Why Medtech Companies Should Care More About Sales Operations: Interview with Andrea Traverso

Scott Nelson: It's safe to say that IDNs are important customers for the overwhelming majority of medical device companies. Therefore, it's probably rational to assume that medtech companies do a good job of tracking the changing idea in landscape right? Wrong. Based on the 2014 ZS Associates Commercial Operations Benchmark Study, only 56% of med tech companies track ideas and membership Surprised. Just wait there's more. In this same study, only 20% of medical device companies have processes in place to major marketing program results or effectiveness. I wonder what Apple and Google would think about that. In this interview with Andrea Traverso, Associate Principal with ZS Associates. We learn more about the commercial operations benchmark study and what it means for medtech companies. Here are a few things that we're going to cover:

- Why should medical device companies track IDNs through a CRM?
- For the few companies that are doing well, what do they have in place that is enabling their success?
- Is there business intelligence or CR in platforms that medtech companies should absolutely be considering?
- How should medical device companies manage the garbage in garbage out issues that plague all CRM systems?
- When trying to implement a CR strategy mini-medical device sales reps view their respective companies as a big brother. How can this be overcome?
- Why is the Marketing Analytics function not a top of mind priority for medical device companies?

Of course, there's a lot more that we're going to cover in this interview with Andrea, so here's your program:

Scott Nelson: Alright. Welcome to the program Andrea, appreciate you coming on.

Andrea Traverso: Thank you. It's a great pleasure to be here.

Scott Nelson: Let's first start with a little bit more about yourself as well as ZS Associates.

Andrea Traverso: Okay, that sounds good. So, as you said my name is Andrea Trevor. I'm an associate principal based in the ZS Evanston office. I've been working in consulting for 16 years, and in the last 12 years, I've been working with the ZS. I'm focused on the medtech space, basically helping my clients on a really broad set of issues going from growth strategies to commercial operations and including many topics in the commercial as well as in the sales and marketing space.

Scott Nelson: Okay. I know you've got a deep knowledge specific to medtech but are you focused on certain therapeutic areas within the device arena?

Andrea Traverso: Right. So, I'm mostly a generalist so I have different clients in different therapeutic areas, so I'm more of, rather than a therapeutic more subject expert in that sense, like, cover specific commercial operations, strategies, specific areas we are now offering, but not particular to any single therapeutic area.

Scott Nelson: Okay, Okay. Very good. As I mentioned, the topic of our conversation is really around your Commercial Operations Benchmark Study when I say you I'm referring to the ZS Associates Commercial Operations Benchmark Studies. So, let's start with if you don't mind providing a little bit of an overview of the study itself. How often you release it? The number of survey respondents I guess for lack of a better description that is involved and maybe a little bit more about how the data is collected.

Andrea Traverso: Yeah, absolutely. Maybe even before I start with Alec, I will provide a bit of all overview of ZS so that when we got this survey we have a bit more context and understand our depth of expertise in that space. So, ZS Associates is a global consulting firm. We also do technology and outsourcing solution, focus more on commercial strategy and implementation, and a significant part of our focus in the health care industry. So, we right now have over 2500 consultants in 21 offices around on the world, so we're really global in nature and as I was saying very focused on the health care industry.

Just as a point of reference we worked with 49 of the 50 top pharma companies. Well as, you know, the top 20 medical medtech companies in the world. So, we are very engaged in the industry. We conduct more than 100 engagements in the medtech space every year. So, in line with our depth of experience, we also have different initiatives to help our customers understand better, allow them to benchmark themselves, etc. One of those initiatives is the Commercial Operations Benchmark Study that we conduct every two years.

So, this is a second edition of the survey and the overall objective of the survey is to help medtech companies benchmark themselves relative to their peers and identify areas where they could improve or as well as help them prioritize initiatives for future investments in the commercial operations space. Our latest installation of the survey included 25 U S based medtech companies and included forming areas such a customer relationship management or CRM, business intelligence, information management, and pricing and contract management. Within those four areas, we have a series of questions to help them think about priorities, current situations as well as expectations for the next two years.

