Vidacare wins first Manufacturers Award

COEUR D'ALENE, IDAHO—Vidacare, the San Antonio, Texas-based manufacturer of the EZ-IO® intraosseous drug-delivery device, received IMDA's first-ever Manufacturers Partnership Award.

The Manufacturers Partnership Award recognizes a manufacturer that:

- Offers exceptional clinical and sales support.
- Communicates frequently and openly with its specialty distributor or rep partners.
- Responds promptly to questions, suggestions or problems.
- Aggressively and creatively markets its products through such vehicles as advertising, trade shows, promotions or direct mail.
- Actively contributes to helping the specialty sales and marketing organization increase revenues on the product line.

Jim Thomsen (center) with Vidacare dealers.

Using specialty sales and marketing organizations, Vidacare achieved Year 1 sales in excess of $1.25 million. In its second year (2006), sales jumped to almost $6 million. Current-year forecasts call for $15 million in sales.

Vidacare Executive Vice President and co-founder Jim Thomsen – who accepted the award – has extensive experience with specialty distributors, having founded two specialty-distributor organizations in the past. "Some manufacturers don't understand what specialty distributors do, and that leads to unfair expectations from the get-go," he said. For example, they might not understand the investment that distributors must make in order to do the "missionary" work required to build a market for new technologies.

When it launched EZ-IO, Vidacare offered its initial distributors the opportunity to invest in the company. In addition, Vidacare created a dealer advisory council, which convenes quarterly to discuss the business and how to continue to move the product forward. "I try to get them involved before I make decisions," said Thomsen. "They see things in the field before I do. And their role is to tell me where my bad is, when I'm not doing something right." Thomsen also compiles a monthly ranking, showing where each of Vidacare's dealers stand in terms of sales, sales increase, quotas, etc. "Everybody loves it and hates it at the same time," he says. "But everybody knows where everybody stands."

IMDA Conference Chairman Tom Birmingham, who was the driving force behind the Manufacturers Partnership Award, expects the award – which will be an annual event – to cement ties between IMDA and its manufacturer partners. "Vidacare is a perfect match for specialty sales and marketing companies," said Birmingham, who is president of Bay State Anesthesia, North Andover, Mass. "Vidacare brings innovative technology to the table, while specialty distributors and reps bring their relationships with clinicians as well as the specialty sales skills required to introduce new, innovative technologies to the healthcare market. Working together, they can -- and already have -- penetrated the market with innovative, life-saving technology that, no doubt, will become tomorrow's standard of care."

Don't complain about access. Move to the 'A' team

Maybe you know this already. Maybe you've sensed it. But in the eyes of big multihospital systems, or IDNs, there are two types of suppliers in the world. There are the A players and there are the B players.

The A players are the big guys – the Cardinals, the Owens & Minors, the Tycos, the Johnson & Johnsons. These are the guys that IDNs are tight with, and with whom GPOs typically contract. Their clinicians tend to accept their products without question.

Then there's everyone else.

Chances are, as a specialty sales and marketing organization, you're not on the typical IDN's A list. You're probably on the B list, which is reserved for the smaller players, who typically are not under GPO contract, and whose value many IDN executives simply don't understand. Your reps might be getting a steady dose of "No GPO contract? We don't want you here." You and your reps might feel frustrated when the IDN materials executive informs you of a new credentialing process that all sales reps must submit to. Your reps might be saying to themselves, "What's the use? I want to call on people who value what I bring to the table." And you may ask yourself in frustration, "Don't these providers want to see technologies that can improve patient outcomes and reduce costs?" Well, they do, but they don't know that you're the one who can bring those technologies to them.

Lotsa luck

Dave Campbell and his reps at Vital/Med Systems Corp. had heard it all before. In some cases, they had all but conceded some big accounts in their area, which is the Rocky Mountains area. Then, at the insistence of his spouse and business partner Kathy French, Campbell decided to try a different approach. "She said, 'You need to have conversations with people at the highest levels,'" recalled Campbell. His feeling was, "Been there, done that. Lotsa luck." But she made the calls and, soon after, the senior product decision-maker for the local HCA system agreed to stop by Vital/Med's office for a half hour on her way to work.

