Episode 4 Transcript

**The Future of the Medical Device Industry in the Covid-19 Era**

NOTE: *Transcripts are difficult because a podcast is sometimes a stream of consciousness that doesn’t adapt well to normal rules of grammar. I have cleaned this up to some degree. However, some sentences and paragraphs will defy good grammar.*

Hello and welcome to the medical device. Success podcast I am Ted Newill your host. The goal of this podcast is to contribute to your success. And in turn help you contribute to the success of your Med Tech Company. Thank you so much for spending some time with us today. This is a crazy time to start a podcast with the corona virus dominating the news, however there are important things we medical device professionals can be doing in this altered landscape of strategies and tactics for marketing sales and operations so working in the era of the corona virus, hopefully a short era, will be the subject of this first season of episodes. Let's get started.

The subject of this episode is the future of the medical device industry during and after the Covid-19 outbreak. And I should be careful to note that I use the words “after the Covid-19 outbreak” and the reason that's important is because Covid-19 may be with us for some time. Let me start out by saying that. I am biased. I'm a marketing and sales guy and marketing and sales personalities are typically optimistic. We can leap tall buildings and fly faster than a speeding bullet. We are built to overcome challenges. However, this is a dangerous bias when looking into the Covid-19 future. To counter this bias, I beat myself up with a lot of reading, research and conversations with medical device executives.

What are we going to cover in this podcast? First, we are going to try to define trends or a couple of trends and to do this we're going to look quickly at a lot of data points. Then we try to connect the dots of all these data points into trends that are going to affect the medical device business over the next six to twelve months. At that point, I will give you my prediction on the effect Covid-19 will have on the medical device industry overall and by market segment. Finally, in the last component of the episode we will explore in particular the impact these trends will have on medical device marketing and sales over the next six to twelve months. Which function is more important? And how will they change? What impact will this have on strategies and tactics? And where you invest your resources.

Upfront, I apologize to international listeners because this is a US centric view. However, some of it may apply to your countries and many of you are doing business in the United States so it can help you understand the landscape here.

Before we get started, let's take a quick run through of the sources of research and information I used to prepare for this podcast. There were off the record interviews with medical device executives ranging from chairman of the board, CEO, VP of business development for a billion-dollar medtech firm to VP's of sales. There was John Pinto and Corinne Wohl, highly regarded healthcare management and practice management consultants serving numerous physician practices. There were articles in medical publications like JAMA, the Journal of the American Medical Association. There were the Politico interview with former FDA commissioners McClellan and Gottlieb, the United States CDC, the NIH which stands for the National Institutes of Health, the Economist magazine, Medical Device online, Reuters, Real Health Data, Numerator, Worldometer, Nielsen, Chadwick Martin &Bailey, which is a healthcare market research firm a division of TI. Finally, there were the futurists. I looked into Daniel Burris and Amy Webb who is the author of the bestselling “The Signals Are Talking” a terrific book. And, I'll have a link to some of these things on the show notes. Also, my friend Devon Powers, who is a professor at Temple University and author of “On Trend, The Business of Forecasting The Future”. Finally, I would be remiss if I did not give some credit to Dr Katherine Uranick, my wife, who is a retired emergency room physician and also worked for about ten years for the New York City Department of Health where she was involved in numerous crises and was an expert in disaster preparedness. She has unique connections to the front line of your professionals on the east coast.

We've had a sobering view of the world of the corona virus. What I did not take into consideration when preparing for this podcast were statements and comments from politicians, the large corporate advertising messages we see on TV and celebrities in their efforts. Granted many of these things are well-meaning but they aren't data and quite frankly the virus just doesn't care what these people say.

