

SALES PERFORMANCE MANAGEMENT CHALLENGES & TECHNOLOGY: CONSIDERATIONS FOR THE MEDICAL DEVICES (MEDTECH) INDUSTRY

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The Medical Devices (MedTech) sector has experienced significant change over recent years, which has impacted almost all aspects of buying and selling. The sector is predicted to grow substantially. In the United States, this industry is expected to grow from \$426B to \$613B between 2018 and 2025¹ with the key growth areas being in vitro, cardiovascular, and diagnostic imaging solutions. This industry is crowded and competitive. The complexity of the sector has also increased significantly due to changes in regulations, a more sophisticated and multi-layered buying process, and a shift from a product functionality-based sales approach to a value-based one, requiring clearer and definable ROI. Costs are increasing, and margins are being squeezed. The challenges for Sales Performance Management (SPM) are many, as sales teams are being redesigned to an account-based model, incentives are becoming more complex, and target-setting is becoming less predictable.

This paper provides an understanding of how SPM technology solutions can resolve common challenges for managing and paying sales incentives within the MedTech sector. By identifying specific challenges, this paper provides feedback on how software can support organizations to be more competitive and operationally effective. These issues provide considerations when reviewing SPM technology options to ensure a good fit, highlighted in the “SPM Technology Alignment & Considerations” boxes in each section of this paper.

Outlined below are the key sales challenges faced by companies in the MedTech industry today and how technology can be used as a means to improve sales results, efficiency, and return on an SPM technology investment from a strategic and analytical perspective. These challenges include:

- 1 | **Market Trends** – Growth, Cost Pressures, and Buying Complexity
- 2 | **Incenting the Sales Channel** – From Individual to Team Sales
- 3 | **Integrating Compensation, Territory Alignment, and Quota Management**
- 4 | **Increased Plan Complexity**
- 5 | **Data Analytics & Insights**

Source:

1. Fortune Business Insights, *Medical Devices Industry Report*

CHALLENGE 1 | MARKET TRENDS – GROWTH, COST PRESSURES, AND BUYING COMPLEXITY

The Medical Devices sector is forecasted to continue to grow significantly. In addition to the growth in the sector, Fortune Business Insights¹ forecasts that M&A activity will increase, driven primarily by the demand for patient data. The full impact of COVID-19 on industry growth forecasts is currently unknown.

The sector is experiencing significant cost pressures because of **increased regulation**. This adds costs, particularly for global players. Specific regulations include:

- ISO 13485:2016 which necessitates an evaluation of and update to an organization's Quality Management System (QMS)
- European Union Medical Device Regulations (EU MDR)
- In Vitro Diagnostic Regulation (IVDR)
- Medical Device Single Audit Program (MDSAP)

The buying process has also become more complex. The process no longer entails single sales representatives building relationships with individual clinicians. The sector has moved to a value-based model where sales reps and key account managers must build contacts with non-clinical commercial buyers, clinical buyers within hospitals, Integrated Delivery Networks (IDNs), and academic research institutions. Medical Devices companies need to demonstrate ROI faster, with better outcomes, at a lower cost.



SPM Technology Alignment & Considerations:

SPM technology can compile and generate the insightful data needed to allow sales management to effectively build strategy in an environment of high growth, cost pressures, and buying complexity. With automation and delivery of insightful data, sales management has a better ability to make critical strategic planning decisions around account-based opportunity and target margins.

Additionally, SPM technology has been designed to also generate the data required on sales by account, product, and salesperson levels to enable strategic decision-making ahead of the budgeting process. This, in turn, feeds into both the incentive design and territory or goal-setting processes.

As a final consideration regarding margins being squeezed, SPM technology can support vital understanding of the Compensation Cost of Sales (CCOS) during administration to counter margin compression.

CHALLENGE 2 | INCENTING THE TEAM – FROM INDIVIDUAL TO TEAM SALES

MedTech companies are adapting to the more complex buying environment by shifting resources to a key account management approach. The structure of sales becomes multifaceted. There is typically a wide range of SKUs associated with any technology sales as well as service contracting. To meet this challenge, MedTech companies are developing Key Account Models that not only segment clients by size and geographical scope, but also incorporate several roles in the selling team from Commercial Lead to levels of technical specialists.

