

Best Practices to Grow Sales in the Healthcare Industry



Industry Summary of the 2008
Miller Heiman Sales Best Practices Study



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Best Practices to Grow Sales in the Healthcare Industry

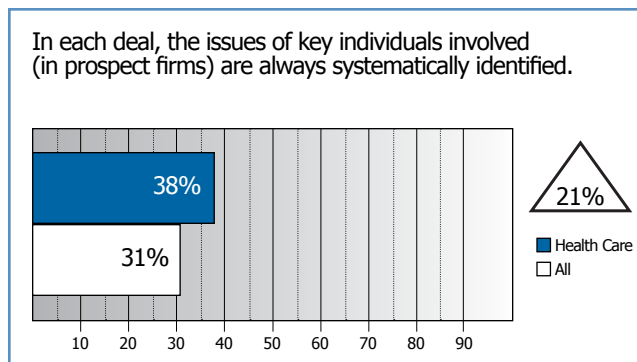


Industry Summary of the 2008 Miller Heiman Sales Best Practices Study

Those selling in the healthcare industry are enjoying much success, even as the selling environment continues to grow more complex. Yet, with more factors contributing to the success of these organizations, the 2008 Miller Heiman Sales Best Practices Study revealed a number of opportunities for these companies to improve their results. Chief among them: systematic prospecting, communicating more effectively with strategic accounts, improving training opportunities, and leveraging top performers' best practices to improve everyone else's performance. At the same time, other industries may benefit by observing how healthcare sales organizations do a better job understanding the key issues of each decision maker at their prospect firms.

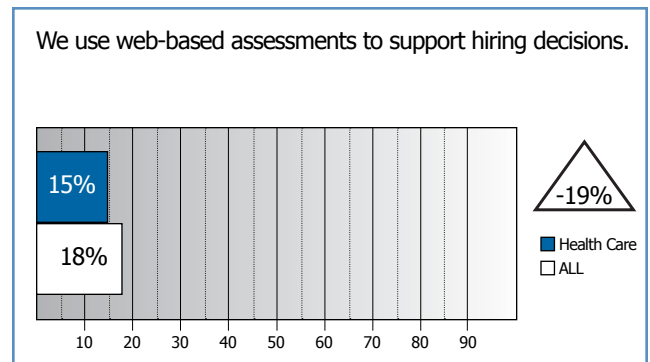
HOW HEALTHCARE SALES ORGANIZATIONS COMPARE TO OTHER INDUSTRIES

Here's some really good news about healthcare sales organizations: In the study, they were 21 percent more likely than all respondents to agree that they systematically identify the key issues of each individual involved in each sale in prospect firms. Bill Golder, Miller Heiman's EVP of sales, attributes this to the user community – "User buyers, the end-customers, are so critical to the sale. If I'm selling an x-ray device, the clinicians and staff are really going to want to understand the features of the device and how it impacts patient outcomes. And decision makers have to understand the business case for buying this device. For example, they must identify how it will help them increase



revenue or improve the organization throughout. The healthcare sales force has a great deal of strength around product knowledge and they spend a lot of time probing to really understand what each individual really wants," Golder says.

While healthcare is leading the pack in product knowledge, it may be lagging a bit, compared to all survey respondents, when it comes to using technology in the hiring process. In fact, they were 19 percent less likely to use web-based assessments to support their hiring decisions. Rich Blakeman, a Miller Heiman sales vice president with extensive experience in the healthcare industry, attributes this to the longevity/loyalty factor. Plus, in some circumstances there is a clinical focus, so organizations need to find salespeople that have credibility with physicians. "There may be more of a focus there than on more traditional assessments and qualifications."



A lot of times these organizations are looking for specific experience, notes Tom Williams, a Miller Heiman sales consultant with extensive experience in selling within the healthcare industry. If you're selling in the operating room, you want people with experience selling to surgeons. If you're selling to the emergency department or respiratory therapy you want someone who understands the jargon, products, clinical language, etc. Then you can present them your specific products. In a lot of cases, you hire a salesperson away from a competitor, or you hire someone who is experienced in the space. Why would you need an assessment when the salesperson is a proven performer?

