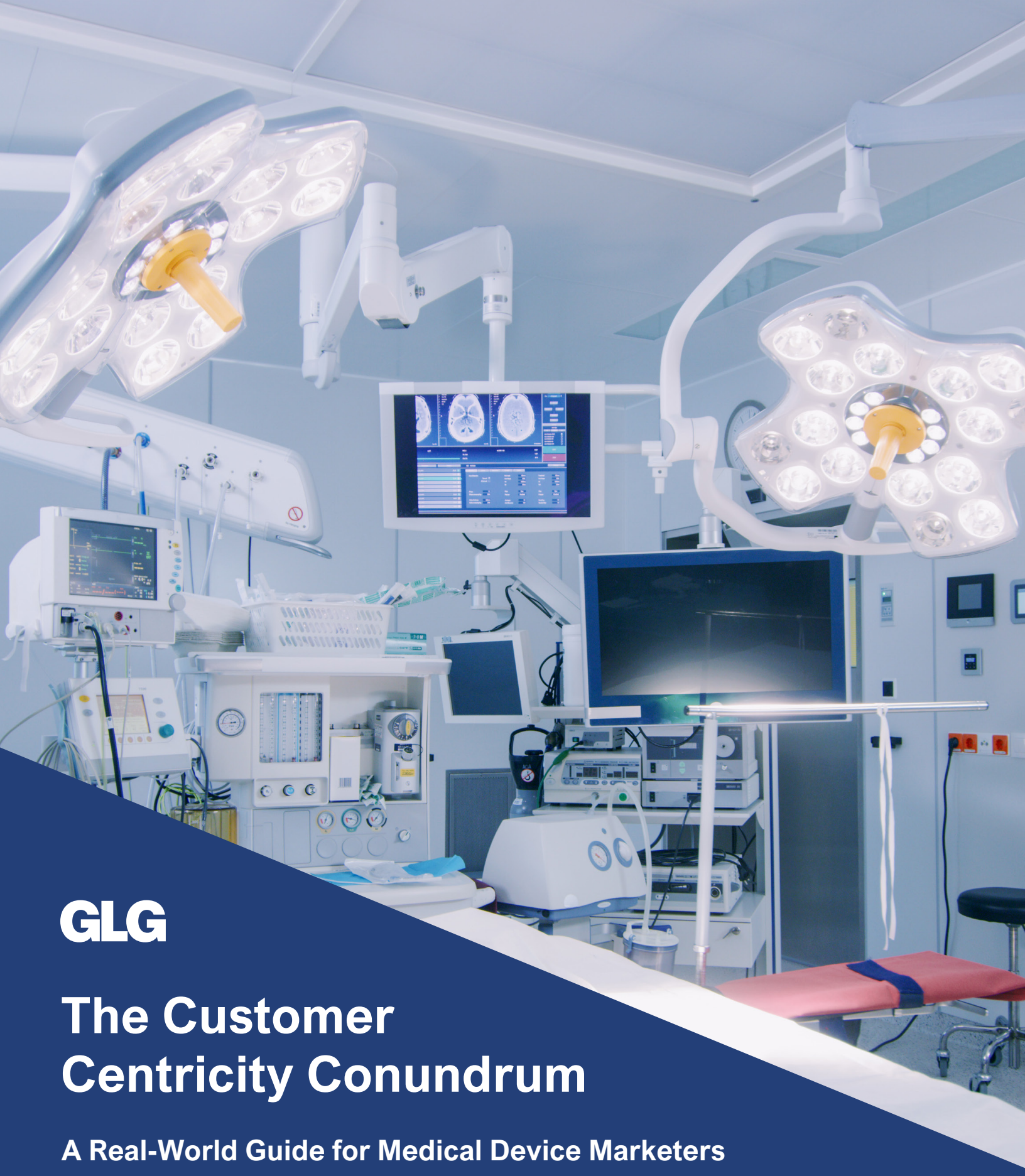


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The Customer Centricity Conundrum

A Real-World Guide for Medical Device Marketers

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Adopting a more customer-centric approach to product development and marketing has been touted as a magic elixir for all things ailing the medical device industry. If only it were as simple as that. Experienced marketers know meeting a customer need is not enough. We must develop products that go beyond addressing a need or building a product that is better than the competition.

