Sweden’s medical research institutions and companies are admired and respected internationally. As such, the support and promotion of the industry as a whole is crucial for growth across Swedish strengths in medical and surgical instruments, orthopedic appliances, radiation-based apparatuses, and dental instruments, to include a few examples.

Such products are widely demanded, perhaps now more than ever, by the U.S., which represents forty percent of the global medical device market and the largest medical device market in the world. With an aging U.S. population, the rise of chronic disease, nearly nine million newly insured Americans, and pressures to utilize more efficient medical devices, Sweden has a clear opportunity, and evident expertise, to position its strengths in a way that is meaningful to the U.S. market.

To fully enable such opportunity, Swedish companies must not only possess the domestic competence within Swedish industry, but must also clearly understand the U.S. market, including the intricacies of private clinics, the factors behind hospital purchases and considering the pathways that lead to these groups.

Business Sweden seeks to provide the knowledge and support needed to allow Swedish medtech companies to successfully launch their medical innovations beyond Sweden’s borders into the U.S. market, and, of course, globally.
THE U.S. MEDICAL DEVICE INDUSTRY

SELLING SWEDISH MEDTECH IN THE U.S

The U.S. is the world’s largest medical device market, far larger than that of other developed countries. In the ever evolving healthcare landscape, segments such as hospitals, private clinics and GPOs all play an important role.

There is a growing need for medical devices as a consequence of the Affordable Care Act, also known as Obamacare, leading to increased spending growth for healthcare within the area of private health insurance, among others.

Where are medical devices consumed?

Although patients are the end-users of medical devices, manufacturers tend to focus efforts towards selling such products to healthcare providers.

Major Segments Driving Medical Device Demand

Moreover, the main areas of medical device growth in the U.S. include diagnostic imaging, patient aids, orthopedics and prosthetics, dental products and consumables. Given the current demographic and regulatory trends, it is clear that the U.S. medical device market pace of growth will remain strong for the near-term.

TRENDS AFFECTING THE U.S. MEDTECH INDUSTRY

Aging population

People 65+ made up 44.7 million people in 2013 (14.1% of the population), by 2060, this number is projected to reach 98 million people (21.7% of the population)

Chronic Disease

Approximately half of all U.S. adults have at least one chronic health condition. Chronic diseases are responsible for 7 out of 10 deaths each year.

Rising Number of Insured

Rates of uninsured were down from 16.2% in Q4 2013 to 10.7% in Q1 2015, amounting to nearly 9 million more insured Americans

Cost Pressures

Hospitals that continue operating as they usually do will have a negative 16 percent margin by 2021, pushing healthcare professionals to change modes of operation.

Regulatory Pressures

Regulatory layers have increased through the years. Healthcare professionals must be conscientious about the developments
About the company: Dignitana manufactures the patented scalp-cooling system, DigniCap®. Over 15 years ago, the chemotherapy-induced hair loss issues for cancer patients led oncology nurse, Yvonne Olofsson, to develop the cap that gives cancer patients the ability to keep their hair during chemotherapy. Dignitana AB has been listed on the OMX Nasdaq First North stock exchange since December 1, 2011.

The U.S. Market: Dignitana completed rigorous clinical trials with the DigniCap® scalp cooling system in the U.S., where seven out of ten patients with early-stage breast cancer kept at least 50% of their hair. In December 2015, following the clinical trials, the U.S. FDA cleared the device for marketing as the first and only scalp cooling device, DigniCap®.

What makes the U.S. market so attractive for Dignitana? Hair loss associated with chemotherapy is a very distressing side effect – reducing hair loss may contribute significantly to the increased well-being and quality of life for patients. Approximately 235,000 new breast cancer patients are diagnosed per year in the United States, of which approximately 60% receive treatments that are compatible with DigniCap®. The U.S. is the main market for Dignitana since it represents half of the global medical device sales.

