

## What Hospital Sales Reps Need from Marketing in a Value Analysis Committee Toolkit

By: Thomas J. Williams and Glen Hall



Time and time again we see organizations trying to win with Value Analysis Committees (VAC) by thinking inappropriately. They arm their field sales force with information that is helpful but not particularly useful or focused towards the needs of the stakeholders on the VAC.

Hospitals don't buy a product they buy a solution or an outcome. If you want to win business with a VAC then it's imperative that every selling organizations think like their customer.

In the table below are the typical "requirements" that must be available and provided. These of course differ in importance and breadth depending upon the solution required and the requirements of the stakeholders.

| Manufacturer/Supplier View            | Hospital View  |
|---------------------------------------|--|
| Product information & Differentiation | Validation of Clinical Outcomes, Product Quality, Effectiveness, Safety & Infection Control  |
| Service & Repair                      | Warranty, Replacement, Cost & Response Time  |
| Usage Instructions & Best Practices   | Frequency of Use & Patient Populations Served, Storage Space, Disposal & Packaging, Product Standardization & Environmentally Friendly |
| Clinical Studies & White Papers       | Clinical Evidence  |
| Cost-Benefit Analysis / Model         | Model Accuracy: ROI, NPV & IRR   |
| Marketing Brochures                   | Reimbursement: CPT/ICD-9, HCPCS, DRG   |
| Education & Training                  | Access, Longevity, Quality and Ease of Use   |
| Pricing                               | Purchase Price: Total Cost of Ownership & Purchase Price   |
| FDA Approval                          | Copies of documentation, warning letters, recall information etc.  |
| Key Contacts                          | Contacts During the Sale, Implementation and On-Going  |

### More on the Hospitals View!

Hospitals and the VAC need assurance that the product purchased will perform as described. Quality and effectiveness to provide the desired clinical outcome is paramount. In addition, the product must be safe for the patient and safe for the care provider to use. These are often taken as “givens” by the manufacturer but they are very real concerns for hospital personnel.

Some products are designed for single patient use only or can be re-processed under FDA guidelines while others need routine repair and maintenance. Key for hospitals is the length of the warranty and their cost to rent another comparable product to meet their clinical requirements (i.e. ventilators, infusion pumps etc.) as well as the paperwork and shipping costs of returning a product to a manufacturer for warranty repair or replacement. They are also concerned about the cost of repairs and the response times to get a service technician to their facility. Service contracts while beneficial also add to the total cost of ownership. If a consumable is used with the product, then that cost must be considered as well.

When hospitals buy a new product, they do so by projecting their frequency of use (utilization) and their projected patient population to be served along with numerous other factors. As an example, they consider the amount of storage space the product will require and if it's a single patient use item its packaging, disposal, whether its environmentally friendly and standardization opportunities.

For some products, mostly low-end commodities, little clinical evidence is needed, or in some cases not even required (i.e.; suction tubing, a mayo stand, certain lap sponges, etc.). However, with physician preference items, implantable devices, and other products and services that impact patient safety and outcomes, along with new disruptive technologies, clinical evidence plays a key role in the decision-making process. Understanding where clinical evidence is required is imperative, and equally as important is how (types and sources of) clinical evidence are viewed by key stakeholders. Shown below is a matrix that illustrates how many hospital decision makers perceive the various sources of information provided to them.

## How Healthcare Decision Makers Perceive the Sources of Information

|                                      |        |   |   |                           |
|--------------------------------------|--------|---|---|---------------------------|
| Cost for Manufacturer to Obtain Data | High   |   | Cohort/Case Series Studies<br>Hayes Inc.<br>ECRI<br>Advisory Board                            | Randomized Clinical Trial |
|                                      | Medium | Expert Opinion<br>White Papers<br>Third Party Bench Studies | Hayes Inc.<br>Procured Health<br>Supply Chain Metrics<br>ECRI<br>MD Buyline<br>Advisory Board |                           |
|                                      | Low    | Company Website<br>Company Brochure                         | Company Financial Model<br>Customer Testimonials & Site Visits                                |                           |
|                                      |        | Low   | Medium  | High                      |
| End User Perceived Value             |        |   |   |                           |

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As can be seen data supplied by manufacturers has a very low end-user perceived value. In an earlier blog, we discussed the importance of third-party influencers. This table shows graphically their importance as well as the other sources of influence.

Manufacturers are notorious for developing an ROI tool that proves their products supremacy. Most of these tools are worthless to hospital financial personnel because they were developed internally by the vendor and not actually validated with different customers. Most ROI tools don't account for differences in payor mix, differences in reimbursement amounts and other factors that affect revenue and costs. As a result, they lack credibility and often derail the sale.

If you are going to use an ROI tool, then develop it with several customers. This allows your sales team to begin their conversation by describing why the ROI tool is valid by referencing industry leaders that developed it. Lastly, if you put an ROI tool in the hands of your sales force ensure they understand the formulas, calculations and definitions of all the terms. Role play extensively the demonstration and usage of the tool to ensure confidence and competence.

While all the information in marketing brochures is useful to create interest and awareness what hospitals and physicians care about is how they will get paid for that item. If appropriate, provide the CPT/ICD-9, HCPCS and the DRG number. Make it easy for the hospital or physician to bill for an item or service. Failure to do so will adversely affect the adoption rate of your product or service regardless of its clinical benefits.

Hospital buyers are getting smarter. They don't care about the purchase price they care about the total cost of ownership over the lifetime usage of the product. Purchase price, consumables, repair and maintenance, service contracts etc. all play a part in their decision to purchase the product.

Getting copies of or ensuring FDA approval is a requirement for all VACs.

Lastly, for major purchases hospitals want a relationship with more than just the sales professional that sold them the product. They want contact information and a relationship with those that will be supporting them on a long-term basis. This includes key service personnel and sales leadership.

### **Parting Thoughts**

When developing a VAC toolkit for the sales force its paramount to develop it with the customers view in mind. If you're not sure what information to provide interview your customers, they will tell you what information they require and so will the sales force.

This is the fifth in our series of blogs on Value Analysis Committees.

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

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**Our Book- *Selling to Hospitals & Healthcare Organizations: A Glossary of Business Acumen & Personnel*** is Available on Amazon, Create Space and Kindle

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