

How Hospital Leadership Defines Value from Their Suppliers

By Thomas Williams



In today's healthcare sales milieu MedTech sellers must transition from being a supplier to being a partner with their hospital customers. The new normal is collaboration to drive better patient outcomes while reducing costs.

The conundrum for most MedTech sellers is to understand how their customers define value. Once that is understood they can develop new strategies and value propositions that will resonate with their hospital customers. To do this they must sell value and not products.

Value from the Hospitals Perspective

If you ask hospital leadership, service line leaders and department directors how they define value they will provide you with the equation below:

$$\text{Value} = \frac{\text{Quality}}{\text{Cost}}$$

While this equation is useful it's also a bit nebulous, so allow us to outline it a bit further.

$$\text{Value} = \frac{\text{Quality (Clinical Outcomes + Patient Safety + Service Delivery)}}{\text{Cost (Effectiveness, Reduction or Avoidance)}}$$

As this equation shows, quality can be described in a variety of ways but it empowers improved patient outcomes, patient safety and service delivery. Cost always encompasses effectiveness, reduction or avoidance.

What this level of detail provides is a platform to discuss the specific objectives hospital stakeholders have to improve quality or reduce costs and the specific key performance indicators that will measure their progress.



It's no secret that hospitals around the world are all facing the same challenges. How to provide the best benefit or quality to their patient population at the lowest possible cost. This challenge is formidable and the result is causing MedTech manufacturers and suppliers with the challenge to prove their product demands a price premium or be faced with inevitable comment that "clinically acceptable" is OK. The product doesn't need to be superior.

Example

Let's look at a hospital that is interested in going to a generic implant for hip replacements but does not want to decrease their excellent patient outcomes or incur the wrath of their orthopedic surgeons that block significant hours in the Operating Room each week.

To use this equation effectively each sales professional must ask themselves one simple question. "Does your product, service or solution impact the numerator, the denominator or both? For some organizations its either quality or cost and in others it's both. Perform the analysis objectively and remember in the end your customers will determine if they agree with you. Then create the value messaging that resonates with each different stakeholder in a meaningful way. Done properly it will retain and grow your market share.

Then create the value messaging and connect with the stakeholders in a meaningful way that will retain and grow your market share.

A simple example may help our discussion. Shown here are some sample key performance Indicators (KPIs) for four different stakeholders:

Sample Key Performance Indicators				
	Surgeon	OR Director	Procurement	C-Suite
Quality	% Patient Complication Rate	OR Turn-Over Time	Supply cost per case	Patient Readmission Rate
Cost Reduction	Maintain or Increase their fee with a bundled payment	Decreased or maintain existing OR time	Decrease price in currency spent (dollars, Euros etc).	Price per outcome

As the table shows, quality and cost reduction means different things to different stakeholders. The challenge for a sales professional is simple:

1. Define all of the stakeholders involved in your sale. Remember to include third party influencers.

2. Define how each stakeholder defines quality and costs.
3. Understand the KPI that best measures what each stakeholder would like to improve.
4. Connect your product, service or solution to each stakeholder's KPI.

Parting Thoughts

The aforementioned analysis must be performed in depth and verified with actual stakeholders before marketing can develop targeted messaging that will resonate with each stakeholder. While we have made this look painstakingly simple it's a bit more complicated in reality.

The messaging succinctly describes how the solution will impact that stakeholder's KPIs in a meaningful way so that they will take action. When this targeted messaging is combined with detailed buyer personas and a sales playbook it provides the process that sales professionals need to be successful in today's selling milieu.

Contact us if you would like further information or need help in connecting with your hospital stakeholders in a more meaningful way.

As always, we welcome your thoughts and input. Let's start a discussion and elevate the sales profession with a thoughtful, civil and informative discourse.

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