

Monetizing Innovation in EU MedTech: Capturing Value in a New Era

European MedTech Forum – Paris

SIMON • KUCHER & PARTNERS

Strategy & Marketing Consultants

EU MedTech Forum 2019

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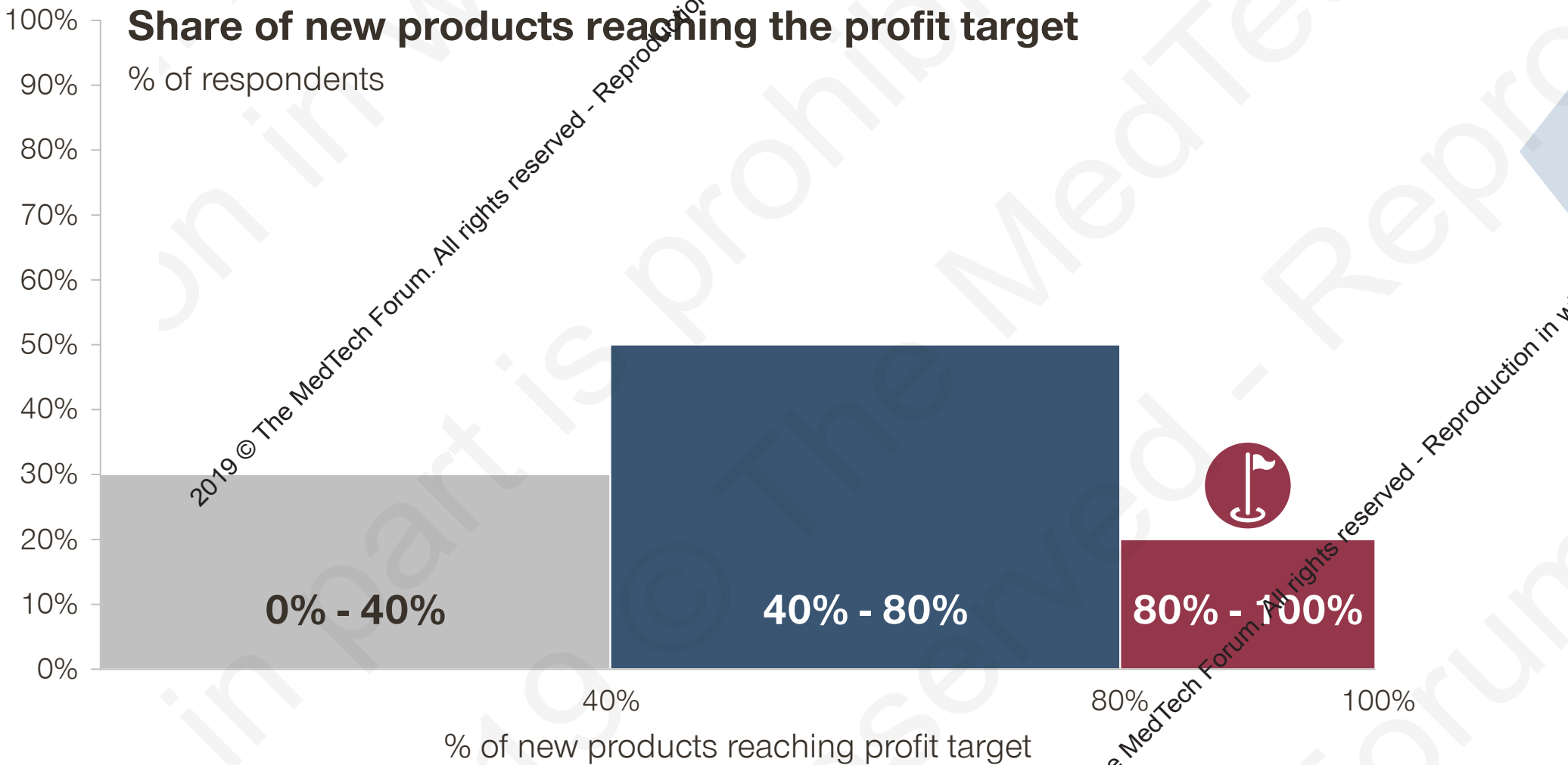
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Boston Scientific

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20%

Only 20% of MedTech companies are able to monetize innovations according to expectations



The majority of MedTech companies only reaches 40% to 80% of expected profit contribution

A quick introduction

SIMON ♦ KUCHER & PARTNERS

Strategy & Marketing Consultants

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Senior Partner
Global Head Life Sciences



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**Boston
Scientific**

Advancing science for life™

Maria Ruiz-Escribano

EU Commercial Excellence
Senior Manager
Rhythm Management
Boston Scientific



What is Simon-Kucher about?

SIMON ♦ KUCHER & PARTNERS
Strategy & Marketing Consultants

Our mission is to boost our clients' revenue and profits via optimizing
Strategy, Marketing, Pricing and Sales!

Simon-Kucher stands for TopLine Power®

Since 1985 we focus on the key growth levers which drive
TopLine Power!

**Because of this unrelenting focus, we have more experience
in monetization than any other strategy consulting firm.**

We are a leading global consultancy with more than 30 years of experience working for the world's leading healthcare technology companies

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1

18

38

220

MedTech suppliers in the EU are faced with an increasingly **challenging** market environment

The market space is in **flux** and offers **opportunities** to rethink commercial approaches

MedTech suppliers in the EU are faced with an increasingly **challenging** market environment

Cost pressure & consolidation



Competitive dynamics



Deteriorating innovation climate



Point of departure

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Economic value consideration



