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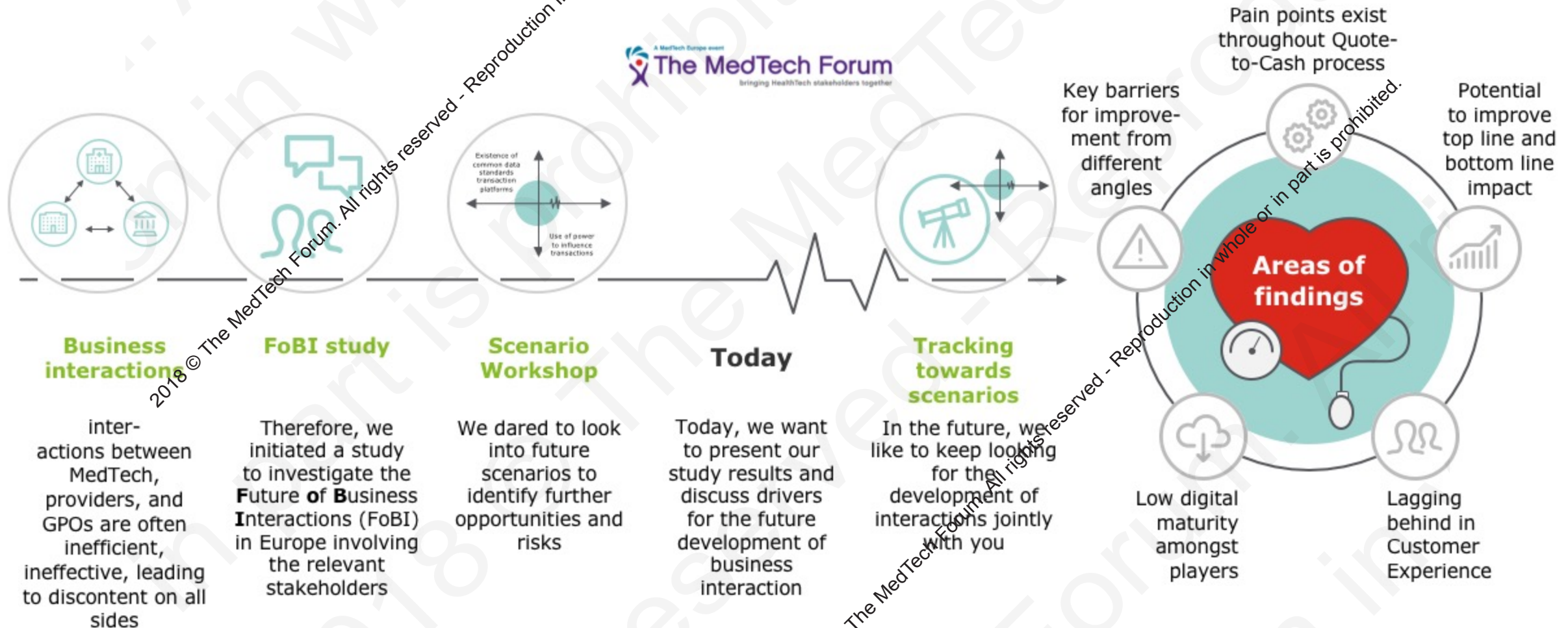
Future of business interactions
MedTech Forum
January 24, 2018



