



Key Account Management in the European Healthcare Industry

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Responding to an increasingly multi-layered commercial environment

Healthcare companies are experiencing major changes within their markets across Europe. This report summarizes the changes and their impact on the European healthcare sector, and points to actions that companies should take to achieve performance excellence in their new environment. The report is supported by research carried out during 2009 through consultancy and benchmarking with 15 major healthcare companies across small and large molecules, vaccines, diagnostics, medical devices and medical systems.

The findings show that, as markets evolve from traditional and simple environments towards more complex, multilayered environments, companies must focus to a greater degree on key account management (KAM) in order to continue to trade effectively. However the transition has many pitfalls and challenges, and companies often struggle to embrace all the elements needed to remain effective in the new world.

The report presents a new framework, supported by tools, processes and techniques, for healthcare companies to address the

challenge in a holistic way, tailored to the individual market conditions.

How is the Industry Changing?

The most common single pressure faced by 80% of healthcare companies is a downward trend in price. This trend has affected almost all companies in the sector, from the niche innovators to the producers of blockbusters. It is mainly due to governments and public healthcare authorities, who are seeking to drive down the costs of healthcare provision and increase its economic value, and to increasingly fierce competition from generics and substitutes. Authorities such as NICE in the UK have been established specifically to ensure that patients receive the highest quality treatment by the most cost effective means, both in the hospital setting and for GPs and specialists. This is good news for consumers, and it also has a positive knock-on impact on innovation, as companies strive to replace revenue shortfalls with new products. For the companies though, the emergence of, and shift in power towards, new decision-making

bodies, means that their old sales models are no longer as effective.

One result of a new, multilayered decision-making environment is the variety of stakeholders to be managed and actions to be coordinated. Generally, healthcare companies now have to deal with at least 4 stakeholder groups involved either directly or indirectly in the buying decision for their major products, and some companies have as many as 9 stakeholder groups to contend with. The most common groups are payers, public bodies, politicians, primary or secondary care physicians, key opinion leaders and scientific experts, hospital managers, nurses, and of course, patients. Even in the cases where power still resides with the GPs, there is increasing pressure on GPs' time, and closer attention from the competition. The ways that companies approach these groups therefore needs to become ever more efficient and effective.

Why Focus on KAM?

As the buying power for multiple products consolidates around powerful decision-making bodies, and the purchasing process becomes more complex, the need for healthcare companies to coordinate the appropriate actions, both externally and internally, increases. This requires planning at the level of an account rather than at the level of isolated interaction between individuals. Furthermore, as the power of GPs lessens and the access to them becomes more restricted, a simple increase in activity no longer necessarily leads to higher sales.

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For these reasons, companies need to focus to a greater degree on managing accounts and building a more cohesive, partnership-oriented approach to selling. Healthcare companies must forge long-term relationships with the stakeholders within a portfolio of loyal, high-value accounts; by understanding their unique needs and tailoring their service package accordingly. Many of the companies in the benchmark sell products across a range of markets, including hospitals, GP surgeries, specialist centers and pharmacies, and regardless of their sales channels, 80% of them are moving to a more account-led organization.

The Challenges in Achieving KAM Excellence

The complete re-focusing of the commercial organization required to achieve excellence in KAM is a challenging undertaking. It encompasses a diverse range of components that impact all areas of sales and marketing. Where KAM is approached on a piecemeal basis, companies are unlikely to derive the results needed. But adapting to a holistic approach is hampered by a number of factors:

a) Overcoming a Lack of Data

Successful KAM is underpinned by a deep knowledge of the markets and accounts. It is critical to define what 'key' really means and to identify the true key accounts, otherwise companies focus on too many or too few accounts, either losing focus or ignoring potentially important customers.

Within the benchmark, all companies use external market research to understand the existing market size and their share, although the data available is too aggregated to be of much use to medical device companies. However, when it comes to ascertaining the true potential of a company, as opposed to its current value, information is much more difficult to obtain. 50% of companies are unable to quantify the overall market potential, or are dissatisfied with how it is calculated. Companies are generally weak in quantifying potential customers such as aware and unaware non-users.