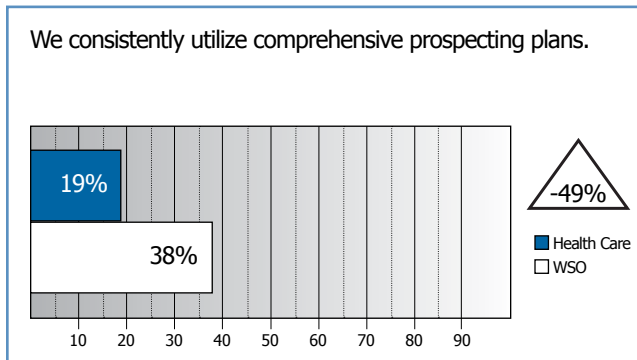
Golder points out that the firms who do well in sales also do well in assessments. “They have a good talent management system in place and they use it to evaluate candidates formally.”

HOW THIS INDUSTRY STACKS UP AGAINST WINNING SALES ORGANIZATIONS

Sales Activity in Search of a Method

In the study, healthcare sales organizations say they are about half as likely (49%) as Winning Sales Organizations (WSOs) to consistently use comprehensive prospecting plans. Note that in healthcare, prospecting is most frequently done in a pre-assigned geographic territory. Many healthcare companies view prospecting as growing share in existing accounts by getting their customers to add additional products to their inventory. Senior sales management in healthcare firms view this as critical in growing business. The disconnect seems to come from the field level.

Blakeman says that, historically, healthcare sales reps sold to advocates. “It’s tougher for them to transition to find new buying influences than it is to take advantage of existing ones.” He believes salespeople reach a comfort level that dismisses disciplined prospecting.

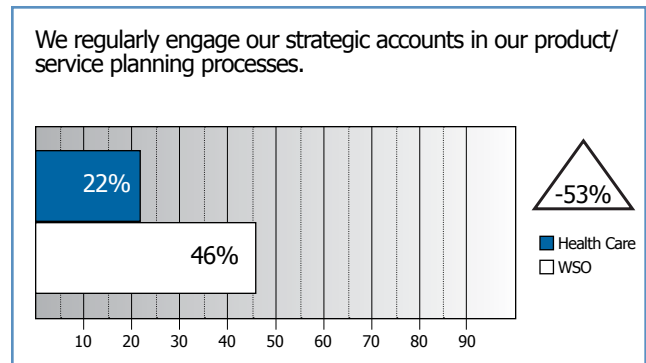


Williams isn’t surprised by the gap. He says a lot of prospecting does go on in the industry – but it’s at the street level, informal. “There’s a finite list of hospitals in the U.S. You can get a list by state and you can look at renovations, replacements and all kinds of projects going on at hospitals to see if there is a potential need for what you’re selling. Good sales reps start by trying to sell to existing accounts and then they look for viable opportunities in their territory,” Williams says.

Golder says the days of “prospecting by shotgun” are numbered. Hospitals are going through a lot of changes. They’re buying differently and relationships are changing. “The days of single-buying-influence sales are pretty much over,” he says. “The space is more complex as a selling environment.” He believes the industry is beginning

to see the value of bringing more process to the sales organization. Today, selling is more targeted. Healthcare sales organizations realize they need to prospect, engage with current clients, and pursue opportunities with greater rigor than before.

Interestingly, healthcare sales organizations report that they are 53 percent less likely than WSOs to regularly engage their strategic accounts in their product/service planning processes. That’s surprising, Blakeman points out: “After all, people who sell clinical solutions, by definition, have their clients involved in trials and other development activities.”



