

Why Medtech Manufacturer & Distributor Partnerships Fail So Often.

Introduction

Relationships between manufacturers and distributors always start with great expectations and enthusiasm. But 6 out of 10 times, these partnerships fail, resulting in lost revenue, lost time, and lost ground to competitors. How can you avoid the pitfalls and ensure that the investment in your partnership pays off?

Our panel of industry experts discuss the reasons medical device, equipment, and supplies partnerships fail, and how to build long-lasting, successful partnerships.

Panel Members



Hakeem Adebisi, Chief Commercial Officer, Hegenberger Medical

Hakeem Adebisi has been leading organizations commercially for 28 years. His export journey started in 2014 and using all his commercial experience, he managed to deliver exponential growth internationally which helped in the business being acquired twice during his tenure. His success is down to his simple no nonsense approach to business and specifically building strong distributor/exporter relationships.



Paul Hoff, International Sales Manager, Acime Frame

Paul has almost 20 years' experience of managing distribution channels in healthcare and optimizing and growing international business relationships globally. Currently, Paul is responsible for the global growth and business development for Acime Frame, an innovative French manufacturer of high-quality ambulatory solutions for various hospital services. Paul has successfully doubled sales in past roles by penetrating new growth markets and successfully onboarding new distributors.



Serge Rawyler, Sales Director, Somapharm

Serge is an experienced medtech sales professional for one of the fastest growing Swiss medtech distributors. As a leader for Somapharm, Serge is responsible for building and managing successful partnerships with leading urology, gynecology, gastroenterology and OR general surgical products manufacturers from around the world. His past experience includes Johnson & Johnson and Laborie.



Market Discovery - Question #1: To what extent do manufacturers need to understand new markets before they decide to enter the market? [4:36]

- There's a minimum that is required, however if you have identified a good distributor that is an expert in that market you can rely on them to be the lead. Don't get too bogged down in trying to be the expert in every market because you don't have the bandwidth.
- It's important to know general markers of the demographics of the country (ex. pop size, healthcare spend).
- You should understand the healthcare system of the market:
 - Public or private or a combination of the two?
 - Procurement
 - Payment – how does that market pay? Will that impact the distributor's ability to pay you on time?
 - Are there buying groups?
- Don't lose sight of regulatory side. How difficult will it be to get the right certifications from a time and cost perspective.
- Understand what your competition looks like in the market.



Find Markets with myCaribou's Market Search: <https://support.cariboumed.com/findmarkets>

Market Discovery - Question #2: What role does this analysis take in helping the manufacturer and the distributor in agreeing on the pricing, competitive landscape, and other market dynamics? [9:15]

- It is crucial for manufacturers that are trying to enter new markets, especially ones that are quite foreign to them to have this knowledge.
- This analysis can aim to increase the manufacturers interest in certain points of the market that the distributor then bolsters.
- This allows for stronger partnerships in the end as both sides understand what is to be expected of the market better.



Explore and source with myCaribou Market Discovery: <https://support.cariboumed.com/market-discovery-1>



Finding and Selecting Partners - Question #1: How do you go about finding new partners (distributors and/or suppliers)?
[13:00]

- There is a difference between finding new partners and finding good partners.
- New partners are easy to find at any trade show, promising the moon, however this is where the high fail rate in the medtech industry comes from.
- Finding good partners requires needing to know what you are looking for:
 - Understand the market, and what partner best suits you in that market. Don't always look for the biggest player, look for the company that best suits your product(s) and understand what you need from them.
 - Have a list of criteria that you need from your partners.
- Use myCaribou platform to uncover a list of partners that meet your criteria above.
- Need evidence of what this partner has done (references are crucial, specifically from your space).
- Put a strong distribution agreement in place to help mitigate failure and provide a structured means for success.



Watch Accelerate your Growth with Better Partner Selection:
<https://cariboumed.com/resources/videos/better-partner-selection/>



Finding and Selecting Partners - Question #2: What criteria should we use to screen a partner (distributor/supplier) to qualify them for a good fit)? [16:26]

- Don't forget compliance or a quality system – you need to know your distributor can manage any regulatory
- Look at their product portfolio to ensure that it is relevant or at least synergistic with your brand (includes contact points within hospitals they may sell into)
- Evidence is key. References from other suppliers they work with is necessary to understanding if the fit is right.
- Look at their sales team. How big is it? How many products does each rep have to manage? It is fair to say that a distributor with a large catalog is never going to be an expert in all of them.
- I have had success with distributors with a focused, small range of products that they are experts in.
- Ensure that they are willing to do the work through strong distribution contracts. If they are hesitant to this, it may indicate that they are not willing to put the work in on selling your device.