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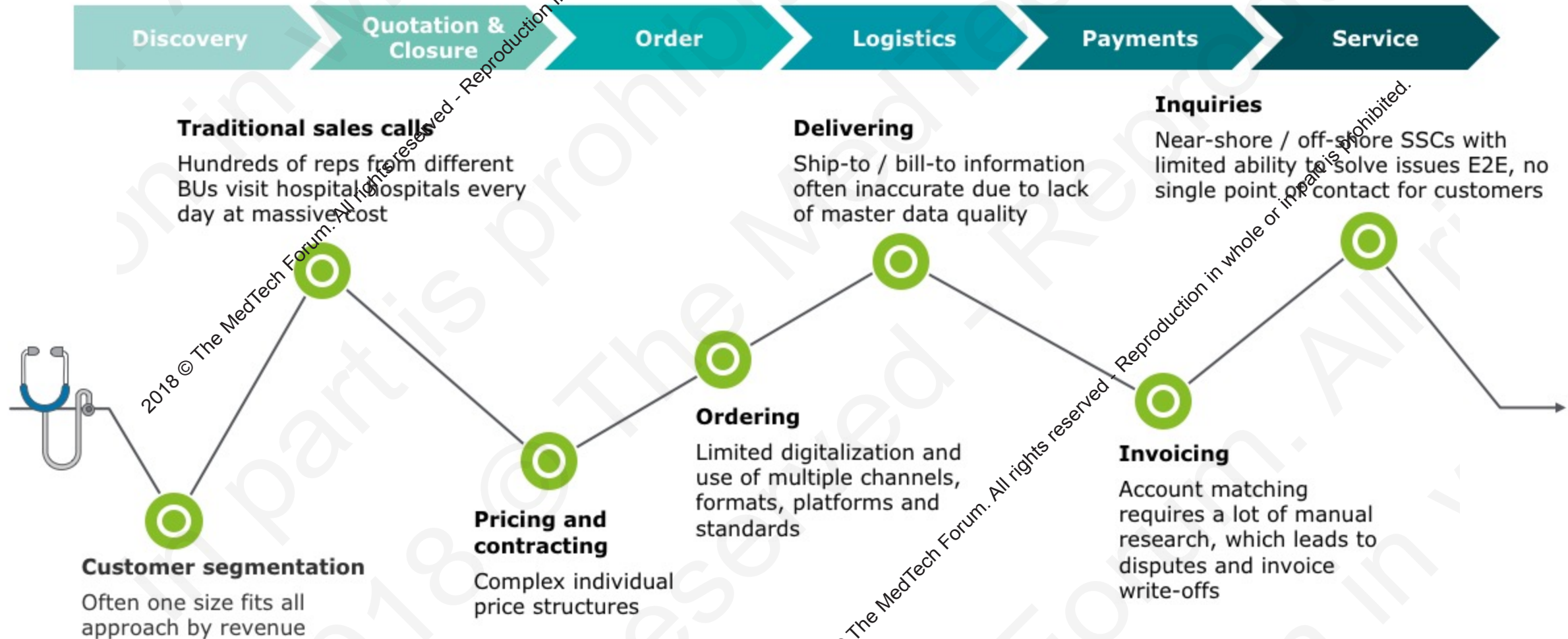
The daily struggle of business interactions

In every day operations, business interactions cause issues in numerous areas that we would like to share and discuss



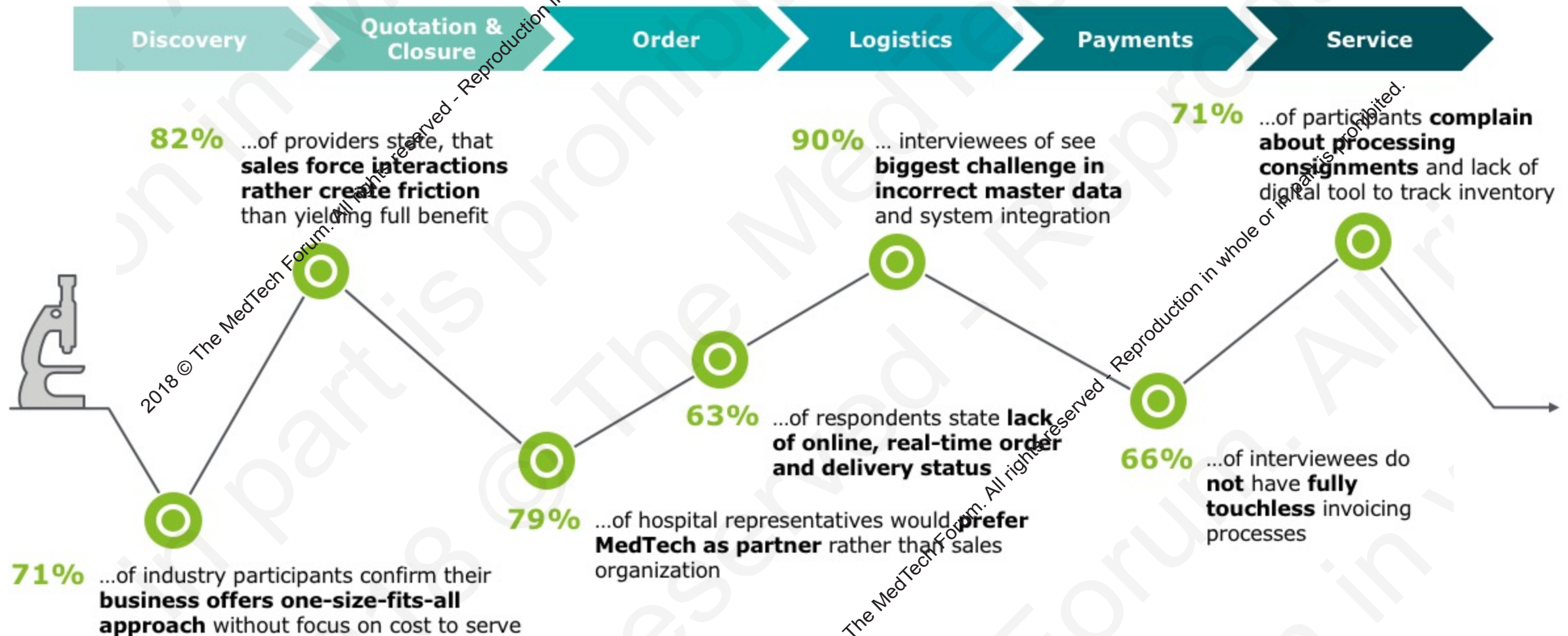
Major pain points throughout the QtC process

