

SEVEN CRITICAL SUCCESS FACTORS

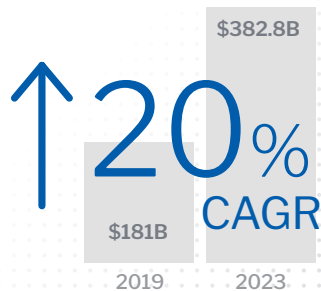
Establishing a Medical Device e-Commerce and Customer Engagement Strategy

More than two decades after its inception, e-commerce is still expanding rapidly, and its growth has increased exponentially during the COVID-19 pandemic.

The global healthcare e-commerce market is expected to increase from \$181 billion in 2019 to \$382.8 billion at a CAGR of 20.6% through 2023.¹

The pandemic has created enormous financial pressures on U.S. hospitals and health systems. Hospitals' average operating margin sank nearly 20%, on average, from January through October 2020, mainly because of postponed elective surgeries and fewer non-COVID admissions. As a result, many hospitals have also postponed capital purchases, and their departments are being asked to do more with less. This has created a major opportunity for medical device suppliers that have a robust e-commerce strategy to develop and maintain connections to their client base. To capture these sales, a comprehensive approach, including third-party digital marketplaces, is imperative for medical device manufacturers to succeed.

This paper will help map out the complexities of creating and maintaining an e-commerce site—challenges that can be overcome with the right e-commerce strategy and working with the right system integration and technology partner.

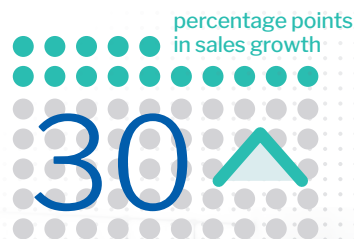


According to a Gartner estimate:

"By 2022, organizations using multiple go-to-market approaches for digital commerce will outperform noncommerce organizations by 30 percentage points in sales growth."³

Many clinical engineers use search engines to locate the part they need to find the best price and availability. In most cases, the top search result is a digital marketplace that represents thousands of medical device suppliers. To compete, device manufacturers that transact solely through their own e-commerce site may be missing some of the market. The ideal situation is to have your own branded site and also participate in the online shopping "mall."

Parts and service suppliers that aim to expand their business need to meet their customers where they are – online and in digital marketplaces. Medical Device manufacturers need to map out the complexities of creating and maintaining an e-commerce site, but these challenges can be overcome with the right e-commerce strategy and working with the right system integration and technology partner.



Critical Success Factors

THERE ARE SEVEN KEY FACTORS THAT DEFINE SUCCESSFUL E-COMMERCE AND DIGITAL STRATEGIES

In this paper, we will explain the best practices in each of these areas.



1

Understand your customers' workflows



2

Make the shopping experience as consumer-like and frictionless as possible



3

Deliver an exceptional customer experience end-to-end



4

Integrate with the customer experience



5

Streamline and automate operations



6

Measure performance for strategic growth insights



7

Participate in a digital marketplace

1

Understand Your Customers' Unique Workflows

To design an e-commerce site that hospitals will leverage, it is important to understand the buyers and the challenges of clinical/biomedical engineering.

It has been estimated that 30%–40% of hospital purchasing that goes through clinical engineering consists of low-volume, long-tail products that are not covered under group purchasing contracts.

Hospital supply chain managers exert little oversight on these purchases, as the average price for various parts and accessories are often priced below \$500. Clinical engineers decide when to order a replacement part and select the vendor to order it from – either the medical device manufacturer or a secondary market supplier. The CE fills out a purchase order, and the part is ordered from the vendor that engineer selects. As a result, there is a great variance in the chosen

vendors and the prices they charge. According to the JOURNAL OF CLINICAL ENGINEERING, the average health system uses about 200 different vendors for device parts, including OEMs and secondary suppliers. Around 90% of health systems pay multiple prices for the same part.⁴ So many of the parts they order are not the lowest-cost, highest-quality items in their category.

How should these factors help shape your e-commerce strategy?

First, realize that CEs want to buy high-quality replacement parts, but don't have a great deal of time to spend on the task. The prime goal of your e-commerce strategy is to make it easy to find what they're looking for and order it. Second, an online marketplace can support the visibility of your products by giving CEs the data they need to compare their quality and availability.

2

Take the Friction Out of the Shopping Experience

We all buy products on consumer e-commerce websites, and B2B customers increasingly expect the same user-friendly experience. Successful medical device suppliers make shopping for device parts and services as simple and frictionless as possible for hospital CEs and purchasing managers.