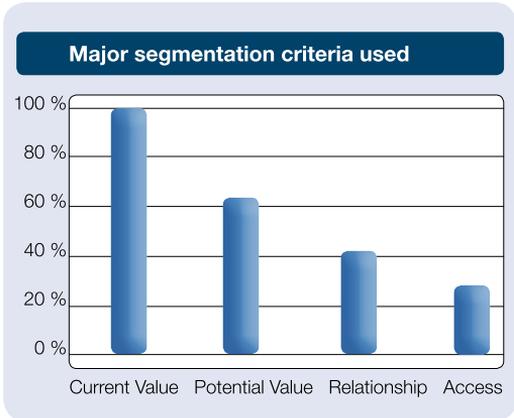
Moreover, although all companies are normally able to define what 'value' means to each stakeholder type, only 60% understand each stakeholder's true influence in the buying process, despite a good deal of effort on focus sessions, surveys, telemarketing, internet research and other means. Indeed, fewer than 20% of companies believe that they have a real grasp of the purchasing processes and individuals' behavior.

As a result of this, over a third of companies know little more about their market place than their current level of sales within existing accounts. This is insufficient if companies aim to exploit key customers and effectively target new accounts.

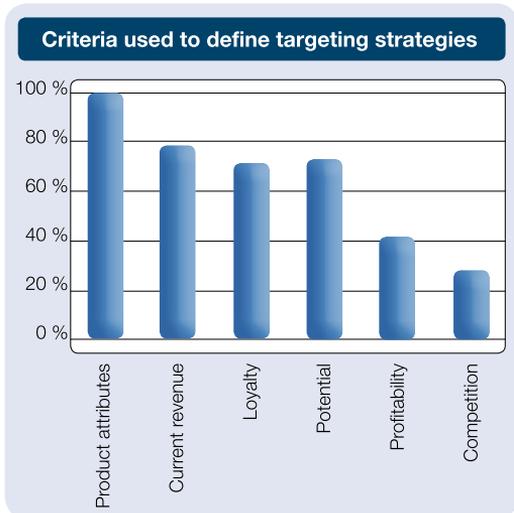
b) Segmenting Based on the Right Criteria

All healthcare companies base their targeting strategies on factors such as brand strength (best sellers vs. slow movers) an position within the product lifecycle (promotional product vs. reminder product). History shows that, for many products, promotions increase sales. But companies that only segment according to these factors ignore the impact of factors relating to customer attractiveness.

To address this, 80% of the companies also perform segmentation and targeting by current revenue, in order to retain the customers where they have high share, and grow into untapped



accounts. But due to the lack of data as highlighted above, many companies are unable to segment by 'full' potential or even by market accessibility. The 50% of companies which do not understand their customers' needs and purchasing processes are unable to segment by factors such as strength of relationship or attitudes like cost consciousness and willingness to innovate.

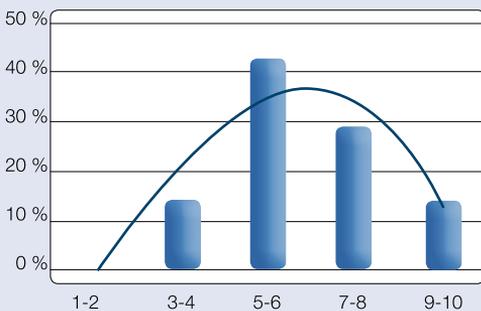


The companies which are able to target each account, based on its unique behavior and processes, are those which manage to achieve the full potential of sales revenues. But such customized targeting requires accurate segmentation.

c) Building Relationships with the Right Targets

As power in the adoption and purchasing process has shifted away from clinical actors, a multilayered system, with a more complex purchasing path, has arisen. Healthcare companies can no longer rely on developing a strong, personal relationship with one main interface, such as an important specialist consultant.