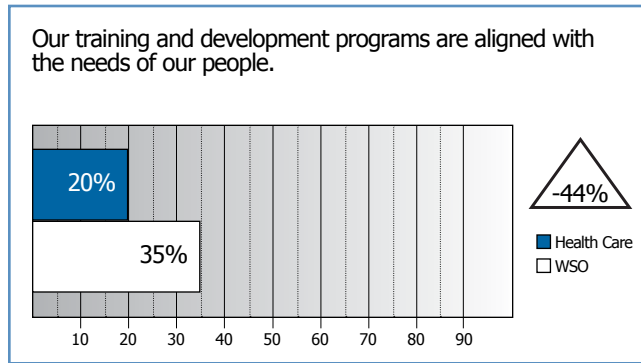
On the other hand, depending on what they’re selling, there may be only one or two preferred vendors. According to Williams, “You fear leaking information to your competitors.” The price-value relationship is high for the hospital. They want the best technology at the lowest cost. “If you’re a manufacturer with a differential advantage,” he says, “you want to hold it close to your vest, not talk about it too much, or too soon unless you are the primary and only vendor.”

Engage Customers, Don’t Just Talk about Products

Training is another area of opportunity for healthcare sales organizations. In the study, they were 44 percent less likely to say their training and development programs are aligned with the needs of their people. “The change in the way customers buy is happening faster than changes in the way the industry sells,” says Blakeman. “If you’re trying to match the customer buying process with the seller’s selling process, you’re likely to get out of synch.” Blakeman believes that hospital sales are becoming more complex faster than the providers can adapt to the changing needs of their sales forces – an opportunity that can be leveraged by companies that are quick on their feet.

Pam Switzer, another Miller Heiman sales consultant with extensive experience in the healthcare industry, asserts that hospitals and long-term care facilities

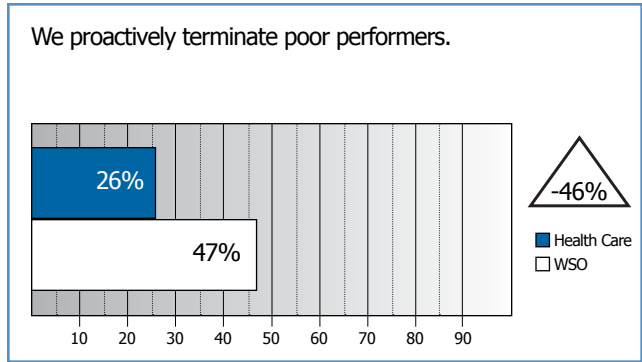
today face enormous financial issues as reimbursement fails to keep pace with the cost of advancing technology. “Sales organizations in this industry recognize that, in order for their organizations to be successful going forward, they need to transition from product push to solution sell. They are required to meet the new demands of strained organizations.” Many healthcare companies are evaluating how they can better deliver value and expertise to their customers outside of the specific products that they sell. “This can be a very difficult transition for marketing-driven, detail-oriented companies to make,” Switzer says.



Williams says a conundrum exists in healthcare sales: “Do you hire clinical people and teach them to sell or do you hire professional salespeople and teach them the clinical acumen to have an intelligent, meaningful conversation with a physician? Do I hire nurses and teach them to sell or a professional salesperson and teach them the clinical application?” Many large organizations solve the problem by hiring a mix.

Golder says that in the past, selling has been product intensive. The people you sell to are product experts, masters. But as the customer environment becomes more complex, salespeople realize they need to understand customer issues and relate the value they offer in an effective way. “Product training is not enough,” says Golder. “They are realizing that now. They need training in how to engage customers, not just talk about products.”

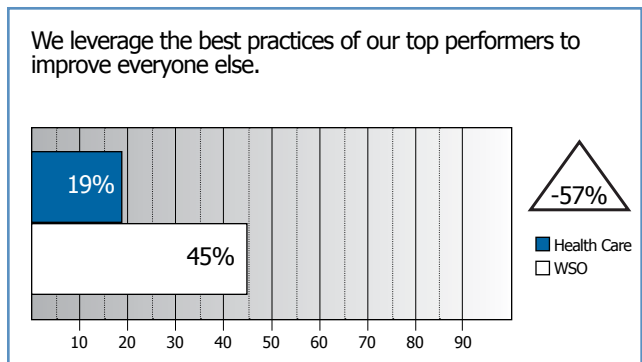
In the study, healthcare sales organizations were 46 percent less likely than WSOs to say they proactively terminate poor performers. Blakeman attributes this to a culture of long-term loyalty and longevity compared to other industries. Of course there are other factors as well. According to Williams, many sales leaders fear terminating an individual who is well-respected with their customer base because of their clinical acumen.