The Healthcare Crisis is Not Abating

The population of Americans aged 65 and older will roughly double to 95 million by 2060 and continue to drive growth in the market.

– U.S. Census Bureau

In the US, national health spending is projected to climb to nearly 20% of the economy over the next eight years, up from 17.9% in 2016, according to estimates from CMS published in Health Affairs.[1]

The aging population will continue to drive growth in the market. The U.S. population aged 65 and older equaled 49 million in 2016 – 15% of the population. The U.S. Census Bureau estimates that this group will roughly double to 95 million by 2060, representing 23% of the total population.[2] The same is true on a global basis, where healthcare spending is projected to increase at an annual rate of 5.4% from 2018 to 2022 – a big rise from 2.9% in 2013.[3]

Healthcare systems work hard to balance quality and cost. For the medical device industry, competition and pricing challenges remain fierce. Focusing on the customer is important, but over-simplifying the solution to being more customer-centric is not the sole answer.

Answering the Customer Question

Gone are the days when a surgeon could order any medical device for a procedure. Today, customers and/or stakeholders perform rigorous cost-value analyses. Robust clinical and outcomes data in target patient population are requirements, as are the tools to share overall savings.

In Europe, a 2018 Bain & Company study summed up the state of decision-making:

> "As hospitals and healthcare organizations strive to reduce costs, procurement managers are playing a growing role in decisions to purchase medical equipment. Centralized purchasing decisions in which procurement officers are the primary decision maker have doubled over the past two years. Nearly 60% of physicians report that purchasing decisions for medical equipment are predominantly led by procurement officers, with some physician input. Only 17% of surgeons say they have a large degree of discretion over purchasing."[4 5]

A separate 2017 Bain study identified important shifts in how IDNs are making more centralized purchasing decisions in Europe. While about 30% of healthcare systems centralize decisions on surgical implants and instruments today, that figure is expected to rise to more than 40% in the next three years.[6]

Who is the customer? Is it the patient? Surgeon? Procurement? Government? The answer to this question is "Yes."

Moreover, according to the 2018 study, dissatisfaction with medtech companies is increasing:

> "Surgeons gave medtech companies an average Net Promoter Score of negative 23, down from negative 14 in 2016. Procurement officers gave medtech companies a score of negative 31, compared with 1 in 2016."[4 5]

With shifting trends in decision-making and dissatisfaction with medical device companies, there is a continued call-to-action for change. It begins with understanding the needs of the customer. But, who is the customer? Is it the patient? Surgeon? Procurement? Government? The answer to this question is "Yes." Sarcasm aside, the network of influencers and decision-makers creates complexity in product development and enhancement.

What is best for the patient may not be in the healthcare system's best interest. This is especially true in areas where products are viewed as commodities. *Procurement* is interested in the total cost of ownership (and savings). *The surgeon* is focused heavily on clinical outcomes. *The patient* wants to get well faster and be able to pay their bill. These needs are not mutually exclusive, but they do require prioritization and – in many cases – tradeoffs.

The "Good Enough" Challenge

Payers, faced with daunting budget challenges and low margins, must make cutoff decisions as to when to pay for product improvement. The product may be better than current, lower-priced options. It may provide incremental benefit to the patient, but still not be reimbursed or approved for use.

The economics require medical device companies to embrace the challenge of lower-priced options that are "good enough" and strive to surpass a higher hurdle of clinically relevant and demonstrable innovation. Differentiation is not limited to a product; it may come in the form of service and value-adds. The ability of a company to provide solutions vs. products is important and provides a source of further differentiation. While many providers want a partner, in the case of a commodity product, some do not.

