

# Q&A ROUNDTABLE

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## For Medical Technology Companies, Leadership Needs Evolve

Within the Life Sciences sector, medical technology corporations traditionally have marketed directly to physicians, a strategy that remains essential. But within a changing global marketplace, successful companies increasingly are broadening their marketing approaches through patient education initiatives, internet outreach, and physician support programs. The goal is to communicate more directly with today's self-educating and better-informed healthcare consumers.

This new dynamic has changed the talent equation for medical devices corporations. They stand to benefit from adding healthcare executives with industry-appropriate, consumer-marketing backgrounds to the leadership team. Yet the talent pool of such marketing executives is limited. For insights into this developing trend, and the recruitment strategies that will help medical technology companies best respond, business journalists Jill Fraser and Laura Walbert spoke with Gregory J. Lovas, a Partner in the Life Sciences & Healthcare Practice at CTPartners.

**Q: Let's begin with the overview. What is the current outlook for medical technology companies, along with the rest of the Life Sciences sector?**

**Greg Lovas:** We're seeing a cautious optimism, segment by segment. For example, the U.S. medical devices market, which was \$86 billion in 2006, is expected to have a 10% growth rate for 2007, according to AdvaMed (Advanced Medical Technology Association). The professional aesthetics or cosmeceuticals market, which is already a \$5.4 billion space in the U.S. alone, also has strong growth projections. In fact, the Freedonia Group expects the U.S. demand for cosmeceuticals – which includes skin care, hair care, Botox, lip care, dermal fillers, and tooth whiteners – to grow 8.5% annually to more than \$8 billion in 2010.

Moreover, there are record amounts of private equity flowing into Life Sciences startups. In 2007, the medical device and biotechnology industries attracted \$9.1 billion in venture capital across 862 deals, which is an all-time record, according to PriceWaterhouseCoopers and the National Venture Capital Association.

Don't get me wrong, these companies are by no means recession proof. But healthcare as an industry seems to hold its own in these types of conditions, better than other industries which tend to be more cyclical. Throughout the Life Sciences sector, many companies are growing, and they're hiring senior executives with a variety of essential skill sets.

**Q: Greg, you specialize in helping medical device companies recruit senior executives. Among growth-oriented companies, what kind of changes are you seeing in strategic thinking and leadership talent needs?**

**Greg Lovas:** The larger any market gets, the more dollars are at stake with every slight shift in market share. In an attempt to get larger pieces of this growing pie, medical device companies – and other Life Sciences corporations – have begun marketing not only to physicians but also directly to consumers.

As a result, these companies increasingly need to add executives with consumer-marketing backgrounds to their senior management teams. They're trying to develop what in the marketing world is called a push-pull strategy: Push to communicate directly to physicians, but also develop a plan that will pull in consumers who will ask their physicians about a particular product they've discovered through their own research. It's a complex new process for medical technology companies, which may also want to find ways to help physicians and local medical groups do a better job of marketing themselves, with better information about the medical devices that they rely upon and the procedures that they perform.

**Q: How is this direct-to-consumer approach different from old-fashioned brand building, with products like shampoo or toothpaste?**

**Greg Lovas:** It's less about brand building and more about educating. Patients are becoming much more educated about their healthcare choices in general. Finances are part of this, of course, since consumers have lots of money on the line here. The cost of employer-sponsored premiums grew by an average of 6.1% between 2006 and 2007, while workers' earnings rose just 3.7% by comparison, according to the 2007 "Employer Health Benefits" survey by the Kaiser Family Foundation and the Health Research and Educational Trust. In the context of these rising premiums, consumer-patients have become more active about researching where their money goes.

But there is much more at stake here than money. Self-educating healthcare consumers want to be sure that they are receiving the absolute best care, which includes the choice of the most effective medications or medical devices. They are increasingly likely to Google a medical device, visit the Web site of its manufacturer, and then ask their physician some questions about it. They'll want to know: "Is this product an option for me and, if not, why not? I read about it on a medical blog and it seems to have very good results for patients like me."

Likewise, people will use the Web to educate themselves about a procedure they may be facing. As a result, companies need exposure for their products and related procedures on those Internet destinations that a curious potential patient might visit. It's quite different from trying to sell shaving cream or toothpaste by promoting a name brand.

**Q: Greg, can you give us some examples of the marketing techniques that medical devices companies might be exploring these days?**

**Greg Lovas:** Companies might consider an information-backed alliance with sites like [www.webmd.com](http://www.webmd.com) or [www.drkoop.com](http://www.drkoop.com), where consumers are likely to begin their research. They might want to set up or contribute to blogs in such a way as to educate healthcare consumers about a product or general product area.

We're not talking about television ads here. The idea is to position the company's products online, so that educational information will be available for curious and motivated consumers. The aim is to equip the patient with knowledge, so that he or she can go to the doctor and have a conversation based around a product.

**Q: But, if a medical devices company is trying to educate consumers, why not use television ads, the way so many pharmaceuticals manufacturers do today?**

**Greg Lovas:** The medical devices companies that we are working with are genuinely more interested in raising awareness and in urging consumers to learn than they are in hyping brands. They understand the central importance of this, in a healthcare marketplace that is becoming increasingly sophisticated and better-informed.

