

# Improving Customer Insight

## The right IT framework for sales and marketing analytics can transform data into dollars for device manufacturers.

By: Richard Lincoff and Bruce Carlson

The year 2009 finds the world in a state of severe economic uncertainty. Medical device and diagnostics suppliers, once largely immune to economic downturns, now are following other industries in finding ways to get the most out of every customer relationship and interaction. To do so, many companies have realized they must become much better at converting commercial data into true customer insights through the use of sales and marketing analytics.

For many device companies, it's daunting to address the gaps that exist in their sales and marketing analytics capabilities. The challenge is compounded by the fact that companies wanting to improve their business and customer insight capabilities must do so while continuing to meet aggressive sales and profit goals. So, device companies must find a way to transform while they perform.

This article discusses how your company can make quick and steady progress toward true sales and marketing insights by deploying a framework that incorporates tools and processes, coupled with a focus on enabling IT infrastructure. This transformation can be completed while your device company continues to perform, achieving both top-line revenue and bottom-line profit growth.

### Getting Started: The Framework

Figure 1 shows a framework that can be used to facilitate the transformation of your sales and marketing analytics capabilities. Let's start with a short description of each element of this framework, including each component's importance and the typical challenges faced by medical device companies. We will then move on to the framework's application. This framework can be used as an effective diagnostic tool, which we discuss in the subsequent section, to help understand your company's current performance and to serve as a blueprint to prioritize potential improvement efforts.

### Charter: Setting the Table for Success

A well-defined and agreed-upon charter should underlie a company's sales and marketing analytics effort. Without a solid charter, it is likely that the analytics efforts will be poorly aligned with key business objectives, will not enjoy business buy-in, and ultimately will not have the impact they should. The time and monetary resources invested in a strong analytics practice can be quite large, so crafting a solid charter is critical for success.

Key aspects of such a charter include agreement on functional scope, accountability,

and sponsorship. Companies that excel in sales and marketing analytics generally have very strong organizational support from the highest levels of the company, with strong executive-level understanding about the importance of such analytics. Many device companies struggle to empower the analytics function. Typical challenges include:

- Weak sponsorship.
- Unwillingness to mandate or force common analytics approaches across businesses.
- Highly fragmented responsibility for, and approach to, analytics.

## Data: Sales and Marketing Analytics DNA

As in all such processes, data are the basic raw material—the DNA—of sales and marketing analytics. There are myriad data sources available to medical device marketers today. Secondary data sources can provide a very solid basis of customer and competitor understanding, including much information at the account (e.g., hospital or IDN) level and at the end user (e.g., surgeon, lab tech, hospital administrator) level.

Most companies today augment available secondary data with a wide range of primary data. Typical primary data sources range from key account profile data gathered by the sales force to both qualitative and quantitative market research of key customers conducted by outside agencies.

As data sources have increased in number and in complexity, medical device marketers typically face several challenges. The key issues are:

- How do we agree on a single version of truth?
- Which data sources are appropriate for which purpose?
- How often do we need to refresh the data?
- What is the data governance process, and who owns the data?

In our experience, the best way to improve a company's sales and marketing analytics capabilities is simply to boost the robustness of data sources and governance processes. It makes little sense to invest tens or hundreds of thousands of dollars in advanced analytics

applications if there is little internal agreement on the completeness and veracity of the underlying data.

## Performance Measurement: Turning Data into Information

Sales and marketing data have little value if the information is not used to actively measure and improve performance. Every medical device company has some level of performance-tracking capability. That capability may be as basic as providing monthly or quarterly standard reports of their sales at the institution or account level. It can be as complex as providing data cubes that enable power users to conduct ad hoc queries to understand market share trends by customer segment and by product line. Generally, however, performance measurement capability in the medical device segment tends to lag behind other industries, including financial services, consumer goods, and pharmaceuticals.