In the past, the sector relied on individual relationships for successful selling. A cross-functional selling team is important with a range of roles represented to address specialized needs in the process – Sales Manager, Account Manager, Inside Sales, Field Sales Specialist, Field Sales Specialist Manager, Application Specialist, Field Sales Engineer, and Technical Support Manager.



SPM Technology Alignment & Considerations:

Effective SPM systems enable MedTech companies to align incentive design across the sales coverage model. These technologies, once implemented, facilitate good process from design development through costing and testing, modeling, on-line approvals, communication, production of plan documents, and participant sign-off on plans and targets.

Given the number of roles that could be associated with a sale, it is critical to credit accurately and enable clawbacks or reprocessing of incentives against failed sales, if required.

Also enabled is the movement of quotas from one salesperson to another due to territory, customer, or incumbent changes. The capability for comprehensive tracking includes the effective date of the change and complying with the fiduciary requirement for online workflows and approvals. Assessment of the SPM alternatives should include a test of concept with incentive scenarios that reflect the change requirements that occur within the sales organization.

CHALLENGE 3 | INTEGRATING COMPENSATION, TERRITORY ALIGNMENT, AND QUOTA MANAGEMENT

SPM in MedTech is a complex process. The integration of wider SPM functionalities – incentives, territory design, and quota setting and management – is critical for effective motivation of the sales force.

The territory landscape for MedTech companies is generally complex, depending on multiple attributes like account segmentation and the volatility of the sector. Small to mid-market accounts are more likely to be volatile with monthly changes of account base and quota adjustments to maintain a fair, achievable challenge for the sales force. Large, strategic or global accounts tend to be stable. For these accounts however, there may be multi-stage KPIs that need to be tracked and draw-down payments calculated against significant quotas.

Sales organizations are relatively complex with lead sales roles at the center, supported by specialist presales and machine specific technical support. In addition, there are lead generation roles and layers of sales management. MedTech organizations set quotas based on geography but also customer segmentation and by potential myriad product groups. Changes to quotas can ripple through the sector as new products, for example, create additional competition.



SPM Technology Alignment & Considerations:

There are a few SPM technology providers (not all) that have enabled territory alignment analysis and quota modeling as part of the planning modules. Historically, these have been standalone tools, but many have been bought by the larger technology players to present their clients with a more holistic SPM solution. These tools, for example, may have a drag feature that enables the user to expand or contract a salesperson's territory and amend quota using account-based targets. These tools can also model resourcing requirements based on account contact rules. SPM technology is also designed to enable transparent performance tracking throughout the plan year as the account map changes.

Specific to quota planning and modeling, features facilitate bottom-up and top-down quota modeling based on defined criteria, such as historical account performance, assessable market, market growth, new product sales growth assumptions, and product retirement and replacement.

A word of caution: As of Q4 2020, the functional capabilities being provided by the vendors to support territory and quota planning vary greatly. Should this be a core need, we urge companies to evaluate these components closely when engaging with SPM vendors.

CHALLENGE 4 | INCREASED PLAN COMPLEXITY

Developing trends in the MedTech sector have led to more complex incentive designs. These trends include the increasing complexity of the offering, growing number of decision makers involved, longer buying process, and fluctuating demand.

Consider these scenarios:

- **Multiple sales roles combining to accomplish a sale:** In this case, there needs to be role-specific pay mixes but common metrics.
- **Account managers leveraging the specialized knowledge of other roles:** In this case, there must be either split crediting or multiple crediting.
- **Carryover leading to thresholds:** When customers buy expensive equipment from an account manager with whom they have developed a strong relationship, they are more likely to buy another unit from the same salesperson. As a result, a percentage of the quota is already won at the start of the year; this creates the need for thresholds.
- **Presales incentives for technical sales support roles:** This means more people will be credited for the same sale.
- **Analytics-based quota setting methods:** Quota setting is difficult in a landscape where sales are unpredictable, so more MedTech companies are using analytics-based quota setting methods such as weighted index and time series trending.



