

Establishing Performance Metrics with Denis Cantin Episode 001

Today's topic is focused on establishing performance goals between manufacturers and distributors.

Q: When medtech manufacturers and distributors start working together in a market, how important is it to establish KPIs?

- Setting and tracking KPIs are a critical element in developing a strong and successful relationship with a new partner
- They must be quantifiable metrics that reflect how well an organization is achieving towards its stated goals and objectives
- KPIs are more than just numbers reported out weekly, monthly or quarterly
 - They enable you to understand the performance so that both parties can make critical adjustments in the execution in achieving of strategic goals
- Establishing and measuring the right KPIs will help you achieve your results a lot faster
- First list out the set of business objectives that you've asked them contribute to
- Next, identify goals that are manageable and the ones that would be tough to reach
- Once those are defined, come up with a healthy balance of realistic and yet ambitious targets and set those goals
- A distributor partner will be more eager to accomplish something when they feel they have had a voice in creating it
- An example: one of the goals could be to provide superior customer service. You could use a KPI to target the number of customer support requests that remain unsatisfied at the end of every week. This will measure your progress towards that objective.
- The number of KPIs you should set is between 4 and 10 – which is a big spread
 - If you're focused on sales and ops perhaps its 4
 - If you include marketing and financial metrics then perhaps its closer to 10
 - Make sure you have enough to measure how your team or organization is performing those key objectives

Q: How do we agree on what these should be?

- Use SMART Fundamentals
 - Specific – be very clear
 - Measurable
 - Achievable – not too optimistic
 - Relevant – are both parties happy with this KPI
 - Timebound
- Examples of good KPIs
 - Track the number of sales qualified leads
 - Opportunity to win ratio
 - Time to ship
 - % of sales lost to “out of stock”
 - % of on-time shipments



Q: Should we agree on KPIs before we sign a contract?

- KPIs should be negotiated as part of the contract negotiations
- It helps all parties measure progress and achieve goals against that contract
- KPIs play a huge role in driving action – without them baked in the contract they may seem like an afterthought and seen as secondary
- Having KPIs in the contract, you can go back and refer to it and its significant

Q: How do we measure and track KPIs?

- Always have a plan on how you will capture the information that is needed
 - For example: Net Profit required different data than customer satisfaction from two different systems
- Establish who will collect the data and how frequently
 - For example: Sales data through a CRM can be collected relatively quickly, where a KPI that requires information to be collated from a number of different sources may be best left to a monthly measurement
- Verify the data and make sure its accurate and covers all the requirements of that KPI
- Communicate the outcomes of the KPI clearly to everyone who is concerned via a performance dashboard like the one in myCaribou has great functionality when it comes to a dashboard which has the framework and easy to push out and a single source of truth

Q: How often should we discuss them and review them together?

- New relationships will require monitoring and reviewing KPIs more often – quarterly or perhaps even monthly
- Note: in the early days give it more time so the data can be accumulated in a meaningful way to review
 - Reviewing the data too early may not give you an accurate view of how everyone is performing
- In addition to the contract manager, its important that other key people like executive sponsors take part in these reviews
 - If an issue arises or escalates they will already be in the know

Q: How often should we reset our KPIs, or discuss setting new KPIs?

- Review KPI relevance and make omissions or changes/additions every six month
- This should most definitely be done within the first 2 years of any partnerships
- Established partnerships may review every 12 months

Q: How do KPIs tie back to contracts? What happens if we aren't meeting them?

- KPIs help contract managers manage progress and goals against contracts
- KPIs drive actions and have significant affects
- If a KPI is not implemented properly or too ambitious or not ambitious at all provide very little fuel to the team to meet end goals – creating an unmotivated team
- Honest, open communication is crucial, along with having the right constituents at the table that can act if necessary
- Escalation in real time important – if a KPI is not being met, don't put it off to next quarter or next month, act on it right away



Q: What are examples of KPIs you have used previously with success?

- Sales:
 - Sales Qualified Leads
 - Opportunity to win ratio
 - Sales revenue vs target
- Operations:
 - Order fulfillment accuracy – this is crucial
 - On-time delivery
 - Percentage of sales lost due to “out of stock” – back order management

Q: Some would argue that if we are hitting our sales targets, we don’t need to worry about KPIs. Do you agree with that?

- Hitting sales targets is a good thing, but ignoring KPIs means you will be “flying blind”
- Do not ignore KPIs in the long-term
- KPIs really allow you to do a deep dive on what’s driving revenue growth
- Sustainable growth requires time and relies on having good knowledge and visibility to the sales funnel, sales cycle length, to the conversion rate and later retention rate will give you a much better picture
- For example: A large portion of revenue growth could be due to 1 or 2 select customers, or 1 or 2 sales team members who are on their game, by just looking at the top number you could overlook the fact that maybe tier 2 customers are not adopting as quickly or the rest of the sales organization is forgetting about it. So it is crucial to dive into those details and the frequency will allow you to do that.

Q: Any final words of advice?

- Key performance indicators need to be part-n-parcel with contract negotiations
- Have a platform to use that both groups can access, revisit, measure and report back



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With over 20 years in the medical device industry, Denis is an experienced advisor and expediter to the Medical Device and Consumables Sector, supporting manufacturers and distributors to achieve commercial success in new overseas markets. Denis is an accomplished business development professional having held senior leadership positions at Cardinal Health and Medline. Denis now works with manufacturers and distributors from Europe, North America and Australia/New Zealand, helping them build successful partnerships to drive growth.