Partnerships and outsourcing



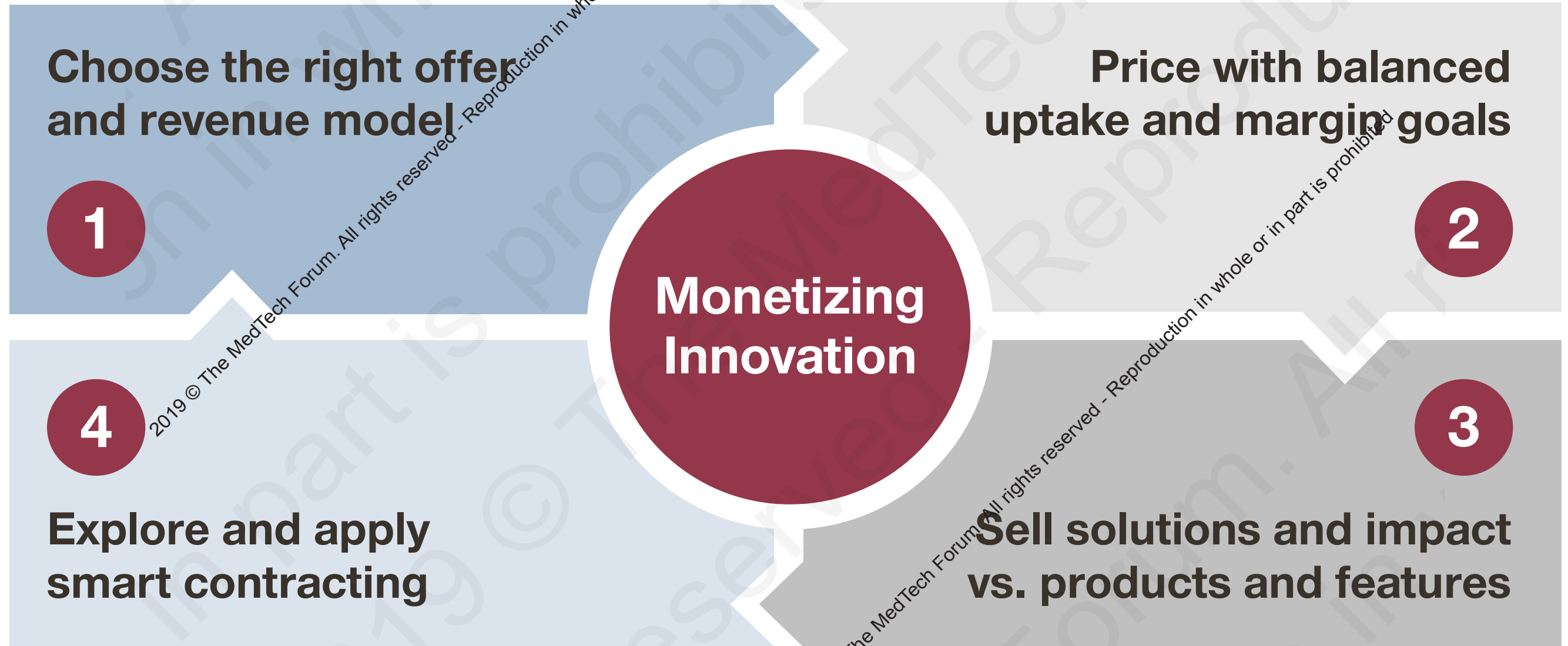
New contracting & access pathways



The market space is in **flux** and offers
opportunities to rethink commercial approaches

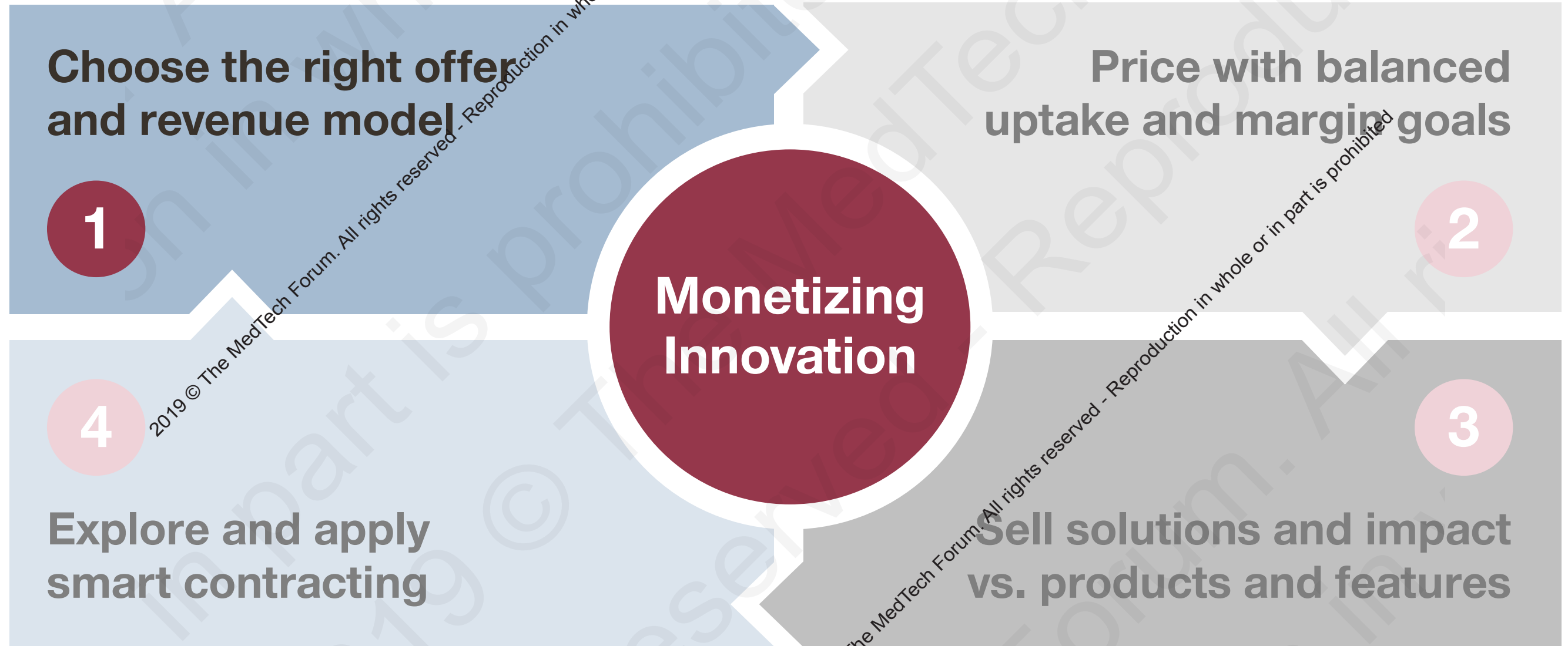
In this context, MedTech companies need to consider 4 things to successfully monetize innovation

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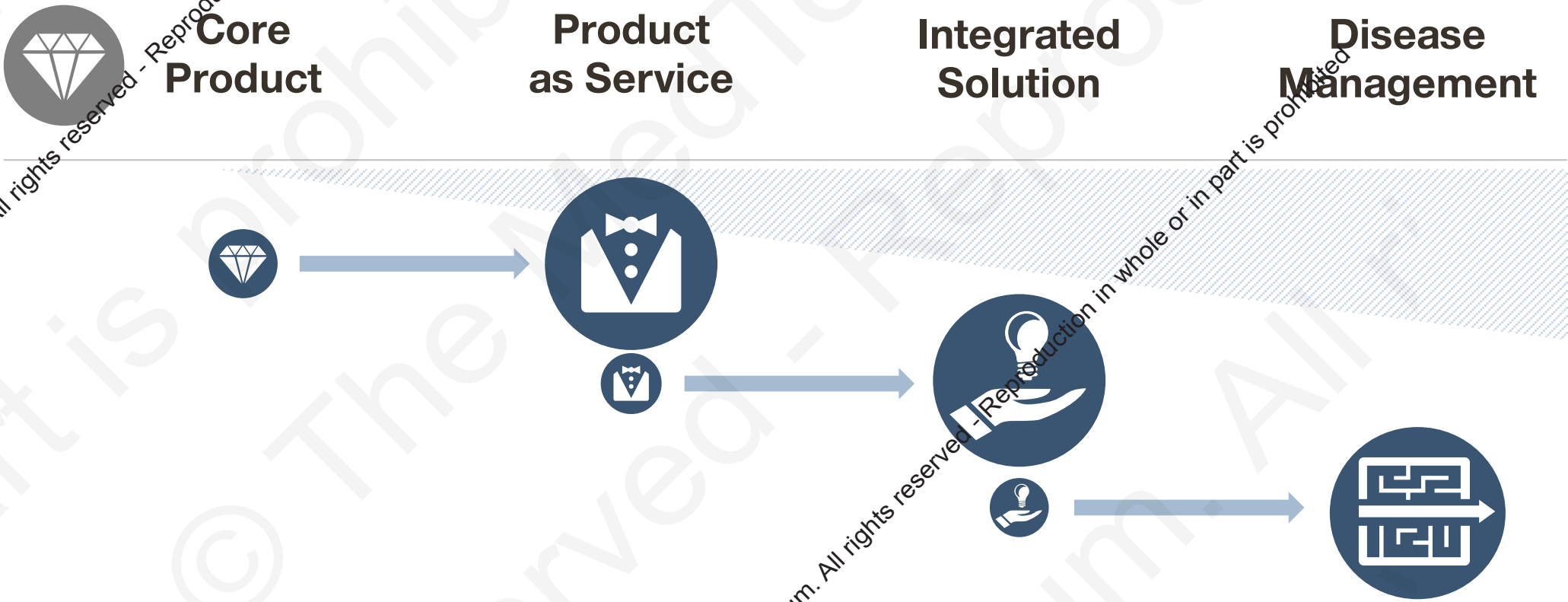


