

White Paper

Customer Segmentation Approaches for the MedTech Industry

How to blend attitudinal and behavioral data to build highly targeted and impactful marketing strategies

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Executive summary

*How are my customers behaving? What is driving their behavior?
Which stakeholders present opportunities and/or hurdles for my product?
How can I best communicate with my customers on a personalized level?*

These are just a few of the many questions that can be addressed by segmentation research.

The world of MedTech marketing and sales is constantly evolving. Decision-making has shifted from individual physicians to value analysis committees (VACs), group purchasing organizations, integrated delivery networks, and payers. There are multiple stakeholders with varying roles, priorities, and needs. Due to the complex nature of healthcare and MedTech, there is often a blurred line between users and decision makers.

Many MedTech firms have begun investing in customer segmentation, but it can be a daunting process due to the complexity of the market and the type and volume of data that exists. A trusted partner can help MedTech companies form and implement a customer segmentation strategy. While there is no bad time to introduce customer segmentation, the best time is either right before a product launch or when the market landscape changes (rendering an older segmentation out-of-date).

There are a number of ways to perform a customer segmentation in the MedTech industry. This white paper offers an overview of the breadth of possibilities that exist and shares real-world examples of how companies are collaborating with IQVIA MedTech to develop customer segmentation strategies.

What is customer segmentation?

Segmentation is the process of dividing customers of interest into subgroups based on similar characteristics, attitudes, needs, or desires. The purpose is to understand differences in how customers are behaving and why, and to identify barriers and opportunities to engage them in meaningful ways.

A company can use that information to create a competitive advantage by optimizing its messaging and sales tactics for the segments who are most receptive to a product's value proposition.



What makes segmentation unique in MedTech?

Segmentation in the MedTech industry is a complex undertaking given that there are multiple stakeholders with varying roles, priorities, and needs even within a single account. It is further complicated by the diversity of products offered and the fact that sales representatives typically cover a portfolio of products that may each have their own buying processes.



MULTIPLE DECISION MAKERS

Each customer account (typically a hospital, facility, or network of facilities) will exhibit some similarity in behaviors and attitudes at the organizational level. However, there are significant differences between each stakeholder group involved in the buying process (procurement staff, department heads, physicians, nurses, IT professionals, etc.). Each group has a different role to play and a different influence on the process. Further complicating matters, individuals within a stakeholder group may have different behaviors and attitudes that need to be taken into consideration.

For example, a hospital's VAC may decide to switch to a different brand of IV catheter to save money or ensure better outcomes for patients, but the healthcare providers (HCPs) involved in the placement and use of the IV catheter may be more or less enthusiastic about the new device or changes in processes required to use it. Even among the HCPs, there may be some individuals who will be more willing than others to switch to the new product due to a variety of differences at the individual level.



MULTIPLE BUYING PROCESSES

There are numerous buying processes for MedTech products, depending on the type of product and the manufacturing company. Some products are distributed directly to consumers (i.e., patients purchase a device they can use at home, such as a CPAP machine, continuous glucose monitor, etc.) while others are driven by HCP recommendations and procurement (i.e., products used within a healthcare facility or for specific procedures). Various segmentation approaches can be used, depending on the buying process and the product.



ACCOUNT-LEVEL VERSUS PRODUCT-LEVEL APPROACH

Most MedTech sales representatives are affiliated with an account, and data is presented to them at the account level. However, segmentation is usually done at the individual level (i.e., an individual fits into a segment, rather than a whole account fitting into a segment). These differences often call for more creative segmentation approaches.

Choosing the right approach to segmentation

Given the complexities that exist in the MedTech space, different approaches to segmentation can be used to achieve various objectives. We've included a few common approaches below, but there are many ways to approach segmentation. The right approach depends on your objectives, the type of product being marketed, how it is sold, and the data available — including both secondary data assets (sales data, prescribing information, procedure volumes, etc.) and information gathered through primary market research (interviews, surveys, etc.).



HIGH-LEVEL PERSONA CREATION

Companies who exist in a smaller space are working with a limited budget or have consumer-distributed products can approach segmentation by creating customer archetypes (also known as personas).

Personas are defined entirely by primary market research: specifically, qualitative interviews with stakeholders of interest. There are no advanced analytics involved in this kind of segmentation — the segments emerge from the interviews.

While these interviews reveal demographics and psychographics, they also uncover useful information about the stakeholder persona such as whether they will use the product, their willingness to try a new technology or adopt a new product, and more.

The deliverable is a general understanding of each persona, and a manageable number of segments that the sales force can work with (i.e., three to five). Personas will give the sales representatives some guideposts about the types of individuals they will most likely run into within each account, and a few talking points that will resonate with them.



