to make one national deployment model work for everyone, it's no longer feasible. Some companies are getting by today with “carve-outs” or “exception territories,” such as a Kaiser territory. The question, then, is whether these Kaiser territories can be replicated in other parts of the country. Would the state of Maryland warrant a different model due to its capitated payment system? How about Salt Lake City, where Intermountain Health is a dominant presence? The answer may be “Yes” for more companies than you would expect.

SALES REGION DESIGN TO ALIGN WITH IDN FACILITIES



Source for data: ZS Associates, Definitive Healthcare TheMax, Dartmouth Atlas Health Referral Regions
Analysis includes 690 IDNs and 4,500 accounts; excludes 400 IDNs and 4,200 accounts, such as government systems, select expansive systems (such as Kaiser Permanente, Mayo Clinic), surgery center chains and behavioral institutions.

Figure 4: In this illustration of sales region design, there are 19 regions, and 90% of IDNs have their facilities contained within the boundaries.

- + **Expand the number of KAMs and create a larger IDN “team” concept for key IDNs.** These teams include an extended group of people from areas such as analytics, contracting, marketing, field sales and perhaps even project management. While you may stop short of developing a dedicated team, for example, beginning to align more support resources to the IDN team and specific accounts should be a priority.
- + **Introduce account managers focused on smaller to mid-sized IDNs within a region or district, reporting to the corresponding manager.** Smaller, regional IDNs that are contained within a sales district have traditionally been the responsibility of the local sales rep and district manager. However, many of these institutions are consolidating purchasing and pressuring device manufacturers. District managers and reps are often ill-equipped to respond to these situations, and having a local KAM approach that is closely connected with the local sales team can be an effective strategy.

5. Enable adaptability through commercial operations. To be successful in this ever-changing landscape, medtech companies need to be able to deploy a customized strategy while also being nimble and efficient; if they lose a contract, there needs to be a quick contingency plan to regroup. One size no longer fits all, and flipping the model requires companies to quickly adjust to customer needs and priorities without having to reinvent the wheel or create significant disruption to the business.

Commercial operations teams must move beyond being a “cost center” that provides support for routine work and applies a reactive mindset. To enable the field forces’ strategic work, such as the IDN regional deployment model mentioned above, commercial operations teams must have the capabilities and resources that allow them to adapt to changes quickly and accurately. They must develop a proactive mindset to diagnose and design, and ultimately be seen as a partner to the commercial organization.

For example, in the flexible deployment model, the mix of field roles being deployed in one region could be different in another. The ability to empower the field teams with an adaptable account-planning process that facilitates coordination will be just as important as being able to pay them appropriately according to their respective roles and performances. To keep tabs and be in a position to adapt the strategy, companies also need capabilities to collect, on a continual basis, IDN master data from sources such as internal and external data, affiliations, profiling and field intelligence. In this model’s mature state, commercial operations teams will—ideally—monitor the sales regions on an ongoing basis and suggest tweaks, from role mix to customer engagement plans to incentive compensation plans.

Getting Started

IDN consolidation is happening rapidly before our eyes, and it shows no sign of slowing down anytime soon. The IDN-centered world is becoming the new normal, and for medtech companies to move forward and become key-account-centric, it’s important for them to reassess who they want to be: an excellent product vendor or a true partner to hospitals. The answer should guide them in determining which capabilities to prioritize.

About the Authors



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