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Empowering Customer Centricity: A Case Study on Medtronic's Evolution Towards Servitization

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ABSTRACT

In the ever-changing and dynamic field of medical technology (MedTech), companies aiming to thrive and expand in the face of shifting market conditions must establish effective organizational structures. A comprehensive analysis of corporate websites and scholarly literature uncovers barriers to the commercialization of medical products. This research comprehensively analyzes the case study of Medtronic, a major global player in the MedTech sector. The primary objective of Medtronic is to improve its operational efficiency and strengthen its competitive advantage in a dynamic market by strategically adopting servitization and customer-centric approaches.

The research study used qualitative methodologies, especially semi-structured interviews with four key participants, to gather data from a case company working in the MedTech sector during its early stages of servitization transformation. The content of the illustrated organization is subjected to thematic analysis to enhance the correlation between servitization and an entity that offers shared sales and services. Medtronic, as they navigate the shift towards servitization and strive to enhance customer-centric design paradigms in marketing medical products. A comprehensive examination of the project's tactics, lessons learned, and evolution cycle studies will be conducted to accomplish this objective. The principal contribution of this paper is a framework that captures the stages and key characteristics of operations for customer-centric servitization.

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INTRODUCTION

The MedTech industry comprises companies that develop, manufacture, and distribute various technologies for diagnosis, prevention, patient care, treatment, and health improvement. These include standard medical supplies like gloves and syringes and complex technologies such as medical software, hearing implants, imaging equipment, and pacemakers. MedTech advancements connect patient care with medical technology, enabling earlier disease detection, less invasive procedures, more efficient patient monitoring, and more effective treatment options (AdvaMed, 2023). MedTech companies are now more alike in decentralization, coordination within the purchasing function, and modifications (Knight et al., 2016). This shift is characterized by the decentralization of purchasing decisions, where new individuals and stakeholders are becoming involved.

Medtronic, a global healthcare technology company, operates through business units such as Cardiovascular, Diabetes, Medical Surgical, and Neuroscience, each focusing on specific health solutions. Medtronic hosts around 800 meetings annually, encompassing events such as physician meetings, medical education sessions, sales incentives, and training programs (Cvent, 2024). This extensive event portfolio aligns with the company's recent strategic overhaul, transitioning to a new operating model featuring 19 focused operating units (Twin Cities Business, 2021). Under this decentralized model, Operating Units (OUs) now fully control Profit and Loss (P&L) responsibilities, product development, and sales forces in larger geographies. Despite revenue challenges, Medtronic reported $1.30 Earnings Per Share (EPS) in January 2023, surpassing expectations. The company's procedure volume recovery was hampered by supply chain and currency effects, which decreased revenue by 3% (Public, 2023).

Medtronic has undertaken radical transformational changes to its sales approach, shifting away from product-focused marketing toward one focused on meeting individual customer segments' unique needs, developing an entirely new marketing team following principles such as specialization, outside-in customer insight-driven approach, and technological development focus. Medtronic's desire for enhanced customer relationships has inspired it to recognize the significance of customization, leading it to adopt an omnichannel human-to-human strategy. This strategic shift was partly dictated by healthcare industry challenges, such as difficulty accessing clinical leaders when dealing with large Integrated Delivery Networks (IDNs) (Axtria Connect, 2022) or distributors becoming primary customers (HUB Healthcare, 2023). Furthermore, leading companies embrace hybrid sales and raise the bar for others (Buesing et al., 2022).

Due to anticipated market changes in the healthcare sector and pressure on MedTech providers to become more value-oriented towards the customer, the paper seeks to identify the critical elements of integrating Medtronic's sales and service organization to become more customer-centric via servitization. Collaboration between business divisions is sometimes poorly defined and difficult to evaluate, although it may seem like a simple alliance that only requires social support and motivational alignment (Cascade Team, 2023). Organizations that seamlessly integrate teams from diverse departments to pursue common goals are better positioned to innovate, adapt, and thrive. To achieve this, strategies should establish clear structures and simplify complexity from overarching initiatives to actionable outcomes, ensuring clarity regarding each individual's role in achieving shared objectives.

LITERATURE REVIEW

Customer Centricity in MedTech Sales

In this context, the term "customer" encompasses a broad spectrum, including healthcare providers, physicians, caregivers, patients, and even diverse use cases for medical devices (Gyan Consulting, 2023). Besides recognizing healthcare as an interconnected ecosystem, companies must acknowledge the interdependencies among various stakeholders, such as payers, providers, and governmental entities. The healthcare industry has evolved from a traditional hospital-centric model to a decentralized landscape encompassing care centers, health hubs, virtual care, retail healthcare, and even home-based services. As the industry transitions towards an "anytime, anywhere" model, the focus on Customer Experience (CX) becomes paramount (Tahiliani, 2023). However, achieving a positive customer experience in healthcare poses challenges, given its inherent sensitivity.

