

# Innovating Value Propositions

Successfully shifting its marketing and sales efforts from physicians to hospital purchasing managers required a surgical equipment company to retool its thinking and mobilize its people.

BY STEVE CROM

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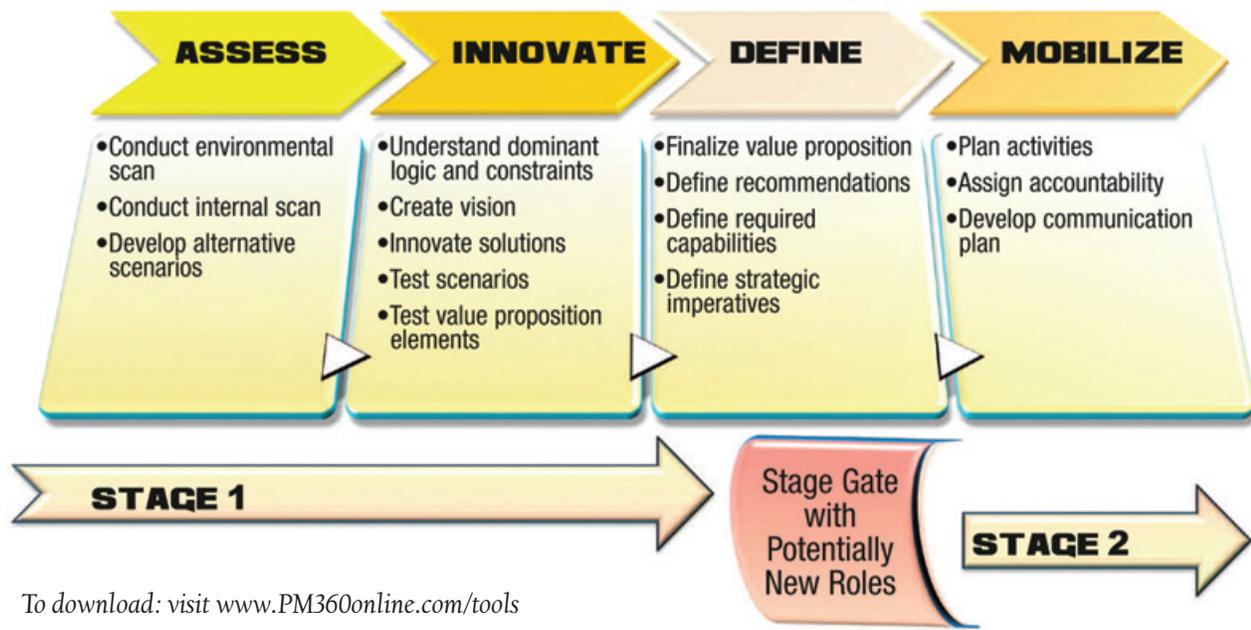
WITH INCREASING PRESSURE TO CONTAIN MEDICAL treatment costs due to aging populations, advances in medical technology, and limited healthcare budgets, how can a medical device company position itself as an innovative provider of value? One company used a customer-centered approach that challenged conventional wisdom to arrive at a win-win solution for the company and the purchasers of its products. Healthco Medical Devices (a fictitious name), which sells laparoscopic surgical equipment, took on the challenge in Europe by focusing first on the value it could provide to hospital purchasing managers and administrators, the providers of equipment to surgeons. The following is a description of the situation, the approach taken, and the insights and results of Healthco's value proposition work.

## Background

"Transforming Patient Healthcare Through Innovation" is Healthco's positioning in the marketplace. Fifteen years ago, the company was a driving force in developing the market for keyhole surgical procedures and equipment. It was a transformation in the quality of care for patients, producing better medical outcomes with shorter hospital stays and faster patient recovery time to full mobility. In the early days, Healthco concentrated its marketing and sales efforts on the surgeon, based on the technological innovation of laparoscopic procedures and products.

As the laparoscopic market matured, Healthco was looking for ways to differentiate its premium-priced offerings not just to surgeons, but to increasingly important economic buyers—hospital purchasing managers and administrators. Since Healthco's reps and marketing organization had been focused for years on selling to surgeons, the challenge was to understand what's important to hospital purchasing managers and

## Fact-Based Approach for Developing Sustainable Value Propositions



administrators. The fact is that Healthco had very few relationships with these providers. The company assumed that these providers cared most about reducing equipment purchase costs (Healthco's price) and so had actively avoided "dealing" with them in the past. The Vice President of European Marketing initiated a project supported by Valeocon Management Consulting to develop Healthco's value proposition to providers based on a better understanding of their needs and expectations.