Golder points out that in the past, “the industry has relied on relationships and rolodexes” hence, the reluctance to move quickly and fire poor performers proactively.

Leveraging Best Practices

Another big opportunity for healthcare sales organizations is to leverage the best practices of their top performers to improve everyone else. In the study, they were 57 percent less likely than WSOs to engage in this practice. According to Switzer, sales forces in the healthcare industry are actually quite good at what they do. “However, if you look at the characteristics of the top-performing healthcare sales organizations,” she says, “they do many things very consistently and well—and the impact to their results is exponential.” Evaluating what top-performing salespeople do and then implementing some of those systems, processes and behaviors should be a focus of many healthcare companies in the next 24 months, Switzer says. An internal analysis of their sales teams also needs to occur.



Williams feels the key issue here is that too many organizations take for granted that they have exceptional salespeople. He believes organizations feel they “can’t imitate top performers.” He also says management doesn’t look at the stars’ DNA or ask, “what do they do that’s so different.” Williams says that understanding that is a manager’s function. In healthcare particularly, he

says, managers don't spend enough time understanding why the top performers are successful so they can replicate those practices. They tend to focus on the poor performer, helping him or her close business instead.

The bottom line for healthcare sales organizations is that, like other sectors, healthcare has its own strengths and weaknesses. Perhaps its greatest opportunity for improvement is in the area of training and development. The sales force is, by and large, composed of product experts. But as selling environments grow more complex and sales cycles get longer, the most successful salespeople will apply a more strategic approach than ever. The necessary tools and strategies can be learned. They're not mysterious; they're not trade secrets closely held by the stars. The research suggests that healthcare sales organizations that want to function more like Winning Sales Organizations should begin to leverage the best practices of their top performers so everyone can benefit.

CONTRIBUTORS

Bill Golder

Executive Vice President of Sales

Bill Golder brings a great deal of experience to Miller Heiman, with a solid history of providing results to complex organizations. His primary expertise is in leading business-to-business sales professional services and multi-unit operations management, with key strengths in driving results, developing and implementing strategy and leading sales teams. He has a bold reputation for taking on challenges and turning around unfavorable situations.

Rich Blakeman

Sales Vice President

Rich Blakeman has a unique business background combining sales and marketing executive leadership with consulting assignments at senior levels of global industry-leading firms. He has proven himself successful at creating organic growth and differentiation for companies through their sales strategy and its execution. Rich's track record includes leading teams of cross-company sales leaders in developing and implementing enterprise models for strategic account management and sales effectiveness.

Tom Williams

Independent Sales Consultant

Tom Williams is a former senior executive with general management, sales and marketing expertise with medical equipment manufacturers, hospitals and a hospital management firm. His consulting business, Strategic Dynamics Inc., works with senior sales leaders to

accelerate revenue generation.

Williams helps clients target the right prospects, identify the customers' buying decision process and pinpoint the individual who can say "yes" to their value proposition. His clients include healthcare organizations such as Accuray, Berchtold, Belimed, ECRI, Insight Health, Karl Storz, Medela, Phillips/Respironics, RehabCare, Vidacare and Zoll Medical

Pam Switzer

Independent Sales Consultant

Pam Switzer is in the business of helping sales managers in healthcare companies recognize and coach effective selling behaviors in their people. She helps medical salespeople win more business by focusing their selling efforts on the opportunities that are most likely to close with individuals who see the need to take action and have the authority to do so.