The MedTech sector faces a substantial obstacle in bridging the skill gap caused by the ever-changing technological environment and the demand for a more balanced set of abilities. A skills audit in Australia further exacerbated the disparity between the industry's current and desired employment levels, with an approximate 3% reduction in current staffing accounting for the 660-worker discrepancy (Mtaa.org.au, 2018). It was determined that the sector's skill gap in sales and marketing is comparatively minor, at 2% of current employment levels. Despite this, the impact is substantial as a considerable proportion of the workforce is affected. Organizations frequently designate particularized competencies in sales and marketing, MedTech regulatory framework, and product development as critical domains requiring improvement. Failure to address the skills deficit may lead to significant repercussions, such as a projected 26% increase over the next five years, which could cost the industry $1.5 billion in lost sales and impede its development by 15%. Furthermore, according to research by Gerecke et al. (2021) from Boston Consulting Group (BCG), there is a wide variation in maturity levels in next-gen channels, IT, and digital capabilities among MedTech enterprises.

Therefore, industry and academic institutions must work closely to create principles to strengthen connections while closing potential gaps between the two sectors. These principles may include collaborations with higher education institutions, upskilling programs, and other initiatives to ensure a suitably skilled workforce exists in the industry. A graduate placement program in areas such as business, which require skills not typically taught in traditional MedTech courses, could address the skills gap in the industry (Lo, 2019).

Servitization

Servitization strategies enable product-focused companies to distinguish themselves from rivals while decreasing product switching rates. Services make switching more challenging as customers rely on one provider for goods and services (McKinsey & Company reported a 25% aftermarket service margin (Verhoef 2021). A global trend toward servitization has emerged in the manufacturing sector. Recent manufacturing product-service-servitization strategies include bundle services, pay-per-use/consumption models, and outcome-based service models to generate additional revenues through product-related services. Servitization approaches can generally be divided into three groups: smoothing, adapting, and replacing services. Adaptive services significantly increase product functionality, smooth services make it easier to use or buy products, and substituting services change the emphasis from products to other services (Heirati et al., 2023).

Manufacturers also use service-centric strategies for economic reasons, such as diversifying income sources and avoiding relying primarily on product sales. However, it is important to note that not all firms may uniformly experience the benefits of service development due to economic concerns (Raddats et al., 2016). It is necessary to meet specified criteria before acknowledging the value of servitization. While previous research has explored drivers of servitization, recent studies have focused on its performance implications. Various service performance measures, such as revenue, profitability, and firm value, are used to evaluate the effectiveness of servitization strategies (Ulaga et al., 2022). However, relying solely on single measures may provide an incomplete picture, as firms may increase revenue without improving profitability.

Establishing new resources, competencies, organizational structures, and service culture offers gains from servitization. At its core, servitization involves basic services such as repair and maintenance with little coverage and relevance. Service turnover (ST) is lower than product turnover, resulting in improved sales but reduced profitability. Some sales improvements require managerial service orientation (MSO) and an operating service unit (OS). Essential services promote customer proximity and satisfaction. Research suggests that organizational direction or focus changes cause an adverse link between servitization and profitability, making it costly to establish new internal resources to support a new business strategy.

Integration of Business Areas

Integration in an organization involves coordinating various systems or business areas to achieve synergies. It often aims for a collective impact more significant than the sum of individual contributions surrounding two primary reasons for integrations such as cost reduction and income increase. Cost reduction strategies include economies of scale, where production volume leads to lower per-unit costs, and economies of scope, utilizing shared resources to reduce overall costs (Investopedia, 2024). In the contemporary business landscape, there is a growing emphasis on structuring sales organizations around the customer, leading to customer-centric organizations (Zendesk, 2024).

Unlike product-centric organizations that revolve around business areas and focus on acquiring knowledge about products, customer-centric organizations are structured around customer segments.

The distinctions between customer-centric and product-centric sales are shown in Table 1, highlighting how these approaches differ in orientation and priorities within the sales process. Customer-centric sales practices represent a strategic approach to acknowledging market changes while prioritizing satisfying customers' diverse and intricate needs for long-term success. One critical feature of sales organizations is combining marketing and sales functions under one umbrella responsibility. Collaboration among functions, particularly internal teams like purchaser operation and finance, is vital when navigating complex sales situations and mitigating risks.