Healthco had data on market trends, even feedback from providers; what it needed were insights and an approach to mobilize the sales and marketing organization to adapt itself to the changing environment. (See diagram above.)

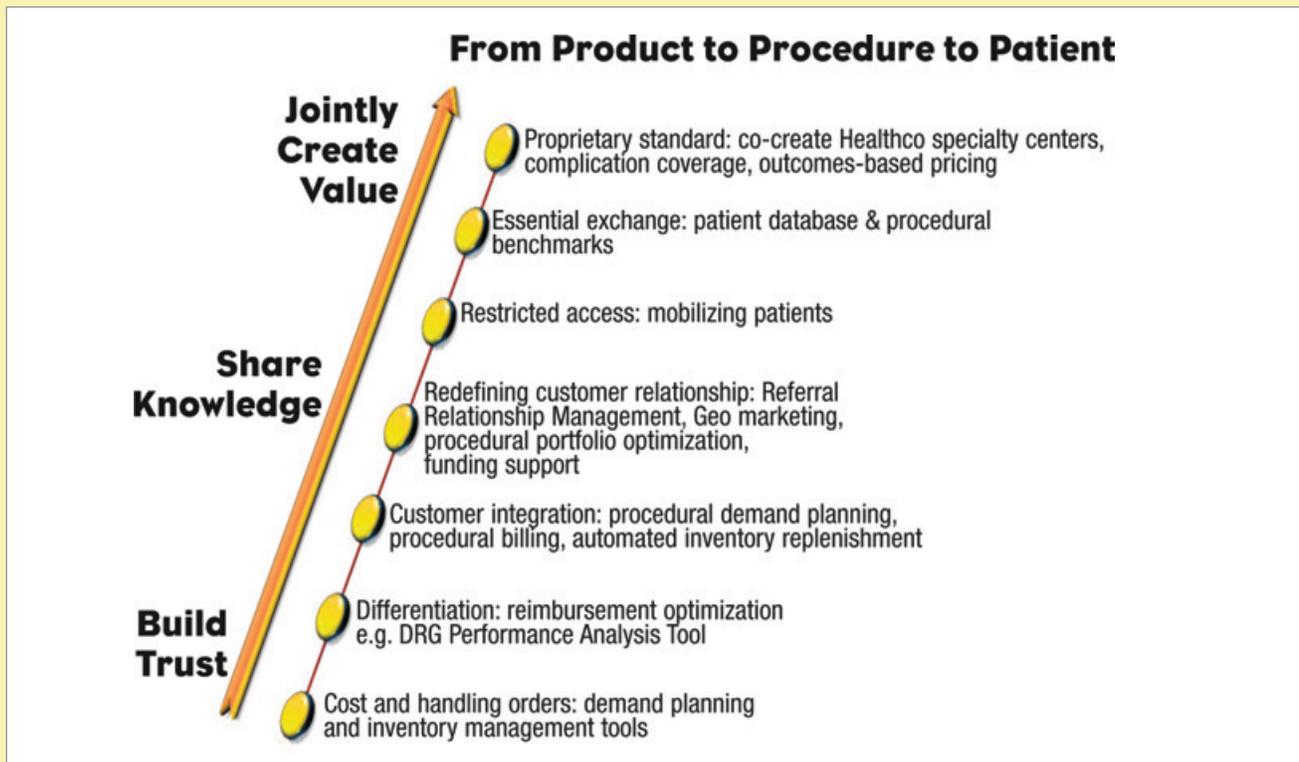
### The Approach

The Provider Value Proposition project focused on the following problem statement: To meet its growth and profitability targets, Healthco EMEA must shift from a technology-driven product company to a full customer-oriented solution provider. The value propositions to providers need to be created in light of this strategic shift.

The goals of the project were to:

- Define, pilot, and refine value propositions for hospital purchasing managers and administrators
- Recommend an integrated way to address the implications of executing the value proposition: strategy, process, structure, and people practices (for instance, competencies, reward and recognition, training)
- Develop internal and external communication messages and collateral

With the European Marketing VP as sponsor, a team leader and team were appointed that represented marketing and commercial operations in the biggest European markets: the U.K., France, and Germany. The European Head of Human Resources and European Head of Sales Force Development were also members of the core team. As European board members, they and the VP played a critical role in considering the broader strategic and organizational implications of the team's recommendations. Valeocon's role was to help structure the overall approach to developing innovative value propositions, facilitate the project team's work, coach and guide individual team members in gathering and



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interpreting data, and help consolidate the findings and recommendations based on the team's insights.