Number of stakeholders per account



As stated, 60% of the healthcare companies make systematic efforts to specify what is important to each stakeholder group and what their degree of influence is. However, this is often carried out at an aggregate level – nationally or even internationally – rather than at the level of individual stakeholders within a specific account. Purchasing and adoption criteria differ from hospital to hospital and within most accounts there is an assortment of stakeholders driven by distinctly local attitudes and priorities. Although the vast majority (90%) of companies aim for this, far fewer (65%) find it easy to build effective relationships and tailor the right value proposition with individual stakeholders.

d) Understanding that the KAM Role is not the Only Aspect

Almost every company moving towards an account-led model recruits or promotes Key Account Managers as one of the first steps. 57% also introduce a KAM Manager, to whom all the Key Account Managers report. The creation of such new roles is a valid way of kicking off successfully in the new complex environment.

However, the job of a Key Account Manager entails engaging with highly-qualified external stakeholders in a well-planned manner as well as coordinating internal company resources. Without excellent support from the wider sales and marketing organization, Key Account Managers cannot be effective. Where the introduction of new roles is undertaken independently of tackling the other issues – accounts knowledge, segmentation, targeting, stakeholder analysis, account planning – it is a merely formal change. Without these prior steps, the new Key Account Managers will not have the knowledge, processes or tools to put their competencies and skills to effective use.

e) Keeping up with an Evolving Market Place

As well as paying attention to changing stakeholder maps and industry forecasts, healthcare companies struggle to keep up to date with evolution in the market place. It is hard to gather and utilize information about upcoming tenders, changes in pricing policy, changes to the regulatory environment, market feedback about customer attitudes and competitor behavior, and so on. These data are generally available from the field, yet 80% of companies do not successfully collect or manage this knowledge. The data are generally patchy, reliant upon individuals rather than systems,

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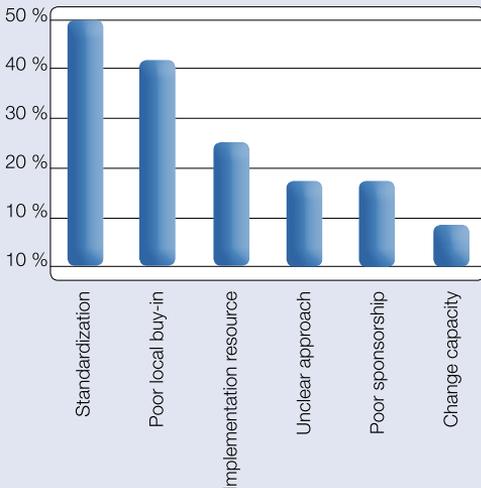
variable from country to country, and incomparable centrally. Moreover, they are often underutilized by marketing; in 30% of cases, updates on value propositions are not acted upon, and in 20% of cases, lessons learnt from the field are not provided to others.

f) Tackling the Change Management Issue

The new market environment demands a fresh set of skills and attitudes from sales staff. Indeed, 100% of the benchmark companies see staff development and training as one of the core components of the transition. The main skills lacking are account management, health economics/return on investment, plus leadership skills to manage their teams and other internal stakeholders.

Buy-in at a local country level can be an issue; half of the companies experience an excessively ‘independent’ attitude within the regions, and Key Account Managers may struggle to make an impact in such environments. Countries also occasionally resist corporate initiatives such as CRM implementation, which are key to effective cross-regional account management.

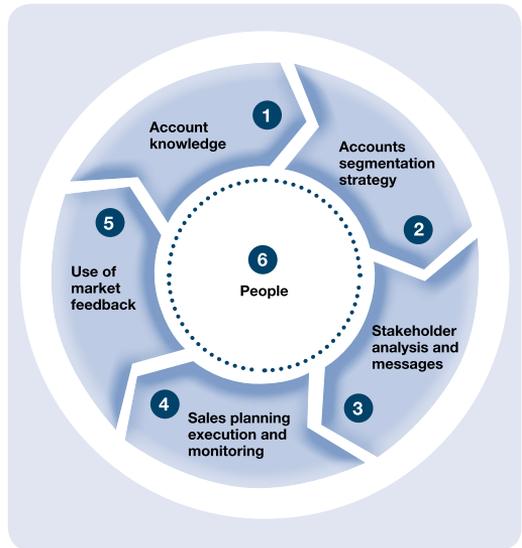
Major challenges faced



25% of companies experience the new practices slipping, particularly disciplined account planning and execution, and lack resources to reinforce them.