Scott Nelson: Very good. In terms of how you identify the respondents for this study and in terms of how many respondents overall, can you speak to that as well?

Andrea Traverso: So, in preparation for each survey we send out invitations to different existing as well as past customers and companies that may have expressed an interest in contacting us, and then it's really optional. The main incentive for the companies to participate is to get a copy of a detailed report and that detailed benchmark against these other respondents. So, it's free participation and it's really optional. As a result of that then we share the results as well as conduct discussions to help them understand and interpret more detail the results. Then for

those companies that are interested in the results but have not participated, we also have an executive summary that is posted on our website, and it's free for anybody to access. So, if any companies are listening to these interviews and are interested in participating, they can reach out to us to our website or directly email me and we'll be happy to include them in the next round of research.

Scott Nelson: Sure. I'll definitely link to the executive summary that you mentioned in the show notes for this particular episode on medsider.com but regarding the respondents, I want to go back to that really quickly. In terms of the results of the study, in terms of the size of the medical device companies is it all over the place in terms of revenue from small-cap to mid-cap to large-cap?

Andrea Traverso: That's an excellent question, and I think that's in fact the case. We have different sizes of companies and you'll see that also the focus of the survey is commercial operations. So, one of the questions on the surveys the size of a commercial operation and definitely reflects a different Spectron of sizes. So, I think it's a good representation. There's not a bias towards larger or smaller companies, so I think it's a representation of the market.

Scott Nelson: Okay, very good. So, let's get on to the good stuff. What most people that are listening to this are interested in it. I'm referring to the result of the study. We're going to probably cover four different sorts of sub-topics if we have time, moving from IDNs and what that means for medtech companies. We'll then discuss the rise and the upward trend of mobile. We'll move on hopefully time permitting to outsourcing on what that looks like for medtech companies. Lastly, we'll round it out with the conversation around big data. But as I mentioned, let's first start with IDNs and I'm going to just list off a couple of stats that I found interesting when I read through the report.

A couple of these 40% of medtech companies list IDN strategy as a top customer relationship management priority over the next two years. However, only 56%, it's about half of the medtech companies can actually track IDN membership now while only 36, about 1/3 are able attractive progress against account management goals. So, the relatively low percentage of medtech companies that I just mentioned that contract membership now and perhaps more importantly, track progress against goals? Why do you think that's so important for medtech companies, medical device companies in this current healthcare environment.

Andrea Traverso: That's a great question. I think that you know what's important here to highlight what are those changes and what's the new landscape that medtech is facing and that will bring light to why is that important, why are we highlight those statistics, those numbers. The reality is, in the last few years, the medtech industry has experienced significant consolidation among the customer base. That really has created a lot of complexity in the marketplace and from the standpoint that in order to be successful or to sell successfully now, you need to understand and be able to identify many decision-makers. So, in today's environment, you not only need to be able to identify those physician practices or those individual physicians that are relevant and that may use your product, but you also need to understand the influence that the hospital may have on those physicians and that. It's not only the physician and the hospital as a.

Now, you also need to understand the influence of the integrated delivery networks on that eco-system if you want. So, for companies that have you multi-divisional or multiple product lines that make this system very complex. So, the selling process becomes really hard. It is not clear who's making the final decision. It's not clear what's driving more, and it's not clear how the IDN impacts the final decision. Furthermore, the IDN consolidation and the fact that they are becoming more and more powerful brings to light the importance of having a clear strategy towards IDNs. So, in order to have that clear strategy you need to be able to identify the oldest stakeholders there, but the environment so dynamic. There have been so many acquisitions engaged that it's really hard to keep track of the true source and understand clearly that affiliation process. You may have clarity on the affiliation process, but you may not be totally clear on the level of control of the IDN. So, there are many, many different dimensions that end up impacting the success of your selling efforts.