What are the main challenges you have faced? The FDA clinical trials in the U.S. needed to obtain FDA clearance. The company also has a different business model in the U.S. where the customers rent the system for a monthly fee, and pay a fee for each time the system is used. Even if patients have shown a willingness to pay out of pocket, the goals is to obtain reimbursement from insurance companies.

About the company: Diasend is a healthcare company that aims to simplify life for people with diabetes and facilitates the work of their health care providers by optimizing diabetes data management. The company’s comprehensive and market leading solution involves transmitting, storing and analyzing data from more than 140 different glucose meters, insulin pumps, CGM systems (continuous glucose monitoring) and leading activity trackers – allowing patients and healthcare providers to easily access the same information.

Diasend’s products and services, all FDA-cleared and CE-marked, are currently used in more than 15 countries. The Headquarters are located in Gothenburg, Sweden – with subsidiaries in Chicago and London.

When did you decide to enter the U.S. market? We decided to enter the market in 2009. We had a new global partnership with Animas (now owned by Johnson & Johnson), which accelerated our growth here. Later on, we expanded our own sales team and we are now 10 employees in USA.

Which main challenges have you faced along this journey? Setting up the administration and paperwork process was tricky at first. New companies on the U.S. market needs a lot of legal advice along the way. Some cultural differences have been challenging but overall it has been a fun and progressive journey.

The most important factors for us to succeed have been great people, great product and great timing. We have received a lot of valuable support from Business Sweden which has helped a lot.
UNDERSTAND YOUR CUSTOMERS: HOSPITALS

The American Hospital Association estimates that 5,627 hospitals are operating in the U.S. Among these hospitals, over three-quarters are under private ownership, with representation of both private commercial and non-profit sectors, with roughly twenty percent falling under government ownership (including federal, state, and local ownership). Within hospital categorization, hospitals can also be categorized as non-profit, for-profit and under government-owned. The largest non-profits appear to be geographically dispersed throughout the U.S., with the large majority in urban areas.

<table>
<thead>
<tr>
<th>Total U.S. Hospitals by Type</th>
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</thead>
<tbody>
<tr>
<td>U.S. Community Hospitals</td>
</tr>
<tr>
<td>Nongovernmental Not-for-Profit Community Hospitals</td>
</tr>
<tr>
<td>Investor-owned (for-profit) Community Hospitals</td>
</tr>
<tr>
<td>State and Local Government Community Hospitals</td>
</tr>
<tr>
<td>Federal Government Hospitals</td>
</tr>
<tr>
<td>Nonfederal Psychiatric Hospitals</td>
</tr>
<tr>
<td>Nonfederal Long Term Care Hospitals</td>
</tr>
<tr>
<td>Hospital Units of Institutions (Prison Hospitals, College Infirmary, etc)</td>
</tr>
<tr>
<td><strong>Total Number of All U.S. Registered Hospitals</strong></td>
</tr>
</tbody>
</table>

Source: American Hospital Association

Nonprofit hospitals, or hospitals organized as nonprofit corporations, make up nearly three-quarters of non-government community hospitals in the U.S. These hospitals are given tax breaks and in exchange, must provide care for those who cannot pay. As a result of these tax breaks, these hospitals are actually highly profitable, with profits surpassing those of for-profit hospitals. While U.S. hospitals typically lose money on patient services, a recent study found that seven of the 10 most profitable U.S. hospitals are non-profit and, among these, the top four were all non-profit hospitals with over 200 MUSD in profit in 2013.

On a holistic level, for-profit hospitals do tend to be more profitable, with higher markups, and affiliations with larger medical systems and higher regional power. In general, hospitals with a larger footprint via bigger networks, facilities or treat more people, typically make more money, regardless of non-profit status, thus giving way to larger budgets for medical devices.