The first step in creating this kind of experience is to provide good content. Ensure your digital catalog is complete, easy to understand, accompanied by photos and fitment data, with accurate prices clearly displayed. Because most of the parts ordered are

needed urgently, other important pieces of information include inventory availability, the lead time until the product is available, and the estimated ship date.

Customers also want value-added services, such as training and manuals, in the same online experience. In addition, the e-commerce website should be viewed as a conduit for post-sale marketing. In browsing the site for the part they need, CEs may also see other selections in your catalog that might be useful to their hospital or that they'd been thinking about buying.

3

Deliver an Exceptional Customer Experience

Frictionless ordering is only part of a high performing customer experience you want to create. The messaging on your site should drive home the theme of quality and value. Shipping speed is also of utmost importance, particularly with mission-critical medical device parts.

There are several key ingredients in creating an exceptional consumer experience from end to end. In brief, it's about satisfying the customer in everything from accurate price quotes and on-time shipments to a simple, intuitive returns process. It's about plugging into the workflow of each hospital so that it's easy for the purchasing manager to track

orders, payments and deliveries. And it's about automating the whole process so that it's not only efficient, but consistently excellent.

Communication is pivotal in delivering an excellent experience. It also provides additional touchpoints for your brand with the customer, so use the opportunities to confirm the order, provide updates on shipping status and provide tracking information in a prompt, branded way. Prompt and accurate invoicing and an easy return process will leave a positive impression on the customer.



4

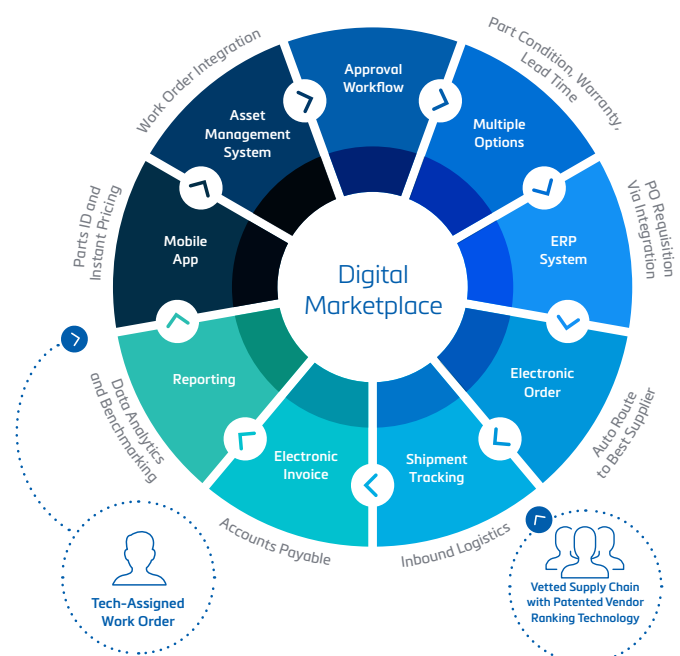
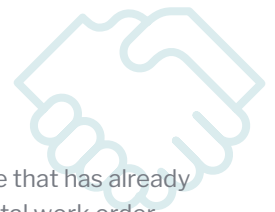
Integrate with Customer Workflows

Customers need to optimize efficiency and satisfy the unique customer needs for HTM/CE. A world-class e-commerce site seamlessly integrates with the CMMS material management systems and ERP billing systems of hospitals and health systems. The customer can go into their work order system (CMMS) and launch the ordering system on the vendor's branded website or marketplace site. When the order has been placed, it automatically comes back to their system and they can process the purchase as part of their regular ERP workflow.

Integration with the customer's workflow is one of the most important things a supplier can do to reduce friction in parts ordering. However, relatively few medical device suppliers do this on their own, because it's challenging to establish and maintain integrations with systems in hundreds of different hospitals.

Most healthcare organizations use software programmed to meet one of several EDI standards, but it's normal for them to customize the system to their own needs. As a result, custom interfaces with outside parties such as vendors are required. Even if a supplier were willing to pay for the cost for an interface with a particularly large IDN or health system, it would have to maintain and test the interface every time the CMMS or ERP software was updated.

One solution is to join a marketplace that has already developed interfaces to most hospital work order and purchasing systems. By allowing the marketplace to be the intermediary for transactions, a supplier can derive all the benefits from being integrated into hospital workflows without bearing the costs. The marketplace can also manage any return processing and follow-ups.



