

CUSTOMER ACQUISITION PLANNING FOR NEW MEDICAL DEVICE



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CASE STUDY SERIES

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CUSTOMER ACQUISITION PLANNING FOR NEW MEDICAL DEVICE

This case study draws inspiration from a typical new product launch process of a medical device. The study seeks to outline the key steps and considerations in developing effective segment specific customer acquisition plans.



1. Background

A. COMPANY

A global medical device company ("Company X") owns multiple businesses. One of its key business divisions focuses on orthopaedic implants and is a market leader in the orthopaedic segment. Locally, the company is a dominant player in the Trauma market, which consists of all orthopaedic implants used to fix broken bones from falls and accidents. The Trauma portfolio is extensive and has over 100 product lines across different anatomic regions.

Hip fractures are the second most common type of fracture. The elderly are particularly prone to hip fractures as they are at higher risk of losing balance and falling. While the younger population suffer from hip fractures as well, they are mostly due to vehicular accidents and sports injuries.

Company X is a local leader in the hip fracture fixation market. It currently has six product lines that can be used to fix hip fractures. One of the main product lines (P-LINE) is a dominant market leader in the femoral nail fixation segment in Singapore, with more than 70% unit market share and over 50% dollar market share.

Globally, Company X recently launched a new line of titanium nails (T-LINE) for hip fracture fixation, which is an advanced technology to address hip fractures. To successfully introduce

T-LINE to the Singapore market, the company required a comprehensive plan for market introduction and customer acquisition.

B. NEW INNOVATIVE TECHNOLOGY

An orthopaedic nail is a hip fracture device that is made of a bio-compatible metal, which is introduced into the femoral canal with a set of instruments. The nail is kept in place inside the femoral (thigh bone) shaft using small screws. In addition, there is a large blade that rides up to the femoral head i.e. the ball of the ball and socket joint; and helps in load bearing i.e. takes the person's weight when the person stands up or walks. (Figure 1)

T-LINE is a first-to-market technology with multiple first-to-market design advancements. In Singapore, hip fracture patients tend to be older and lighter, and have narrower bone structures. This makes T-Line relevant to the Singapore market, with the following key features and benefits:

1. New bolt design that allows for bone cement to be injected into the femoral head to enhance fixation, especially in poor-quality bone;
2. New alloy material that allows the nail to be thinner and bent for easier insertion into thinner femoral canals; and
3. Streamlined, light and ergonomic instrument set.