Most Profitable U.S. Hospitals

- Gunderson Lutheran Medical Center
- Sutter Medical Center
- Stanford Hospital and Clinics
- Norton Hospital
- Medical City Dallas Hospital
- Swedish Medical Center
- Hospital of the University of Minnesota
- Methodist Hospital
- Sacred Heart Medical Center
- Carle Foundation Hospital

A 2013 study of 3,000 non-profit (59%) for-profit (25%) and publically owned (16%) hospitals showed that the median hospital was more likely not to be profitable—this has pushed hospitals further to examine tools and methods to increase efficiency in recent years. The figures show that, on average, U.S. hospitals:

- Lost $82 per patient
- Were identified profitable in only 45 percent of cases
- Made more than $2,475 per discharged patient in just 2.5 percent of cases, while the most profitable hospital, the non-profit Gunderson Lutheran Medical Center, made $4,241 per patient

HOSPITAL PURCHASING

Whether hospitals are classified as nonprofit, for-profit or other government hospitals, common themes ring true: the need for hospitals to minimize costs in order to endure landscapes of squeezed margins pushed by Medicare, Medicaid and commercial actors. Despite the need to reduce costs (especially of medical supplies, which make up hospitals second largest expense after labor) hospitals continue to find themselves needing to make large investments to improve efficiency while ensuring high quality and remaining competitive.
Importantly, in the face of tightened margins and high competition, hospitals are increasingly examining each expense to ensure it contributes to efficiency, quality and competitiveness.

According to an HFMA study, in which over 2,000 surveys were collected and analyzed, three factors were considered most important amongst respondents and senior financial executives when asked about purchasing. These factors included:

- A product’s value, specifically related to a product’s ability to deliver an ROI was most important
- The reliable and neutral information about products and services on which to base decisions
- The promise of enhanced productivity when purchasing products

**PROCESSES HOSPITALS USE FOR PURCHASING AND PARTIES INVOLVED**

Hospitals use a variety of channels to purchase and will often base their decisions on the channels which are most time and cost efficient, while still providing them the highest quality products. To achieve this, GPOs and distributors play a role in purchasing for some purchasing scenarios, while purchasing from a vendor’s direct sales force will play a role for others. Within the industry, consolidation, pushed by increased cost-sensitivity, has led to a growing number of stakeholders involved in buying decisions. However, the industry has also become more centralized as physicians have been driven toward cost-conscious management-led organizations, such as hospitals. These changes affect medical device companies as they face more preferred vendor programs and a shift away from the physician preference model [define: “…, where physicians’ preferences take top priority in a purchasing decision.”]

**BEFORE SELLING TO HOSPITALS: WHAT YOU SHOULD KNOW**

In selling to hospitals in a progressively cost-sensitive environment, several steps should be followed to ensure education about the correct decision maker, specific hospitals and relevant regulations:

To begin the sales process, it is important to understand who the relevant decision maker is. This role can vary from hospital to hospital, but focus should be placed on senior executives as decision makers, with examples of relevant positions being Director of Patient Satisfaction, Vice President of Technology and Innovation, Chief Experience Officer, Vice President of Operations, Head of Facilities or Engineering, or Chief Financial Officers or physicians themselves.

![Key Influencers in Hospital Purchasing](Number of Titles/Roles Cited)

Importantly, while the role of physicians as influencers continues to play an important role in purchasing decisions, procurement teams are playing an increasingly larger role, even when comparing just three years ago to today.

Furthermore, amongst physicians and procurement management, a growing disparity exists in terms of willingness to pay for products,
with procurement personnel often held to stricter budgets.

While both management and physicians agree that reliability and clinical evidence are crucial, 72 percent of procurement officers believe the lowest cost should be an important criterion, while this number is nearly twenty percent lower amongst surgeons. Manufacturers must not only adapt to hospital audience by professional experience, but also by specialty—procurement management is nearly 25 percent more likely to prefer sales representatives as a primary source of information than orthopedic surgeons, 30 percent more likely than general physicians and nearly 40 percent more likely to prefer them as a source when compared to cardiologists.

While senior management, procurement and physicians play key roles in the purchase of products, companies must also understand where these parties turn to gather information. Over half of hospital administrators will turn to online resources, while over three quarters will rely on direct sales contact with vendors and 70 percent of administrators will rely on GPOs in hospital decision making processes.

