Executive Insights

Japan Medtech Go-to-Market Strategies in a Post-COVID-19 World

Japan's nationwide policy-level shifts are affecting medical device volume and pricing in an increasingly competitive market. These shifts — combined with COVID-19-related restrictions further limiting sales representatives' access to healthcare professionals (HCPs) — are driving changes in the purchasing needs and behaviors of medtech customers in Japan.

In order to capitalize on the changes, medtech manufacturers must rapidly adapt their current HCP engagement models so they can provide the right levels and types of service for their customers. Organizations need to assess their current service levels, taking into consideration the nature of activities provided as well as the resources invested (time and frequency of effort), and to optimize across customer segments.

This requires medtech players to develop remote channel infrastructure, upskill their workforce, and redesign sales territories and account plans. Traditionally, medtech players in Japan have been somewhat reluctant to change their customer engagement models, favoring the traditional in-person service model and an undifferentiated service offering. But this mindset must change; organizations that fail to do so risk being left behind in a fast-changing and competitive marketplace.

Market trends and imperatives

Policy-level shifts are affecting device volumes and pricing in an increasingly competitive market. Financial pressures on the Japanese healthcare system are leading to more frequent and bigger price cuts for medical devices and increasingly restrictive reimbursement criteria (e.g., appropriate use criteria). This is occurring in the face of increasing competition among medical device players for a smaller spend. Medtechs that fail to adjust their go-to-market strategies to reflect this environment risk falling behind their competition.

Evolving customer priorities and a shifting purchase process create an opportunity for segment-based engagement models. Hospitals in Japan are responding to these pressures in a number of ways, notably by increasingly emphasizing economic imperatives over clinical considerations, in terms of overall strategic priorities as well as how purchases are being made.

In addition, economic stakeholders are wielding more influence across device types. In the past, administrators held little sway when it came to decision-making for anything except commoditized devices. Now, in certain institutions, administrators are becoming highly influential across many device categories, save the most innovative ones (such as highly novel valve repair and replacement devices), where clinician primacy still generally prevails. Hospitals across Japan demonstrate significant differences in purchasing behaviors, which creates an opportunity for a

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segment-based engagement strategy, including differentiated services, service levels and communications for each segment.

As a direct result of COVID-19, many institutions are limiting or preventing access to HCPs in the short term, hastening an already growing practice of limiting the access of sales representatives to HCPs. L.E.K. Consulting research shows that more than 70% of medical facilities in Japan have restricted manufacturer access in response to the pandemic. With medtech sales force practices halted across the industry, it is an opportune moment for manufacturers to rethink them.

In addition, the purchasing behaviors of many accounts in Japan are no longer influenced by most of the activities of the sales representative. Approximately 30%-40% of hospitals in Japan favor economic rather than clinical- and product-related factors in their decision-making.

These two factors combined mean that the traditional sales model is no longer valid for many customers, and medtechs must change their engagement models to reflect this.

Figure 1
Categorizing types of medtech services

L.E.K. research and analysis

Access to HCPs is expected to remain limited even when the COVID-19 pandemic is over. More than 45% of hospitals expect these restrictions to continue for the long term, even when the COVID-19 crisis is over. In a time-constrained environment, medtechs need to align their services with HCP needs in order to maximize sales force impact.

Adoption of remote tools is increasing rapidly and is expected to persist. In response to access restrictions, approximately 40% of HCPs have increased their usage of remote tools to engage with medtech sales representatives. The same share of institutions is also open to manufacturers using remote detailing on an ongoing basis.

Design considerations

In order to capitalize on the changing market environment, medtech manufacturers need to rapidly adapt their current engagement models with HCPs to provide the right levels and types of service across their customer segments. Organizations need to assess their current service levels, taking into consideration the nature of activities provided as well as the resources invested (time and frequency of effort), and to optimize across customer segments.

Consideration #1: Build an extensive sales force effectiveness (SFE) fact base to understand existing sales force activities, as well as stakeholder preferences

An impactful and de-risked sales force redesign requires a comprehensive view of stakeholder preferences and sales force activities (see Table 1).

Embedded in this is a need to understand the purchasing needs and behaviors of different stakeholders and to consider the implications for sales force activities. This should be anchored on a comprehensive, account-level segmentation. For example, in accounts that are more transactional in nature, HCPs matter less in the decision-making process, and other stakeholders such as the procurement department or hospital administrators have more influence on the decision-making process.

Understanding the value of each account is also critical, because it allows medtech companies to adjust sales force activity to reflect the underlying value of the account. For example, in small, low-value accounts, service levels for certain activities may be reduced.