Customer experience suffers at each step of the QtC process including interaction with large field forces and processing in shared service centers



Major pain points throughout the QtC process

Study participants share common perspective on major issues; providers often question the value of sales force; industry faces incorrect master data as dominant issue



Potential to improve top line and bottom line impact

Study revealed, improving business interactions could lead to a revenue upside of up to 20% and an estimated 25% SG&A savings

Improving business interactions yields the potential of...



Revenue growth via increased share of wallet of up to



20%

"By 2020 we aim to generate **30% of our revenue** via our **remote sales** channel." ¹⁾

- Moving **from classic sales approach** (e.g. more sales reps, more products) **to innovative sales models** (e.g. remote sales and services) with the objective to improve Cx
- **Provide differentiated services** aligned with providers' demand (e.g. remote training and education, inventory management concept with transparency on total cost of ownership)
- **Acting as partner** (provider and industry) on the basis of transparency and trust

SG&A savings of up to



25%

"We can save **20% in costs** by 2020 through systemizing tender management." ²⁾

- **Harmonized and aligned data structures** and master data using a single, **online platform**/ pool for exchange will lead to **fewer error rates** through increased transparency and simplification
- **Reduced workload and increased customer satisfaction** through improved order-to-cash process efficiency and a more electronically managed transactions
- **Reduced organizational complexity** through better integration of sales force and its sizing

Note: 1) EMEA Business Unit Head; 2) EMEA Operations Director

Combining customer experience with digital interaction models

In B2C, we have seen how focus on customer experience and digital interaction models can drive success

Why we love them...



Key items of good customer experience and interactions

- Online portfolio with descriptions and prices
- Easy to use platform to navigate
- Real-time delivery status and history
- Algorithms that suggest alternative products



Key items of good customer experience and interactions

- Broad transportation coverage in metropolitan areas
- Offering best price through tendering, yet customer segment specific
- Fully electronic order and payment system