Once key decision makers have been identified, relevant information about the hospital should also be gathered, to better understand the hospital and its needs. The Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) Survey, a survey administered by the Department of Health and Human Services aims to increase transparency of hospital service, as well as hospital accountability. Hospitals must be in at least the 50th percentile in order to receive full Medicare funding. This information can be read and examined to better understand the needs of specific targeted hospitals, compare hospitals, and determine limitations that may exist.

Preparing case studies with relevant cases demonstrating value, efficiency, and ability to deliver a ROI, will be closely examined. This information will be valued in providing hospitals with information in how devices improved processes at existing institutions and will be crucial in allowing decision makers to understand the value of the device.

REQUEST FOR PROPOSALS

When hospitals select a vendor, a request-for-proposal (RFP) process is often used for major expenditures, in which comprehensive information on a vendor is gathered and analyzed. During this process, external references will likely be checked. Similarly, hospitals may try to verify the product by conducting pilot programs, especially for more expensive products. Hospitals may also expect to receive names of clients.
UNDERSTAND YOUR CUSTOMERS: PRIVATE PRACTICES

Over 230,000 physician practices exist in the U.S.; however, this number has seen rapid decline in recent years as physicians are electing to join management-led healthcare offices, such as hospitals, rather than owning individual practices. This shift is largely played by the changing regulatory landscape as well as squeezed revenues, forged partly by difficulties in securing payments.

The effects of this consolidation are being felt by small and medium sized manufacturers targeting private clinics—in a recent industry survey by Emergo Group, manufacturers with fewer than 250 employees indicated that pricing pressures, competition from larger manufacturers and reimbursement were major challenges for them in 2015. Notably, manufacturers still have neutral to optimistic outlooks on the industry, with the majority of manufacturers claiming to be “somewhat positive” or “neutral” outlook for the medical device industry overall as well as for their own prospects in 2016.

A 2015 study completed by ProCare Systems showed that of eighty physicians across the country, nearly half of independent specialists expected to sell their practices in the coming years, even though the majority also noted that they would prefer to keep their practices. Doctors noted that reimbursement and costs were largely the driving factors behind selling their business. Notably, the more specialized the nature of the practice, the greater the physician’s ability to maintain it (see bottom graph for physician specialties in the U.S.).

Regarding the geographical distribution of physicians, over half of practicing physicians are in ten states, with one quarter of physicians practicing in California, New York and Texas, strongly correlated with the dispersion of the U.S. population. States like California and Florida have among the highest percentage of senior citizens, with nearly twenty percent of Florida’s population categorized as elderly. Meanwhile, states like Texas consistently rank highly among the best state to practice medicine in due to the lack of state income tax, few malpractice suits, and skilled medical community.

In general, when selling to private practices:
It is important to establish a working relationship with a doctor’s office and understanding if the physician belongs to a certain purchasing group. This will affect the brands that physicians purchase based on what existing vendor relationships the purchasing group belongs to.

Medical device companies should contract with insurance providers in the state of business—insurance companies will demand evidence and diagnostics showing how medical devices can improve patient while saving money.

- Local HMO (Health Maintenance Organization) insurers and PPO (Preferred Provider Organization) plans will be paying and should be contacted for fee schedules (reimbursement rates)
- UCR (Usual, Customary, Reasonable) pricing for equipment should be established while also determining what price level is acceptable in the market

Familiarity with billing codes is essential. A CPT (current procedural terminology) code indicates the procedure or item that will be billed. These will be used by insurance companies for reimbursement.

Furthermore, actively marketing products to physicians is crucial when selling to private practices. When marketing to private physicians, it is important to be aware of a few key points:

- Doctors don’t have a desk where they spend their days and the majority of physicians aren’t in an office spending significant amounts of time in front of a computer. Instead, they prefer mobile devices such as phones or tablets.
- Legally, doctors can’t use email or text messaging traditionally. Due to strict Health Insurance Portability and Accountability Act (HIPAA) regulations requiring all patient-related communication to be encrypted, doctors are banned from using email and SMS messaging in their daily work. When doctors update their team about patient progress, faxes and pagers are still widely used. HIPAA violations result in fines of up to $1.5 million dollars - making physicians very cautious about the way they collaborate.