MedTech companies need to consider 4 things to successfully monetize innovation

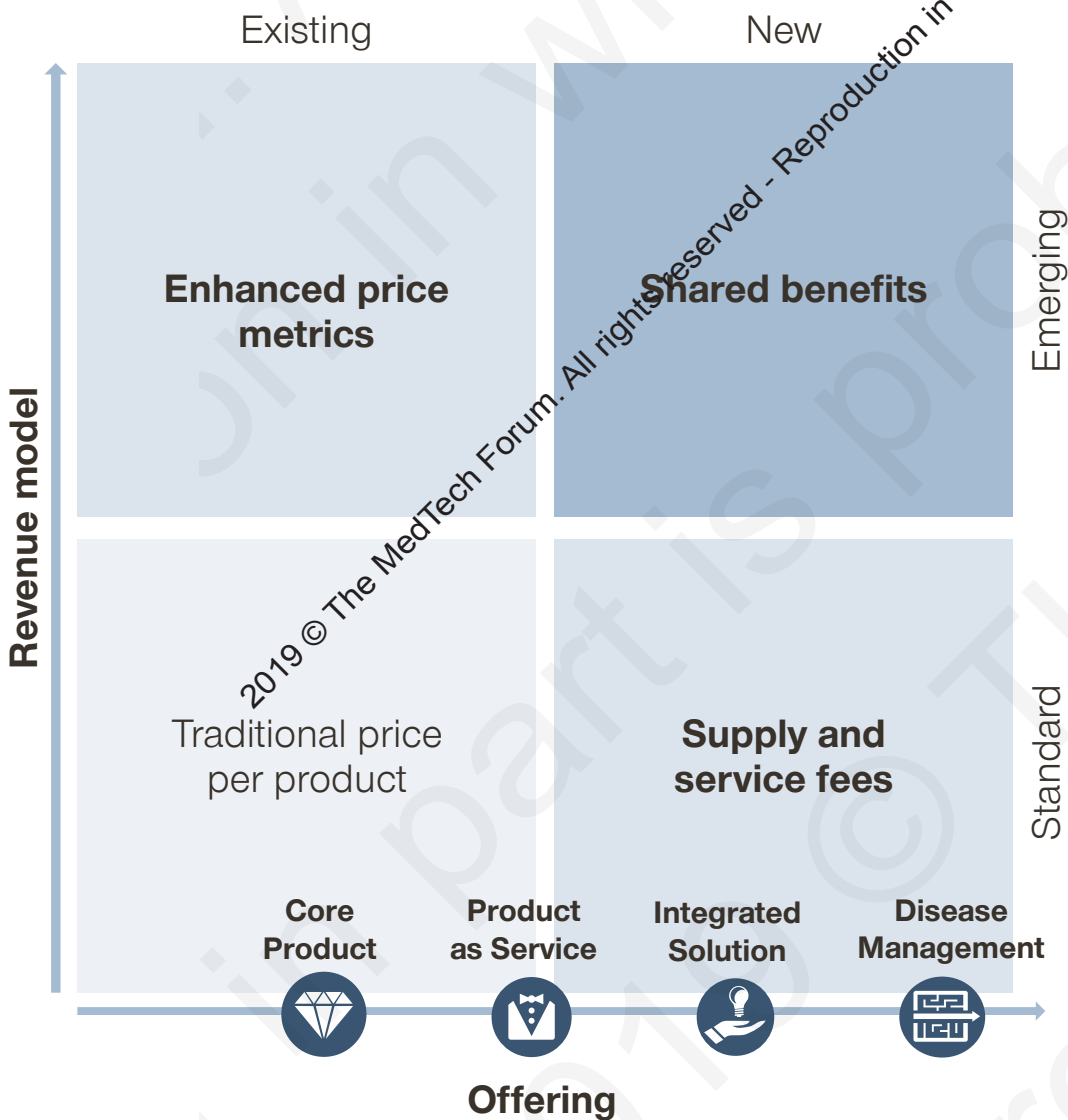
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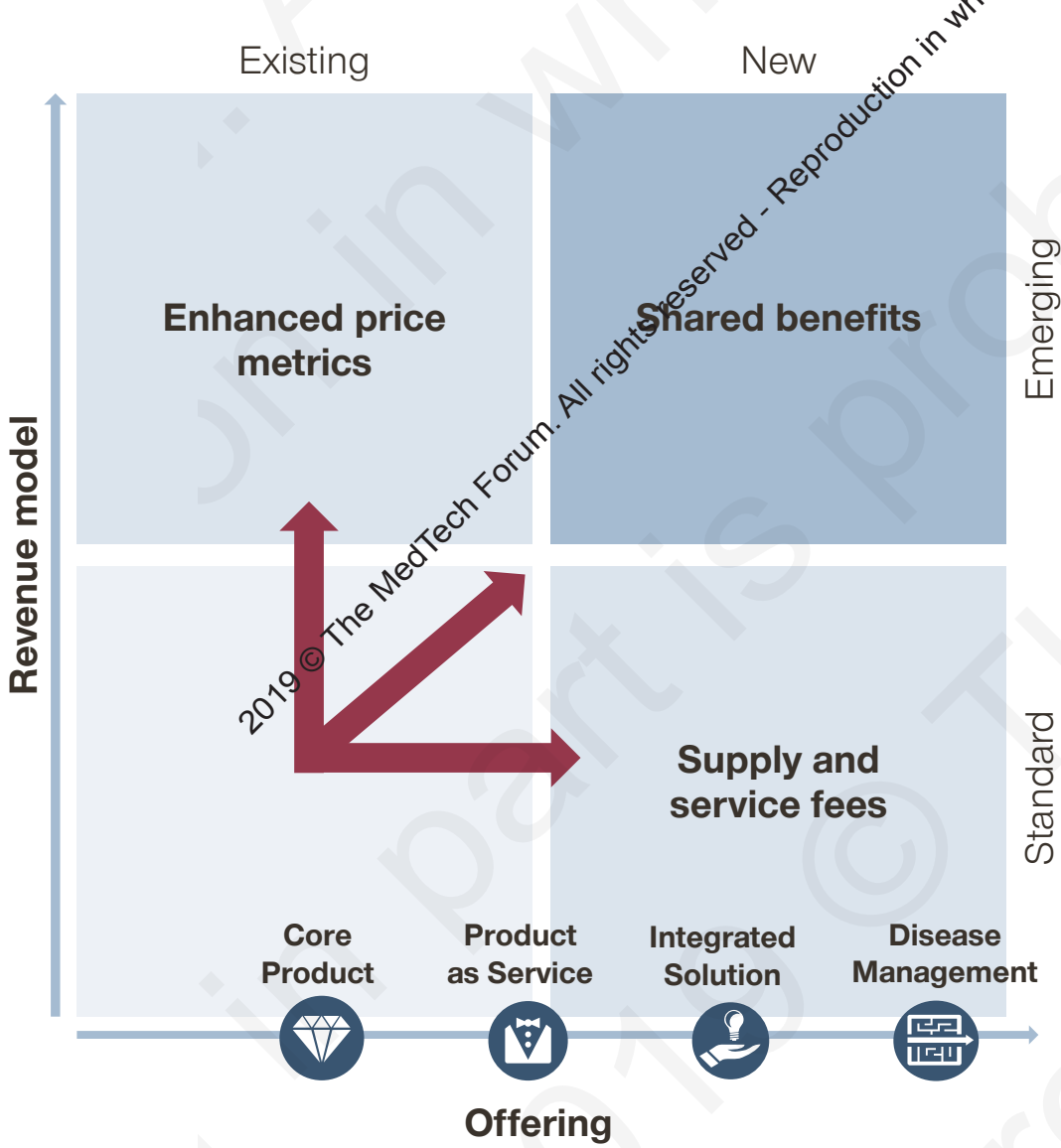
MedTech innovation can be packaged in various ways