Explore companies based on your needs with myCaribou's Company Search: <https://support.cariboumed.com/find-par>

Finding and Selecting Partners - Question #3: Low cost/low tech products vs. high cost/high tech. Can distributors successfully pay attention to both? What is the impact on finding and selecting the right distribution partner? [20:53]

- High level it depends on two things:
 - What the nature of the problem/opportunity is
 - What is your maturity on analytics and key drivers
- How agile the distributor is on its data management, we are a hub, how agile you are and how good you are of your management of information and wisdom to extract value from this information
 - You need to be able to get granular with that information to drive focus on the high tech and low-tech products.



View how to manage your partner search with shortlists: <https://support.cariboumed.com/shortlists>



Laying the Foundation for a great partnership - Question #1: Can you speak to a specific example of a great manufacturer/distributor partnership in your experience, and what made it such a success? [23:18]

- A Dutch distributor we started working with in 2014. They started with only 2 people and grew to being our best distributor.
 - The “bedrock” of this relationship was mutual respect and open and honest communication with a common purpose between the two of us.
 - Honest communication even when it’s a difficult topic
 - What stood out about this distributor was that they accepted that they weren’t the experts, and we were, so they worked with us in training, where they were open to listening and learning.
 - Regular check ins and visits became normal to the point we started doing them with other distributors to share best practices.
 - This was all because we had a common purpose that we were both working towards.
- You need to understand both side’s business model and make sure its aligned. IE – Selling capital equipment, a distributor may want to lease it over 5 years, but the manufacturer wants a full purchase every other week.
- If you can have fun and a personal relationship with your partner, it makes things so much better.

Laying the Foundation for a great partnership- Question #2: Exclusivity – What are the pros and cons of an exclusive relationship between a manufacturer and distributor in a particle market? Which scenarios would normally indicate that exclusivity is necessary /important? [26:55]

- From what we discussed earlier, you need to do your due diligence first.
 - If you’ve vetted your partner and are happy with them, you are going to want some level of exclusivity so that they don’t go and sell a competitive product.
- From a distributor’s perspective, it comes down to the investment that they are going to have to make to sell your product. If they put the effort in to increase brand awareness and education, they won’t want others coming in to piggyback off their work.
 - Especially with new devices there is a lot of work that needs to be done or an upfront investment, the distributor won’t want to take that on with no exclusivity.
- Exclusivity does allow for clear, and strict business goals to be set.
- The only downside being that if an exclusive relationship starts to go south, you could have effectively tied up that market and could be in a situation where you have less sales or no sales.



Watch How to Avoid the Management Pitfalls of Medtech Partnerships to Accelerate Success:
<https://cariboumed.com/resources/videos/pitfalls/>



Laying the Foundation for a great partnership- Question #3: A successful partnership requires the distributor to invest in developing the market through people infrastructure, inventory, promotion, and education. But, the payback on this investment could take a long time and manufacturers become impatient. How can both the manufacturer and distributor mitigate this risk, so they are committed to successfully investing capital and resources in the partnership and looking forward over a longer term?? [30:53]

- It's a contentious point with all relationships. It goes back to both sides understanding the market, having the right partner and having aligned visions.
- If I can see that our visions aren't aligned from the get-go I will always move on, because if they undervalue the market then they are never going to invest as much as I will, and if they over value it I will be more hesitant to invest.
- Both parties need to show commitment:
 - Distributor investment in stock
 - Joint events like tradeshow, marketing materials
 - Collaborative training
 - Field events
 - Manufacturer co-fund a dedicated manager or sales rep for their product

Laying the Foundation for a great partnership- Question #4: What are some of the key metrics (beyond just revenue) that you think are important to establish at the onset of the relationship? [35:10]

- There is a major tie between metrics and activities that are carried out (Ex presentations to doctors, trials, promotion)
 - These activities are key during the sale cycle.
- The focus is usually put on the "what." This is a product, a plan, a timeline for your business.
- But you need to invest your time into the "how" are we going to accomplish our goals together?
- The balance between the what and the how is a key indicator for your success.
- Establish good communication with your partnerships to focus on how to problem solve together.
- When the manufacturer is involved with customer training, support it shows the end customer how great the relationship is and they trust that product more.