What Does KAM Excellence Look Like?

Companies must take a holistic approach when making a transition to KAM or suffer the issues highlighted previously. Full market share potential will not be realized when companies direct resources and messages to accounts based on poor segmentation and missing data, or focus only on the Key Account Manager and not the other roles, processes and tools.



Tefen has developed a six-point framework to address the changing market place in a holistic way. By following the points in their logical order, companies can ensure that all the factors critical to success are optimized. Crucially, the step 5 feeds back into step 1; this highlights the fact that excellence in KAM cannot be achieved unless a process of continuous improvement in understanding and serving the customer is embedded.

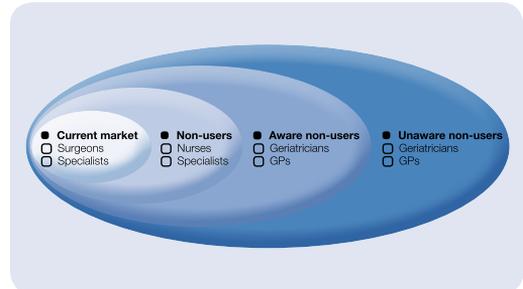
The six steps are individually necessary for KAM excellence. However, as the effective execution of each step depends on the equally effective execution of its predecessor, these steps need to be synchronized in order to achieve excellence. The steps require that marketing and the sales force, including the Key Account Managers, work in unison. As such, they mandate a unified approach to KAM agreed, clearly communicated and embedded across the commercial organization.

This framework has its most direct application in improving the management of major hospital accounts. The hospital channel represents the main focus of access to the market for medical devices, diagnostics and systems companies, and an important channel for pharmaceutical companies with specialist products, especially those related to chronic diseases such as cancer. But the underlying principles are also relevant to primary care markets, and an increasing number of traditional pharmaceuticals companies are moving towards a more account-focused model.

Step 1: Market and Account Knowledge

To properly identify and evaluate key accounts, companies need to know the potential of their accounts and the accounts' purchasing processes. To get a clearer estimate of untapped potential in accounts involves an analysis of account factors, such as access, formulary compliance, hospital capacity, number of specialties, and so on. It also involves analysis of environmental factors, such as convertible procedures, epidemiological trends and

tendency to carry out treatments within a geographical or therapeutic area.



Thorough account knowledge also includes details of the stakeholders involved, their influence levels, influence maps and any gaps in their perception of the product's value. Both sales and marketing should be involved in developing this knowledge. Marketing should provide the supporting tools, questionnaires, intelligence forms, influence maps and algorithms to use on the data. The sales force should collect the data during field visits. All these data need to be accessible in a central, easy-to-access database available to the sales teams developing account plans and to the marketing teams developing tailored messages. The data should be periodically updated with regular reviews involving sales, marketing and the Sales Force Effectiveness or Commercial Excellence group.

Step 2: Account Segmentation Strategy and Targeting

Drawing upon this market and account knowledge, companies should segment their accounts by their real potential and purchasing behavior, if they are to derive the greatest benefits from KAM. A segmentation matrix should be designed with parameters such as the behavior and attitudes during the purchasing processes, the role of the clinical actors vs. the economic actors in the adoption process, and the various stakeholders' perception of the product's value.

At the same time, companies should seek to understand the influence of the various stake-

holders. There is little reward for investing time and effort in directing the value proposition towards a stakeholder with very weak influence. KAM also requires a careful analysis of what constitutes value to each particular stakeholder. Excellent KAM requires the systematic and effective qualification of what is valuable to customers; this should later be addressed in the account plans.

This segmentation helps companies define effective targeting strategies. For example, fast closing segments require a different targeting strategy from slow closing segments, where there are process or value issues. Accounts can be prioritized in a sales funnel in order to maximize revenue, ROI and the probability of closing, thereby effectively utilizing capacity.