Scott Nelson: Yeah. If you don't mind, I'm going to have you pause right there because I think you nailed something that I'd love to highlight that I think it's really important in that. There are so many different stakeholders involved in the purchasing decision right now. I think for the longest time, most medical device companies have presumed that it's the physician that drives on most of those buying decisions within the hospital setting. To a certain extent, that's still very much the case but there are a lot more decision-makers that are not only involved but have power in that process and what it sounds like to me and correct me if I'm wrong. What it sounds like is based on the survey it seems like most device companies can't really clearly articulate or define all of those different decision-makers very well.

Andrea Traverso: Exactly. Exactly. That's exactly the point and this is a critical aspect. Something critical to be able to have a good handle on so that you can really successfully get your message, your value proposition across. So, you may be spending a lot of time with some people you thought would make a decision to find out later that maybe there's an IDN decision-maker that will override all the effort that you've done and the progress you made, potential negotiations that you may have. So, that's why you know it was kind of surprising that, given the importance of IDNs there's such a small percentage of companies who have a clear IDN strategy and are able to track that affiliation between the hospital and the IDNs

Scott Nelson: To your knowledge and I certainly wouldn't expect you to call out companies by name. But are you aware of medtech companies that are doing this really well right now? The follow-up question would be why is that the case and maybe what are they doing differently internally that's enabling them to get pretty far out ahead in comparison to other device companies within the space?

Andrea Traverso: That's a good question and I would say that most companies are trying and if you look at the results of the survey, most of the companies expect that to be a priority in the next two years. So, those that may not be doing or trying to do it right now, are aware of the importance of it and doing something about it. I think the main challenge is that as we were saying there are multiple stakeholders and there is also a lack of clarity. So, companies default to the old ways where it is easier to measure and track and they sometimes lose visibility of these

other elements. So, the difficulty in tracking makes it harder to put an emphasis on. You typically try to track and be able to show progress and because you can't show the progress they default to other things that they can track.

One of the bigger challenges is the lack of details, some companies try to do it, but they don't have data that they can rely on. So sometimes expectations are that data needs to be 100% correct and companies don't feel comfortable moving ahead with solutions that may cover most of the needs. Sometimes, with it such a dynamic environment, you need to be able to feel comfortable managing yourself within some degree of uncertainty. So, I think those are some of the barriers that they're facing. But they're becoming aware of the need and they're putting more effort and as I said most of the companies are trying to identify that as a priority for the next two years,

Scott Nelson: Got it. Got it. It's clearly very important and then I think as the survey said, what was it? 80, 88% anticipate disability within two years. From my perspective, it seems like the simple ability to track the data, whether the issue is data collection or just where that data exists, whether it's in multiple platforms and it's desperate or it's the one place. I mean, that seems to be sort of the underlying issue and that if everyone had access to that data, relatively easy access to that data. It may be a little bit easier to begin to build strategies around that. But I think of one of the quotes I think within the study that I've jotted down; I think is really important. It's from one of your colleagues, Raj, and I'm going to totally mispronounce his last name. But why don't I ask you? What's the best way to pronounce Raj's last name?

Andrea Traverso: I always have the same trouble. We should refer to him as Raj.

Scott Nelson: Raj, we'll leave it at that. Even if you corrected me, I probably would continue to not enunciate it correctly, but I'll read Raj's quote. "The medtech industry must effectively treat each IDN as one account. IDN customers don't want to different sales representative associated with each hospital or product line. They want one point of contact and want this individual to know everything about the account." So, I think that's a really good quote. It makes a ton of sense and I think everyone that would read that quote or listen to that phrase would agree. But actually, executing against that is obviously the more challenging issue. So...

Andrea Traverso: Exactly, it's a challenge and even if you have one point of contact at the IDN level then if you have multiple hospitals which are dispersed geographically, you need multiple people in multiple roles interacting with the different stakeholders so that the additional challenge is how you ensure proper coordination among those people, those that are covering the different accounts online and clear objectives. That's where technology starts to play a key role and I think that's a segue to the mobility discussion and how these new technologies as well as the data cloud. Those things are starting to enable more and more that coordination and the visibility of the different dimensions at the IDN account on the individual physician level.