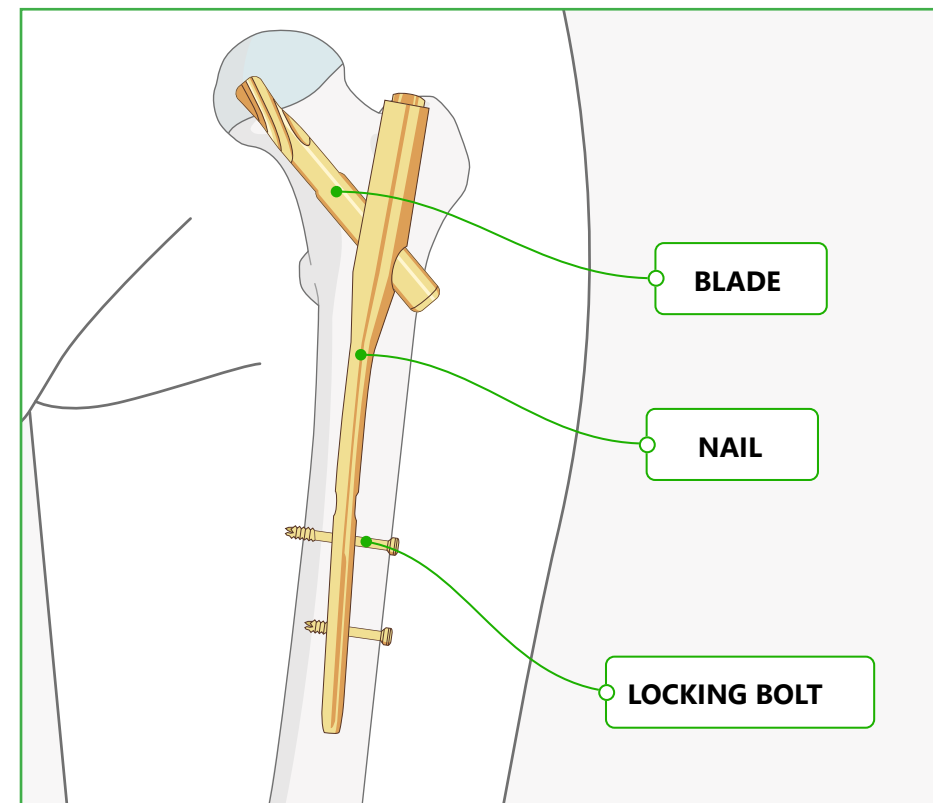


FIGURE 1: A Typical Hip Fracture Fixed with an Orthopaedic Nail

C. MARKET LANDSCAPE

The local market for hip fracture fixation is fragmented, with multiple solutions available for different types of fracture patterns. Surgeons' choice of suitable hip fracture solutions is based on various factors. These include the type of fracture pattern, bone quality status, age of patient and price considerations. Familiarity with and confidence in the brands and companies offering the solutions can also influence the surgeons' decisions.

As Figure 2 shows, hip fracture fixation solutions fall largely into the following three segments:

1. Screws – Three screws usually placed in femoral neck fractures;
2. Femoral Plates – Metal plates made of alloys of steel or titanium for femoral shaft fractures; and
3. Femoral Nails - Metal rods made of alloys of steel or titanium for femoral neck fractures.

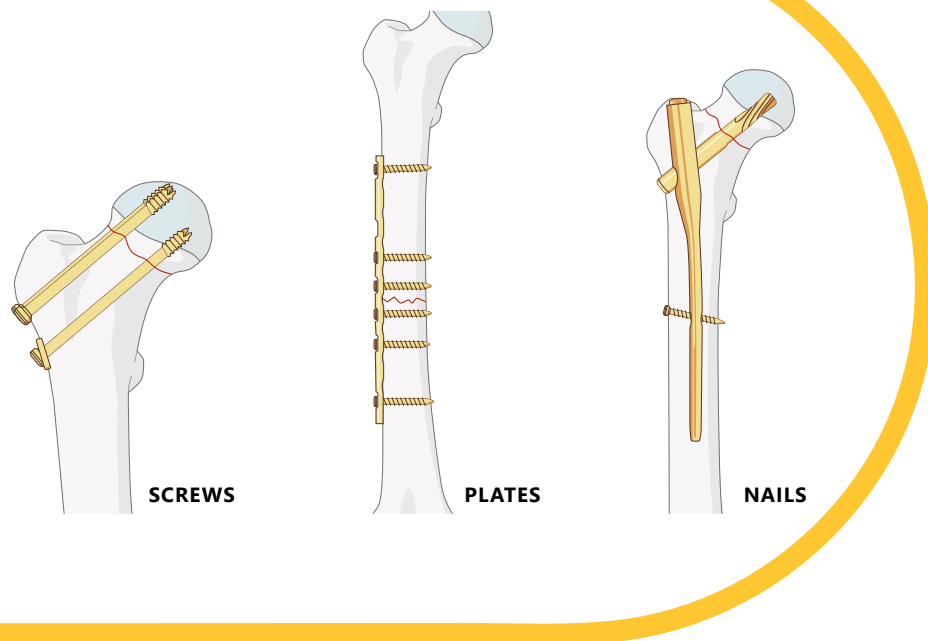


FIGURE 2: Types of Hip Fracture Fixation Devices

Company X was the sole provider of femoral nails in Singapore since late 1990s. However, in the past few years, with market development and rising affordability, many other players have been attracted to serve to this market. Currently, there are four global corporations and two distributors that offer femoral nail solutions in Singapore.