In the absence of an existing customer relationship management (CRM) system, medtech manufacturers can establish a fact base by interviewing and surveying HCPs and the sales force, though the end goal should be to use a data-driven CRM tool to support decision-making.

Unlike pharma reps, medtech sales reps perform a wide variety of different services, including case attendance, technical support, education and information provision. Some of these services are critical to all HCPs, some provide utility to a subset of HCPs, and some can be withdrawn completely without any impact on relationships or purchasing. Using the fact base, these services can be grouped into distinct categories to determine their role in the new sales force strategy, using the questions in Figure 1 as a guide.

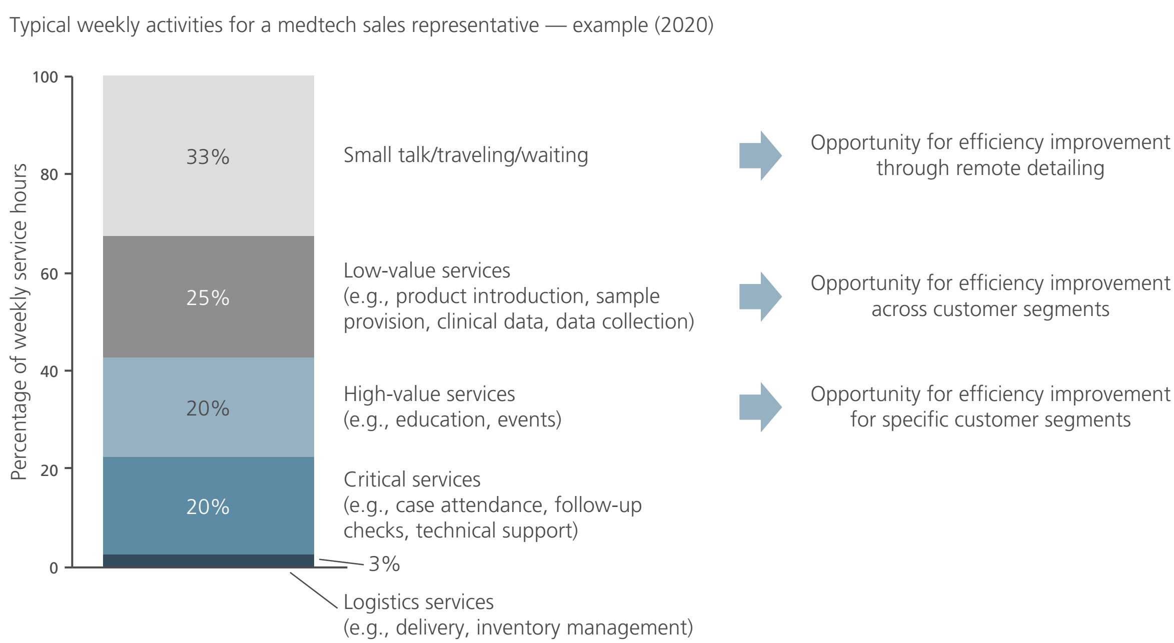
Practically speaking, some service activities, such as providing basic product information or clinical data, are better suited to a remote detailing model; some services, such as case attendance and follow-up checks, require in-person support.

When contemplating the service level required, it is also important to consider differences by device type. For example, a more commoditized and well-established product, such as a drug-eluting stent, usually requires less case attendance support, while the relatively new and complex transcatheter aortic valve

Table 1
Key components of the SFE fact base

Account intelligence (HCP survey, sales force survey, CRM, interviews)	Sales force intelligence (Sales force survey or CRM)
• Main users, purchase decision-makers and stakeholder influencers • Visit restrictions and perception of alternative service delivery models • Preference for different types of services • Group purchasing organization (GPO) or network relationships	• Frequency of visits for each account • Time spent at each account, broken down by type of services

Figure 2
Identifying opportunities for efficiency improvement



L.E.K. survey and analysis

Table 2
Example approach to account segmentation

Segment	Characteristics and preferences	Implications	Example
Strategic accounts	• High-value accounts • Large hospitals of all types, typically with more than 600 beds • Clinical leadership and reputation	• Greater return on incremental service levels and higher revenue risk	• Kurashiki Central Hospital
Clinical accounts	• Medium to large public and university hospitals, and clinically driven private hospitals • Clinical leadership, offering the latest therapies and procedures • Highly value clinical data provision, training and events	• Willingness to consider remote service channels	• Juntendo University Hospital
Transactional accounts	• Larger accounts that prioritize hospital economics • Medium to large private hospitals, and some cost-sensitive public hospitals that purchase through GPOs • Mainly general hospitals that are less research driven	• Greater scope to rationalize delivery of lower-value services in exchange for improved economics • More openness to remote channels	• Sapporo Higashi Tokushukai Hospital
Tail accounts	• Low-value accounts, often with fewer than 200-300 hospital beds • Many small specialty clinics • Prioritize economics while maintaining a need for high-quality clinical data and education that does not need to be delivered in person	• More scope to rationalize delivery of noncritical services, so long as preferred services can be delivered through remote channels • Limited revenue risk of redesigning service model	• Hirakata Kohsai Hospital

replacement procedure, for example, requires close and lengthy case support. Other products, such as pacing systems, require regular follow-ups.