Let's move on to the data points. The first one which is a major disruptive current event and of course it's Covid-19. Let's just review it really quickly. Even though most of you already know a lot about it, it has a very high transmission rate much higher than other diseases like the flu. It can kill anyone but the higher mortality rate is over sixty years of age where the death rate for the flu is only 0.01 percent for ages sixty to sixty nine cove, it has a mortality rate of 3.6 percent. Ages seventy to seventy-nine, a mortality rate of 8 percent and for eighty years old and above, it has a mortality rate of 15 percent. Where for people that are over sixty five, the flu does not even have a mortality rate of one percent. There's no treatment or cure on the six months to one-year horizon despite what people say and politicians like to hint at. It's created a lot of anxiety. It's created social distancing due to the response of numerous governments around the world. It's created a lack of trust in government in it makes people wonder what the future norms are going to be and finally it's caused a global recession. That is as bad as 2008 or worse. The next data point is the economic recovery. That is if there is one and if we can get some kind of control over the Covid-19 virus. The Economists Magazine’s Intelligence Unit predicts that there's going to be a contraction and the global economy of 2.5 percent this year and then looking into next year's numbers in Q2, they have the United States contracting at -5.9 percent. France -10 percent. Germany -10 percent. Japan, this is interesting, -0.4 percent. Of course, China is the only one with growth in Q2 2020. There was an article and Reuters news service where they polled fifty economists worldwide. Some of them forecast that the economy would shrink as much as 6 percent in 2020. The other extreme prediction was for growth of 0.7 percent but the average was a 1.2 percent contraction. Karston Gretzky, global head of macro-economics at ING research dubbed the picture “a virus driven Ice Age”.

When you look at different economic recovery curves, there are at least four kinds. One is the “V” curve that means the economy drops and rebounds quite quickly. There is the “U”. The economy drops. Then there's a period of economic stress and then the economy picks up fairly quickly but there is a period of stress a period of time. Who knows how long the economy is in the doldrums. There's a “W” curve where there's something of a double recovery. And then finally there's what they call the “swoosh” were the economy drops and then starts to rise over period of time. My personal feeling is it's going to be a swoosh for us especially in the medical device industry. Keep in mind, the different industries will respond different ways in terms of recovery from this particular disaster. The Swoosh curve is somewhat supported by the Chadwick Martin Bailey surveys which showed that baby boomers in the United States (and for the international listeners, that refers to people fifty seven years old to seventy six years old) are concerned about the economy with 65 percent seeing US moving into a long-term recession. And, this is important because boomer spending is really important to the economy. 51 percent said the timeline to normal is six months to never and this survey was taken in March 16, so, this is well before the spike of deaths that we are seeing now in the United States. I'm sure if they took the survey now the results would be quite different and by the way Chadwick Martin Bailey is doing regular surveys on this subject and I'll have a link in the show notes to their website. You can try to stay up to date there.

So, we've looked at several curves that could be models for an economic recovery the V, the U, the W and the Swoosh and of course many people in business and in politics would love to see a V recovery. And you might say, “Well, Ted Look at Wuhan China. They are opening that city's economy and the economy of China back up. That means when we get to the other side of the curve we will be able to do the same”. Okay so my answer to that comes from Dr. Scott Gottlieb's interview on Face The Nation this morning. What was the backstop for Wuhan's recovery and China's recovery? The backstop was tracking and tracing. In Wuhan they had 1,800 tracking and tracing teams of five people each. That is a force of 9,000 people deployed in a population of 19 million. People do you know how large the tracking and tracing team of the CDC is? 600. That means the federal government of the United States has six hundred people for tracking and tracing right now. Do individual states have large teams? No. Now here is another economic recovery factoid from an article in Political also related to Dr. Gottlieb and his colleague Dr. McClellan. Let me remind you that both of them are former FDA commissioners where they said to effectively open the economy we would need to be able to do 750,000 rapid covid tests per week. 750,000 to support tracking and tracing. Right now, the US is averaging 260,000 a week and they are not doing any tracking and tracing because they don't have the people to do it.