Scott Nelson: For the sake of time let's move on to mobile if you don't mind. Are you okay with that?

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Andrea Traverso: Absolutely.

Scott Nelson: Yeah. Okay. So, let's move on to that topic which is really the upward trend of the rise of mobile and the use of mobile platforms and mobile hardware devices specific to medtech companies. But one of the stats that I jotted down in preparation for this interview was that it was this one is that over the past two years the use of mobile technology by device companies has more than doubled from 35% to 75%. So, roughly 3/4 of the device companies, at least according to the according to your survey are using some sort of mobile platform. This percentage is expected to reach basically 100% within the next two years. Again, I'm going to quote Raj. I'm not going to pronounce his last name. I'm going to quote Raj; he is popular this afternoon.

Again, a good quote that I think he laid out was, "Companies first viewed mobile devices as replacements for laptops to run email and video demos. But today they are vital BI or business intelligence and CRM tools serving as platforms for real-time automated customer alerts delivered immediately before a sales call." Which, I think is another good quote, because, from my perspective, most device companies, when they think of mobile, they think of let's put a print-based brochure. Let's take it online or make it digital so the sales rep can show a physician a brochure on their iPad instead of in this print form. But we've seen a strong evolution of the mobile platform of the last two years, not just from the extent that device companies are using mobile platforms, but just how they're using it. So, my question for you is, really more specific to business intelligence and CRM. Are there tools in our systems that have caught your eye or that have impressed you in regards to their effectiveness in order to drive revenue for device companies.

Andrea Traverso: Sure. You know, I think that we were digging deeper into this CRM and mobility. It's clear that some tools and some solutions are used more than others. Most of the companies we interview I think that nobody would be surprised by this but most of them the current platform that they use, like 40% of them were used in [25:28 inaudible] and they were like the other solutions in terms of CRM platforms were far in terms of percentages. So, the platform can be great but it's as good as the use that people give to them. That's one of the main challenges.

When we were digging deeper in terms of the satisfaction level with solutions, we were asking the respondents to rate the overall satisfaction with their CRM system on a scale from 1 to 7 and the average rating was around 3.5. So, it's not only about the tool. So, you can have the best tools, but you need to make sure that it's in line with the specific needs of your company as well as a clear vision of how you're going to use it and leverage it. So, as Raj was saying, today technology offers so much more than just being able to project a brochure super quickly. There are many things and you can really leverage it to provide inside and to enable your sales force to be much more effective beyond the brochure.

So, help them be able to keep track of the different interactions they have with the different stakeholders, be able to have visibility to what other salespeople or other rolls that interact with that sales force. What type of activities they engaged with different stakeholders on your account

as well as how that relates to the overall, for example, IDN level. I think that it could be leveraged to get the alert interest of different metrics or key performance indicators that you could set up. So, really there are so many possibilities and even though the use of mobility has increased essentially substantially compared to two years, there is still significant room to leverage all these other aspects that could be enabled by the technology,

Scott Nelson: Right. I think that's a great point because it feels still very much like we're so early in this and that it's a big feat for a company or medical device companies to simply adopt a platform. They're not even realizing the full potential of what these platforms have to offer. Before we move on to the concept of outsourcing a follow-up question I have for you is that I would imagine that most folks in the medtech industry that are listening to our conversation right now would say yes.

I agree with this CRM, our business intelligence tools are great, but I'm having a hard time overcoming this idea of garbage in, garbage out. So, the data that sales reps enter, or account managers enter is garbage and so we can't really do anything with the data. The alternative would be our sales force, our account managers, our sales reps, etc. view the company as a big brother now. So, do you have any thoughts about those two issues or recommendations on how companies should try to overcome that in an effort to fulfill the importance of what a CRM system or a BI system can offer?