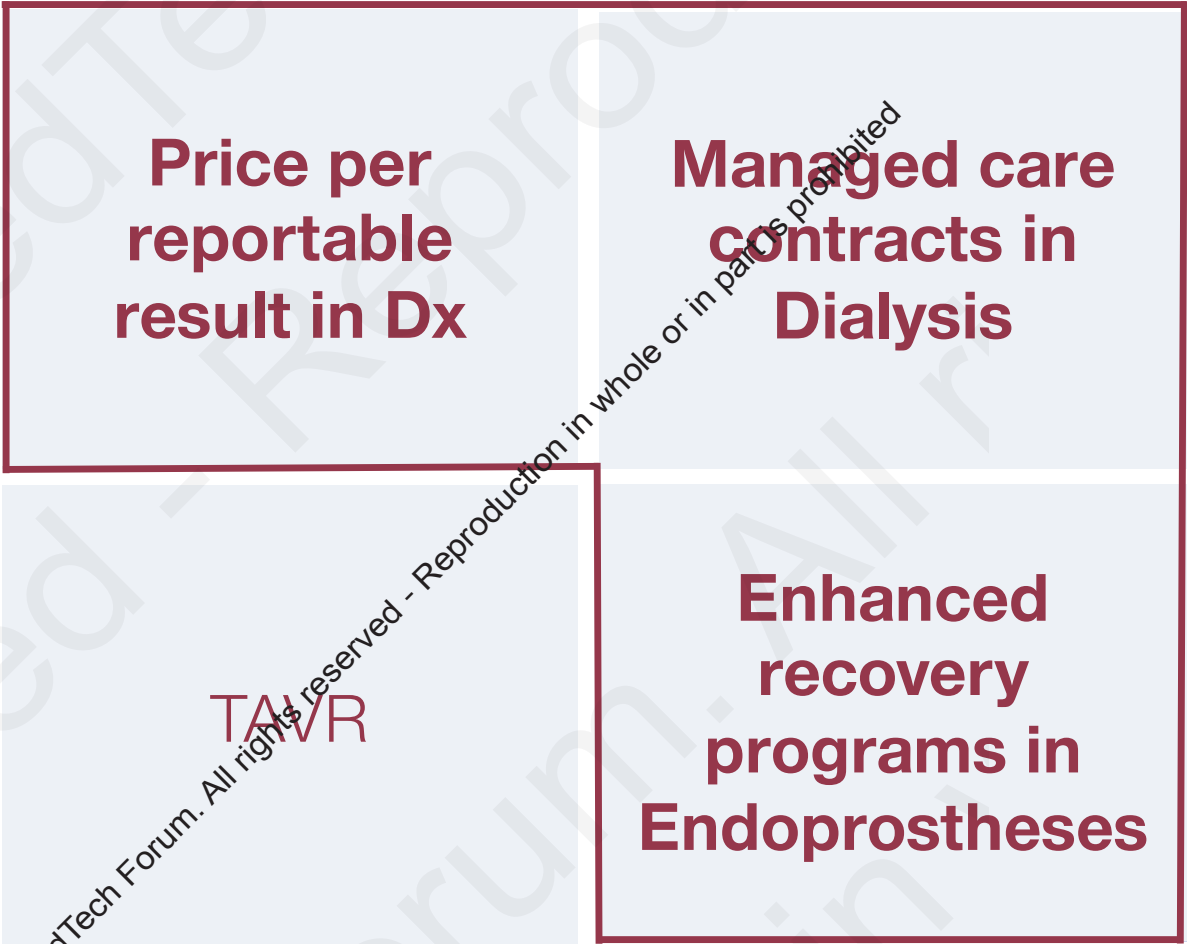
Linking offers to the right revenue model