Table 1 The Difference between Product and Customer-Centric Sales

Aspect	Product-centric Sales	Customer-centric Sales
Core Philosophy	Emphasis on pushing products without segmentation.	Focus on serving diverse customer segments with tailored offerings, informed by customer insights.
Sales Approach	Transactional focus on maximizing volume and market share.	Relationship-oriented approach aimed at maximizing customer lifetime value and meeting specific needs throughout the customer lifecycle.
Distributor Management	Relationships based on sales volume; limited manufacturer involvement post-sale.	Selective distributor partnerships driven by profitability; full collaboration with chosen distributors to engage customers effectively.
Organizational Structure	Product-focused sales teams led by product managers.	Customer-focused teams led by relationship managers.
Customer Knowledge	Typically viewed as a marketing concern.	Recognized as a critical asset for the entire organization.
Organizational Focus	Internally-focused operations.	Outward focus on customer needs and satisfaction.
Brand Positioning	Emphasis on product features and benefits.	Focus on addressing individual customer needs.
Customer Segmentation	Broad, undifferentiated offerings; one-size-fits-all approach.	Precise targeting based on customer lifetime value; customized offerings for specific segments.
Brand Perception	Limited brand equity among customers.	Strong brand recognition and positive associations due to customer-centric reputation.
Employee Culture	Lack of customer ownership; inconsistent behaviors	Customer-centric culture embraced at all levels; employees take

	driven by compensation.	ownership of customer issues and see them through to resolution.
Sales Strategy	Focused on convincing, handling objections, and overcoming resistance.	Geared towards problem-solving, goal achievement, and satisfying customer needs.

Data source: Adapted from Ferrari (2022).

In contrast to earlier research on organizational failure that consistently frames the acceptance or rejection of failure as a type of acculturation and learning adaption to the following experience, organizational integrations frequently fail despite favorable preconditions (Schwarz, 2021). A common pitfall lies in the organizations' failure to realize value creation, often attributed to management overestimating synergies and defining them too broadly. Managers may find themselves searching for non-existent or unattainable synergies. Elevating customer centricity generally poses challenges within the organizational boundaries (Ferrari, 2022). To produce and provide exceptional customer value, the functions in a company's organizational structure must be effectively connected and coordinated. The organizational matrix's customer dimension, which includes customer segment managers and customer-based units, is integrated and developed to determine the extent of customer centricity.

Information is critical in preventing integration failures, mainly when uncertainties are high at the beginning of integration (Schwarz, 2021). Instead of overcoming adversity or learning from failure to achieve desired outcomes, organizations should explore how failure is repositioned within the context, viewing project failure as part of an organization's open system, which processes surrounding information to inform following actions. A well-structured reporting structure is essential to facilitate rapid and frequent information sharing, preventing misunderstandings that may disrupt the integration process.

METHODOLOGY

Research Design

A comparative case study was used as this research sought to gain insights into policy and practice across multiple spatial, temporal, and scale dimensions within social science research. It provides tools for examining policies and practices' establishment, adoption, and evolution to understand their consequences better. This case study used comparative case studies to investigate actors' relationships across levels while stressing interactive aspects, emphasizing an inclusive yet context-sensitive approach for comparative education research. Data for this analysis came from four primary sources: Medtronic, partner companies, customers, and experts. Data was derived from Medtronic’s firsthand experiences setting up its shared sales and service organization for servitization.

Data Collection

In this study, data collection was guided by the grounded theory framework, which emphasizes ongoing analysis alongside data collection. However, accessing internal information from Medtronic posed challenges due to the company's ongoing focus on integration, hindering the timely conduct of interviews and leaving a limited timeframe for data analysis. Moreover, interviews conducted over the phone or using digital aids limited the ability to interpret non-verbal cues. Due to the lack of tangible tools such as whiteboards, it proved more challenging to accurately describe intricate structures and procedures. Meanwhile, management's insistence on integration efforts hampered access to internal Medtronic information, delaying its availability to researchers and causing difficulties for analysis by making analysis more time-consuming; this might have altered insights gained through internal documents. A literature review conducted during the pre-study provided essential theoretical insight.

Data Analysis Methods

Data analysis was carried out concurrent with data collection using grounded theory principles; however, its breadth and depth were severely limited by limited access to interviews in some areas and delayed access to internal documents. Due to limited in-person interviews, it became more challenging for nonverbal clues to be accurately translated, potentially diminishing the depth of data analysis. Virtual interviews limited the ability of virtual interviewees to portray complex structures and procedures, which hindered comprehension accurately. Notwithstanding these obstacles, an extensive and iterative analysis was carried out to uncover trends, themes, and insights among stakeholders.

RESULTS AND DISCUSSION

The Case Study: Medtronic Sales and Service Integration

Four individuals were selected to provide expertise in MedTech, sales, and general guidance within the studied company. These individuals possess backgrounds in sales, service, and e-learning program management. All names and company affiliations mentioned in the report have been replaced with pseudonyms for confidentiality purposes.