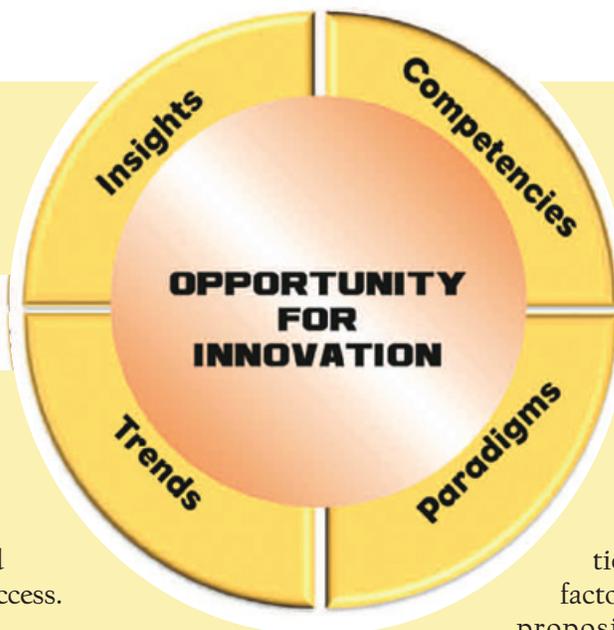
The approach was driven by a member of the European Marketing team responsible for communications. She led the team through the following key steps that served as project milestones:

- 1) Assess trends, paradigms, and provider insights
- 2) Develop Value Proposition elements
- 3) Validate and prioritize elements with providers
- 4) Create "Lock-in" concept and specific tools to offer
- 5) Validate (internally and externally) and refine proposition
- 6) Build implementation plan
- 7) Get board decision on implementation

The bulk of the work (steps 1 through 4) was completed in six months. It took an additional four

months to validate the concept, develop recommendations for implementation, and get board approval. Because the members of the team were senior managers in the Healthco EMEA organization, their involvement was primarily through their participation in four workshops and two board presentations. The project leader took on the initiative in addition to her responsibilities as Head of European Communications. When the project took longer than anticipated, the question was raised whether Valeocon should conduct the provider interviews rather than design the protocols and coach Healthco managers. The head of HR intervened to say, "We need to develop relationships with these new stakeholders as well as learn how to ask questions and listen to their needs." It was decided to take the time needed for the core team members themselves to schedule and conduct the face-to-face interviews.

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**External Environment**

**Internal Environment**

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### Innovative Value Proposition Elements

A value proposition is the sum of the perceived benefits divided by the cost associated with a bundle of products and services. Innovative ideas come from the intersection of paradigms, market trends, customer insights, and core capabilities, typically in that order. In the case of Healthco, some of the paradigms, or firmly held beliefs, relative to providers were:

- “They don’t want to talk to us!”
- “They stand in the way of our being successful.”
- “Providers are interested in saving money, not in improved clinical outcomes.”
- “It’s all about price!”

Key market trends included:

- Healthcare reform a political priority in many countries
- Diagnostic Related Groups (DRG/HRG) payments being implemented to control costs
- Consolidation in the number of hospitals
- Increasing public scrutiny of quality of healthcare provision
- Increasing sophistication of hospital purchasers
- Patient data management systems facilitating faster reimbursement

From the interviews conducted, the needs of providers could be summarized as follows.

**General Manager:** “Give me solutions to help me efficiently and effectively provide healthcare: marketing, process efficiency, and supply chain [to secure our future and build our image].”

**Purchasing Manager:** “Help me run more efficient processes and minimize risk in a transparent way [that recognizes and increases the importance of my function].”

A core capability of Healthco is relationship management and a strong reputation for ethical business practices. The combination of all the factors cited led to a number of value proposition elements that increase in value as the relationship and level of trust between a hospital provider and Healthco grow. (See diagram on page 40.)

While the entry-level elements of the proposition are focused on helping manage costs, the next level relates to budget management, the highest level is about patient outcomes and the quality of healthcare provision, which directly impacts a hospital’s image and reputation in its community.

### Results

The project is currently being piloted with select hospitals in Germany, France, and the U.K. Support from Healthco’s field force has been enthusiastic, and the reception from providers very positive. A purchasing manager at a leading German hospital said it best: “I really appreciate that you want to understand our needs and think of ways to optimize the whole process chain. The innovations you offer can help the whole hospital, not just individual departments.” The new value propositions for providers reinforce Healthco’s image as an innovator, not only in product technology but in finding ways to deliver greater value through partnership. ○



Steve Crom is a partner at Valeocon Management Consulting and a co-leader of the firm’s Life Sciences Practice. He is based in Hamburg, Germany, and can be reached at [steve.crom@valeocon.com](mailto:steve.crom@valeocon.com).

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