Screws are the most affordable option on the market. The total cost of surgery can be almost 40% lower than other options. Femoral plates are on average 20% more affordable than femoral nailing solutions. In general, the pricing for available femoral nail offerings is comparable to and typically benchmarked with the incumbent solution - Company X's P-LINE. In fact, new market

entrants have a slight advantage. With advances in technology, they are able to offer new designs by leveraging on new generation technology. This has enabled them to offer solutions at almost similar pricing as the older generation P-LINE solutions.

As shared, Company X recently launched a new line of titanium nails (T-LINE) for hip fracture fixation, which is an advanced technology to address hip fractures. Prior to the launch, the company had planned to introduce T-LINE at a 20% premium to P-LINE. This, however, would result in T-LINE being the most expensive solution on the market.

There are presently more than 200 orthopaedic surgeons in Singapore. They are the primary customers of hip fracture fixation solutions. However, most of the surgeries are carried out by an estimated 50 senior surgeons. The seniors, rather than their juniors, exert a strong influence on the choice of hip fracture solutions.

2. Customer Acquisition Planning - Understanding Customers

To launch T-Line, Company X adopted a structured approach to understand the customer landscape (Figure 3). This process was conducted six months prior to the planned commercial launch.

STEP 1

ASSESS CURRENT USAGE PATTERN

The first step was to comb through the sales database of Company X, which allowed for data mining. This exercise enabled the company to understand sales trends over the past three years and identify preferences of individual surgeons. The company ranked each surgeon customer by the number of P-LINE units purchased in the past three years. By doing so, the company could identify the top users who drove almost 50% of the consumption of P-LINE. These identified users were customers that the company would target for upgrading to T-LINE.

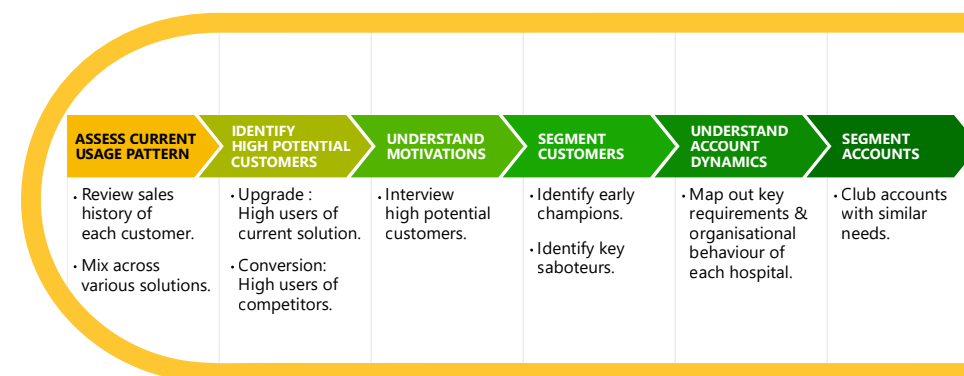


FIGURE 3: Process of Understanding the Customer Prior to Product Launch

STEP 2

IDENTIFY HIGH POTENTIAL CUSTOMERS

Next, Company X sought to identify sales mix. Specifically, the company obtained statistics that enabled them to know, by surgeon, the percentage of femoral neck fracture surgeries using P-Line. The statistics also enabled the company to find out the frequency with which each surgeon used alternative solutions like screws. The results allowed the company to identify surgeons who preferred to use screws over nails (presumably for price or confidence reasons). The company would place these surgeons as lower in priority to engage in marketing activities.

There are, however, limitations to using sales data to identify high potential customers. For instance, surgeons who perform high number of femoral nail surgeries but prefer competitors' solutions, will reflect as low volume users in the company's database.

