New impulses for the sale of medical devices

Growing healthily is a primary challenge for medical device companies. Yet frequently it is not possible for them to manage this themselves. So why shouldn't they include commercial products in their portfolio?

Depending on the study in question, sales by German manufacturers of medical technology products increased by an average of 2.5 percent, to 4.3 percent, in 2014. Forecasts for the future show similar increases. Many manufacturers are seeking new products and markets in spite of these comparatively stable prospects. Does the solution lie in commercial products?

Medical technology is a dynamic, innovative branch. According to a survey carried out by branch association BVMed in autumn 2015, German manufacturers of medical technology products generate around a third of their turnover with products that are not older than three years. It thus follows that innovations are the key to healthy growth in this branch. Yet even away from this mega trend, there are many products that are securing growth for products already on the market thanks to the improvements gradually being made.

The few big companies on the market are investing enormous amounts of money in research and development and in takeovers in order to regularly renew or expand their core range.

However, neither one nor the other of these measures are affordable for the many small and medium-sized enterprises (SMEs) operating in the branch. This is why several companies are taking advantage of the possibility of including suitable commercial products from other medical device companies in their own range.

This frequently gives rise to strategic sales partnerships – initially on a medium-term basis for three to five years – with foreign or domestic SMEs seeking precisely these established companies in Germany for the sale of their products. There are many reasons for doing this. On the one hand companies may lack the funds needed for adequate, effective marketing and sales measures, while on the other hand market expertise and the direct contacts in the market essential for guaranteeing a rapid market entry may be non-existent.

However, strategic sales partnerships do not only make sense for product innovations; they are also effective for products supplementing a core range. For instance manufacturers of insulin pumps who also sell blood glucose meters. Commercial products included in a company's own product range also contribute towards keeping sales costs under control.

Sales partnerships can be a strategic addition to core ranges

The Medical Technology Marketing Monitor for 2014 shows that the majority of medical technology companies in

Germany sell "products requiring explanation" through travelling salespeople in their own sales organisation. Customer analyses and their segmentation are named as an important sales management measure. This results in classification by ABC customers to whom specific visit frequencies are allocated. Depending on a product, customer structure, distance, and also on the tasks performed by a travelling salesperson, A customers should be visited at least once or twice a month, with B and C customers getting correspondingly fewer visits. When sales specialists estimate a visit by salespeople to average 150 to 250 euros, it becomes clear that these visits must be made for a specific reason.

However, a manufacturer's own products will frequently not suffice to warrant maintaining these visit frequencies. This is why these visits are often described as "contact visits" in sales reports. The added value gained by a manufacturer from these visits is questionable. The inclusion of additional commercial products in a portfolio make it far easier for salespeople to meet these requirements. It is important that commercial products are suitable for the range, that they are innovative and that they target the same customer segment as an enterprise's own core range, for example the same specialist departments in clinics, the same specialised dealers and doctors with the same medical specialisation.

To sum up: Strategic sales partnerships and takeovers of sales activities with complementary products from other medical-technology companies make be a low-cost alternative to a company's own R&D expenditure. They strengthen a company's own market position, secure market shares and also optimise the distribution costs incurred by a company's own sales organisation.

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