Next let’s look at our customers. In the medical device industry, our customers would probably be divided into three categories. One is the hospital systems. The hospitals, the clinics and the decision makers within those institutions. The next is the doctors that we deal with day in and day out. And, finally it's the patients the end users of our products. So, if we look at the hospitals in the United States, they're getting crushed at this time. Even though some of them are being hit with a lot of covid patients the fact is they're holding back on all other kinds of procedures so that the resources of hospital are available for these Covid patients. The very profitable procedures and cardiovascular and orthopedics plastics and reconstructive urology, these procedures aren't taking place. The hospitals are losing money and proof of this is one thing that my wife learned in talking to some of her colleagues. Emergency Room Doctors in some places are having their pay cut. Can you believe that in the middle of the pandemic? Pay is being cut and this is because the hospitals are less profitable and the doctors are just one of the many employees at the hospital. So what will hospitals be able to do going forward economically as they try to recover from this and who knows what kind of government support they're going get or if it's going be enough to make up for this period of time where they've lost a lot of this important revenue. Next, let's look at our doctors. Forty three percent of physicians in the United States are 55 or older with specialist physicians on average being older than the primary care doctors. So, they're the oldest. And, who do we sell to most of the time? We are selling to specialists. Then let's look at a very important group. The patients. What is the age of patients our industry treats? Mostly they are older with the majority over 60. When you investigate their behavior, 36 percent are very concerned about the covid virus. 35 percent are concerned about family members. Effectively 89 percent of them have changed shopping habits. For the boomers and the elderly, virus anxiety is leading to putting off doctor visits. There's economic stress at the same time. And then these patients are going to have to employ protective measures.

I've been grocery shopping three times over the past three weeks.

Each time wearing protective gear. Gloves and mask. It occurred to me yesterday that I'm actually getting used to it. This is somewhat sad.

Then what kind of insurance do these patients have? In many countries there is a reasonable safety net. In the United States. 25 percent of patients have a deductible of 2,000 dollars or more so even if they can keep their insurance during this recession they will be reluctant to use it due to cash flow concerns. Then many may lose their insurance if they can't afford it due to a job loss. Circling back to the challenge that our physicians are specialists. Physicians in many countries called non-essential physician offices have been told to be closed for anything but emergency types of procedures or events. So, these doctors are going to go a month, maybe more, maybe two months with some real cash flow issues coming out of this with all the canceled procedures and delayed appointments and so on. Will there be some pent-up demand for medical devices and MED tech services? Yes, there will, and certain parts of the industry will benefit from that. There's no question about it but there's other parts in the industry that will have a hard time recovering. Our final data point in terms of technologies is telemedicine. And you could probably add artificial intelligence to that as well. Telemedicine which has struggled for years to gain any traction has suddenly exploded. I listened to an interview the other day with the CEO of the Mayo Clinic and he said prior to Covid did they were doing about 50 telemedicine calls a day. He says now they're doing thousands and it's growing every day. So, you have telemedicine and possibly some artificial intelligence in terms of direct patient evaluation and artificial intelligence built into diagnostic devices. You have home devices that could allow some self-diagnosis and reporting and combination of telemedicine and then diagnostic portability that could support telemedicine. Telemedicine may finally be here to stay and it offers lots of advantages because in an area of the country that's heavily affected by a medical problem, doctors from other parts of the country can pitch in to relieve demand in that particular area. There's a lot of use for telemedicine a lot of promise.