		Value Deployment												
		Clinical actors: Trauma					Clinical actors: Trauma							
		Clinical Director	Went responsible	Surgeon-leading MD	Surgeon-assistant MD	Surgeon-responsible	Nurse	Clinical Director	Went responsible	Surgeon-leading MD	Surgeon-assistant MD	Surgeon-responsible	Nurse	
Tools and marketing collateral	In-house registry													
	Real case demo													
	Demo on a "piece of meat"													
	Personalized business case													
	Standard benefit evaluation													
	Clinical workshop (including demo)													
	Clinical workshop with Key Opinion Leader													
	Clinical and economic workshop													
	Conference/symposium													
	Presentation of study/research/analyses													
	General product presentation													
	"Best practices" presentation													
	Referral from other user													
	Second opinion access													
	Leads													
Gadget (pen, pencil, key case...)														

Step 3: Sales Planning by Account: Stakeholder Analysis and Effective Message Development

At a more detailed level, each key account should be jointly analyzed by sales and marketing to identify the needs and characteristics of the main stakeholders, such as the physicians, nurses, economic buyers, and administrators involved in the purchasing process.

This enables the development of differentiated value propositions and messages according to individual stakeholders.

A purchasing decision timeline should form part of the analysis; setting out the most influential stakeholders (defined in the step above) and the order in which they need to be taken on board during the purchasing process.

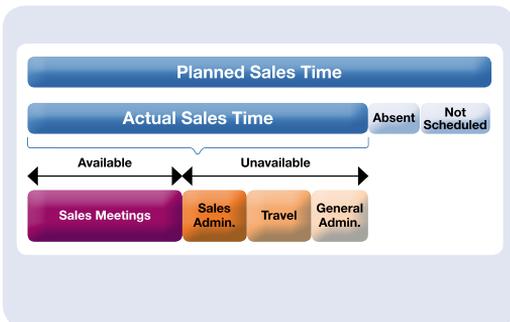
ACTORS		Clinical actors					Economic actors						
		Clinical Director	Went responsible	Surgeon-leading MD	Surgeon-assistant MD	Surgeon-responsible	Nurse	Budget holder	Core group manager	Controller	Purchaser	Theme manager	
Clinical steps	Clinical demand	2	3	3	2	2	2						
	Clinical evaluation	2	3	2	1								
	Internal trial to measure performance	3	3	3	2								
	Technical evaluation	2	3	3	3								
	Product request	3	3	3	1	1	1						
Economic steps	Economic evaluation (assessment of economic impact through a standard business case)							2	1	3	3	2	
	Economic evaluation (assessment of economic impact through an in-house evaluation - trial)							3	3	3	3	3	
	Valuation of potential alternative suppliers							3	3	3	3	3	
	Tender							3	3	3	3	3	
	Price/quality valuation of alternative products							3	3	3	3	3	
	Bid award							3	3	3	3	3	
	Committee decision							3	3	3	3	3	
Budget appropriation							3	3	3	3	3		
Economic order							3	3	3	3	3		

The sales force and KAMs should jointly develop and regularly update the account plan, using the information on value gaps, value deployment, strategy, and influence. The aim of the account plan is to develop a long-term relationship with the key accounts and the main stakeholders within them. This requires developing and implementing action plans and relationship development plans for specific stakeholders. The account plan is then reviewed on an ongoing basis, based on the perceived value, needs and value gaps of each account and associated stakeholder. It is vital that this information is provided by the sales force. Campaigns and actions can then be jointly developed with the KAMs and marketing.

Step 4: Sales Organization, Execution and Monitoring

The marketing function should provide the KAMs and sales force with tools to facilitate the effective deployment of messages, such as case studies, best practice guidance, health economics tools, benefits calculators and forms and templates. Moreover, the sales force and KAMs must be well-schooled in advanced consultative selling techniques, managing differentiated value propositions and messages according to individual stakeholders, building long term relationships as an end in themselves, and working in a team-selling context. The latter skill forms a key requirement for executing an account plan. Marketing should also provide tools to monitor the achievement of message deployment objectives, such as evaluation reports, sales rep's self-assessments, and questionnaires.