Campbell took the cue, and prepared a brochure and PowerPoint presentation on Vital/Med Systems, focusing on its role as a source for innovative healthcare technologies. "After the better part of an hour, as she was leaving, she was talking about partnering," said Campbell. Just a couple of weeks later, he was making his presentation before senior executives of HCA's Continental Division. "We presented what we do and why we're important," he said. He pointed to them out that in its 25-year history,

Vital/Med Systems had introduced technologies that, while the standard of care today, were unheard of when they were introduced -- names they would recognize, such as Ballard, and even the company that later became known as Guidant.

It was during that meeting that Campbell learned of the A list and the B list. A revelation of sorts came to him, namely, that big IDNs don't have time to recognize everybody, so they focus their attention on the A-list members. Given that, what's a B-lister to do?

Campbell decided that rather than fight the existence of the A and B lists, he would, quite simply, move Vital/Med Systems to the A list. He devised the following strategy, which he believes will work for other B-listers as well:

- Sell your personal brand before you sell your products. Explain – and sell -- who you are and why you are important to the IDN.
- Aim high in the healthcare system. Connect with the "C" suite and the vice presidents. "It's an executive-to-executive play," said Campbell.
- Aim lower as well. You have to enlist the support of the people with whom you and your reps must deal with day to day.
- Make sure that everyone in your company -- sales reps, customer service reps and others – sell the brand every day. The reason is, before you can sell products, you have to have access to the customer. And the only way to do that is to convince him or her of your value. That is, move to the A list.

Campbell shared some additional tips:

- When you get your audience with senior management, be organized. Use PowerPoint to tell your story.
- Prepare a handout on your company that tells your story as well as the story of specialty dealers. This is your chance to sell your history of innovation. (Campbell's brochure includes bios of key employees; a history of Vital/Med Systems, including technologies the company has introduced to the market; and a brief take on specialty sales and marketing.)
- Focus on outcomes and the bottom-line impact of the technologies you can bring to the customer.
- Offer something of value for free. Campbell offered to keep the HCA product chief informed of new technologies he came across at the various clinical shows he attends around the country, even those technologies that he probably would never sell. In return, he asked that she take a look at technologies that he was considering taking on. She agreed.

Although Campbell's strategy was an "executive-to-executive play," the fact is, Vital/Med Systems' reps still have to sell their own value – and that of their company -- at the individual hospital level. The company's reps have brochures of their own to help them do that.

"[IDNs] aren't stupid," said Campbell. "They want to run profitable operations. But they think they can only do that with the A list."

So become part of the A list.

Build a world-class sales organization

COEUR D'ALENE, IDAHO--Building a world-class sales organization isn't easy, but it is simple. "Don't make it harder than it has to be," said keynote speaker Gerry Layo of Sales Coach International, Granite Bay, Calif., who kicked off this year's Annual Conference.

As head coach/sales catalyst for Sales Coach International, Layo not only is a recognized speaker and trainer, primarily in the field of sales, sales leadership and customer service; he also is "head coach" for SCI's "Coach Programs." In this capacity, he and a team of SCI coaches work with companies throughout North America in an ongoing coach/consultant capacity.

Five focal points

IMDA members eager to build world-class sales organizations need to focus on five things, said Layo:

- Finding the right people (recruiting).
- Getting them to join the team (interviewing/hiring).
- Getting them producing early (initial training).
- Growing them into top performers (raising the bar).
- Keeping them on the team.

Owners must be committed to improving communication in their companies and improving their own leadership skills, as well as the leadership skills of others in their organizations.