Linking offers to the right revenue model



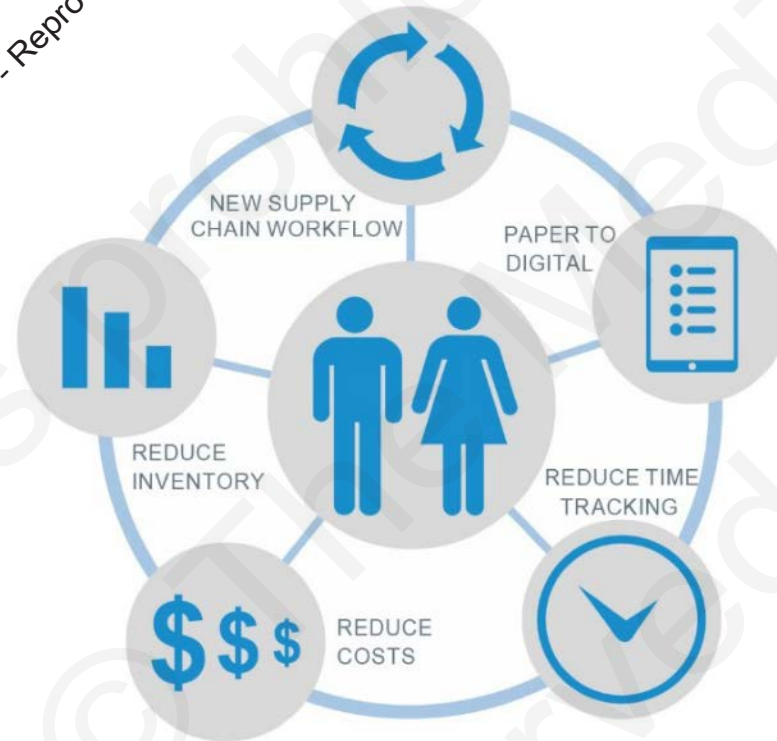
Focus of today



Example: offer and revenue model enhancement at BSC

Offer enhancement

HeartLogic
Heart Failure Diagnostic



Proactive care

Inventory management

Revenue model enhancement

For Clinician

- ✓ Clinical freedom, taking cost out of procedure room

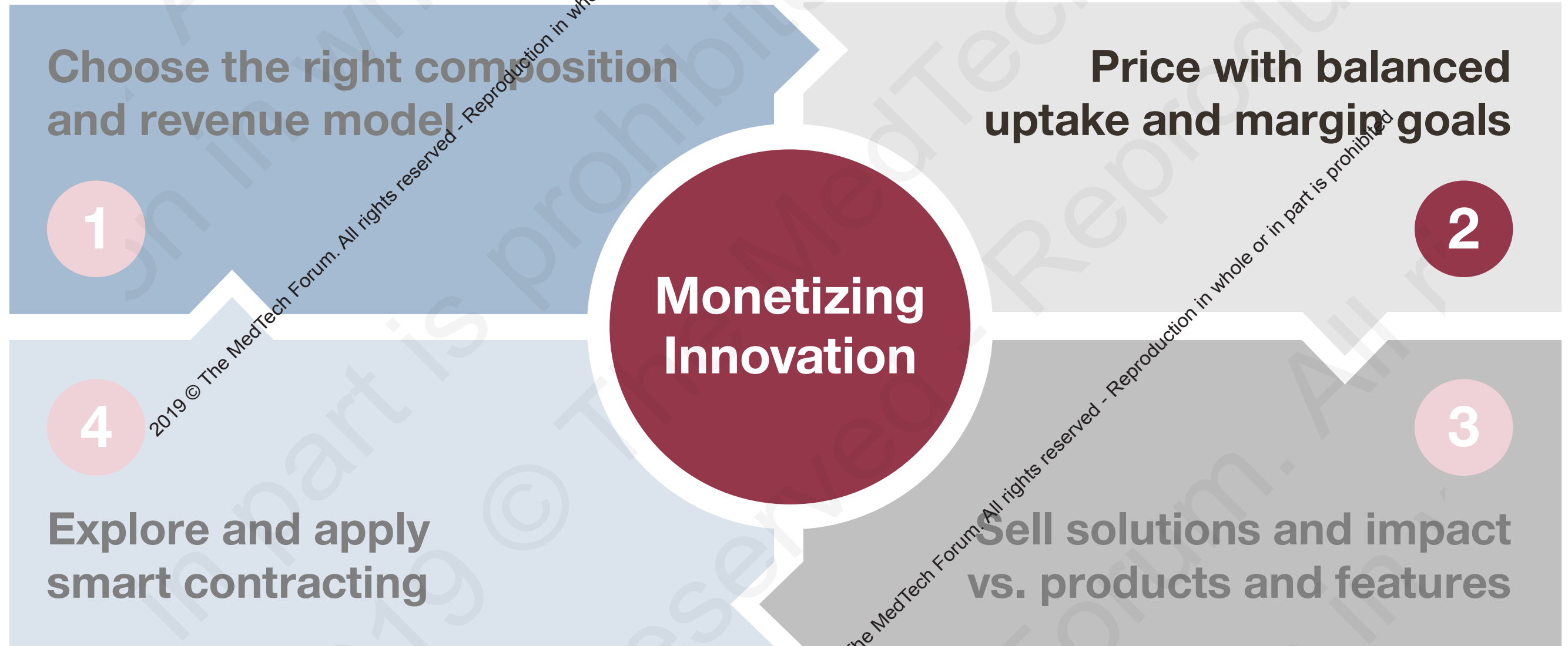
For Purchaser

- ✓ Predictable per procedure spend
- ✓ Simplified budget control
- ✓ Risk shared
- ✓ Full transparency of product use
- ✓ Potential VAT advantage

Price per procedure

MedTech companies need to consider 4 things to successfully monetize innovation

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Key requirements for successful innovation pricing

An optimal price is ...



Aligned with the strategy

Ensure pricing supports strategic goals (uptake vs. profit contribution)



Adapted to customer economics

Ensure budget coverage and factor in potential efficiency gains



Externally validated

Measure willingness- and ability-to-pay for different offer configurations

in order to ...

- Achieve short- and long-term business goals
- Reach the relevant customer target segments

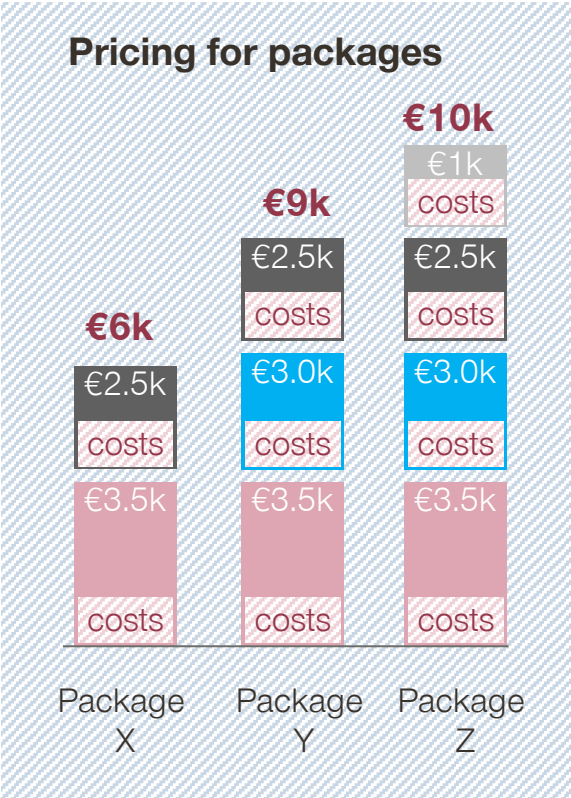
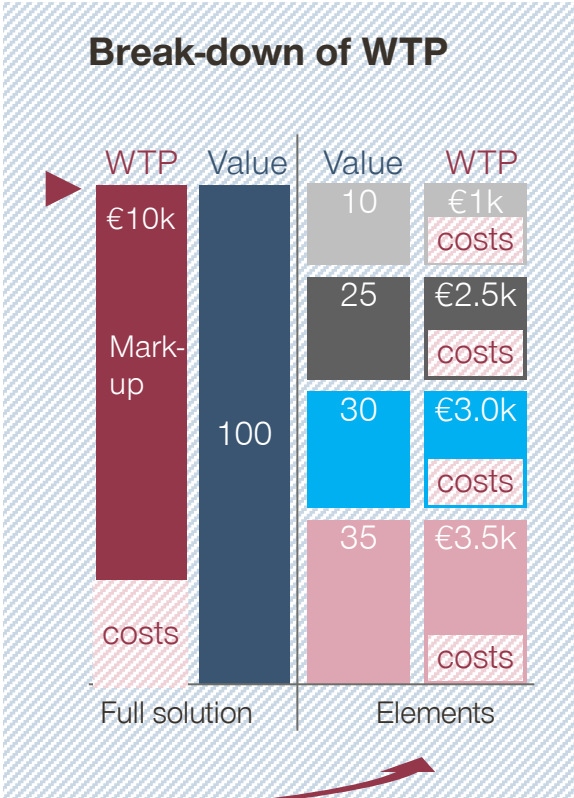
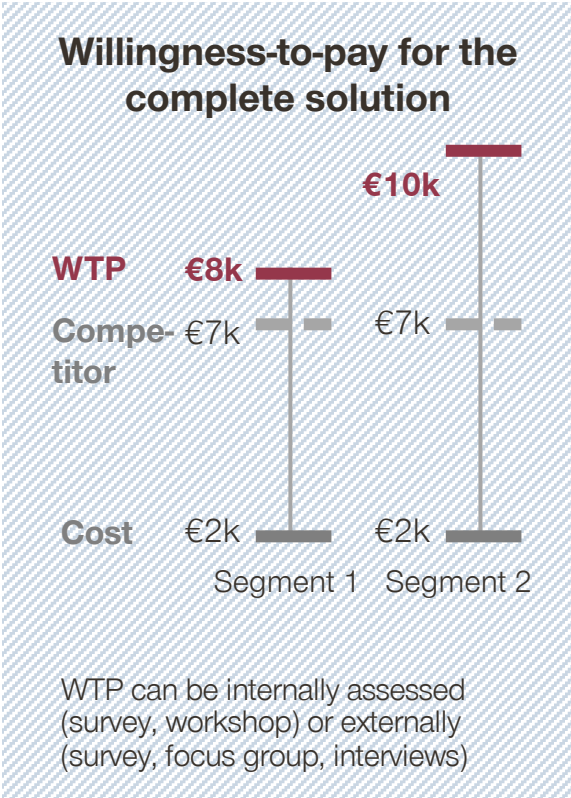
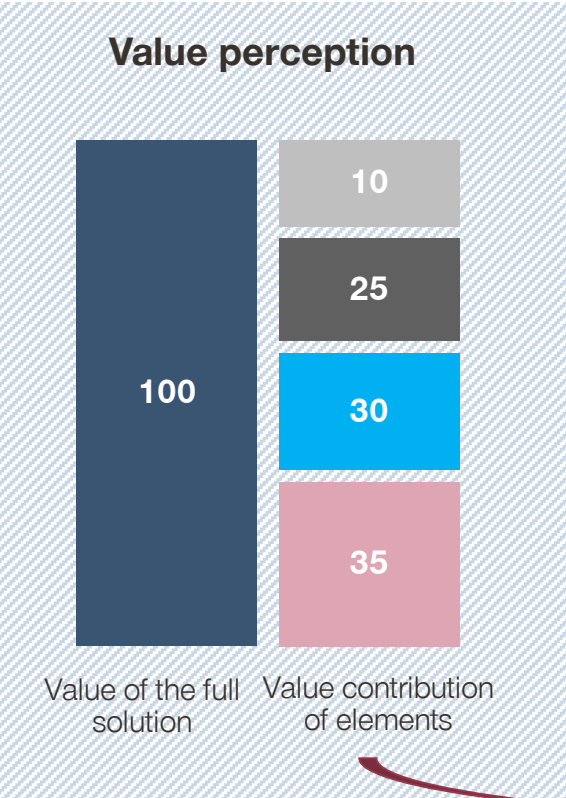
- Ensure funding and affordability
- Create win-win for customer and supplier