Table 2. Overview of Interviewed Individuals

Name	Title	Empirical information via	Type	Phase	Purpose
Mr. Turner	Senior Global Marketing Director of the Spines & Biologicals division	Strategyzer	Customer workshops	Collaboration	Transform how products are thought about and value to customers

Mrs. Miller	Sales Manager, Remote Sales, Cardiac & Vascular Group	Huthwaite International	Unstructured interviews, Semi-structured interviews, Training sessions	Implementation	Adapt to new markets and win acceptance from clients and colleagues
Mr. Scott	Sales Manager, Remote Sales	Huthwaite International	Unstructured interviews, Semi-structured interviews, Training sessions	Implementation	Develop close relationship with clients, understand their needs, influence real needs
Mr. Barnes	eLearning Program Manager	N/A	Conference presentation	Knowledge Sharing	Share best practices and lessons learned in executing a successful blended learning program

Exploration Stage

According to Mr. Turner, Senior Global Marketing Director of the Spines and Biologicals division at Medtronic Group, it is incorrect to assume that the OUs collaborate to any extent; the only shared aspect is the CEO. Each OU's products are distinct, with minimal cross-selling between them. Turner's realization highlights a fundamental flaw in the approach of his division, which traditionally operated under the assumption that building a product automatically equated to customer demand. This mindset overlooks the importance of understanding customer needs and preferences before developing a product. Furthermore, the division's reliance on separate legal entities complicates the sales process, making it difficult to establish standard contracts. Therefore, Turner's team recognizes the need to shift the company's mindset towards customer-centricity and servitization, emphasizing the importance of understanding customer needs and fostering collaboration across the organization to serve customers better and drive innovation.

Medtronic's Strategy

Medtronic has devised a new strategic approach in response to current challenges and to foster organic growth and competitiveness. Unlike its previous practice of formulating distinct strategies for each of its independent business areas, the new strategy is designed to encompass the entire group. A specific sub-strategy targets fast-growing markets to enhance Medtronic's market presence and capture additional market share. Through the Group Approach, Medtronic aims to generate synergies between its business areas, providing cross-business solutions to customers while streamlining the organizational structure to enhance cost efficiency. The integration, which involves merging Medtronic's current operating units into one common legal entity, will result in a unified sales and service organization for all markets. Organizational support is vital for sales success, particularly in companies where individual selling predominates. Medical device sales representatives require assistance from within the sales department and other key departments like finance, logistics, and human resources; Medtronic will thus establish integrated or collaborative divisions for information systems, human resources, finance, logistics, and warehousing. Fischer (2022) describes three categories of sales support: external support, core team support, and self-support. Self-support involves independent sales activities that are suitable for more straightforward products. Some of the initiatives that Medtronic Group will be able to undertake with this organizational structure include:

- Establishing a Key Account Management organization for critical clientele and groups.
- Offering capital equipment jointly.
- Establishing a consolidated marketing organization.

Mr. Turner further claims that this collaborative integration does not consider manufacturing integration. Simultaneously, Mrs. Miller, Remote Sales Manager at Cardiac and Vascular Group, clarified that adjusting to a new team, acquiring new clients, and establishing a fresh sales channel have presented challenges for each business area, with the need to adjust its functions to align with the new organizational structure.

Benefits and Challenges of the New Organization

Medtronic's partnership with Huthwaite International to develop trust in its Inside Sales team and boost customer confidence via SPIN Selling illustrates its effectiveness in empowering global sales through servitization (Massey, 2021). Successful salespersons prioritize understanding the customer's purchasing journey over their own sales process. Customers may or may not disclose their needs. Therefore, active questioning becomes critical to identifying these needs. The buying cycle is shown in Figure 3. Since implementing SPIN Selling, Medtronic has prioritized servitization in sales. Its salesforce can make meaningful connections that lead to win-win outcomes across varied sales contexts thanks to rigorous sales training and continual technique refining.

Medtronic must innovate and have sales professionals who can articulate the value proposition to customers to remain ahead. Medtronic's sales team uses RAIN Group's sales training program to collaborate with marketing and align messaging and strategy for a common language and process, which helps them build stronger client connections and win more sales (Medical Device Sales Training Rain Group, 2024). RAIN Group sales training helped Medtronic develop its Key Account Management Organization to focus on its most important customers and groups by helping sales professionals upsell, retain key clients, and tailor goods to meet customer demands. The program helps expand high-potential accounts, close deals across its product portfolio, and secure key accounts from rivals. Realistic strategic account planning allows account managers to penetrate, expand, and protect accounts, boosting revenue growth. With more than 70 modular blocks tailored specifically to Medtronic's objectives, such as sections on analyzing stakeholders, managing value labs and strengthening relationships.

Engagement Stage

The skills gap issue in the MedTech industry affects companies' operations and may lead to hiring difficulties, product development delays, and increased training costs. While The Medtronic Academy offers several courses, but its main focus is only medical training. Instead of pushing Medtronic products for profit, the focus is educating healthcare professionals on employing their technologies and therapies to improve patient care. Additional evidence from the Medtronic Academy website confirms that the platform mainly focuses on medical training rather than sales training. Courses are organized based on medical specialization: Cardiac Rhythm and Heart Failure, Gastrointestinal, and Hepatobiliary, Neurology, and Neurosurgery are among the specialties covered.