CASE STUDY: LAUNCHING A NEW AT-HOME DIAGNOSTIC TEST

THE CHALLENGE

A MedTech organization was launching a new at-home diagnostic test. It was looking for insights to help develop a clear value proposition that could be tailored to the customer segments identified in research.

THE APPROACH

First, IQVIA MedTech led discussions with the company stakeholders to identify key hypotheses that could be tested using primary market research. This phase ensured that all hypotheses would be addressed in qualitative interviews.

Following the stakeholder interviews, IQVIA MedTech conducted more qualitative interviews with primary care physicians and a variety of specialists to understand their approach to at-home testing and their reactions to a product profile. This research helped gauge current product awareness, identify unmet needs, and understand the drivers and barriers to product adoption.

Finally, IQVIA MedTech analyzed the detailed insights and developed customer archetypes that identified which stakeholders would be more likely to adopt the new test and highlighted the reasons why.

THE RESULTS

The company used the customer archetypes to prioritize stakeholders, develop detailed marketing strategies, and map out potential areas for future product expansion.



ACCOUNT PRIORITIZATION AND SEGMENTATION

Companies who have products driven by physician and procurement recommendations, or for whom sales representatives are assigned to accounts rather than to individuals, can take a two-step approach to segmentation. The first step is account prioritization based on sales or other secondary data, followed by attitudinal segmentation based on primary market research insights. This approach is more quantitative than persona creation. It involves gathering a large amount of data and defining specific segments with more detailed and quantitative information. Analysis of sales data allows accounts to be prioritized based on current and future sales potential with the brand. Finally, segmentation research (qualitative or quantitative in nature) can be performed on those high-priority accounts to identify stakeholder segments whom sales representatives should talk to. This approach to segmentation helps companies understand the attitudes and behaviors that vary across individuals within each high-priority account.



CASE STUDY: EXPANDING VASCULAR DEVICE BUSINESS IN HOSPITALS

THE CHALLENGE

A MedTech organization was looking to expand vascular device business within its prioritized accounts. To do that, it needed to identify stakeholder segments and improve its targeting and messaging strategies. It sought to personalize the product positioning and marketing collateral to match the needs and information consumption patterns of each stakeholder.

THE APPROACH

IQVIA MedTech used account-level claims data to identify high-opportunity accounts for the company. Then, stakeholders within these high-opportunity accounts were recruited for primary market research in the next two phases. IQVIA MedTech conducted qualitative interviews to help develop an understanding of their needs, beliefs, attitudes, and behaviors.

Findings from this preliminary qualitative phase fed into the design of a quantitative survey. The quantitative survey was designed to gather respondent-level data related to:

- Demographics and role
- Current challenges and unmet needs
- Brand awareness, usage, and perceptions
- Preferred sources of information
- Sales representative involvement and perceptions
- Involvement in evaluation and/or procurement processes

Finally, advanced analytics identified variables where significant differences existed, resulting in customer segments that were differentiated on numerous levels. IQVIA MedTech developed a typing tool to determine segment assignments based on just a few questions that sales representatives would ask during visits or in future surveys.

THE RESULTS

The company used the research output to prioritize accounts in its call list and develop marketing strategies personalized to each stakeholder segment. Sales representatives can now ask a few questions and input responses in an easy-to-use typing tool to determine which segment a customer falls into. Then, they can deliver the appropriate messaging that's tailored to customers in that segment.



INTEGRATED SEGMENT DEVELOPMENT

Companies with products that are distributed directly to consumers or driven by physician and procurement recommendations can benefit from an integrated segmentation approach — depending on the data available. An integrated segmentation approach may most comprehensively represent the space in which a product is competing. By combining data from secondary and primary market research, marketing and sales teams can understand the nuances in different stakeholders' attitudes. Since this approach requires a balance between primary and secondary variables, it may not be the best choice when there isn't any data linking HCPs to specific procedures or products.

This approach pulls in qualitative interviews, quantitative surveys, and secondary data assets (including existing client data) to reveal customer segments at the most granular level. At least part of the sample set must display both secondary behavioral (i.e., which products and how many) and primary attitudinal (i.e., why physicians are using certain products) variables. Then, this approach layers predictive analytics on top of the research sample to determine segment membership across a universe list.

The greatest benefit of this approach is the ability to predict which segment each stakeholder would fall into, without manually categorizing stakeholders who don't respond to the survey. Without the predictive ability of integrated segmentations, sales representatives usually need to use typing tools that rely on asking customers a few questions to assign them to a segment. While this is a much more involved approach than the previous two — with multiple phases of research — the detailed results can add substantial value.



CASE STUDY: UNDERSTANDING PRESCRIBING BEHAVIOR

THE CHALLENGE

The MedTech organization desired to understand the differences in physicians' prescribing behavior for continuous glucose monitors (CGMs).