Doctors rely on networks for referrals and recommendations, relying heavily on professional networking throughout their careers. Doctors, especially primary care physicians, send hundreds of patient referrals a year, making it important to build a relationship with physicians, as this may further promote your product among the physician’s network.

Context and medical knowledge is crucial. In marketing to doctors, it is especially important to know the audience and the audience’s needs. For example, knowing clinical or academic focuses is crucial before reaching out.

Sources that doctors rely on for medical device information include:

- Medical representatives
- Continuing medical education courses
- Conferences or conventions
- Associations
- Colleagues
- Newsletters and emails
- Medical Journals

SALES CHANNELS TO HEALTHCARE PROFESSIONALS

GPOS

In the current U.S. healthcare climate, Group Purchasing Organizations, or GPOs, have played a larger role than ever before, especially within consumables. GPOs are entities that assist healthcare providers attain cost savings and efficiencies by aggregating purchasing power to negotiate cost discounts with parties that provide healthcare, such as manufacturers, distributors and other healthcare vendors. In the United States, an estimated 96-98% of hospitals belong to at least one GPO, while a typical hospital will utilize two GPOs among the 600 U.S. GPOs. In total, approximately 72 percent of U.S. hospital purchases are done using GPO contracts, with between 10 and 15 percent of purchasing prices saved by using a GPO.

Overall, shift from private practices to large hospitals has contributed to the rising dominance of GPOs as the institutions’ administration has taken a larger role in buying decisions. This shift in device buying decision from physicians to administrators has prioritized...
cost and value considerations purchasing—as well reimbursement generally favoring larger-tier medical device manufacturers. As such, GPOs have been able to take advantage of value propositions and product differentiation to larger, more cost-conscious purchasing organizations and insurers.

Increasingly, the effect has been that GPOs have displaced private practices as the main decision makers in medical device purchases, thus creating a hurdle for smaller manufacturers and further prioritizing value-based, and larger medical device manufacturers. For smaller manufacturers, the effects of GPOs have trickled down, with a study by Emergo citing the following trends:

- Larger manufacturers acquiring smaller competitors to expand market share
- Hospitals undergoing corporate realignments, hindering entrance of smaller manufacturers
- Increased focus on cost-savings in hospitals
- Pricing pressures from GPOs, Medicare and other large private payers
- Higher focus on reimbursement and pricing for smaller manufacturers earlier in product development cycles

Within a hospital, committees form to make decisions as to group purchasing selections. Typical parties involved may include healthcare professionals such as doctors, nurses, and clinicians along with senior executives active in the hospital purchases. Committees will determine what medical supplies are needed and once a group decision is made, GPOs negotiate contracts with manufacturers, distributors or suppliers. After contracts are created, each hospital within the purchasing group is able to decide what products to purchase. The purchase is done through the manufacturer, distributor or supplier, as GPOs do not buy products, but rather negotiates purchases and are paid a fee by hospitals for their services.

<table>
<thead>
<tr>
<th>GPO</th>
<th>Location</th>
<th>Members</th>
<th>Non-Acute Health Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Novation</td>
<td>Irving, TX</td>
<td>5 200</td>
<td>118 000</td>
</tr>
<tr>
<td>MedAssets</td>
<td>Alpharetta, GA</td>
<td>4 500</td>
<td>123 000</td>
</tr>
<tr>
<td>Amerinet</td>
<td>St. Louis, MO</td>
<td>3 488</td>
<td>75 000</td>
</tr>
<tr>
<td>Premier</td>
<td>Charlotte, NC</td>
<td>3 400</td>
<td>110 000</td>
</tr>
<tr>
<td>HealthTrust Purchasing Group</td>
<td>Brentwood, TN</td>
<td>1 400</td>
<td>10 600</td>
</tr>
<tr>
<td>MAGNET</td>
<td>Mechanicsburg, PA</td>
<td>760</td>
<td>9 000</td>
</tr>
</tbody>
</table>