But this choice is also a financial matter. Medical technology companies are extremely focused on cost controls and sound financial management: After all, they usually face strong competition, without the protection of those long patents that help shelter the large pharmaceuticals. And although there are some very big medical devices companies, this industry is also full of startups and smaller companies. In the U.S., for example, more than 90% of medical technology companies have fewer than 100 employees, according to AdvaMed. In other words, they don't have the colossal marketing staff or budget for commercials that the large pharmaceutical entities or the consumer-products behemoths do.

**Q: Greg, you've made it clear that this is a relatively new development for medical device companies. But can you cite a successful example where increased consumer education has led to more widespread use of a medical device or procedure?**

**Greg Lovas:** We've certainly seen successes in aesthetic procedures, where patients are approaching doctors and asking for a specific type of product. But when looking at how this is trending into medical devices, one good example relates to those devices that treat diabetes. This is a very large market, of course. The World Health Organization estimates that more than 180 million people worldwide suffer from diabetes, a number they expect to more than double by 2030.

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Given the size of that market and the long-term nature of this disease, it's not surprising that there is tremendous competition between companies as they seek to build strong relationships with their customers. To the degree that they can establish those relationships early, as patients are diagnosed with the condition or new technologies evolve, there is strong potential to create loyal, lifetime customers. Education-oriented marketing can be an important element in this process.

Consider that, for treating diabetes, there are a number of complex products and procedures. Consumers may need to make a choice about which insulin pump they are going to buy. These pumps cost about \$6,000. The patient then must decide which type of insulin he or she is going to use. Now, using the pump is complicated. You have to learn how to fill the pump's reservoir with insulin, and you have to learn how to control your dosing. None of this is simple. All of it is risky. Physicians are heavily involved in training patients in how to use the pumps.

But these days, patients are entering these situations with much greater levels of poise and preparation. They are able to tell a doctor, "I was reading this blog," or "I was on this Web page," and they are much more comfortable discussing the pros and cons of each pump and insulin type. With a costly device and a life or death treatment, they want command of the facts. One can see that this is totally different – much more complex and subtle and personal – than trying to influence a consumer decision about, say, shampoo.

**Q: From your perspective, do you believe that a consumer marketing background is now an essential credential for medical device companies, as well as other Life Sciences corporations?**

**Greg Lovas:** It's becoming an essential skill. From the signs that my colleagues and I at CTPartners are seeing, we believe that eventually every area of healthcare will have a component of education – of reaching out to and touching consumers. It's our job as recruiters to find Life Sciences executives who have a track record of performance and leadership on this level.

**Q: Until recently, most medical device companies only marketed to physicians. So how difficult is it to find C-Suite and senior management talent with a track record of relevant consumer marketing?**

**Greg Lovas:** Because of how the Life Sciences sector has developed to this point, there's definitely a shortage of substantial talent who bring the ideal mix of experiences to the table. Within medical devices especially, it's a very small community. However, there's a tiny part of the device world that overlaps with aesthetic procedures; to take one example, where healthcare executives possess the experience of marketing directly to patients.

**Q: So where else are the recruits coming from? Given the paucity of qualified candidates, have you considered recruiting outside the realm of healthcare?**

**Greg Lovas:** It's tough to go outside healthcare. If you do that, you generally lose the type of individual who understands what it means to bring products to market under the auspices of FDA approvals and regulations.

However, the area in which the aesthetics world overlaps with medical devices has executives who have handled both direct-to-consumer and physician marketing, all while keeping FDA regulations in mind. To take a few specific examples, you can find these executives in areas such as respiratory management, wound care, and sleep apnea.

In obstructive sleep apnea, for example, there's talent among the manufacturers of CPAP (continuous positive airway pressure) devices (the machines that help patients breathe while asleep). It's a niche in which you'll be most successful if you reach out to both patients and physicians. The executives in CPAP understand the consumer dynamic, and have experience trying to educate patients through Internet marketing. There are countless apnea blogs and communities on the Web, where the subject is often the pros and cons of various CPAP machines.

**Q: What sorts of Web-based marketing strategies is this new type of Life Science executive employing in order to reach consumers?**

**Greg Lovas:** Some of it is quite technical, like search engine optimization. Does their company or product come up first if someone Googles apnea?

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The other strategy is creating marketing alliances with the relevant blogs, and with sites like those I mentioned earlier, [www.drkoop.com](http://www.drkoop.com) and [www.webmd.com](http://www.webmd.com). If a consumer goes to one of these sites seeking information, companies need to know how to position their products to be just one click away. You want your product to be part of every online conversation.

**Q: Search engine optimization, online alliances, blog positioning – these hardly sound like cutting-edge marketing methods.**

**Greg Lovas:** As basic as it sounds, there are many organizations that don't understand the true value of search engine optimization or how to maximize its capabilities. Among medical devices companies, there's been a tremendous void in that area, and also in using blogs and online alliances.

Of course, pharmaceuticals companies have incorporated these traditional consumer marketing techniques for many years. But in the world of medical devices, it's the dawning of a new mindset. These companies are beginning to change their focus: To realize that if they want to maximize their business, they have to develop a relationship with consumers as well as physicians.

**Q: Will they also require a new approach to leadership recruitment and talent development?**

**Greg Lovas:** Absolutely. Within a limited talent pool, medical devices companies increasingly will want to access executives who share this new mindset: People with proven experience in developing and implementing consumer-oriented marketing strategies. These companies will be most successful when they partner with a search firm that recognizes this important trend and knows how best to respond.

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