- Do a robust reality check
- Account for country and segment differences

Example: price optimization for a solution offering



Via internal/ external research



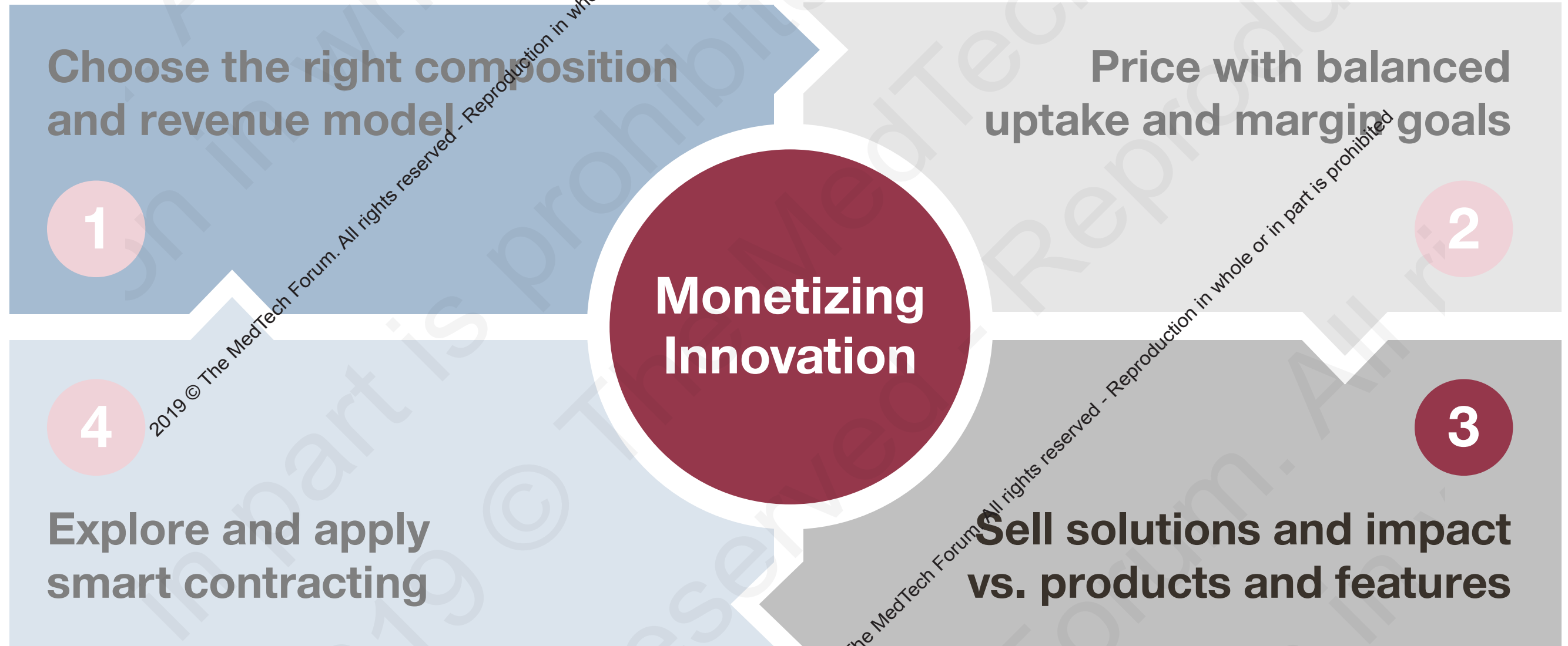
Example: pricing with balanced margin and uptake goals at BSC

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Innovation value selling 2.0 has to focus on impact: key enhancements are required along the sales process

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**Customer segmentation
and targeting**