5

Streamline and Automate Operations



Behind the user experience of an e-commerce site, you'll see scores of operations that make the site run smoothly and interact seamlessly with customers. These operations range from getting credit approvals, processing credit cards, and processing other kinds of payments to obtaining information on product availability, making shipping arrangements and managing returns. All of these elements are part of the e-commerce transactions that everyone takes for granted. But a supplier can't take any of them for granted, because a failure in any of these areas could hamper a sales transaction and/or alienate a customer.

Some of the details that need to be addressed in an automated manner include:

- Informing customers when a part needs to be back ordered and how long it will take
- Updating prices and shipping fees regularly to be the most accurate
- Minimizing credit turnaround time on returns
- Monitoring FDA and manufacturer recalls
- Ensuring that orders and invoices are accurate
- Proactively stocking parts that are experiencing supply chain issues of availability

It's not as simple as
"bolting on" an app.

To build a robust e-commerce site, a medical device supplier needs the expertise of an experienced site developer that can address all of this and more. It's not as simple as "bolting on" an app. Once the site is built, it must be tested, and not only in a static environment. Those are important factors that you should consider, both in building a site and in selecting a developer partner.

6

Measuring Performance for Strategic Growth Insights



Let's say your e-commerce site is up and running, and it seems to be working well from the viewpoint of making it easy for customers to shop and buy. Orders are processed and parts are delivered quickly, efficiently and reliably. But you're still missing something: intelligence on your performance in relation to competitors.

For example, it's essential to have data on metrics such as quality return rate and reasons, process return rate, lead times and percentage of on-time shipments. This data should not only measure your historical performance but should also be

benchmarked against your competition so you can optimize your business and customer retention.

Besides this competitive intelligence, it's important to get visibility into who your customers are. All of this information could help you develop your growth strategy and improve your site's customer experience and better target your advertising and marketing. But most of this data cannot be generated by a supplier that only measures the activity on its own e-commerce site. It requires a marketplace populated by thousands of suppliers and dedicated to data analysis to provide these kinds of insights.

Participate in a Digital Marketplace

Besides having your own e-commerce site, your company should join an online marketplace dedicated to device parts and services in order to get full exposure to potential buyers. As noted earlier, clinical engineers who search online for the part they need will likely see the marketplace at the top of their search results. They may never visit your site, especially if your firm is one of several secondary suppliers of that part.

If you have your own site and also participate in a marketplace, you get the best of both worlds.

Second, you should be hands-on in growing your business, not in managing the logistics of it. A marketplace can take care of those logistics in a variety of ways. The marketplace platform can handle the nuts and bolts of purchasing, invoicing, payment and returns for your outlet in its “mall.” All these operations are covered for all products and services sold through the marketplace.

Third, single-source aggregation offers a multitude of benefits. As we’ve discussed, a marketplace can connect your site to the CMMS and ERP systems of

hundreds of hospitals and health systems. Having a single point for all customers to return products, similarly, makes that process easier for both customers and suppliers.

Fourth, a marketplace can provide you with the analytics you need to make solid strategic growth decisions. As described above, you can use that capability to measure your performance, gain visibility into your competitors’ metrics, and better target your marketing efforts.

Fifth, a marketplace could partner with your company to build your branded e-commerce site on its platform. Such a collaborative partner can help you create a world-class user experience. Its developers can ensure the reliability of your site’s background components and test them to make sure they work properly. It can integrate the site’s parts, equipment and service functions and connect your site with customers’ work order and purchasing systems.



Conclusion

Suppliers of medical device parts and services are in a good position to expand their business as more and more hospitals and health systems shop online marketplaces. In addition, by leveraging digital marketplaces, they can benefit from the expertise and expanded reach across the market.

Whether your company joins a marketplace, confines its online presence to a branded site or both, you must have a long-term strategy to be successful in e-commerce. This includes creating a consumer-like, frictionless shopping experience, satisfying customers from end to end of the process, integrating with customer workflows, streamlining and automating operations, and measuring performance for strategic growth insights.

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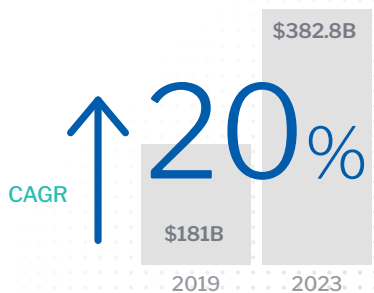
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Digital Marketplace Workflow