Medtronic's Direction, Metrics, and Sales Model

Medtronic has engaged numerous key stakeholders who have helped define its future sales strategy. Some highlight the significance of industry leadership and customer-oriented practices such as servitization, while some stress the need for an approach that balances product focus with accountability. Mr. Scott and Mrs. Millers emphasize the significance of providing customer value through an intensive shared sales and service organization integration program. By drawing upon its internal capabilities of industry leadership, competitive intelligence, intellectual property management, and legal expertise, the integration will equip sales representatives with market trends, regulatory knowledge, and legal implications related to patent protection. Integrating Medtronic's commitments to patient advocacy, diversity, and inclusion would enable sales representatives to connect with different stakeholders while improving patient care. Mr. Turner's emphasis on product-centricity emphasizes the need for specialized expertise but must be balanced against customer-focused strategies advocated by Mr. Scott and Mrs. Millers. Medtronic can align its strategy to customer centricity by targeting specific segments to address customer needs with its extensive product offering, thus assuring its decisions prioritize customer value and satisfaction.

Medtronic will primarily utilize revenue growth and profit as its key performance indicator (KPI), using this metric against which performance should be judged across its Group and particular operating units. Mrs. Miller suggested that revenue growth profit would determine the scope and scale of cross-selling initiatives within her organization. Mrs Miller stressed the significance of such KPIs for success at Medtronic. She stated that their immediate goal is to complete this project within six months and later develop long-term objectives, particularly creating robust technical support networks across markets.

Subsequently, the company will prioritize sales revenue growth, gross profit growth, and earnings before interest, taxes, depreciation, and amortization (EBITDA) delivery to demonstrate its dedication to outstanding financial performance across these key metrics.

Medtronic utilizes direct sales representatives and independent distributors to market its medical devices and therapies. Its sales strategy emphasizes delivering high-quality products efficiently to customers worldwide, with sales teams organized by physician specialties to foster strong customer relationships and enhance cross-selling opportunities. They follow a revenue recognition practice, recognizing revenue once the customer gains control. Following the contract's provisions, control transfer for products sold occurs upon shipment or delivery. Medtronic employs a hybrid sales model, relying heavily on distributors rather than direct sales channels, as elucidated by Mr. Turner, Senior Global Marketing Director at Medtronic Group. The decision to opt for a distributed model is primarily driven by cost considerations, highlighting the higher sales and administrative expenses associated with direct sales. However, the situation also underscores the potential for capturing a larger market share with a direct model, particularly in markets with significant size and potential. He emphasizes that market size plays a pivotal role in determining the suitability of a direct sales approach, suggesting that larger markets are more conducive to direct sales initiatives. In comparison, smaller markets may not justify the additional resource allocation.

Customer Selection and Segmentation

Medtronic has typically been product-centric, segmenting its customers accordingly. Medtronic's historical concentration on product lines and a segmentation model geared to customers capable of purchasing their portfolio are constantly underlined. However, there has been a recent shift in approach, suggesting that customer segmentation should target those who can purchase a significant portion of Medtronic's portfolio, including public and private hospitals. Mrs. Millers outlined specific criteria for segmenting customers, encompassing factors such as identifying relevant call or touch points within organizations, assessing customer size, evaluating profitability levels, and gauging the potential for future growth. Mr. Scott, on the other hand, said that Medtronic has decided not to compete only on price but also aims to offer slightly higher prices than its competitors as its pricing strategy works better with private hospitals, which are more profitable than public tenders, where prices are lower. Managing sales of consumables and capital goods also entails different capabilities. Mr. Turner argued that the distribution and analysis of hospital stock are crucial for consumable goods, focusing on efficient delivery methods. Conversely, selling capital goods relies heavily on building relationships, particularly with public hospitals, where lengthy processes are standard.

Mr. Scott further elaborated on the procurement process of public hospitals, emphasizing that it often involves a stringent tender process. Hospitals outline specific equipment requirements in this process, leaving little room for alterations to proposed quotes. Such predefined specifications necessitate adherence to the outlined criteria, limiting flexibility in negotiations and procurement terms. Conversely, Mrs. Miller noted that negotiations with private hospitals typically offer greater flexibility. Unlike public institutions bound by strict tender procedures, private hospitals have more flexibility in discussing terms and conditions. This flexibility allows Medtronic to engage in more dynamic discussions tailored to private healthcare facilities' unique needs and preferences, potentially leading to more customized solutions and agreements. Additionally, Mr. Turner highlighted Medtronic's strategic adaptation to the differing public and private hospital procurement dynamics.