Workspace Playbook for Successful Partnerships:
<https://support.cariboumed.com/workspaceplaybook>



Laying the Foundation for a great partnership- Question #5: **what are some of the key contract terms that you believe should be in all contracts? With a rising supply chain cost in the current markets, is it reasonable to add a CPI driven adjustment clause to contracts?** [39:20]

- The more you have down in contract, the less likely it is for things to go awry in the future.
 - If you haven't set up measures in the first place, it is not reasonable to question short comings in the future.
- 3 years is a standard distribution term.
- Payment terms:
 - Look under the general T's and Cs of trading (not unusual to have clauses around price increases with a 30-to-90-day notice)
 - Protect yourself of any market changes, you need to have it spelled out
- Territory:
 - Do you have multiple distributors in the same market?
 - This clarity is important to avoid someone selling on someone else's patch.
- Scope of products:
 - Important to establish whether its specialty or full range of products
 - Be specific about which products they are selling
- Product registration:
 - Whose name is this under?
 - Giving the ability to transfer registration of the device if required
- Change of ownership of the company:
 - Need to have a clause about what will happen if a company is sold
- Sales Targets:
 - Along with consequences of non-achievements, ex the loss of exclusivity, or distribution terminated



Watch [Creating Stronger Medtech Partnerships to Increase Growth – Part 1: Contracts & KPIs](https://cariboumed.com/resources/videos/stronger-partnerships-part-1/):
<https://cariboumed.com/resources/videos/stronger-partnerships-part-1/>



Partner Management and Collaboration- Question #1: How often should we have a business review with each partner?
[44:18]

- I would expect that my distributors would be doing internal monthly reports, so I would either want a copy, or to be put in the loop.
- I'd include light calls with them monthly.
- At LEAST once a quarter.
- Additionally annual meetings to follow up on failures, and where improvements can be made is important in sticking to the contract.

What are the most important items to discuss?

- Exactly what was put in the contract!
- Sales targets, pipeline development, stock holdings, sales into the market.



Learn How to Facilitate Quarterly Business Reviews in myCaribou:
<https://support.cariboumed.com/facilitate-a-quarterly-business-review>

Partner Management and Collaboration- Question #2: What's the best way to keep your distributor's sales force engaged in your products so that they will promote it frequently? [47:45]

- I keep them engaged with support, and by leading by example.
- I sell the product first myself and learn everything about it
 - Then share my success, and failures with the sales team
 - This way we can use our experience and metrics to tackle the problems
- Constant communication allows to learn properly, one shot of education can lead to not understanding.
- Be open to help if they struggle to keep everyone engaged.
- If the KPIs, lead indicators of metrics are taking a hit that would be a huge indicator that they are struggling or not involved.



Watch Creating Stronger Medtech Partnerships to Increase Growth – Part 3: Sales Expectations & Execution: <https://cariboumed.com/resources/videos/creating-stronger-partnerships-part-3/>



Partner Management and Collaboration- Question #3: How can distributors mitigate risk of the manufacturer going direct in the market? [50:40]

- You can't, however the question you must ask yourself is why do manufacturers work with distributors in the first place?
 - Going direct is complex and expensive
 - Does a manufacturer want to have the pain points that a distributor normally pulls their weight on?
- Having strong partnerships, with enjoyable interactions, there will be less of an appetite to go direct and move around you.
- If you are doing a good job, deepening the partnership and delivering on what you said you would do, you will mitigate that risk.

Partner Management and Collaboration- Question #4: How do you know when it's time to end a failing relationship? [53:10]

- You just know at the end of the day.
- If you follow everything we've discussed (Clear performance measures, distribution agreement, open and honest communication) leading indicators will start to show before sales dip that the relationship is falling.
- If you've tried to improve and there are still red flags you can know to cut the relationship off.
- Especially if you were diligent about the distribution agreement, there's nothing personal, just facts that one half of the deal isn't being held up.



Leverage myPartners to accelerate growth and build collaborative medtech partnerships:
<https://cariboumed.com/resources/videos/mypartners/>