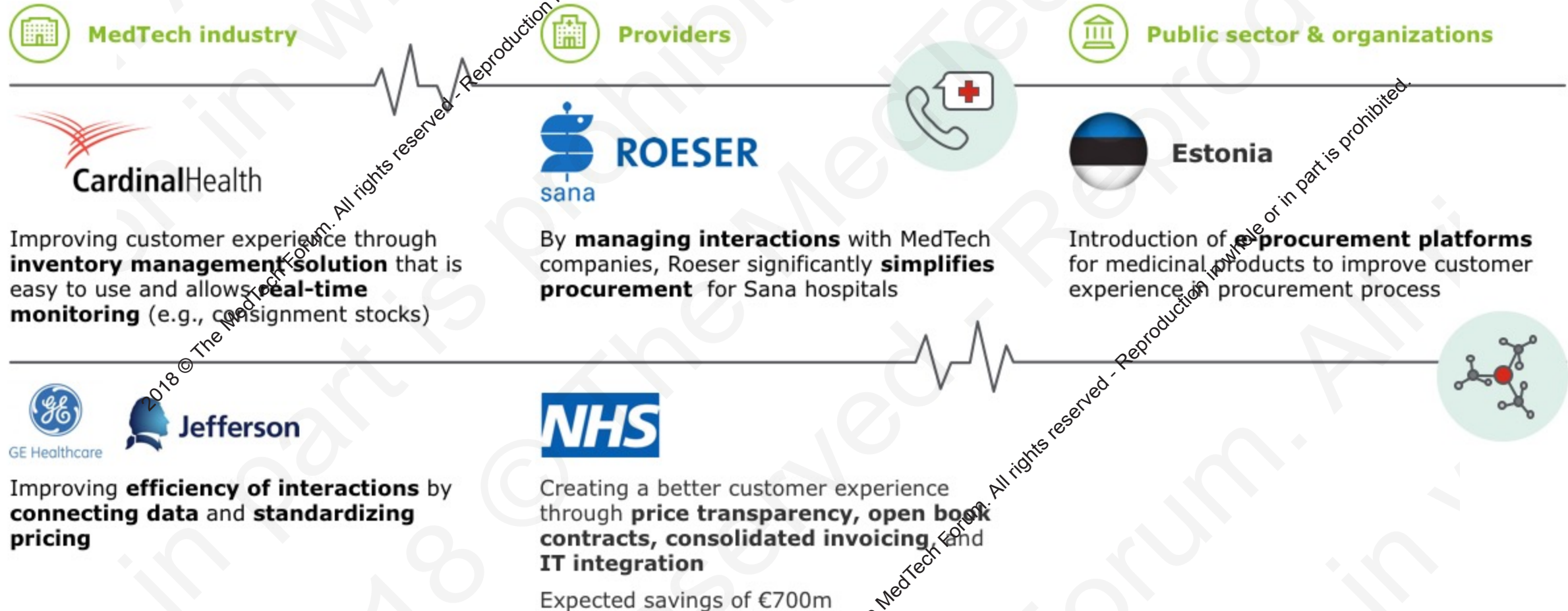


Key items of good customer experience and interactions

- State of the art and innovative products
- Letting customers chose the channel: Apple store or online
- Superior customer services and warranty have a price, but drive customer loyalty

Current efforts in the healthcare sector

Players in the healthcare sector are piloting to improve customer experience and business interactions, but efforts remain siloed



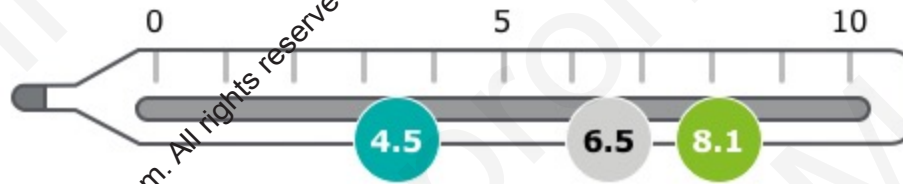
Source: GE Healthcare, press release; CardinalHealth website; Sana Kliniken AG, press release; NHS website; MedTech Europe, MEAT and value-based procurement, Event Report, March 2016

Digital maturity amongst players

While MedTech companies are more open to digitalization than providers, it is still uncertain who will drive change in this field

Digital openness (on a scale from 1 to 10)

Be completely reluctant towards sharing data with business partners



Change business model moving to completely touchless processes

Digital maturity (on a scale from 1 to 10)

Lag behind competitors and not considering digitalization as strategic priority



Build best in class readiness, capabilities and infrastructure of digitalization

- Interviewees are **open to digitalization**, yet the reality and **digital maturity are lagging behind**
- MedTech industry and providers are **willing to leverage digitalization** as a key enabler to efficient business interactions
- It is **uncertain who will lead future change**: MedTech vs public/ private providers vs GPOs vs regulators

● MedTech ● Provider ● Average MedTech and provider

Note: Based on interview results

Preconditions for higher level of digitalization

The industry has not yet build the IT infrastructure, committed the investment and established the partnerships that are necessary to move to digital business interactions



Infrastructure

Common IT and data standards required, but not yet in place for MedTech and providers



Providers, GPOs, and MedTech companies in Germany agreed on eCl@ss standard, but not yet implemented



Enables order automation, but no data synchronization



Enables electronic exchange of document, but limited adoption in industry



Investment needs

Significant investment required, yet cost pressure in the industry increases

< 2%

... of revenue are spent on IT by hospitals

> 95%

... of all providers do not have a digital focus as part their strategy



Collaboration

MedTech companies do not act as partners, no sharing of data

78%

... of study participants open to share data with providers, yet it rarely happens in reality