So, let's start connecting some of the dots of all this information and see if we can determine a few trends. When we talk about trends there are lots of way to look at the future. Daniel Burris talks about hard trends and soft trends and he typically says that you should make your plans on the hard trend and just be able to react to the soft trend. The hard trend is the long-term trend so for us that could be twelve months to two years. But it is the period right now (0 to 12 months) that is so critical even if the covid virus is a soft trend and it will eventually be resolved with some type of medical breakthrough. The next six to twelve months are critical for so many physician practices and ambulatory care centers. It's going to have a major impact. When you look at the fact that the economy is going to be so negatively impacted with so much unemployment. When you look at the fact that we are not prepared for tracking and tracing to be able to respond to outbreaks so additional outbreaks will occur. The economy will stutter along. I believe we are going to have Swoosh recovery. The economy is going to drop and it's going to take a long time for it to recover. Then let's look at the people that we serve - the hospitals clinics and the physicians and think about the traditional marketing process and how we communicate our value propositions and the sales process that often start with marketing at trade shows. Are they going to be the same? Does a sixty-year-old doctor want to go to a trade show and then go down to the exhibit hall floor and mix it up with all these people who have traveled in from all over the country. I don't think so. And even if a trade show does get some face to face attendance. I think they're going to be doing a lot of video [resentations to help doctors that don't attend physically to get their CME and CE. So, I think trade shows are going to be a lot different. In fact, are the companies that come to exhibit at a trade show going to want to have their employees exposed with that travel and those crowded conditions in the fall of this year in the United States? The second half of the year is a really big time of the year for equipment sales and a medical sales of all types. Partly because there's section 179 which gives businesses a major discount for purchases with a tax deduction in the United States but also people are looking at their accounting and using up budgets and they spend a lot of money in the second half of the year typically in a normal year.

**This year is not going to be normal**. We will not have that spending in the second half of this year. Let's look at the sales process and you think about it. You know we in sales are trying to create a sense of urgency when we are trying to move a sale along. Let’s say we have a doctor or hospital or clinic that has definitely expressed interest in a product. They know they need it or they'd like to buy it and at the time they had the budget to buy it and a number of good reasons. But they are really busy so salespeople are immensely important and being in the field to create that urgency is done by standing in the hallway of a doctor's office, in between exam lanes to catch the doctor in between patients to push the process along. The same thing in the hospital. Is this going to continue? **No, it won’t**. Older doctors aren't going to want to see a sales rep that has been in six practices already that day to stop in his office. Doctors aren't going to want salespeople in their lobby where they have five ten or fifteen elderly people sitting there. The salesperson’s role is going to change significantly for the next twelve months. Of course, the importance of the sales role is going to change quite a bit depending on the industry or the segment of the medical device industry that someone is in because some segments are going to do pretty well. A lot of other segments are going to suffer for a while. Because the sales role is going to change and the sales process is going to change in many in many Medical device segments, this is where marketing really has to step up. They have to help the sales teams or what's left of sales teams with tools to communicate value propositions in a new way whether these are ways to use video calls, video clips and emails and using email for prospecting communication. Sales teams are going to need new tools and new training to be able to work in this new environment. One of the medical device sales executives I talked to compared this period to a mini training camp for a sports team. In other words, they are using this time to give their sales team more skills and more training so that when they do start communicating with doctors more effectively they will be better prepared to present value propositions in a new way. So, they're not wasting this time. They're using it.

How does this all shake out? Functionally marketing versus sales. I would put my bet and my investment near term in marketing as I said a few minutes ago. This is where marketing really has to step up, think outside the box and figure out ways to stay top of mind communicating value propositions clearly to physicians in new ways while these people may have some time on their hands and are waiting for their practices to reopen or waiting for cases to pick up.

This is an opportunity and this is where marketing can make a difference. In fact, we are already seeing this in the industries that I'm closest to. I'm starting to see a lot of advertisements for webinar series for education and websites with virtual trade show booths. They are finding ways to get engaged with their physician targets and it's the big companies that are doing this. Not so much from the small to medium sized companies. You need to find a way to stand out at the same time. So, my bet is on marketing. That's where I'd keep my investment and utilize it. As far as sales goes, it will depend on the medical device segment. I would be tempted to trim a sales organization if it was heavily equipment oriented. Especially because the way the second half of the year is going to go. For the remaining part of that sales organization, I would invest in with new training, new tools and new ways to engage with the physician customers, the important decision makers in clinics and hospitals. So, how's it going to work out related to company size? I think the large companies are going to survive. They have deep pockets and they can do interesting things especially in equipment sales when it comes to perhaps long-term financing that is beneficial to the doctor. There are financing plans that allow a doctor to get a tax deduction in the US this year. But he's (the doctor)is paying monthly payments for the next two or three or four years. Small companies have to find a way to do this to survive. Another thing, companies could consider with equipment is long termed product demonstrations. Orthopedic companies do this all the time. It's the nature of their competitive environment but companies in other industries may have to consider long-term demonstrations to help. Let the product as one executive said “let the product sell itself”. Of course, long-term demonstrations need to be supported by a sales rep that has been trained to provide that support via videoconferencing. Again, back to the new tools that the sales rep has to have. They do need to follow up. They do need to be in touch, but it is different. The other things small companies need to do is clearly communicate the value proposition and the differential advantages that they have with their products over the products that the larger companies may have. This is going to be challenging and will require some resources. But it's got to be done.