Expansion Stage

Medtronic increases customer satisfaction by providing machines that operate smoothly, which is an effortless yet highly effective strategy. Their long-term partnerships with strategic customers to drive growth and success are underscored by offering comprehensive support solutions beyond product strategies alone. Medtronic takes an advisory role rather than playing an overt sales role during sales processes. They aim to become trusted advisors centering on individual clients’ needs while acting as supportive guides throughout their purchasing process. Customer segmentation according to business potential is also important for Medtronic. Traditional, transactional, complex, and distributed sales approaches all cater to various customer needs and preferences. Hence, Medtronic distinguishes between regular customers who require lower-value offerings but more profound relationships and strategic customers who demand higher-end offerings that strengthen ties to deeper connections with these strategic accounts.

Integration between sales and marketing becomes increasingly apparent, with both functions taking on shared responsibilities to ensure alignment and coordination. Collaboration among various divisions within an enterprise, such as operations or finance, is imperative to successfully navigating complex sales environments while fulfilling customer expectations. Building customer relationships and adapting purchasing processes are vital in complex sales settings. To effectively serve customers, the organization's sales plan must systematically address challenges such as working with distributors with incomplete information or competing against similar products.

KPIs should align with the sales organization's objectives and the complexity of sales cycles. While traditional volume-based metrics may suffice in certain instances, more complex sales require attention to behaviors and leading indicators, encouraging proactive behavior among sales representatives' decision-making and customer-oriented strategies. Traditional and complex sales roles each require specific sets of skills for success. Traditional medical device sales representatives excel at closing deals and selling volumes, whereas complex sales roles demand analytical skills and a genuine interest in creating long-term customer relationships. Differentiating between product-oriented medical device sales representatives and strategic account managers is vital for effectively serving MedTech’s broad customer base.

Changing Purchasing Landscape

As noted by Mr. Scott, purchasing is becoming ever more complex. He defines complexity as perceived risks inherent to purchasing procedures; customers typically consider possible risks before purchasing. Before making procurement decisions, buyers must thoroughly assess the potential repercussions and risks involved with procurement decisions. They must consider factors like employee training needs, adjustments required in existing routines, and effects on overall organizational operations. Customers encounter complex installations when integrating, training employees on implementation processes, and making necessary procedural modifications, which require significant time and resource commitments due to time or budgetary restrictions. Customers then consider whether undertaking such endeavors is within their means, leading them to evaluate whether undertaking them is feasible.

Mr. Turner distinguishes three elements that define complexity. "Risk exposure" measures how much time, money, and labor resources will be required for a project before completion that customers must commit to one offering. Secondly, he highlights the "grade of change," which assesses how the purchaser must modify and adapt their internal organizational processes and practices to conform to the purchased solution. Finally, he introduces the concept of "time horizon," which encapsulates the perceived complexity resulting from the duration and dynamics of the contract. The multidimensionality of complexity shows the need for sales teams to comprehend and address these various factors when engaging with customers.

Customer-Centricity as a Mind-Set

Mrs. Miller highlights sales organizations as prioritizing overall customer satisfaction at any cost. She emphasizes the need to consider bundled solutions' overall impact on an organization's total profit margin instead of simply considering individual product lines in isolation. Mr. Scott, Medtronic Spain Sales Manager, asserts that true customer-centricity involves going beyond providing immediate services to satisfy immediate customer demands, encouraging greater focus on meeting all their customer service requirements and needs to empower customers, making price considerations less significant in driving sales within their sphere of influence. Concurrently, value creation is central to customer-focused organizations understanding customer priorities. Understanding customer organizations and operations is vital in creating value, with crucial personnel advocating for cost-benefit analyses to reveal potential efficiencies and savings opportunities. Furthermore, motivation plays an integral part in creating long-term customer satisfaction. Mr. Scott emphasizes the significance of satisfying customer needs and wants. He defines wants as latent desires that significantly influence purchasing decisions, such as when an item facilitates seamless workflow for increased operational efficiency and productivity. Productivity lies within fulfilling unspoken desires to close deals successfully.

Exploitation Stage

Medical therapies and services based on devices primarily contribute to the company's bottom line. Both general and advanced surgical treatments are available. Government healthcare programs, clinics, distributors, independent healthcare providers, healthcare systems, and group purchasing organizations are among the company's principal customers. The company's medical equipment sales may decrease if the healthcare sector implements cost-cutting measures, impacting its revenue and financial performance. It is worth noting that most of the business's revenue comes from external payers, such as the government and private health insurance, who reimburse healthcare providers and patients for treatments that use the company's medical equipment. Patients may find it difficult to secure payment clearance from third-party payers such as insurance companies and government agencies due to their ongoing endeavors to control or decrease healthcare expenses, potentially leading to delays or denials in payment for medical procedures involving the company's devices, reducing sales of completed medical devices may decrease, including the company’s components, and an end to purchases of components altogether, indicating the potential for significant negative financial impact on the company if payment clearance issues persist.