Successful sales teams rest on three legs, continued Layo:

- Ongoing training and development. How much time do you spend sharpening and re-sharpening the axes of the sales professionals on your team?
- The culture of your company's sales department. Does your company culture reflect the importance of new sales to your company? Do your people *get* to come to work, or do they *have* to go work? Is "fun" a word used to describe your sales team environment? How about "exciting," "supportive," "competitive?"
- A well-thought-out compensation plan. Does your plan reward desired behavior and de-incentive non-desired behavior?

Sales reps in world-class sales organizations are always prepared to answer, through words and actions, these key questions from customers and prospects:

- "Why should I do business with you?"
- "Why should I do business with your company?"
- "Why should I *continue* to do business with you?"
- "Why should I do business with nobody but you?"

World-class-sales organizations also recognize that the entire company – not just its sales reps -- must be focused on the customer. "If you're not serving the customer directly, you should be serving someone who is," said Layo.

Companies that forget this simple truth risk losing their customers, and that can be costly, said Layo. Most customers "quit" a vendor *not* because of dissatisfaction with the product or competitive reasons, but because they sense an attitude of indifference by just one of its employees, he continued. Dissatisfied customers tell as many as eight to 10 others about their bad experience. But customers can be forgiving too. In fact, seven out of 10 complaining customers will do business with a vendor again if the vendor resolves a complaint in the customer's favor, Layo said. And the more quickly it does so, the better. All this is important because the average business spends six times the resources to attract new customers than it does to keep old ones.

Protect your assets

Take care to protect your people, your personal resources, your relationships, your future

COEUR D'ALENE, IDAHO--Your business is the sum of its resources – your people, your building, your customers, your investments. To grow your business, you must grow those assets. But to save your business, you must protect them. IMDA legal counsel Mitchell Kramer showed attendees at the 2007 Annual Conference how to do just that.

Protect your investment in your people by "building a fence" around them, said Kramer. In your agreements with manufacturers, make sure you contractually agree that they can't hire your people and you can't hire theirs. In addition, your contracts with your sales reps should make it clear that they if they leave the company, they cannot go to work for any manufacturer whom your company has represented in the prior 12-month period. "The biggest risk you have with a manufacturer is termination," he said. "And one way the manufacturer will be comfortable terminating you is by hiring your salespeople." Protect yourself through non-competes.

Protect your personal resources (personal savings, home, etc.) by setting up your business as a corporation – and then running it as one. "The corporation insulates your individual assets from liability, so long as you run it as a corporation," said Kramer. That means you have board meetings, set up a governance board, etc. If you don't do these things, a plaintiff can – in legal parlance -- "pierce the corporate veil" and go after your personal assets.

Protect your business by maintaining strong, profitable relationships with a number of manufacturers, rather than throwing all – or most of – your eggs in one basket. "Any time one of my clients has more than 20 percent of its volume with one manufacturer, I see a warning sign," said Kramer.

Protect your business through hold-harmless clauses in your contracts with manufacturers. The IMDA specimen distributor selling agreement (on the IMDA website, www.imda.org) contains such clauses, which call for the manufacturer to hold you harmless in the event of certain events, or to cover you should certain events occur. Kramer recalled one case in which his client – a distributor – was forced to defend itself because a manufacturer had charged that one of the distributor's product lines infringed on the manufacturer's patent. "That would have been prevented if the manufacturer [that is, the distributor's principal] had held the distributor harmless against [claims of] patent infringement," said Kramer.

Protect your future by having your accountant examine your investments on a regular basis, added Kramer. He or she will help you answer questions such as, "Are your investments sound, or are they pie in the sky?" "How well are they performing?" "How are they expected to perform in the future?"

Finally, protect your business by anticipating and preparing for the loss of key lines. “The first day you represent a new line is the first day toward termination,” said Kramer. Very few relationships last 20 or 30 years. Fewer still for specialty sales and marketing organizations, which introduce innovative technologies to market.

Terminations will occur. So be prepared by writing good contracts *and keeping them in a safe place*. A surprising number of companies literally misplace or lose important contracts and significant correspondence with their manufacturers, and then find themselves with no protection when termination occurs. At the beginning of a relationship with a manufacturer, keep a copy of the signed contract you send back to the manufacturer, as well as a copy of your letter to the manufacturer saying you have sent back the signed contract and will expect a copy of it, advised Kramer. That way, if you never get a copy back, you will be protected if and when termination occurs.