THE APPROACH

First, IQVIA MedTech led discussions with the organization's stakeholders to identify key hypotheses to be tested in primary market research. These hypotheses consisted of potential behavioral and attitudinal differences between physicians. Physicians were then interviewed to pressure test the hypotheses.

Next, IQVIA MedTech conducted quantitative research to test and provide quantifiable data for each hypothesis. Secondary data assets were integrated with the quantitative survey research, including CGM prescribing data, anti-diabetic prescribing data, physician details, and facility details. Variables from both the quantitative survey research and secondary data assets were used to create a segmentation algorithm, resulting in nuanced physician segments.

Finally, IQVIA MedTech conducted further qualitative interviews to validate the segments and build out the profiles.

THE RESULTS

The final segments resulted in clear differences in physician behaviors and attitudes. The company used this information to develop data-driven targeted messaging that would resonate best with each segment. In addition, all physicians who participated in the primary market research were recruited from the organization's sales representative call list. This allowed the company to tag the call list with the physicians' segments and include secondary data assets. Now, just by looking at the call list, a sales representative can quickly determine which segment a physician falls into and share the messaging that's most appropriate for them.



CHOOSING A SEGMENTATION METHODOLOGY

Any mix of these methodologies may be used to segment a company's market. The reasons for choosing a specific approach include budget, product type, variety of stakeholders, buying process, and whether the right data exists to fuel predictive analytics. If the company isn't sure which kind of segmentation it needs, a trusted partner, like IQVIA MedTech, with experience in segmentation innovation and in the MedTech industry can make a recommendation for the best approach.

Getting the most out of the investment into segmentation

Successful segmentations require planning and alignment at multiple stages



1. IDENTIFY THE BEST SEGMENTATION APPROACH

The size and maturity of the company and the kind of product it is marketing will determine the most appropriate segmentation approach. The approach that will deliver the most value is the one that gives the company the most information for the product's unique buying process and is the easiest to implement. For example, if the product is sold at the account level, an HCP-level segmentation alone won't deliver all the insights needed for implementation.



2. ALIGN WITH SALES AND CHANNEL LEADERSHIP UP FRONT

A successful segmentation project needs buy-in from the broader team throughout the research process. Companies run into problems when they invest in a research project and then tell sales to use it once the research is done and final deliverables are received.

The marketing insights team needs to align with sales teams and get their input before and throughout the research process to ensure that the segmentation output will meet their needs. Sales representatives will ultimately implement the segmentation insights, so their perspectives are valuable.



3. LIMIT SEGMENTS TO A MANAGEABLE NUMBER

When strategizing the segmentation project, MedTech companies should consider how many segments will be manageable for the entities who will interact with them. Too many segments are difficult for sales to keep track of, and for marketing to develop unique strategies for. Too few segments don't have enough differentiation and won't provide sufficiently actionable insights.



4. ESTABLISH AN IMPLEMENTATION PLAN

It's important to plan ahead for segment execution. It may help for sales representatives to ask their customers questions about the kind of content they'd like to receive. Then, marketing can start developing materials so they're ready to go when the segments launch.

Tracking performance is a key part of the implementation plan. Think of the initial messages as a draft that will be tweaked and improved over time. The MedTech company needs a way to track and understand how the marketing content is performing — for example, what customers respond well to and what's important to them — so it can test new messages and adjust the strategy. It's even more important to have a way to track any change in sales as a result of the segmentation strategy.



5. INCORPORATE APPROPRIATE FIELD TRAINING

Once the company has a manageable number of segments, there's still an overwhelming amount of data about each of those segments. Out of all that data, the marketing insights team first needs to identify what's most important for the sales force to know, then they need to train field representatives on segment profiles and messages.



6. REDUCE THE SALES FORCE BURDEN WITH A PREDICTIVE ALGORITHM

If the research methodology allows for it, a predictive algorithm can tag a call list with segments (or add segment flags to the CRM) so, going into a call, sales representatives know which segment the customer is in. Knowing who they're approaching reduces time and effort on their part.

Even if that level of prediction isn't possible, a typing tool helps sales representatives easily estimate segment membership for customers not in the original primary market research sample.

Winning in a complex market with customer segmentation

The increased competition in the MedTech space has shifted demand and delivery around the globe, and created a pressing need for MedTech companies to differentiate themselves so they can gain and retain customer loyalty. Companies that adapt to the current environment using customer segmentation capabilities will ultimately outrun their competition.

MedTech companies are on a journey of harnessing data and turning it into customer insights and actions — and segmentation is a step along the way. IQVIA MedTech can partner with firms on this important journey. Contact us to get started.



About IQVIA Connected Intelligence™

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