

Negotiating the Complex Sale: What Hospital Procurement Knows About You!

If you sell to hospitals, it is imperative that you understand there is a new normal in hospital strategic procurement. We will use this as a generic term to also include hospital supply chain management, materials management and purchasing. Each of these terms are often bantered about and while they are not synonyms for each other, they are often used inter-changeably.

We call it the “Informed Procurement Buyer.” In some areas of the country, the new normal is a tsunami while in others it is just a small wave. Make no mistake, however, if the informed hospital procurement buyer hasn’t reached you, it is coming!

What Hospital Procurement Knows About You!

In most organizations here is what Hospital Strategic Procurement Buyers knows about you before you negotiate with them.

Company Profile

Whenever hospital procurement issues an RFP or negotiates deals for major dollars or multi-years contracts, they are well versed in your company. They have reviewed your company website, press releases, and product portfolio. They know the company officers and the location of your manufacturing facilities around the world. They know whether you are a conglomerate, a start-up or something in between.

Financial Performance

If you are a publically traded company, savvy hospital procurement buyers have read your annual report, 10-Q and reviewed the investor presentations that are available. They have a general understanding of your strategy and past financial performance. They also know when your Q-1, Q-2, Q-3 and year-ends. In short, they know what levers to pull to help you achieve your sales objectives while getting the most monetary and non-monetary concessions.

Your Role

Hospital buyers also understand if you work for a distributor, wholesaler, manufacturer or are a manufacturer’s representative. With that knowledge they know what motivates you.

Products Purchased, Performance, History and Pricing

The sophisticated hospital procurement buyer now has detailed spend analysis and data analysis by product, service line and location. They also have your performance history measured by on-time deliveries, stock outs, number of recalls etc. In many cases they are able to benchmark your pricing to them and to other facilities locally, regionally and nationally. They also know if you are a commodity that gets ordered often or if your product has some differentiation or if it’s a physician preference product whose usage is driven by you.

Third Party Evaluations

External influencers such as MD Buyline, ECRI, Hayes Group, The Advisory Board, GPOs and IDNs can have enormous influence on which products are considered or placed on contract. You should assume that they have received input from these organizations about your product and in some cases the sales tactics that are typically used in the industry to win their business.

Scorecard

If your product has to be reviewed by the Value Analysis Committee (in most situations this is a requirement), the hospital procurement buyer has the scoring categories and your scores versus your competitors. The result is they know your perceived strengths and weaknesses from their perspective. Armed with this data and insight, they can and will negotiate better and tougher.

Your Negotiation Agenda

Although it's a best practice to always develop a meeting agenda with every buyer before a negotiation, it also creates a liability for you. Once an experienced hospital procurement buyer sees an agenda he/she knows immediately that you are at least savvy enough to submit one. They also know what is important for you to accomplish during the meeting. This makes it easier for them to control the flow of information, barter and trade.

Profile of Your Negotiation Team

Once you submit the names of the representatives from your organization that will be involved in the negotiation, you should assume that the buyer has researched each person on LinkedIn or the other social media sites. They understand that account acquisition or retention, job retention, commissions and/or bonuses are paramount to you. This gives them leverage.

Parting Thoughts

Negotiating and meeting with suppliers is one of the core activities of hospital procurement. Savvy hospital procurement buyers are good negotiators. They enter a negotiation after careful planning. They meticulously research the organization and personnel they will engage with in order to foster understanding and advantage. If you sell to hospitals and want to avoid price concessions or the dreaded "no sale" you must increase your ability to negotiate. A key foundational component is understanding what the hospital procurement buyer knows about you before you begin to negotiate. Begin your preparation now, the clock is ticking!

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