In the medical device business, it is critical to engage the account managers and on-the-ground sales representatives to get their insights on mindset, and surgical preferences of surgeons. Field intelligence is critical in planning conversion strategy and is usually more powerful than plain data analytics inputs.

STEP 3

UNDERSTAND MOTIVATIONS OF HIGH POTENTIAL CUSTOMERS

The next step involved interviewing the identified high potential customers to obtain useful insights on what would motivate these customers to switch to a new solution. To achieve this objective, Company X adopted a deliberate interviewing strategy.

The company listed down all key conferences and meetings where maximum target audience could be approached. Meet-and-greet space was created at the venue of these key conferences, where customers were invited for feedback sessions over coffee. The company separately approached and scheduled appointments with customers who could not be reached in this manner.

The focus of the interviews was not on selling the benefits of T-LINE. Instead, the interview was focused on understanding the reasons for using the current solution and any desired improvements on the current solution. The high potential customers were encouraged to share any challenges they faced in performing surgeries, administrative issues regarding introduction of new solutions and managing skill development/training of junior colleagues. During the conversation, interviewers attempted to qualify if T-LINE could address a pressing pain point for the customers, without presenting a solution to them. At the end of the conversation, a simple flash card with a picture of T-LINE was shown to the customers and feedback was sought on how they perceived it.

STEP 4

SEGMENT HIGH POTENTIAL CUSTOMERS

Based on the interview sessions, customers were segmented into three categories – Champions, Friends and Fence Sitters (Figure 4).

Key saboteurs i.e. people who would oppose introduction of the technology, were also identified.

STEP 5

UNDERSTAND ACCOUNT DYNAMICS

In addition to identifying Champions and Friends, it is also vital to understand the procurement policies and organisational dynamics of key hospitals/clinics i.e. accounts. These factors are likely to impact the rate at which new technology can be introduced and adopted in an account.