Sales teams can then identify opportunities for efficiency improvements by categorizing these services at the product level and overlaying current sales force activity data (see Figure 2).

Consideration #2: Segment accounts based on their potential as well as their needs and preferences, and develop a service plan specific to each account within that segment

Establishing segments of accounts allows the manufacturer to set a customized service plan that best matches the manufacturer's behavior and preferences. We typically observe four key segments across medical institutions in Japan (see Table 2).

Manufacturers should invest time in order to understand the archetypes of their accounts and develop a segmentation driven by the purchasing needs and behaviors of those accounts and adjust their service plan accordingly.

Any service level changes should have negligible revenue risk if they are designed according to the needs and behaviors of each account segment and the engagement model is suited to the particular services being provided.

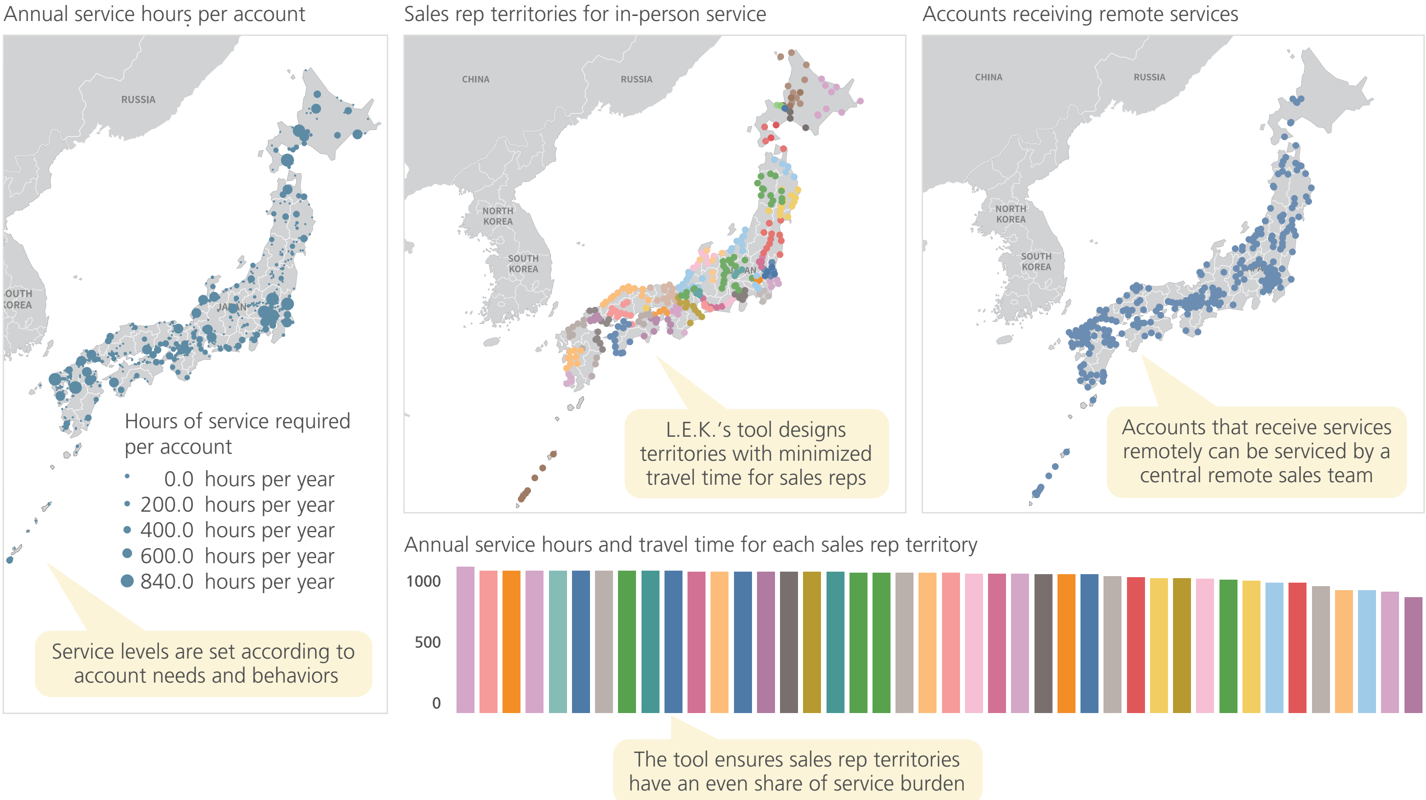
Consideration #3: Design new territories that support new service plans and enable a remote sales force