Spell it out

Good manufacturer/distributor relationships rest on realistic, mutually-agreed-upon expectations

COEUR D’ALENE, IDAHO--If it’s true that, sooner or later, all lines will be lost, then how can a manufacturer and distributor prepare themselves for the inevitable– and enjoy a productive and profitable relationship in the meantime? They can start by learning about each other’s businesses and capabilities, according to the members of a panel on “Contract Negotiations: Building Stronger Relations with Your Manufacturers,” moderated by IMDA President Shawn Walker at the 2007 Annual Conference. The contract they sign should reflect that mutual understanding.

“Every distributor in the world has lost a line it didn’t want to lose,” said Jim Thomsen, executive vice president of sales and co-founder of Vidacare, San Antonio, Texas, manufacturer of an intraosseous drug-delivery and fluid-delivery device. “But sooner or later, all lines will be lost.” Many small manufacturers grow to the point where they become attractive acquisition candidates to larger companies. Indeed, that might be their strategy from the beginning. Distributors need to accept that fact, and prepare for it. “If you *know* you’re going to lose the line, then you’re not so mad when it happens,” said Thomsen. “So, how can we set it up so that we don’t lose money in the meantime; that we walk foot to foot, hip to hip, in lockstep?”

Understanding is a two-way street, said Thomsen. “Some manufacturers don’t understand what specialty distributors do, and that leads to unfair expectations from the get-go,” he said. For example, they might not understand the investment that distributors must make in order to do the “missionary” work required for new technologies. (It should be noted that although he represents a manufacturer, Thomsen has extensive experience with specialty distributors, having founded two organizations for such distributors in the past.)

Carefully crafted contracts can minimize the misunderstandings and enhance the success of manufacturer/distributor relationships, continued Thomsen. The Vidacare contract, for example, spells out many things for the distributor, he said, including: “Here’s how the exit will take place, here’s how you will be protected, here’s what I have to do to terminate you, here’s what you need to do to keep the line.” Although a “firm believer” in quotas, Thomsen did not establish any until six months after Vidacare’s EZ-IO® device was launched, so that he and his distributor partners could gauge its reception in the market. Vidacare took another extraordinary step in that it offered its distributors the opportunity to invest in the company.

Indeed, financial equity can be a key in cementing mutually profitable relationships, according to the panel members. Chris Davies of Vector Resources, Midvale, Utah, suggested that manufacturers with new, untested products pick several distributors – whom he called “charter distributors” -- to test the market. Those distributors would then train other distributors as they are brought on. In return, they would get a buy-out at the end, or what Davies called “phantom equity.”

IMDA legal counsel Mitchell Kramer reiterated the importance of carefully written contracts for successful relationships. Written contracts are infinitely better than unwritten, handshake agreements, he said. “The problem with a handshake is that the sometimes the hand shaker is no longer with the company” when termination becomes a factor.

Contracts should recognize the substantial investment that specialty distributors make to launch new products. “In a well-crafted relationship, if the distributor is terminated because the manufacturer was sold or decided it was in its best interest to go direct…the distributor should by contract be compensated,” said Kramer. “Every manufacturer who gets into litigation because of an improper termination spends more money in litigation than if it had spelled out in the contract what happens at the end of the relationship.”

Other factors that Kramer said should be addressed in contracts include:

- *Longevity*. How long is the contract good for and what is the basis for termination?
- *Margin*.
- *Territory*. What is the distributor’s territory? Can it be cut, and if so, under what circumstances?
- *Indemnity and liability*.
- *Miscellaneous expenses*. Can the manufacturer charge the distributor miscellaneous expenses?
- *Non-compete agreements*. Manufacturers are entitled to freedom from competition from their distributors during the life of the contract, said Kramer. Post-termination provisions must be more carefully crafted.