**Product value
communication**



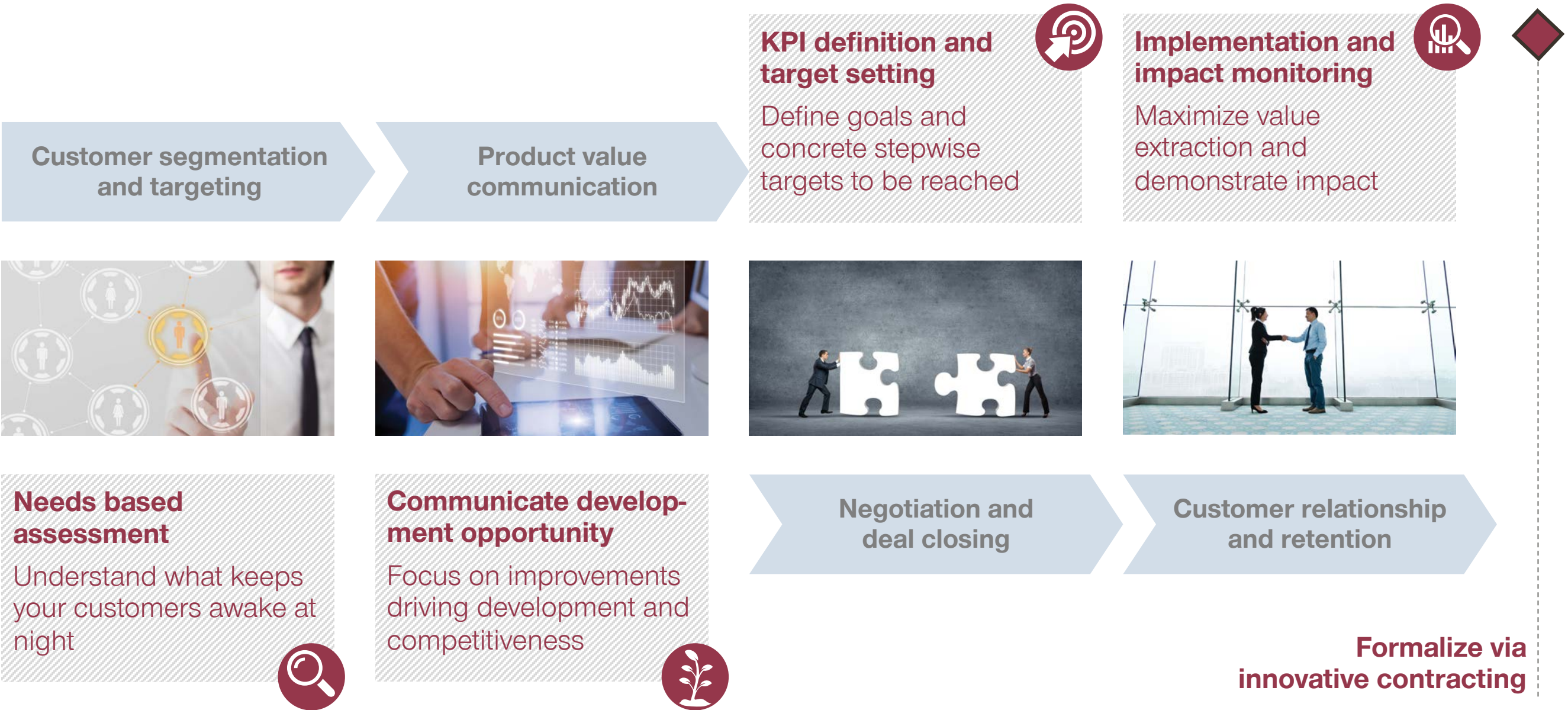
**Negotiation and
deal closing**



**Customer relationship
and retention**



Innovation value selling 2.0 has to focus on impact: key enhancements are required along the sales process



BSC example: Customer engagement is evolving to address the needs of the Healthcare providers

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Improve
Financial
Health



Enhance
Patient
Experience



Build
Staff
Engagement



Strengthen
Quality
Outcomes



Increase
Operational
Efficiencies

To create sustainable value by working together in new ways to improve the quality and delivery of care while lowering costs

ADVANTICS™
Innovative Healthcare Solutions

BSC example: Customer engagement is evolving to address the needs of the Healthcare providers

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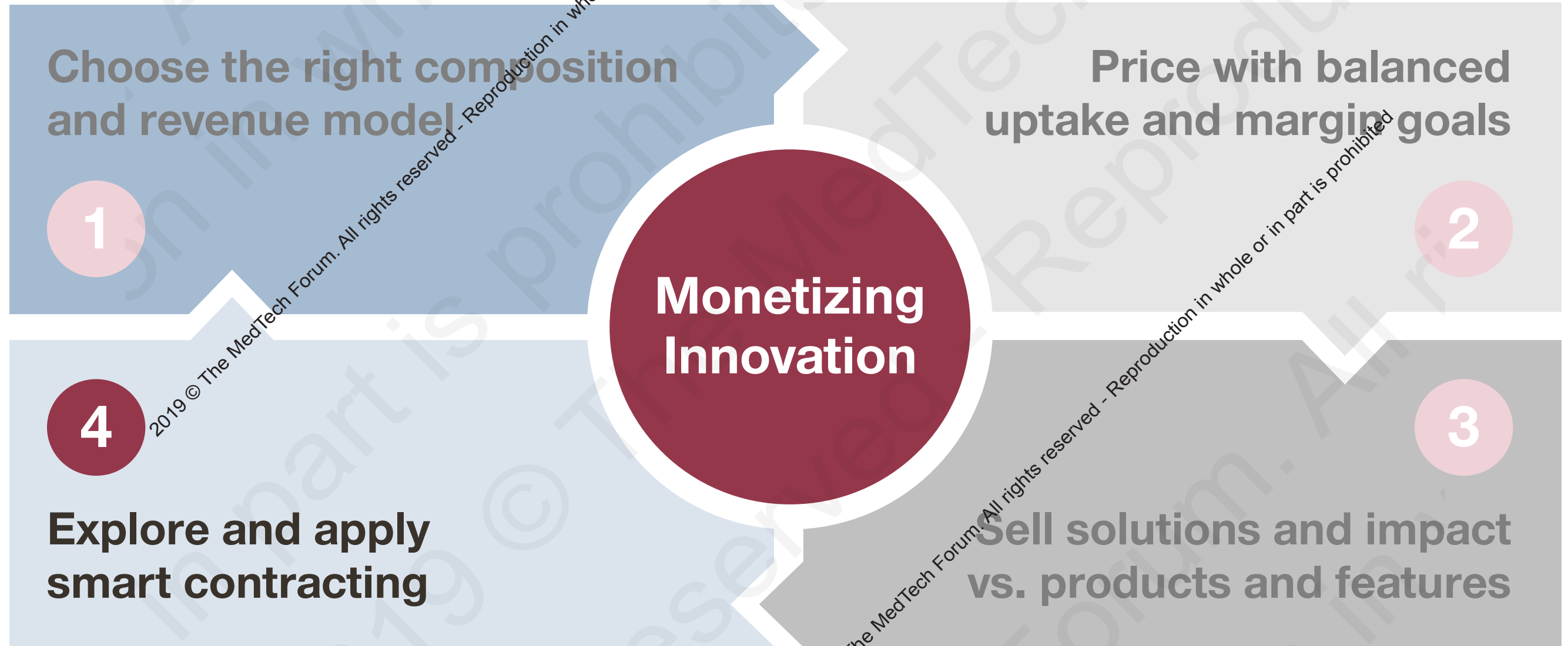


Deployment through dedicated organization within BSC fueling long term customer relationship at key accounts and driving true impact