Marketers may not be the best at designing a product or service, but they will always remain at the center of sharing their customers' needs and jobs to be done.

Companies must make the tough decisions on where they will focus to sustain a higher-margin business model that can fuel innovation. It is impossible to be all things to all customers, so they need to develop a segmentation model where there is a winning match between quality, cost, and products.

Allow me to share a story as a metaphor. My childhood in a lower, middle-class family taught me the realities of budget. If my parents budgeted $200 for a family vacation, and someone offered them a trip to trip to Hawaii for $900 (80% off), we were still going to the Wisconsin Dells. When the customer doesn't have the money, the Wisconsin Dells must do.

Nirvana: a Product (or Service) that Makes Decision Makers Say "Yes"

Marketers and their teams are now fully entrenched in the Triple Aim goal as established by The Institute for Healthcare Improvement: **improve the patient's experience, lower cost, and increase population health.** The role of the marketer is to define what the product or service profile must look like today and tomorrow to achieve this goal.

According to an article in *ScienceDirect*, bringing a device to market takes an average of 3 to 7 years, compared with an average of 12 years for drugs.[6] That means marketers are required to envision the world multiple years from inception. Modeling takes objective insights and must extend beyond the opinions of an internal group of decision makers.

The role of a marketer is to remain objective and do your best to develop assumptions based on reality and not the best case. It is not as easy as asking a customer what they want. The customer may not be the best at designing a product or service, but they will always be critical to defining their needs and jobs to be done. For example, the Apple Watch Series 4 now offers an ECG test and atrial fibrillation features. Consumers, prescribers, and payers may not have envisioned a watch with these features. However, they would all communicate a need for information, monitoring, alerts, and exchanging data.

Four Must-Dos for Marketers

We continue to live in exciting and challenging times in the medical device industry. We must answer the call to find better total solutions with improved value.

1. **Continue to invest in insights to determine the balance of quality, cost, and overall value for different segments – today and in the future**. It is important to wrestle with the basis for segmentation, given a broad focus on the "customer" may not allow you to capture the differences in perspective. Explore and evaluate new sources of insights and avoid relying on the same small group of customer and stakeholders. An important question to consider is the degree to which the customer and stakeholder agree on the urgency to change or switch solutions. If your product is chosen, what is deprioritized on the customer's end?

2. **Look for links and connections both within and between the patient, healthcare team, and payer.** The definition of values can go beyond well beyond the product and include data, outcomes, your salesforce, clinicians, education, and a host of other offerings. By mapping out these sources of value, you can identify a win-win for customers and stakeholders.

3. **Practice reality-based optimism.** Your job as a marketer is filled with opportunities to change lives but, at times, you also have the difficult task of being the voice of truth. In situations where the product is failing on the must-haves, time will not fix the problem. You are called upon to convey the real world situation to the team and management. Consider dealing with reality in one big gulp rather than death by a thousand cuts. Being a marketer takes courage. The saying "success has many fathers, but failure is an orphan" is something to consider when you are playing the essential role of value keeper.

4. **Check the order of the words in the value proposition and challenge the premise of starting with the product or service.** To stay focused on those you serve, deploy a simple but powerful PPS model: procedure, problem, and solution. Remember, to get to this level of simplicity, you must first walk through the door of complexity.

We continue to live in exciting and challenging times in the medical device industry. We must answer the call to find better total solutions with improved value. In doing so, we will make a real difference in lives – a reason most of us were drawn to this great industry in the first place.



About the Author

Denice Torres is a consultant and former senior executive at Johnson & Johnson. She is recognized as a highly successful and inspiring leader with expertise in turnarounds and transformation. Earlier this year, Denice launched The Ignited Company, a firm that specializes in identifying and igniting strengths and opportunities of individuals and companies. Denice served as president of several J&J companies and chief strategy and business transformation officer for the medical device sector. She led one of the most significant turnarounds in the history of J&J.

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