SELLING TO GPOS

When selling to GPOs, the process can be competitive and lengthy, with the bidding and review process taking anywhere from a little as 3 months to over a year. GPOs will utilize a bid calendar, outlining when product categories will be procured. Similar to what hospital executives look for in products, GPOs similarly look for high quality and lowest possible cost while also examining a vendor’s distribution infrastructure to ensure that large volumes can be handled for its members. Moreover, when serving its members, aspects such as vendor financials are examined, as well as quality service and field support.

Several steps should be followed when selling to GPOs, beginning with vendors registering with a desired GPO. From there, GPOs will issue a bid calendar outlining when specific products will be procured throughout the year—this will allow vendors to know at what point they should be prepared to enter discussions with GPOs. To begin this process, suppliers should be aware of Request-for-Proposals issued by GPOs to their list of applicable registered suppliers. Once a GPO has received all proposals, it can begin to analyze proposals and continue to negotiate contracts with relevant vendors before awarding a contract.
AN OVERVIEW OF STEPS TO SELLING TO GPOS

1. Supplier registers with GPO
2. GPO issues bid calendar for procurement categories
3. Supplier registers for RFP or GPO issues RFP to list of applicable registered suppliers
4. GPO analyzes proposals and products
5. Suppliers and GPOs negotiate
6. GPO awards contract

DISTRIBUTORS

In addition to GPOs, distributors play a large role in supplying healthcare providers with products. Distributors are widely used in the healthcare industry across hospitals and private practices, with nearly all patient procedures supported by a distributor. For healthcare providers, distributors give the “one-stop-access” to more than 200,000 medical products from over 2,200 manufacturers. U.S. distributors not only serve the majority of hospitals but also serve over 200,000 physician offices and over 30,000 other medical facilities. Often, independent distributors will also work closely with GPOs. Hospitals and healthcare systems will often see distributor use as a more cost and time efficient option than direct sales. While a few large distributors exist in the U.S. market, they are more frequently regional and highly specialized.

Large distributors like Henry Schein work with 120,000 non-acute sites such as large group practices, urgent care centers, ambulatory care centers and community care centers to provide hundreds of types of products, representing a range of consumables. The company, which represents the world’s largest provider of health care products, has over 2,000 supplier partners to provide physicians from various specialties the products needed while also providing inventory management so physicians are able to get products on schedule and as needed.

These distributors work in two ways: sales and online orders through customized practice portals by specialty. Sales teams are divided to focus on sales by phone, concentrating on handling incoming sales orders, and field sales, with sales professionals meeting customers face-to-face. While sales teams work to personally serve physicians’ needs, distributors also recognize the need for cost-savings opportunities.

As such, distributors also have membership options, giving practices money-saving benefits and discounts on preferred and branded manufacturer products as well as potentially offering other membership incentives with discounts to major retailers. Distributors may further promote membership by offering discounts on repair services and private practice management courses, webinars and conferences. In addition to equipment repair services, large distributors also have the ability to offer a variety of services from electronic health records (EHR), to restocking office supplies to providing financial services. This “one-stop-shop” solution seeks to appeal to cost-conscious physicians working to improve practice efficiency.