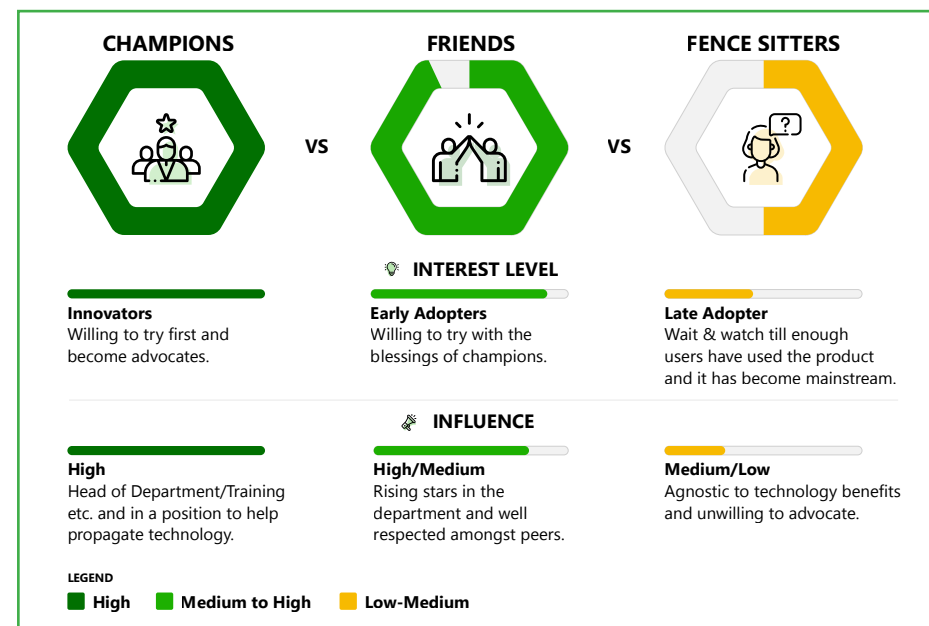


FIGURE 4: Customer Segmentation by Potential

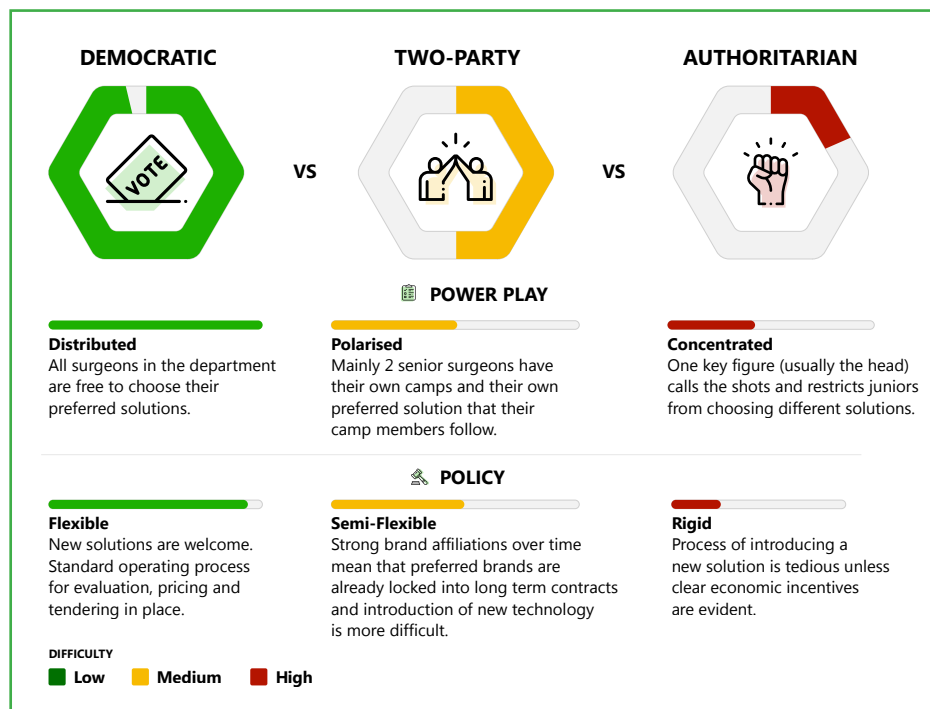


FIGURE 5: Account Segmentation by Organisational Behaviour

STEP 6

SEGMENT ACCOUNTS

In this step, a deeper level of segmentation was carried out for hospital accounts based on their organisational behaviour (Figure 5).

The account segmentation facilitated different customer acquisition strategies to be developed and customised according to account type.

Organisational behaviour plays a very important role in new technology adoption. The interpersonal dynamics of the specialty department, as well as the power held by non-clinical stakeholders in the hospital, can greatly help or hinder the process. Usually, the launch process starts with 'friendly' accounts, where key users are open to change and willing to engage.

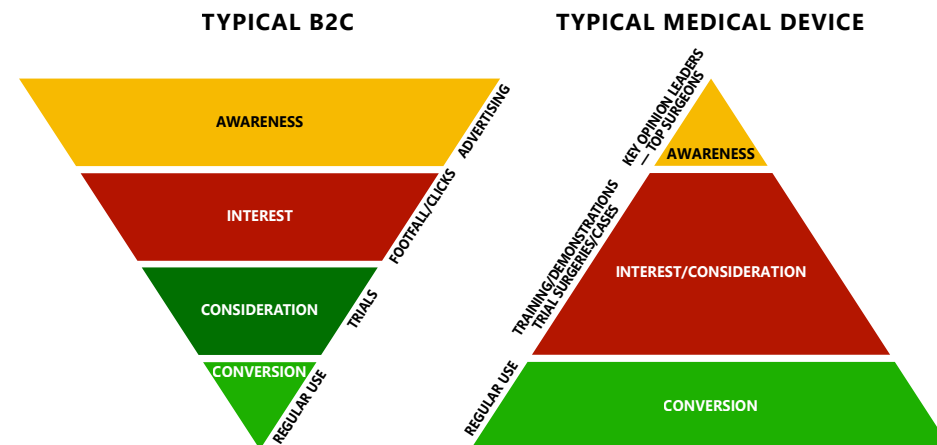


FIGURE 6: Customer Acquisition Funnel

3. Execution

Customer acquisition funnels in medical device industry differ greatly from a typical consumer product scenario as explained below (Figure 6). A proper understanding enables customer acquisition strategies to be effectively developed.