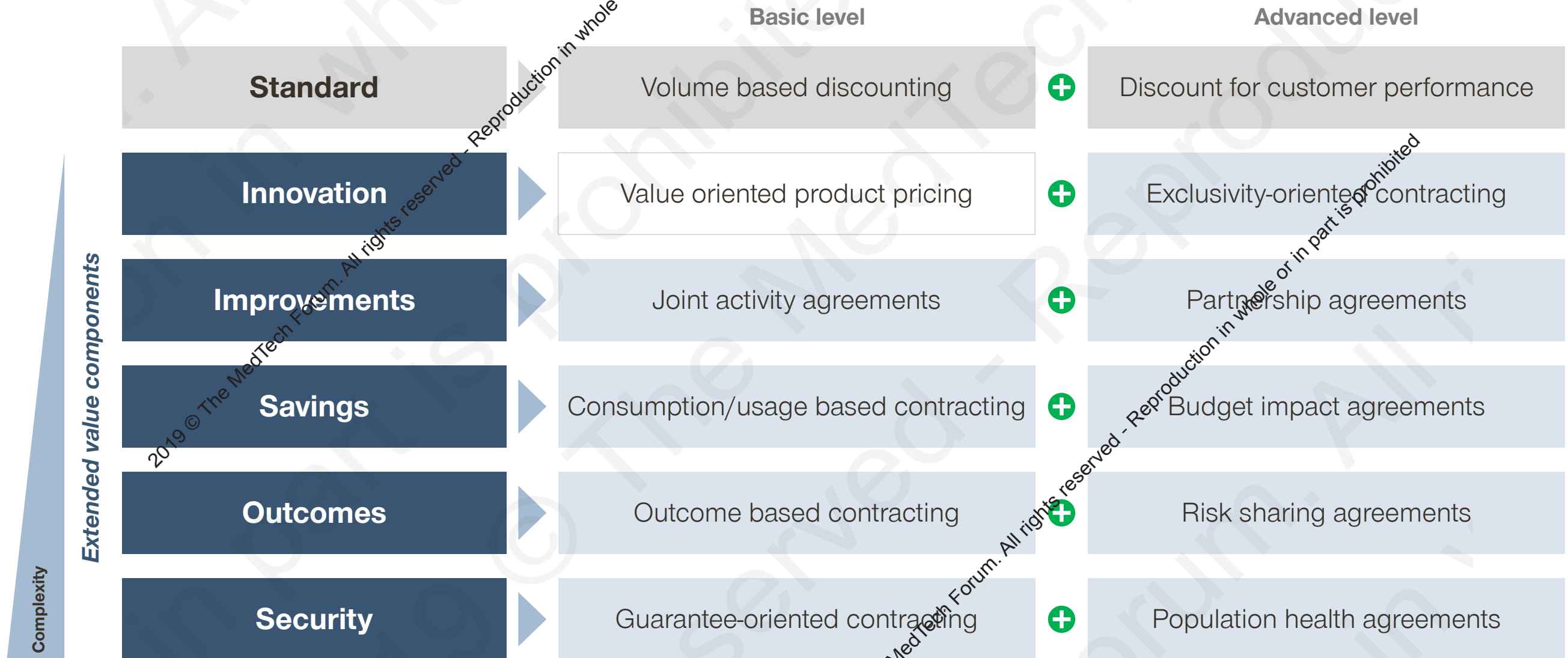
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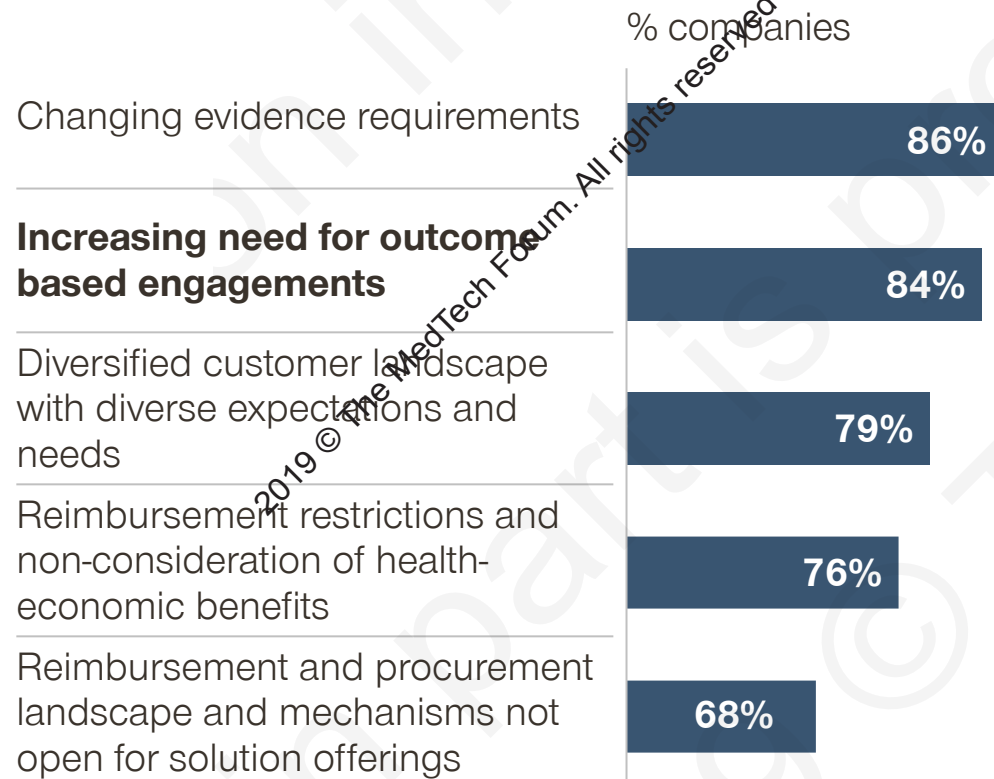


“Smart” contracting ties net prices to value delivered

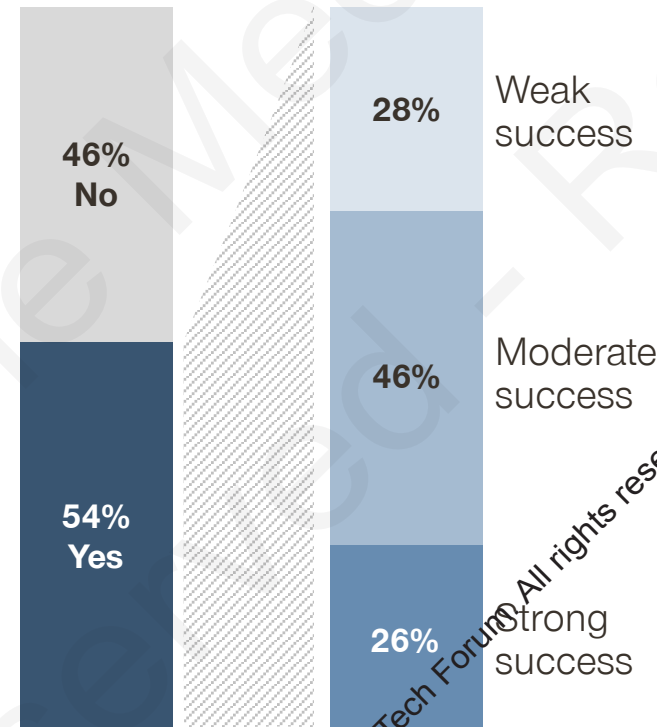


Innovative contacting in MedTech is still in its infancy

? **What are the key challenges related to selling complex offerings?**



? **Do you perceive focus on outcome based contracting as an opportunity?**



While MedTech suppliers see outcome based agreements in general as an opportunity, implementation success is so far overall moderate to weak

Key success factors for innovative contracting

Risk appetite

- Allow outcome risks
- Accept variability in revenue flows (short term vs. long term)
- Drive disruptive change
- Compromise early uptake speed
- ...

Organizational capabilities

- Generate and master required data
- Provide evidence and credentials
- Measure and track required outcomes
- Advance sales and deployment skills

**Innovative
contracting**

Key take-aways

- Many MedTech innovations do not yield the expected business impact
- Market evolution requires new monetization strategies to drive innovation success
- Monetization needs to be a key consideration already during R&D
- Market and customer stakeholders are receptive to new forms of collaboration
- Many pilots exist – driving „hard“ impact and scaling are the tricky parts
- Paradigms are changing – time to adapt what and how to sell innovation



Get started

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***"If you want something new,
you have to stop doing
something old."***

Peter F. Drucker



Thank You

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