The data analysis challenges outlined above quickly expand in most commercial operations once those data are put to work in performance measurement and tracking. There are several important issues companies must address:

- Timeliness. How do we ensure reports are disseminated in a timely enough manner to enable our organization to act on them?
- Determining the appropriate number and type of reports. How do we avoid overwhelming the business with an unmanageable volume of reports?
- Determining the appropriate mix of standardized and ad hoc, or customized, reports. What is the right degree of flexibility to provide to the businesses?
- Format and ease of use. What format enables the best and fastest insights and actions to be taken?
- Degree of "actionability." How do we make sure our reports go beyond simple data summaries in order to provide action-oriented insights?

## Tactical and Ad Hoc Analytics: Understanding Impact and ROI

Analyzing performance tracking is the next major step required in order to improve the

capability of sales and marketing analytics. Depending on the specific medical device sector and how one goes to market, there can be dozens if not hundreds of relevant and insightful analyses. Success here usually hinges on providing sufficient analytical focus. The organization should agree on which analytics should be conducted, based on data availability, market dynamics, and analytical capability.

The following are examples of questions that can arise at any time:

- What causes better performing reps to achieve superior market share?
- What was the return on investment of the targeted program we ran with a set of surgeons last month?
- How balanced are the earnings opportunity and workload across our territories?
- Why is our latest product underachieving in the Northeast but having great uptake in the Southwest?
- How many reps achieved quota last year, and was the mix of variable compensation appropriate?
- Why are we getting better e-commerce results from one segment than another?
- How effective is our field service deployment?

Key issues range from organizational to technology questions, including the following:

- Organizational. Should analytics be performed in a centralized or decentralized manner, or should they be outsourced entirely? Do we have the required skill sets internally to conduct necessary analysis? If not, do we build or buy that capability?
- Scope. What are the most important analytics to conduct?
- Technology. What applications or tools should be used? Should we use standard or customized tools?

### Strategic Analytics: The End Game

The ultimate goals for sales and marketing analytics are putting in place tools, processes, and business rules to optimize sales and marketing investment and to develop predictive models to maximize the organization's effectiveness in this regard. Because data availability in the medical device sector has

lagged behind other associated industries such as pharma and insurance, we expect relatively few device companies to have achieved strong success in integrated strategic analytics.

Here are some examples of such success:

- Understanding the trade-off between investment in the sales force and investment in contracting.
- Forecasting demand by account or by segment.
- Optimizing the mix of spending among sales force, tech support, traditional marketing programs, and emerging marketing variables such as social networking sites.

The technology barriers to success in this area can be daunting. There are many business intelligence and analytics platforms from which to choose.

In addition, there can be significant organizational barriers. An example is the tension between centralized and decentralized approaches. A centralized approach—in which a core home-office staff of skilled analysts sifts the data—offers the advantages of consistency and more complex analysis. Advocates of a decentralized approach point to the need to customize analysis in order to account for local dynamics. Ultimately, either approach can succeed, but, going back to the charter, there must be strong organizational alignment and support of the chosen approach.

### IT Infrastructure: Enabling the Process

Underpinning this entire analytics cycle is the need for a solid IT infrastructure. Information technology is so central to the success of initiatives in this area that it is usually advisable to conduct an IT assessment early in the process in order to understand how well systems and architecture will enable—or impede—progress in this framework.

The analytics capabilities of many device companies have evolved over time, and so too have the supporting data and IT infrastructure. As a result, the architecture is often fragmented, inflexible, and not readily adaptable to the changing needs of the business.

Typical sales and marketing IT infrastructure problems or issues include:

- Architecture that is not scalable.
- A solution that does not leverage existing or common architecture.
- A lack of key master files for customer and account.
- Processes that are predominantly manual (insufficient automation).

The “transform-while-perform” theme is especially relevant in the IT infrastructure area. Because of the systems' incremental evolution described above, major gaps typically exist between the current and ideal sales and marketing IT infrastructure. However, moving quickly to the ideal state is often unrealistic, given the cost, time, and disruption to the business that is likely to occur. Therefore, more pragmatic solutions that enable commercial continuity are often better solutions than overnight changes.

