

Achieving Great Product-Market-Fit For Healthcare Innovation

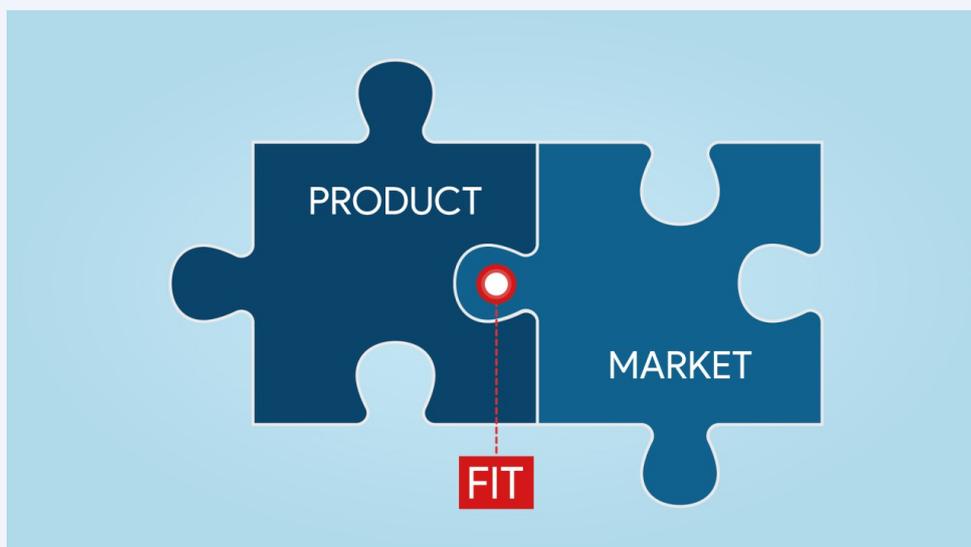
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An Underestimated Endeavor

When less experienced innovators develop new products and services, they often assume that a good product is roughly 80% a great idea and 20% sound execution, while from my experience it's at least 50-50, if not 70-30 towards execution.

Medtronic, as an example, spends four times more on sales, administration, and other expenses than on R&D.

The healthcare industry has a large number of obstacles it throws into the path of new innovations, which makes business model design so complex and sales so expensive: Enormous fragmentation, complex buying centers, propagation of vested interest, lengthy and cumbersome reimbursement processes, the need to build sound clinical evidence, just to name a few. This means that innovators must uncover all relevant market forces BEFORE any major investments into development and product design, or potentially face poor product-market – fit, which, in turn, again will increase sales costs dramatically and make the venture very hard to scale.



Ensuring great product-market-fit is not a nice-to-have thought exercise. It's a vital investment into scalability.

Understanding Status Quo

When starting to interact with potential customers, I recommend entrepreneurs to initially focus their entire energy on understanding the status quo. The tough part for many people I met at this stage is that they need to hold their horses. They have to abstain from selling their vision and telling people how they are going to change the world. Rather, they have to put their investigative skills at work and find ways to have meaningful, in-depth conversations with people who are potentially very busy.

Understanding the status quo goes way beyond knowing the application or procedure one intends to change. It involves understanding all processes, decisions, knowing all involved staff, and the financial impact on all of them that would result from changing the status quo. As a hypothetical example, a venture looking to provide custom stents from a 3D-printer is going to need to look at things like shelving, supply chains, procurement spillovers, impact on surgery time, required skill level of the physician, financial impact of a switch, etc. In other words: It is not enough to know that the surgery time can be cut or that the patient will have fewer adverse effects in the long term. Unless a clear pathway about how this value-added can somehow be materialized for every person involved in the decision, you're stuck.

Understanding the status quo takes time, but it will yield three vital things: 1. knowledge about how your innovation can add value, 2. a number of potential customers who think of the venture team as smart, serious, and interested in solving their problem rather than celebrating themselves as the next Elon Musk, and 3. the venture can make its next moves based on real-world-knowledge, not speculation. This is going to save them a lot of time, effort and money (and their investors too!).

Understanding Current Challenges

“Doctors would like this to be done by an app rather than pen and paper”, or “my innovation will automate this process and save doctors two hours a day”.