What is going to happen by industry segments? There is a lot of segments in the medical device industry. Everything from in-vitro diagnostics, orthopedics, cardiovascular, etc. There is also wound management, diabetes, ophthalmic, dental, urology, general surgery, plastic surgery and so on. I would even include… I don't know if you'd call this medical devices but technically some of them are in terms of protective gear. So, if you're in a device segment that is really surgically oriented and you're treating a real important issue like in orthopedics hips and shoulders and joints and back that have to be treated, there is pent up demand right now building for these cases to be managed. Cardiovascular is the same. People have to be treated. Certain areas of diagnostic imaging especially in the hospital will be okay especially on the reusables but maybe not on new equipment. Same thing with orthopedic's and cardiovascular. Hospitals are in trouble financially. They may not make the big budget equipment upgrades that they'd like to make this year. They'll have to wait till next year. But you will still need your sales teams your that are in the operating room and in the hospital assisting with so many other things. They're going to be important. They're going to be needed and to maintain your relationship in these institutions. It's probably best to keep them on. Same with wound management. You know diabetes care is going to come back. But there's other places where people can put things off. You know it's easy for people to put off a dental appointment like a cleaning or an appointment for eye care. These are things that are going to be difficult to recover from. You know, some surgical procedures in dermatology are going to be put off. Plastic surgery.. especially if it's cosmetic can also be put off to a certain extent so those are all places where there's going to be a lot more danger in the next months six months to twelve months In terms of sales revenues and equipment purchases.

Finally, in protective gear which is dominated by the hospital supply companies for the most part this is going to explode and this is going to be a big opportunity for sales and marketing individuals because not only are they going to be serving hospitals and clinics, they are going to be serving other areas of industry like they never did before and society because the wearing of masks and protective gear is going to become much more important in homes, schools, universities, city and state services, factories of all kinds and other places.

To summarize for the medical device industry, we will have a swoosh recovery which means a sharp drop in the economy with a long tail recovery. And, of course, it'll be little different from one segment of the industry to the other. Marketing and sales may be changed for a long time. Invest in marketing now to find new effective ways to communicate your value proposition and protect your brands in sales. Redefine your sales process restructure your sales team to this new environment and give them the tools and training. They need to compete in technology. You may look for ways for your products to complement telemedicine. Large companies may have to restate earnings if they're public, but use their financial muscle to support financing long-term demonstrations of products and or services. Small companies have to be agile and find a way to communicate the differential advantages they have to their customers and survive until we get through this.

Wow that's a lot to digest isn't it! I apologize. If you feel like I just made you take a cold shower, grab towel, dry off, put your kick ass clothes on because you've got work to do! Get out and make the strategic and tactical decisions you need to survive and succeed in this new environment. It can be done!

In every episode, we have an immediate impact idea that you can put into practice today. And today's immediate impact idea is for… It doesn't matter what position you're in executive marketing and sales… call two or three customers that you know you can reach by phone. Ask them how they are. Ask them how their families are. And then, ask them for their opinion as to how your company can interact with them going forward in this new environment.

As promised in the show notes. I'll have some links to some resources and by the way I do not have any affiliate relationship with any of the authors of the books or any of the other links These are for your benefit. I'm really glad you spent time with me today. If you like the podcast please rate it and subscribe. Feel free to send me questions or comments.

Otherwise Go Win Your Week!