SPM Technology Alignment & Considerations:

Effective SPM systems enable MedTech companies to create and modify more complex plan designs including commissions, bonuses, multiple measures, splits, holdbacks or true-ups, prior period recalculations, SPIFs, and a variety of payout frequencies. Over the last 20+ years the technology leaders in the space have had to accommodate an incredible number of compensation plans (both simple and complex) and now have the technical aptitude to address 99% of the plans developed by sales organizations. These technologies (once implemented) facilitate good process from development, modeling, communication, and production of plan documents for sign-off.

Although leading technologies do provide functional capabilities to help address compensation plan complexities, different providers offer various levels of capabilities in the different industries. While most can handle just about anything you can dream up from a plan design standpoint, these solutions may require different approaches to ensure the plans can be configured in an effective manner, without custom code.

CHALLENGE 5 | DATA ANALYTICS AND INSIGHTS

The challenges posed by manual or spreadsheet incentive plan administration affect not only the accuracy and efficiency of the program, but they also limit the utility of the sales and product data embedded in the transactions. MedTech companies often find it difficult to assess the effectiveness of their programs in driving the right behaviors. To effectively analyze the efforts of the salesperson on overall sales performance, as well the influence of the incentive program on year-over-year plan performance, there must be access to current and historical sales and payout data to establish baseline performance benchmarks.

Missing data or the ability to analyze this data can create specific challenges when it comes to developing and designing sales compensation plans. Without readily accessible data, companies are left to manually extract and compile this information which can be time consuming or costly if you are depending on an outside consultancy to support this effort. Missing data can also create challenges in understanding territory performance and product performance, which should feed back into sales strategy design and territory or quota development efforts. Given the complexity of the sector, this insight is invaluable.

It is virtually impossible to manually appraise overall program efficiency on a regular cadence without some form of performance automation that supports data and performance analysis.



SPM Technology Alignment & Considerations:

Beyond the impact on sales incentive design and performance payouts, SPM systems provide a wealth of sales information for the essential data analytics for MedTech companies to remain ahead of the competition. What has become a game changer for many sales organizations is the ability to take transactional data to provide their customers with insights into the market. This includes analyzing trends from the sales data and deep diving into a product category or evaluating the performance of a promotional campaign.

Program Performance: SPM solutions enable analysis across various plan metrics. This ensures that stakeholders have access to data that supports decision-making on a real-time basis. Seeing this information on a variety of cycles also helps identify sales and product performance issues, reveal opportunities, and mitigate potential risks.

Sales Performance: Availability of SPM transactional sales data by product, territory, customer, or volume provides the ingredients for trend analysis that can be used in the selling process to educate customers. A primary benefit of SPM applications is delivering real-time information in the required format for assessment of sales performance relative to targets. The dashboards and reporting capability of SPM systems also provide retailers and distributors with critical category performance feedback.



SPM Technology Alignment & Considerations:

Plan Design Development: For annual plan design initiatives, SPM systems can provide and organize pay-for-performance data to help assess proposed plan changes. This ensures that quantifiable data is available to measure the impact of plan or measure modifications.

Trending Analysis: SPM systems archive ongoing and historical sales performance and incentive payout data that is integral to analyzing individual, group, company, and product sales performance over time. Through the implementation of an SPM application, MedTech companies can conduct the analysis necessary to ensure that sales results are in alignment with sales and customer strategy.

SUMMARY

There are clearly unique sales-related issues and challenges facing the MedTech industry. SPM systems enable MedTech sales organizations to meet the challenges set out in this paper including designing, managing, administering, reporting, and overseeing the incentive compensation program in a way that delivers superior sales results – key inputs to developing a world-class sales organization.

Further, SPM solutions incorporate data that is essential for MedTech companies to evaluate their sales strategies. In an increasingly complex industry, those that can motivate the right selling behaviors through transparency and strategic design will ultimately be successful.

Additionally, it is recommended to document the current state issues and challenges as well as to articulate future state needs. Solution providers need to show how their tool can integrate incentives with territory and quota requirements, calculate relatively complex incentives, and provide transparent and compelling reporting to end users, administrators, and managers. All of this calls for the automation made possible by SPM solutions.

ABOUT

OpenSymmetry is a global consulting company that specializes in the planning, implementation, and optimization of sales performance management (SPM) solutions supported by the industry's leading technology suppliers. Since 2004, OpenSymmetry has enabled its customers, ranging in size and industry, to achieve greater operational efficiency and get better sales results.