In order to operationalize new service plans and remote activities, sales force territories need to be redesigned. Given that medtech services are more nuanced than those of pharma, manufacturers must consider the complete spectrum of services required when designing sales force territories.

With service levels assigned for each account, our proprietary sales force territory design tool assists organizations in the optimization of sales rep and regional territories to provide those services (see Figure 3). The tool can consider additional constraints or be adjusted to optimize different criteria, depending on the manufacturer's priorities.

The tool also determines the remote service resource requirements by considering the type of service provided and the service hours expected.

Figure 3
Sales force territory design



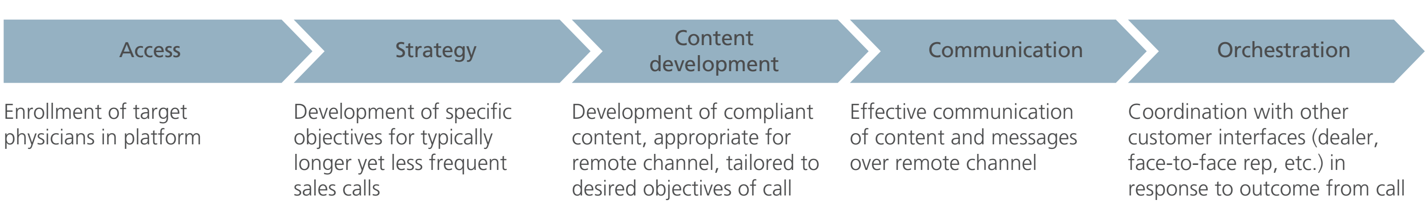
Source: L.E.K. research and analysis

Capability requirements

There are a number of elements that are crucial to keep in mind when establishing effective medtech remote detailing.

- Before an organizationwide rollout, we recommend conducting a pilot remote detailing initiative in a select geography, business unit or product category in order to develop capabilities and ensure that the tool is fit for the organization's purposes
- Manufacturers should consider the range of options for delivering these services within a hybrid model wherein sales representatives service customers both physically and remotely through a single team of remote specialists
- Effective remote service delivery is an esoteric skill set that can be challenging for traditional sales representatives to develop; therefore, we typically recommend training a dedicated remote sales force that specializes in remote selling activities (see Figure 4)

Figure 4
Flow of remote sales activities



Source: L.E.K. research and analysis

- If developing an internal remote sales force is challenging for financial or capability reasons, several third-party remote detailing providers that can provide specialist support, such as EnTouch, exist in Japan
- Incumbent sales representatives and managers may resist a shift in service delivery; therefore, a business case and rationale as well as employee training and coaching should accompany any remote program implemented across the organization
- While remote service adoption is increasing significantly, select hospitals will lack the required infrastructure; where necessary, manufacturers should offer portable connectivity solutions, such as pocket Wi-Fi routers, to improve adoption
- Once the remote team is implemented, organizations must monitor and manage it; this may require developing different KPIs than those of the traditional sales force

Case study: Go-to-market redesign, including sales force territory redesign and remote detailing capability development

We recently supported a large, multinational medtech player in redesigning its go-to-market strategy in Japan. This included a review of its current engagement models and service levels at the account level, and the development of segment-based service level recommendations, including the recommendation to develop a remote detailing capability. We then supported the client in implementing these recommendations through the development of a complex organizationwide, account-level sales force territory design. We also helped the client establish and run a remote detailing pilot, with a view to expanding this across the organization. As a result of our work, the client realized significant gains in sales force efficiency, leading to a reduced cost to serve while still ensuring service levels were appropriate to the needs of the customer.

About the Authors

Patrick Branch is a Partner in L.E.K. Consulting's Tokyo office and a member of the firm's Life Sciences practice. He has more than 13 years of experience advising clients across Tokyo, Singapore and the U.S. He works with businesses and investors in the biopharmaceutical, medical device and broader healthcare sectors. He advises clients on a range of topics, including commercial strategy, corporate and business unit strategy, pricing, and market access and M&A.

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About L.E.K. Consulting

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