Andrea Traverso: Yeah, absolutely. What you're saying is totally true because a significant percentage of the initiatives fail and our customers oftentimes call us saying we invested so much money on this system and it's not being used by the reps, it feels like we're wasting all these resources. So, the key here is to avoid that big brother's perception. If you're going to implement something just to keep a check on your reps to see what they're doing it's not going to be embraced by your sales force. So, you need to make sure that you are providing value to them too. That's where being able to provide analytics to them and give them value helps them in their day to the job.

So, giving them useful information, enabling them to have a better conversation with their customers. Share with them updates and metrics that will help them have more powerful discussions, being able to demonstrate the value of the product. So, there are tools that they reap can use to demonstrate the value add of your product. That's something that has a tremendous opportunity there. So, whenever we position a new tool keeping track of what they're doing or making people feel that they're being watched over. That's typically not a very successful approach. But when you design it and you have a clear vision of the tool and design it in such a way that will make the rep, the sales force more effective, more successful in the day to day job and they understand it. That's where we've seen successful implementation. So, that's the key.

Scott Nelson: Yeah, that makes sense. I'm almost taking on the view that when rolling out are implementing a CRM system or a BI system to your sales force almost treating them as the customer and that you've got to deliver value to them in order to expect them to utilize that platform in return. So, I think that that's a good point. So, we're on a time crunch and I want to

make sure we try to squeeze as much in into this conversation as possible while I've got you on the line. But let's move on to the concept of outsourcing. An interesting stat here that I pulled out, I would encourage everyone again to check out the summary that will be linked in the show notes.

Of course, you could always Google ZS Associates, medtech survey. I'm sure it'll come up on the first page but one of the stats is nearly half of medtech companies already outsource at least one commercial operations function, which I think is interesting. More importantly, my question for you is more around this concept of the idea of the variation in the size of commercial operation teams So, I think in the study, this was called out. Companies with two to 300 member sales force which is fairly common within most medtech companies will manage with as few as four commercial operations or as many as 30 or more. I think that's such a huge variation. So, I want to get your thoughts on that and whether or not there is an ideal size of commercial ops teams for medtech,

Andrea Traverso: That's a great question. The one million dollar question. So, yeah, as you were saying this is really a broad range of number of FTEs that we're seeing and sometimes just to clarify, sometimes is not one single group that consolidates all those FTEs that sometimes it's pieces of different groups that may include finance IT, a specific commercial ops group. So, there may be many FTEs spread around the organization that may be covering different areas. So, I wouldn't say that's like one magic number or a magic ratio that will tell you what the optimal number of commercial ops resource is but what we're seeing is that if you have a group that is too broad, too large there may be a potential inefficiency there. You may not be taking full advantage of some operational efficiencies that could be achieved. Today, we've got pressure everywhere.

We hear all the time. Everybody's facing cost so one of the ways to achieve some efficiencies is to outsource some of the areas. So, right now as you were mentioning, only 25% of the companies that we surveyed were outsourcing a couple of functions. But we do see that as a trend, a double trend when to try to achieve efficiencies. But also, there are some things that you can easily be done in a more efficient way, in an outsourced way but that would potentially free up your resources, the medtech company resources to be able to dedicate that effort to more value-added for example, analytics. Instead of just processing data or creating repetitive reports, you could potentially, reassign that effort and that energy on more value-added predictive analytics, more insights that will help you refine your strategy or have more success with your customers.

Scott Nelson: Got it? Very good. So, the key takeaway there is not necessarily a magic number in terms of how large a commercial ops team should be in order to really drive top-line revenue growth. The take-away is a relatively simple one in that there could be areas of the sales ops team, for example, analytics not that, that has to be one but that could be outsourced. So, medtech companies should begin to look in that direction. I like where you were going with the phrase earlier that there are too many people involved or if there are too many chefs in the

kitchen nothing is going to get done and inefficiencies will certainly be a result of that. So, let's move on. If you don't mind the last subject, which is big data.