Centralized Vs. Decentralized Purchasing Organizations

Given today's dynamic healthcare environment and limited interaction opportunities between medical sales representatives and healthcare professionals, a strategy shift must occur if medical sales success is to be maximized. Medtronic’s shared sales and service organization emphasizes meeting current healthcare challenges to set its products apart in an otherwise oversaturated marketplace; creating customized strategies is necessary if rivalry increases as sales opportunities diminish. Medical representatives must accept that discussing product features alone is often tiresome and ineffective. Instead of simply showing them off as features of interest to healthcare professionals, they should be contextualized within pertinent healthcare needs that concern them and offered solutions tailored specifically for them that meet these wants and concerns. Customer knowledge and awareness are also increasingly important. Prioritizing a market-specific mix of products and services is stressed, emphasizing adapting to regional business norms and focusing on product adaptability and sales strategies to meet consumer wants.

Unskilled sales representatives frequently rely on pre-prepared presentations that don't fully address all stakeholder needs and preferences, leading them to miss meaningful interactions and trust-building opportunities with stakeholders. Successful long-term medical sales depend on investing in territory management strategies and continuing self-improvement measures despite obstacles like declining practice margins and mistrust surrounding data anomalies. Sales personnel need an in-depth knowledge of procurement environments to navigate the intricate network of centralized and decentralized purchasing organizations. On the other hand, decentralized procurement demands a customized localized sales strategy for every department. From insiders at Medtronic, it is evident that the medical equipment procurement landscape is changing. In the past, hospitals have supported decentralized procurement, giving departments discretion over what they buy.

Medtronic anticipates a move in the medical equipment procurement space toward centralized decision-making. Hospitals, which have historically been decentralized, are anticipated to combine purchasing power with executives in future hospital groups. Medtronic works with both in-house sales agents and third-party distributors. Hospitals, surgery centers, and alternative care facilities are the primary clients of the hospital consignment inventory business. It's typical to sell to GPOs, IDNs, and materials managers. Physician expertise informs the composition of sales and marketing teams, enabling knowledgeable and devoted salespeople to establish client connections. Furthermore, no single client generates more than 10% of total revenue. However, centralization is not immediately reflected in Medtronic's sales strategy, which includes distributors and direct sales representatives. As such, it suggests a tendency toward centralization in purchasing decisions, with these more prominent organizations having a substantial say in the procurement procedures.

Purchasing Power and Process

Public healthcare entities face the difficulty of budget planning annually, hindering their ability to invest in long-term efficiency-enhancing equipment. Due to an annual budget cycle, these organizations often struggle with procuring equipment that would increase operational efficiency and positively affect bottom-line results over time. Even with efforts at adapting through organizational adjustments, coordinating diverse hospital needs presents an immense difficulty.

Delays in procuring innovative solutions could thwart efforts to address pressing healthcare challenges more promptly. However, sales organizations appear willing to embrace proactive engagement by inviting employees to present ideas for evaluation and implementation directly. This approach indicates a desire to explore innovative solutions despite budgetary or procedural restrictions. In contrast, private healthcare entities emphasize comprehensive value propositions when making purchasing decisions, considering various aspects beyond initial costs, such as longevity of services provided, availability of spare parts, and impacts on an organization's bottom line. Private entities tend to take an agile approach when procuring solutions, focusing on long-term value rather than solely considering upfront cost as their strategy to maximize value for an organization, which is unique and strategic. Private organizations prioritize deals showing clear return-on-investment (ROI) potential and relationships with nimble players who demonstrate clarity of organizational structure and responsive problem-solving abilities as a strategy for driving innovation and value creation. The efficacy of the one-size-fits-all strategy is limited, and MedTech companies promptly recognized this.

Three distinct purchasing processes are employed, each serving specific needs within the public healthcare organization's procurement framework. The standard approach adheres to principles set out by the Public Purchases Act (PPA) by creating a steering committee a year before contracts expire and convening an advisory group consisting of surgeons, anesthetists, and procurement leadership members for deliberations over future purchases. The collaborative effort ensures diverse perspectives are considered while broadening procurement strategy coverage. The second procurement pathway refers to purchases conducted outside of established agreements. Internal customer service mechanisms manage transactions below a predetermined monetary threshold before turning over these matters for steering committee consideration. The third, research procurement allows organizations to explore novel products entering the market while deviating from standard procurement procedures, deliberating over emerging innovations during trial periods, and making informed procurement decisions outside conventional practices. These processes begin by identifying needs or purposes and budget planning to control procurement expenditures. Subsequent management approval kick-starts engagement between procurement apparatuses, initiating vendor selection processes and outlining specific specifications for them to engage. This rigorous approach ensures alignment with organizational objectives while mitigating risks associated with procurement decisions, often including intensive negotiations and comparative evaluation of offers to ensure optimal value proposition.