Before starting her consulting firm, TeamBuilders International, Inc. in 1993, she worked in several positions of increasing responsibility in the medical sales field, with a primary focus on hospital sales. Today her clientele includes healthcare organizations such as Abbott, Hospira, Johnson & Johnson, Bristol Myers Squibb, Siemens Healthcare, Bayer Diagnostics, and Roche Pharma.

ABOUT THE MILLER HEIMAN SALES BEST PRACTICES STUDY

Miller Heiman's annual research study of sales practices, success metrics, and Winning Sales Organizations is recognized as the largest continuous research project dedicated to sales performance in the world. Sales leaders benefit from the resulting trends, insights, and best practices revealed by our research. Even more significantly, the research results support benchmarking exercises that enable companies to understand how they compare to their peers and how they can better identify areas for improvement.

Since the study was launched, more than 17,000 sales professionals have participated. Our formal research projects, day-to-day business relationships with sales professionals and the wisdom of our own top sales executives enable us to continually validate and refine our thinking in the real world.

Miller Heiman's research focuses on complex, business-to-business sales which, for this study, we've defined as having sales cycles longer than one quarter and more than four decision-makers influencing the outcome. To date, more than 5,500 sales professionals have

participated in the current study, representing more than 21 industries including technology, healthcare, business services, finance and manufacturing. Respondent companies are located in the U.S., Europe, Australia, Asia, South America, the Middle East and Africa.

OBJECTIVES AND RESEARCH

Objective

To obtain a clear understanding of the complex selling environment, its challenges and trends in the current economic environment.

Research Method

The survey was designed as exploratory research to collect primary data using a structured design. Formal statistical procedures were employed to analyze the data. Such procedures included exploratory factor analysis, reliability analysis, and frequency analysis.

Survey Instrument

After the broad issues and metrics were reviewed and discussed with key informants, the instrument was subjected to a pretest. The final instrument contained seven challenge sections with a total of 55 closed-end questions based upon a 7-point Likert scale for responses of Strongly disagree, Disagree, Somewhat disagree, Neutral, Somewhat agree, Agree, Strongly agree. Twelve metric questions were added to this study. Finally, five demographic questions were included.

Time Frame

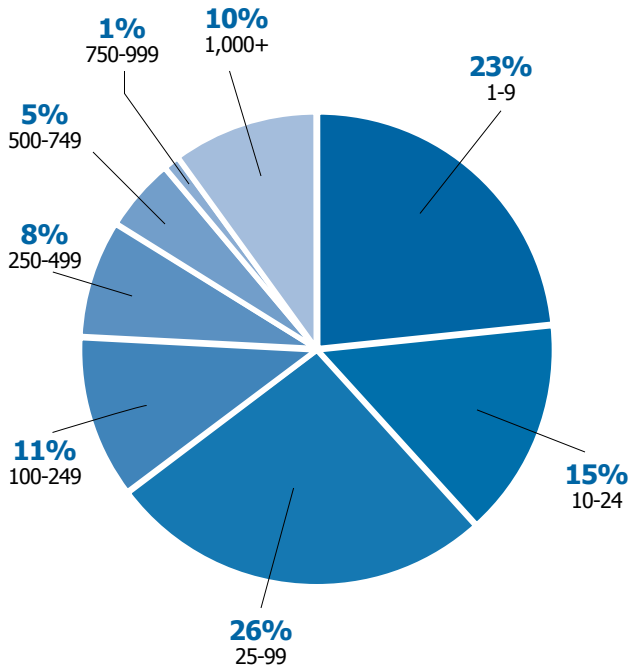
Data were gathered from October 1, 2007 to December 31, 2007.