<table>
<thead>
<tr>
<th>Distributor</th>
<th>Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medline Industries</td>
<td>Hospitals, Healthcare Systems, Extended-care, Surgery Centers, Physician Offices, non-acute care, Resellers</td>
</tr>
<tr>
<td>Owens &amp; Minor</td>
<td>Hospitals, Healthcare Systems, Alternate Care, U.S. Federal Government</td>
</tr>
<tr>
<td>Henry Schein</td>
<td>Physician Offices, Health Care Clinics, Alternative Care</td>
</tr>
<tr>
<td>McKesson</td>
<td>Hospitals, Healthcare Systems, Non Acute Care, Physician Offices</td>
</tr>
</tbody>
</table>

Small distributors work in a highly more specialized fashion, typically representing more advanced products and fewer brands. These distributors will focus on smaller geographic regions, but may still have access to large accounts. While smaller distributors may be more focused and be able to provide your product with more attention in the market, their relationships in the market should be investigated, as well as whether or not these distributors have ever successfully brought a new technology to the market and the result of this expansion.

From a manufacturer’s perspective, properly vetting a distributor is a crucial when using such channels to reach hospitals or other
professionals, and the process generally requires careful scrutiny and research as this can truly “make or break” the foundations of a company’s U.S. establishment.

While many companies rely purely on tradeshows to meet distributors, companies should also proactively research distributors and personally contact and meet prioritized distributors. This can be done by benchmarking against competitors or asking potential customers or tradeshows attendants for their preference of distributors. Other resources, such as industry association directories, will also be useful. Both distributors and medical device companies should approach the relationship cautiously. Distributors will have a series of questions from “the product basics” to competitor comparisons or proving success in logistical capabilities.

WHAT DISTRIBUTORS WANT TO KNOW

THE BASICS

› How long has the company been in business?
› How long has the device been cleared by the FDA?
› What testimonials can be provided?
› What is the product’s pricing?
› Can a sample be provided?

COMPETITION

› How does the product compare to the competition?
› How does the product’s pricing compare to competitors?
› What limitations exist in using the product?

LOGISTICS/COMMUNICATION

› How will new orders be placed? Will it be easy to place new orders or speak to someone in the case of issues or setbacks?
› What will the communication process look like?
› Is onsite training provided?

SELECTING A DISTRIBUTOR

› Choose a region—the U.S. is large in terms of population and geography. Most distributors cover one geographic region; begin selecting a distributor by narrowing your geographic focus. The U.S. is composed of 6-8 geographic regions. Choose 1-2 geographic focus regions (i.e. Northeast and Southeast).
› Narrow by specialty—the majority of distributors are highly specialized in both geographic region and device type. Distributors tend to cover 1-2 areas of medicine while very few are generalists.
› Prepare a sales pitch—research distributors by region and specialty and prepare a sales pitch for an initial email or phone contact. Prior to reaching out, research the distributor and their portfolio. Then, contact the distributor to outline your business goals, the benefits of your device, and request time to discuss plans in further detail. Be sure to follow up.
› Meet the distributor—after getting a meeting with the distributor, make sure to prepare for the first meeting. Ask questions regarding the types of devices they currently sell, how long they’ve been in the market, what percentage of sales comes from your target market, and methods used for sales. Ask for client references.
› Vet the distributor—understand your potential partner by visiting their offices and spending time with them. Understand their call patterns, sales strategies, how they make money, and how your product would complement their salesforce. Do they
actively promote companies? Will another company take priority over yours?

- **Begin contract preparations**—once distributor vetting has been completed, a contract can be written. Although exclusive arrangements may be beneficial in certain cases, they should be approached with caution.

- **Set distributor goals**—Especially in the case of exclusive arrangements, be sure to set goals for your distributor, or performance goals. This can be having a dedicated salesperson, a minimum number of monthly sales calls, or attendance to regional trade shows.

- **Provide continuous support**—it is unreasonable to believe a distributor will handle sales and marketing independently. Provide updated marketing material and information on how your product feeds into the healthcare ecosystem (i.e. how it impacts workflow, competition, and how challenges can be overcome).