Again, this was really interesting to me. A couple of the staff here related to this topic as roughly 1/3 of device companies or medtech companies have processes in place to monitor marketing campaigns or marketing programs. Only 20% actually have processes in place to majoring those marketing programs. So, I think those percentages are so low, especially when you compare it to Silicon Valley startups within consumer tech that are so focused on AB testing and really, really majoring what programs and campaigns are working versus those that aren't. So, do you have any thoughts or comments around the low percentage of medtech companies that are utilizing big data?

Andrea Traverso: That's a good point. It's just to add to the numbers you were sharing. I think that's more shocking as we were talking about the 30 to 40 people or sometimes different sizes of overall commercial groups. When we look at marketing analytics, we see that it's like an average, like a single FTE dedicated to marketing analytics. So, not only the percentage of companies but also those that have some analytics. It's such a small effort. So, definitely, medtechs think marketing analytics is not like double mine, but that's definitely something that is changing and that is important.

So, we anticipate that they're going to continue to increase and within marketing analytics, big data analytics is going to be something that really needs to pick up. It's one of the least developed functions right now in medtech companies. As you were saying 60% don't have a function like that in place but we anticipate that growing. It's going to be a key priority going forward as you were saying. It's to remain competitive. So, we definitely expect a shift in that space.

Scott Nelson: Again, as I mentioned earlier, it's just shocking considering how much budget is typically allocated towards the marketing for certain product franchises yet very little of it is actually ever majored and tracked. So, I would wholeheartedly agree and hope that, that we'd see that increase, the aspect, or the concept of marketing analytics. So, let's as we reach towards a conclusion here. We discussed these four main topic areas based on the Commercial Operations Benchmark Study. Is there anything any major takeaways that you'd like to leave the audience with whether it's just thoughts or comments from the study or just things that you would encourage medtech leaders to really begin to either take a deeper dive in terms of their look or maybe even begin to look at implementing?

Andrea Traverso: Absolutely yes. We've spoken about many of them. So, just to recap and highlight the importance of the IDN. They have to have clear strategies as well as leverage the technology to enable your field, your salespeople to have more visibility at that IDN level. So, that may require collecting, tracking more data. But that's something that, you really need to develop and implement. Mobility also with insignificant growth but still there is a lot of potential there that needs to be taken advantage of.

There are so many things that could be done to enable the field and enable commercial success in that area. We mentioned some of them. It could be data alert, making sure that you enable

your field to leverage all of the information that you have available to have more visibility, not only at the account level but within the stakeholders as well as at the IDN level. So, those different levels of stakeholders and contacts. Finally, how to be more efficient and make sure that you have the appropriate commercial operations support. That may require taking a closer look at your current organization, the functions, and potentially identify some areas which could be a bit more efficient to outsourcing as well as some additional area that you can take on to provide more inside and better analytics to support your operations.

Scott Nelson: Very good. Very good. Andrea, I mentioned earlier, and just to serve as another reminder, I'll definitely link to the executive summary of the ZS Associates Commercial Benchmark Study in the show notes for this episode. But are there any other websites or what's the best place for the best way for someone that's listening to this to reach out to you or to learn more about yourself or ZS Associates?

Andrea Traverso: Absolutely. They can visit our website which is zsassociates.com or you can feel free to email me directly. If they want more details of all the study or if they're interested in participating in the next study. My email is andrea.traverso @zsassociates.com.

Scott Nelson: Got you and Traverso is T-R-A-V, as in Victor E-R-S-O. Correct?

Andrea Traverso: Exactly. Correct.

Scott Nelson: Andrea.traverso@zsassociates.com. Very good. I'll ask you to hold onto the line, but again thanks so much for your time. I really appreciate it.

Andrea Traverso: Thank you so much. It was a pleasure being here with you.

Scott Nelson: All right, hold on the line real quick, Andrea. But for those listening thanks for your attention and until the next episode of Medsider take care