DISCUSSION

When corporations undergo integration, various opportunities are created within them. By the reasoning presented by (Rogerson W., 2020), an integrated company such as Medtronic can generate superior bargaining leverage over their consumers by combining their products and, ultimately, deciding on the pricing offered through vertical integration. Jasmine (2023) asserts that bundling represents a solution-oriented approach, which refers to combining and selling complementary products and services to amplify value for the customer. However, Medtronic's oversight of its bargaining power with clients when bundling its products, as indicated by Jensen et al. (2023), may contribute to the company's utilization of agreements with GPOs and hospitals to establish and maintain monopoly power in new markets. Due to this oversight, Medtronic may not fully leverage its bundling advantage during negotiations with clients, resulting in the imposition of anticompetitive bundling agreements aimed at securing market share compliance.

However, Medtronic's failure to fully leverage its bargaining power in bundling negotiations may result in suboptimal discount allocation and missed opportunities to maximize revenue and customer satisfaction. Considering the intricate interplay between Medtronic's bundling strategies, its oversight of bargaining power, and the resultant effects on pricing dynamics, it becomes apparent that numerous factors influence the potential fluctuation of prices. Given these complexities, it's plausible that Medtronic hasn't fully achieved its goal of becoming a customer-centric solution provider, as outlined in the theory of an entity to learning, matching, and delivering products and services to customers as personalized solutions encompassing products, services, and experiences to meet customer needs (Chandra et al., 2022).

Theories and empirical data support customer segmentation as a fundamental criterion in customer-focused sales strategies to balance profit and expenses (Samirah, 2022). The potential is the prospective income that is crucial to sales success. Customer profitability analysis helps businesses allocate operational, marketing, and customer service costs more effectively, improving the company's earnings via customer segmentation based on revenue contributions. Customers utilize potential to select suppliers to dedicate their sales budget to, while suppliers use potential to identify prospective clients. Suppliers also utilize the potential to confine service quality levels. Navigating healthcare procurement complexities, Medtronic must align sales with customer needs via servitization. Implementing complex sales strategies toward customers with high potential enables the allocation of a greater budget due to the creation of extended sales cycles and the customization of offers. The primary differentiating factor between complex sales and traditional sales is as follows. According to empirical research, complex sales processes require in-depth customer knowledge, proactive problem-solving, and customer value creation, contrasting with traditional sales methods emphasizing volume and technical parameters. This shows that complicated and conventional sales require different representatives and KPIs.

CONCLUSIONS AND LIMITATIONS

According to theory and data, integrations could boost profit and cut costs via cross-selling, bundling, and economies of scope, further enhancing learning, supplier negotiating, and knowledge transfer. In contrast to theory, customers' negotiating power has diminished as they have gained more power by purchasing more things. Medtronic must aspire to be a solution supplier by multiplying the value of a whole offer that may improve customers' bottom lines rather than just bundling goods and services. Medtronic must describe its group approach strategy so management may comprehend the integration needed to define the organization's design, such as the reporting structure, which management clashes with. As more components are interconnected, internal complexity increases, which is a disadvantage for a customer-centric business. Customer interactions are complicated by the customer-centric design since solution-driven sales and servitization need department collaboration. Complex structures need apparent support procedures like IT systems to optimize sales.

As with organizational design, market segmentation in a customer-centric business should focus on what customers seek and their purchasing patterns rather than what can be given. Medtronic must divide and cluster customers to concentrate on high-potential and solution-buying customers to free up resources for conventional and complex sales and ensure profitability. Customer-centric companies need an array of salespeople to provide value, like conventional sales experts, product specialists, and strategic salespeople who may branch outside their product range to meet customer demands. MedTech firms must blend internal and external expertise to expand their offerings. Customers' solutions can only be implemented then. Medtronic should broaden its vision of sales and service resources needed to provide customers with solutions. Customer-centric sales demand new performance metrics since they operate differently from conventional sales. Medtronic must ensure indicators and rewards encourage new behavior. Sales KPIs should include revenue growth, profit, customer satisfaction, retention, and cross-selling performance. These indicators will show Medtronic's effectiveness in providing customized solutions and building lasting relationships and profitability. Leading indicators must be used to measure customer satisfaction in real time.

This lack of primary data collection hindered a more nuanced analysis of organizational dynamics and how they impacted organizational design considerations. Also, accessing internal Medtronic information was delayed due to the company's integration focus, damaging the study timeline. Lastly, restricted data collection due to delays, distance, and virtual communication barriers meant analyses had to rely more on secondary data. Second, in the new shared structure, only managers from a single operating unit have been designated regional presidents, which may affect how other operating units and their workers see these appointments. One operating unit’s representation might alter the attitude toward collaboration among firms with different everyday operations. Finally, the absence of representation from other business areas in key leadership roles may influence attitudes toward collaboration, particularly among organizations that previously had minimal interaction.

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