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I have heard such statements many many times, and yet most of the time they went up in smoke when placed under scrutiny. Understanding the real challenges of the status quo means knowing and validating the customer's pain points and bottlenecks and the impact they have on the entire organization – financial and otherwise. If you cut down surgery time – that's nice. But have you checked if the surgical theater is running at capacity and if this customer segment is suffering from a shortage of clinicians and could acquire more patients if that was resolved? Are there legal or other requirements that make the status quo particularly hard to change? Unless such statements are validated, they are just a hunch. Also, it's not sufficient to ask a handful of clinicians or hospitals to understand the challenges the status quo presents. This is something that needs to be validated for every relevant use case (or clinical pathway), in every relevant market segment, with a number of potential clients.

Understanding Barriers to and Opportunities for Innovation

Once a sound understanding of both the status quo and its corresponding challenges has been established, it is time to divert one's attention to the potential for the innovation and its obstacles. If the previous steps have been executed well, this comes as a natural evolution of the discussion. The whole process, it's barely rocket science, but it needs time and diligence.

Discussing how the status quo can be challenged by new technology and/or process gets people talking. They start imagining the future of care, the impact it will have on patients, the perspectives of their careers, etc. This step is great for gathering information and creating buy-in from the prospective customers for the next step (i. e. going back for more information, executing a PoC with their clinicians, getting an Lol signed, ordering a prototype, etc.). If previous questions have been answered a bit frosty, it can also be expedited in order to facilitate a more productive exchange of information.

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The crucial thing is to strike a healthy balance between selling the vision of how the innovation can improve things across the board while not getting too excited about it because it is still so vital to extract information about how the final product or service must be designed/priced/packaged/documented etc. in order to overcome all obstacles of the client while delivering as many of the potential benefits as possible.

Do It Once, Twice,...

I often get asked "how many people do I need to talk to" or "how much time should I invest into this process". There is of course no universal answer to this question because it depends on the stakes involved, prior knowledge, the size of the market, how complicated the current process is, and a number of other factors. Also, it is not something that should be done once and then forgotten, rather it is a continuous, iterative process whereby you start at the surface and dig further and further down into the nitty-gritty details depending on the feedback you get from your customer.

Here's a simple example of what this process could look like: Our hypothetical stent-printing-startup from before has talked to 4 cardiologists about how the product could improve outcomes. They then talk to two hospital administrators about reimbursement, are invited to witness 3 stent surgeries, and then invite a former J&J marketing director for drinks whereby they learn a lot about the current market forces and shortlist him for a spot on the advisory board. Being introduced to a number of his former colleagues, the startup then realizes that the UK would be a very promising first market for the innovation and decided on attending 2 conferences in London, whereby they get to meet another 25 doctors who perform stent surgeries on a daily basis. All in all, this leads to 10 more in-depth interviews, witnessing 20+ surgeries, 5-10 more contacts with industry experts, and a total of 2 weeks spent in British hospitals talking to nurses, procurement managers, clinic directors, reimbursement experts, and patients.

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While pursuing their UK endeavors, they also investigate the US, Italy, France, Germany, and the Nordics by attending smaller cardiologist's conferences, which allows them to understand the major differences between those markets and the UK, leading them to sideline the US for now and roll out in Sweden and France at the same time. Also, they realize that UK hospital purchasing managers are allergic to lock-in business models, which leads them to change the initial pricing and contract structure of their consumables prior to launch.

So far, this process has probably taken around 6-9 months and set them back roughly 50-80'000 €. However, the startup now has a pretty decent idea of where to launch and when the KOL is in this market, how the business model will be designed, what the regulatory and other obstacles are, and where they need to perform their first clinical trials and with what primary end-point. Had they not expedited this process, how likely would they launch in these target markets? How likely would they enter – for example – Italy, where ties between current incumbents and clinicians may be too severe to overcome - just because one of the four initial cardiologists suggested doing that, or Germany, where price pressure by the government has rendered the whole industry to cut all products and services to the barely necessary? And what would be the amount lost from those potentially misplaced investments in time and money? I hope the answer to these questions illustrates my point in a useful manner.

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Conclusion

Investigating the status quo of the relevant medical procedures in detail, understanding all of their challenges, and learning about potential barriers to adoption is without alternative prior to investing major resources into product development. It is a lengthy and costly process, but overall it provides huge value for healthcare ventures because mistakes in this early, pre-market stage will require a very costly pivot or turnaround later down the road. Also, ensuring product-market fit will make for a much more pleasant customer experience. For scalability and thus for the lasting success of healthcare ventures, great product-market fit is absolutely vital.

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