For medical devices in a regulated and controlled procurement setting, a typical technology introduction approach as illustrated in Figure 7 is usually adopted. Company X adopted such an approach for T-Line successfully.

A compelling Reason to Use (RTU) should follow the 3S rule: Simple, Singular and Strong. If the technology can address one particularly painful problem for the customer and do it better than any other option available on the market, it can become the flagship reason to drive trials. The other benefits of the technology can be amplified in the process of the trial and become secondary reasons to drive adoption.

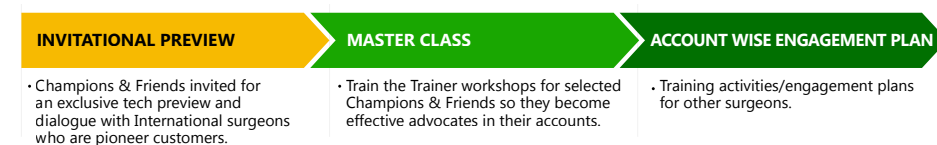


FIGURE 7: Technology Introduction Process

Firstly, Key Champions/Friends who were identified as key allies in surgical training were given an exclusive invitational preview of the new technological solution. International surgeons (who were involved in product design and were pioneer customers) were also invited to the technology preview, to share their thoughts and experiences. This platform allowed for in-depth discussion between their high potential users and the surgeon expert. From the session, Company X was able to identify features and benefits of the technology that were perceived as valuable, and which could become the Reason to Use (RTU) for the local market.

Secondly, masterclasses were conducted for selected Champions

and Friends who were able to become effective advocates in their institutional accounts. Once the Champions and Friends became certified trainers, they were involved to assist in leading the engagement plans in their accounts.

Finally, Company X customised specific engagement plans for each account according to the account segmentation. (Figure 8)

4. Conclusion

By segmenting the customer base and developing targeted engagement plans, Company X was able to convert customers successfully. Within the first year of its launch in Singapore, T-LINE became a million-dollar business and strongly defended the company from new entrants in the market.

KEY OBJECTIVE OF PLAN	DEMOCRATIC	2 PARTY	AUTHORITARIAN
Create Awareness-Champions & Friends	Exclusive Master Class		
Generate Interest within Hospital Department	Hands-on practical workshops, demonstrating the specific surgical steps and simulate surgery with LINE-T.	Joint workshop with key competitor focused on clinical approach to a specific surgical procedure.	In surgery training.
	KEY MESSAGE "Specific benefits of LINE-T"	KEY MESSAGE "Clinical considerations in managing specially challenging cases (Poor quality bone of geriatric patients)"	KEY MESSAGE "Practical considerations and surgical tips and tricks of using LINE-T"
Drive Consideration through Trial of Solution	Primary Reason-to-Use: Geriatric patients with poor bone quality — use of cements Trial surgeries with selected pool of patients.		
Convert Customers	Reamplify positive word of mouth and encourage peer to peer conversion for Reason-to-Use cases.	Introductory pricing: LINE-T advanced option available at same price as competitor solution to remove barrier of entry.	Create centre of excellence for clinical evidence generation.

FIGURE 8: Example of Account Specific Acquisition Plan for Femoral Nail Product



- 1 Segment customers based on motivations to use new technology.
- 2 Understand organisational behaviour.
- 3 Focus on key influencers.
- 4 Use a clear and singular 'Reason to Use' to drive trials.
- 5 Develop targeted training programs.

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