Data Analysis

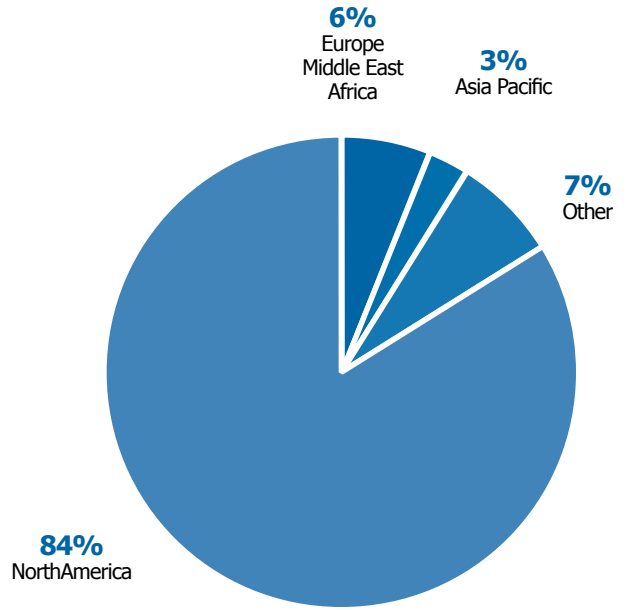
Upon receipt, all survey responses were initially reviewed by Miller Heiman staff and then subsequently cleaned and coded. A database was developed in the Statistical Package for the Social Sciences (SPSS 15.0). Survey data were entered for analysis. One phase of data analysis employed Factor Analysis as a technique that addresses the problem of analyzing the structure of the interrelationships among a large number of variables. Based upon this step a data reduction, if necessary, can be achieved which allows for a summarization of the data and subsequent interpretation. Also the structure of each Element area was assessed for the visibility of the underlying descriptors supporting the overall challenge. In all instances the KMO and Reliability of each factor was assessed and found to be acceptable for data processing.

STUDY DEMOGRAPHICS

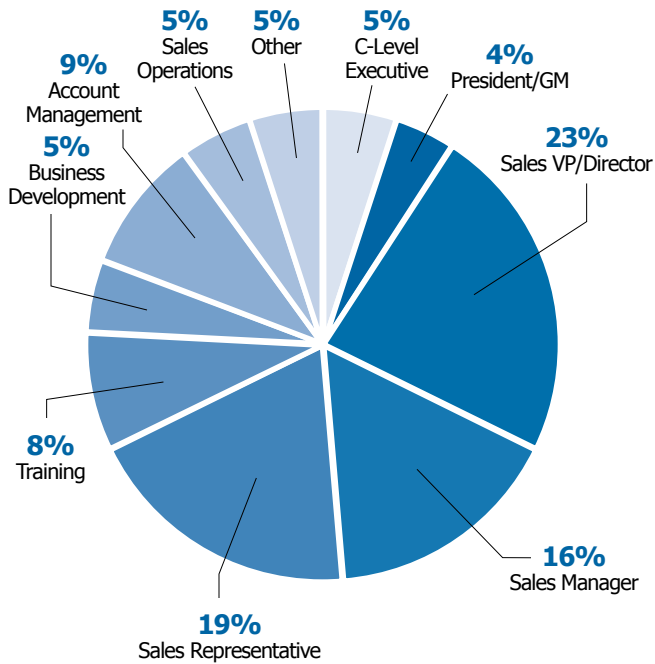
Sales Force Size



Geography



Titles



ABOUT MILLER HEIMAN

Thirty years ago, *Strategic Selling*® launched a company. Thirty years later, *Strategic Selling*® is just one part of what Miller Heiman offers sales organizations. Over the years, we have earned our clients' trust with our in-depth knowledge of the sales process and our demonstrated ability to deliver results.

At Miller Heiman, we help companies overcome the challenges that affect productivity and top-line growth. We go beyond treating symptoms by introducing *The Miller Heiman Sales System*SM as a long-term commitment to understanding challenges and building solutions. With all of the appropriate tools and experience, we are able to quickly and effectively lead our clients to success.

Miller Heiman provides the processes that ensure results:

- Improving Sales Force Productivity
- Managing Sales Talent
- Transitioning from Product-led to Solution-led Selling
- Winning High-value Complex Deals
- Shortening Sales Cycles
- Improving Sales Forecast Accuracy
- Evaluating and Integrating Sales Forces Pre-and-Post Merger
- Protecting and Growing Strategic Accounts

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