## SALES REPRESENTATIVES TO HOSPITALS

Sales representatives represent the most active role in direct sales channels, traditionally spending much of their time in hospitals providing support for existing products and proving new products’ and functionality for new products in typically brief encounters. The position poses challenges in finding representatives with:

- The proper relationships
- Industry knowledge
- The ability to build trust and credibility for your company
- Experience in selling to hospitals, especially with a consultative approach

Importantly, sales representatives are traditionally known to have one-on-one relationships with hospital physicians, allowing them to influence physicians to use what may be more costly medical supplies. Because of this, hospitals are more frequently limiting sales representatives’ access to physicians, while pushing for transparency on financial relationships with device manufacturers, limiting the devices hospital physicians will use. Bain reports that the percentage of surgeons who state that procurement officers influence most of the purchasing decisions for devices has more than doubled in the past three years. Moreover, 65% of physicians say formularies limit their prescribing decisions. All in all, this has shifted to a decline in influence of the traditional sales representative.

The trend has recently emerged of hospitals training their own staff to provide technical assistance to operating room staff, replacing medical device manufacturer sales representatives that have traditionally provided this service. This model varies greatly by specialty, with certain areas of practice having greater reliance on sales representatives.

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Purchasing executives are asked: “Do you restrict medical representative access to employees?”

- **Yes**: 26%
- **No**: 74%

The trend toward training hospital staff on technical assistance aims to lessen the influence of manufacturers in hospitals as well as decrease the external cost of representative operating room use. Like manufacturers, distributors have also taken onto this trend, with players such as Cardinal Health in partnership with Emerge Medical, having launched “rep-less” sales models, in order to sell certain types of medical products at significant markdowns. In this way, the service function of sales representatives is significantly reduced or even eliminated.
The representative-free model is part of the extensive attempt by hospitals to cut medical-device costs and improve clinical quality through greater medical device standardization. As part of that, hospitals have worked with physicians to limit purchasing of physician preference items in order to universally train support-staff based on standardized hospital purchases. Hospitals most likely to employ models that limit device representatives are academic medical centers, which already have stringent policies on access to clinicians. Other hospitals include those that work under risk contracts or serve a high percentage of uninsured, Medicare and Medicaid patients.

**Sales Representatives to Physicians**

Like sales representatives that work in hospitals, sales representatives represent an active role in direct sales channels with importance placed on relationships, industry knowledge, and an ability to build trust with physicians. Traditionally, a physician would work with a few representatives on a regular basis. However, similar to hospital sales, reliance on sales representatives has changed in recent years. Today, only 41 percent of recently surveyed private physicians identified sales representatives as one of their top three sources of information versus 56 percent three years ago. Instead, private physicians today rely on manufacturer websites, academic journals, and conferences as information sources, displacing the sales representative.

Moreover, use of sales representatives varies by specialty, organization and region. For example, over two-thirds of surgeons in Alabama and Mississippi rate sales representatives as one of their top sources of information, compared with approximately 30 percent of surgeons in Massachusetts. Because of shifting landscapes, sales representatives selling to private practices must also adapt to serve a more sophisticated customer that varies by segment, medical specialty and market. Manufacturers must then develop more flexible go-to-market models that reflect these regional and practice differences. In general, the more complicated or specialized the product or industry, the more likely physicians may be to use direct sales representatives, while distributors or GPOs may be more likely to be used for consumables.

**CONDUCTING DIRECT SALES TO PRIVATE PHYSICIANS**

- **Establish a sales territory**—sales representatives can spend up to 90% of time traveling onsite; determine an area of sales (i.e. South Florida, Chicago, Midwest)
- **Determine appropriate personnel to contact**—for example, physicians, nursing staff or office managers
- **Make new calls on a daily basis to gain new customers**—follow up and set up visits
- **Research**—familiarize yourself with procurement systems, physician preferences and particular focuses
- **Explain both medical and fiscal benefits of the product**—be able to train on new products
- **Prepare and deliver quotations**—continue working to support physicians as needed
Business Sweden's purpose is to help every Swedish company to reach its full international potential and help companies abroad to reach their potential by investing in Sweden. The purpose is operationalised through 450 staff deployed at 14 offices in Sweden and at 55 offices in 49 key markets abroad. Feel free to contact us for any questions regarding Swedish international trade or foreign investments in Sweden.