### Applying the Framework: Let the Transformation Begin

An appropriate way to begin to make progress in your sales and marketing analytics capabilities is to conduct a current-state assessment. While greatly simplified, included here are tools that can be used to understand your organization's current level of performance compared with industry benchmarks.

Table I illustrates what best-in-class performance might look like on each key dimension. Very few, if any, device companies have achieved these levels of capability on each element, but the figure provides a vision of how your organization might progress over time.

Building on these benchmarks, Table II is an assessment tool that can be used to gauge your organization's current level of performance in each area. For each area in the framework, key success dimensions have been identified. For each, a range of capabilities is articulated using three statements, one each to describe different levels of capability, from “basic,” to the more advanced “core,” to the best-in-class “excellence” level. This tool, or something similar, can be used to quickly identify key areas for improvement in your company's sales and marketing analytics.

It is likely that you will find your organization has room to improve on several dimensions in this framework. As such, it is important to prioritize the most important improvement opportunities, and to do so requires an appropriate set of decision criteria. Decision criteria can include some of the following:

- Technical feasibility.
- Effort and cost.
- Scalability and flexibility.
- Alignment with corporate IT standards.
- Alignment with key business objectives.
- Time to implementation.
- Fit with personnel capabilities.
- Total cost of ownership.

Not all of these criteria are equally applicable to all framework areas. For example, total cost of ownership is likely only relevant for the IT infrastructure dimension.

Table III illustrates an assessment conducted by a device company. The company embarked on an informal assessment to gauge its current state on each dimension. For each item, a score of 1 is assigned if the capability level is “basic,” 3 if the level is “core” and 5 if the level is “excellent.” For each area, a simple average is calculated to prioritize areas for improvement.

For the company in this illustration, there is room for improvement in all areas of the framework. Not surprisingly, that's true for most companies. It seems clear, however, that the biggest overall issue is upstream, in the data area. While the analytics processes seem reasonably robust, it is likely that the effectiveness of the analysis is weak because there are fundamental problems with the data inputs. Additionally, key stakeholders are most likely not buying into the results. In the charter area, there appears to be poor alignment on ownership or accountability, making it a candidate for a key initial priority as well, given the strategic importance of getting the charter right. It's clear from this cursory assessment that before a lot of time and energy are spent enhancing the tactical and strategic analytics, focus should be concentrated on data and performance measurement.

Obviously, this illustration is overly simplified. However, it demonstrates the value of using an analytics framework with a solid assessment process and set of priorities in order to develop a road map for improvement. We've helped clients conduct very robust assessments composed of key stakeholder interviews, surveys, KPI benchmarking, and other elements. The assessment depth is greater, but the basic approach is similar to the one outlined here.

## Conclusion

Achieving sales and marketing analytics capability is increasing in importance as markets become more competitive and pressure increases to maximize the impact of new product launches. It is essential, though, that organizations continue to meet short-term sales and profit targets while they transform or upgrade their analytics capabilities. A simple but powerful framework can be used to understand your organization's current capability and to provide a roadmap that will show the way to a more profitable future.

## About the Author

*Richard Lincoff leads Cognizant's medical device practice. Lincoff's industry experience includes working at Johnson & Johnson and Merck, where he was in field sales and held a number of internal positions. Before coming to Cognizant, Lincoff was SAP's life sciences industry principal and a vice president at Ernst & Young/Cap Gemini, leading the company's life sciences CRM practice. Bruce Carlson heads the Chicago office of marketRx, a Cognizant company, and leads the firm's work in the medical device segment. Carlson has been in the life sciences industry for 20 years, both as a consultant and sales and marketing leader within the diagnostics business. He has led sales and marketing consulting engagements with life sciences clients in more than 30 countries and previously led a global cross-functional device development team. The authors can be reached at [inquiry@cognizant.com](mailto:inquiry@cognizant.com).*

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