

Direct-to-Consumer Marketing

9 Steps to Retail Success

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Attractiveness of the Direct-to-Consumer (DTC) Marketplace

- Another channel to leverage Medical Technology IP
- Market trend towards home use of medical devices
- Consumer trend of being more engaged in their healthcare
- The aisles in chain drug, mass merchants & other DTC channels are filled with medical devices



Step #1: Do Your Homework

- Determine market size
- Research consumer preferences
- Uncover influences on purchasing behavior
- Make sure your product strategy is sound
 - Differentiation or
 - Price Advantage
- Case Study: Duracell EasyTab hearing aid battery



Step 2: Secure FDA Marketing Clearance

- FDA looks more closely at devices used at home and by consumers
- Med tech manufacturers may need to provide evidence that their device can be safely and easily used by consumers
- Consumer-level advertising is subject to FDA labeling requirements
- Check with the FDA for guidance documents for common retail medical products
- Work closely with your Regulatory Affairs team and the FDA
- Case study: Philips HeartStart Home Defibrillator

• "Labeling Requirements," in *Device Advice Home Page* [online] (Rockville, MD: FDA, Center for Devices and Radiological Health, 2003 [cited 21 July 2005]); available from Internet: www.fda.gov/cdrh/devadvice/33.html.
• *Consumer-Directed Broadcast Advertising of Restricted Devices*, draft guidance (Rockville, MD: FDA, Center for Devices and Radiological Health, Office of Compliance, 2004); available from Internet: www.fda.gov/cdrh/comp/guidance/1513.html.



Step #3: Determine Reimbursement Strategy

- Medical products sold through retail channels are typically ineligible for reimbursement
- For reimbursement, the device must fit into a benefit category
- Device cannot be a convenience or cosmetic item
- Many manufacturers in new product categories opt to forego reimbursement at product launch
- Some later present CMS with sales data and efficacy data
- Case Study: ContourMed Advantage breast prosthesis

Coverage Issues Manual: Durable Medical Equipment [online] (Baltimore: Centers for Medicare and Medicaid Services, 1999 [cited 21 July 2005]); available from Internet: www.cms.hhs.gov/manuals/06_cim/ci60.asp.

Step #4: Develop at Channel of Distribution Strategy

- Research consumer preferences for obtaining your product
- Common channels:
 - Direct:
 - Manufacturer sells DTC directly usually via ecommerce sites or affiliate websites like Amazon
 - Opportunity to earn double margins
 - Channel Partners:
 - Specialty retailers appropriate for the device
 - Chain drug and their websites
 - Mass merchants and their websites
- Case Study: ContourMed Advantage breast prosthesis



Step #5: Plan Your Approach with Channel Partners

- Unseating or Co-existing with other products in your category
- Introducing a new product or category
- Know what Channel Partners Value:
 - Maximize Gross Margins per square foot
 - Gross Margin targets
 - Your sales forecast
 - Your ability to ship large quantities for their initial order

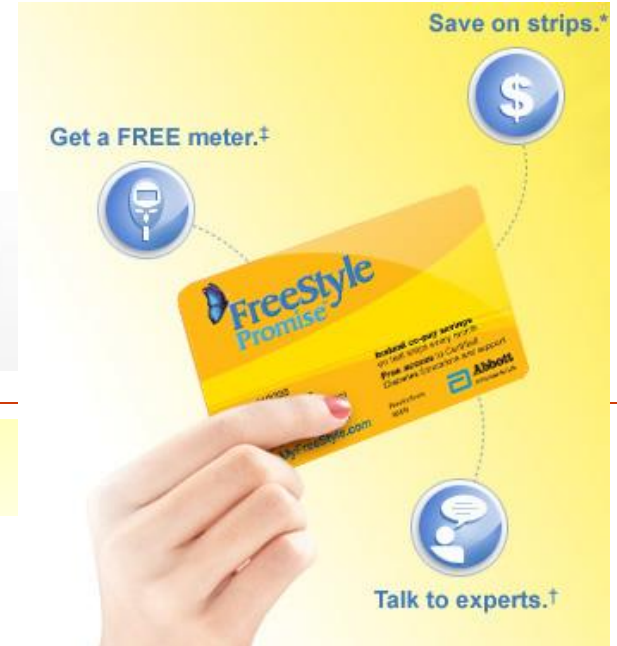


Step #6: Determine Your Product Marketing Plan

- Partner with your sales channel to research and implement:
 - Product Features & Messaging
 - Price Points
 - Packaging
 - Very different focus than medical channel packaging
 - Ideal to conduct consumer packaging tests to quantify best package design
 - Duracell EasyTab case study



Abbott's Freestyle Blood Glucose monitor has an integrated marketing plan



Step #7: Drive Consumer Demand

- Channel partners expect manufacturers to drive consumer demand
- If the product doesn't sell off their shelves, they look to you to fix it or they drop you
- In-store promotions
 - Retailers expect manufacturers to pay promotional allowances
 - Store fixtures and point-of-purchase displays
- Advertising
- Leveraging healthcare industry to drive consumer demand
- Case study: Ferraris Respiratory Inc PiKo-1 peak-flow pulmonary monitor

Physician recommendations boost consumer sales of the PiKo-1 peak-flow pulmonary monitor by Ferraris Respiratory Inc.



Step #8: Consider Outsourcing

- Many of the functions in the Med Tech manufacturer are aligned towards healthcare industry
- These strengths can present as weaknesses when entering the DTC market
- Some areas to consider outside support:
 - Marketing Research
 - Marketing Communications
 - Advertising, Internet and Social Media
 - Sales Representation
 - Packaging Engineering and Design
 - Regulatory Counseling
 - Reimbursement Strategy



Step #9: Create a Retail Culture

- Recognize that launching a DTC initiative is foreign to traditional med tech cultures
- Ensure the DTC initiative is aligned with company vision and strategy
- Change Management is even more important when changing culture
 - Need for heavy internal and external communication
 - Skunk works teams
 - Consider formal cross-functional retail teams as the DTC initiatives grow within the organization



Concluding Remarks

- Expect a learning curve and growing pains but
 - DTC can be a significant source of new revenues
 - DTC can leverage risk from reliance on just medical channels
 - DTC can bring increased brand recognition to the med tech company across all channels of distribution



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Practice Areas of Kurtz Consulting

Grow Revenues via

Strategic Planning & Business Plans

- * Generate strategic long range plans
- * Develop business plans
- * Contingency planning
- * Metrics for sales & marketing effectiveness

Market Assessment & New Product Development

- * Conceptualize new business opportunities
- * Analyze marketplace and competition
- * Develop product specs
- * Manage the development Process
- * Licensing/Partnering

Marketing Strategy, Plans & Execution

- * Develop go-to-market strategy
- * Develop marketing strategy and plans
- * Market segmentation
- * Service/Product Plans
- * Marketing execution
- * Market research
- * Marketing Communications
- * Voice of Customer

Sales Force & Service Design

- * Define sales model for each channel
- * Sales force size & structure
- * Customer Targeting
- * Compensation
- * Call Centers
- * Training
- * Customer Relationship Management