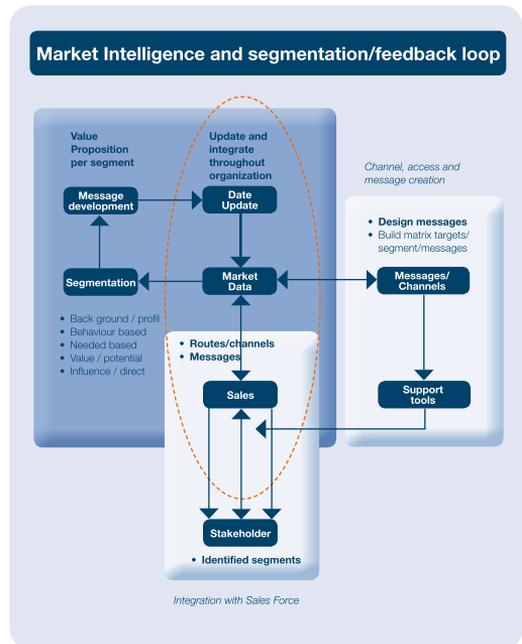
It should not be overlooked that many of the techniques learned in traditional rep-based SFE programs apply to more complex stakeholder environments. Although the impact on 'productivity' is not so high, the efficiency with which a Key Account Manager can open up an account to all the company's offerings is determined in part by the effectiveness of the planning, delivery and follow-up.



Step 5: Use of Market Feedback

Sales force feedback from activities in the field must be carefully collected, analyzed and put to use by marketing, to clarify and update the segmentation and account strategy. The updated strategies should consequently be communicated back to the sales force, so that they are consistently deploying the right strategy in the field.

The sales force needs to see the benefit of these activities and the responsiveness of marketing, if proper market feedback is not to be considered as an activity which adds no value. Ideally, sales and marketing must work in close collaboration to capture experience, share best practices and continuously improve execution. Feedback should be short, precise and in a standardized format so that it can be easily used.



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Step 6: People

Alongside the development of analyses, approaches, tools, processes and plans, it is necessary to recruit or develop the people who can thrive in an account-focused environment. Indeed, to support this change, over half the companies are adding a new management layer, such as a head of KAM, to whom all Key Account Managers report (normally in a matrix structure).

Key Account Managers are required to build and coordinate many relationships, understand treatments, engage with specialist consultants or medical experts, negotiate with powerful payers, interact with governments and think strategically.

Training and coaching is needed to assess and develop these competencies within the sales force. A coaching plan can be used to help the sales force understand the new sales approach, especially in the first few months, to identify early successes and failures, improve future strategies, and to learn how to fine tune the account plan. Training should be developed and delivered at the corporate level to ensure consistency and best practice. Where applicable, the Head of KAM should own and deploy training and coaching, though initially this is an appropriate activity to outsource to consultants.

To help smooth the transition and encourage appropriate behavior, reward systems must be suitably aligned to account objectives. The account goals and success measures should be based on both quantitative and qualitative objectives. For example, the sales force should be properly rewarded for successes in high-potential but low-penetration accounts. Without changing KPIs and rewards, behavior will not align to the KAM strategy.

Summary: KAM Excellence

Almost all healthcare companies run commercial excellence programs to drive change through their sales and marketing organizations. KAM is an important component of the programs at all the companies in the benchmark set. Indeed, research shows that the development of account management is a common measure of commercial excellence programs in the healthcare industry.

Regardless of the extent to which companies' markets are moving towards the multilayered environment, the principles promoted by KAM are always applicable. KAM is all about learning what the customer wants; identifying opportunities to match the service offered to the customers' needs, thus creating value; aligning effort and directing resources to the most valuable prospects; deploying implementation plans efficiently, and making the best use of continuous feedback loops. As such, it has many similarities with other business transformation programs, such as Lean Sigma programs in operations, and development excellence programs in R&D.

And, as with most transformation programs, a holistic approach is vital. If healthcare companies are to reap the full benefits of KAM, they must properly align all their activities, and move through the six steps of KAM excellence.

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