40%

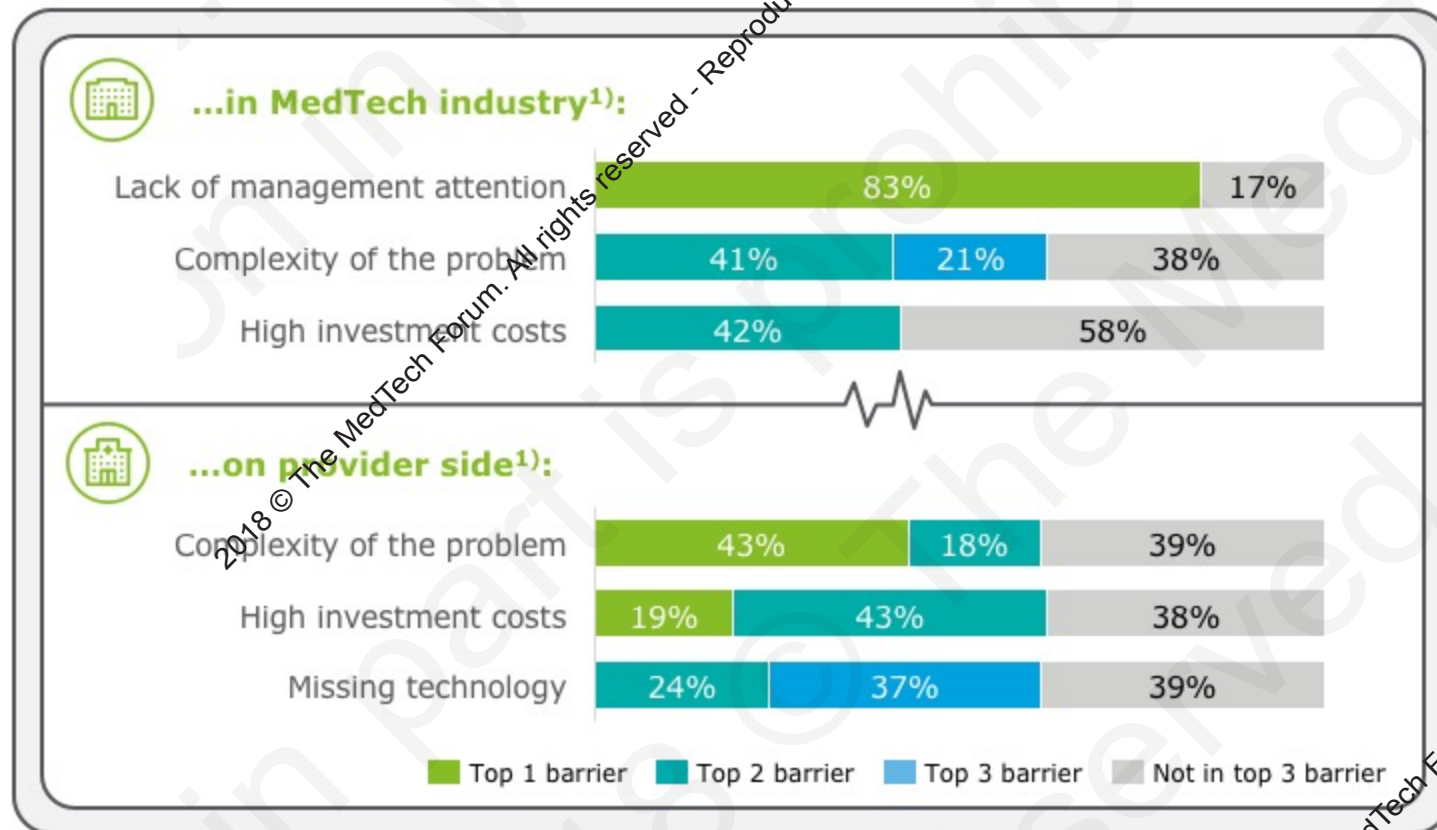
... potential upside on touchless integration, if both sides could agree on compatible systems

Note: Based on interview results

Key barriers for improvement

Both industry and providers in Europe are willing to improve business interactions but face substantial barriers

Major barriers to improvements, rated by the interview partners are...



- To some extent, **management focus** has to shift **from topline to efficient business interactions**
- **Talent and skills** need to be developed on local, regional and global level
- Investments require careful **planning and evaluation**

- **Multiple suppliers** need to be managed by **standardized approaches**
- Evaluation of **cost sharing models** to be considered
- **Partnerships on digitalization and technology development** may be planned with multiple stakeholders

Note: Regulatory challenges and missing support from industry/ provider side were considered not to be among the top 3 barriers, (1) % of interviewees who ranked the barriers accordingly

Summary

Business interactions can be improved through enhanced customer experience and digitalization to secure profitably growth for all stakeholders



Inefficient and ineffective business interactions between MedTech companies, providers, and GPOs cause a **negative customer experience at every step of the Quote-to-Cash process**



Improving business interactions could lead to potentially **20% revenue upside** and **25% SG&A savings**



Players in the healthcare sector are piloting to improve customer experience and business interactions, but **efforts remain siloed**



Openness to digitalization exist, yet overall digital maturity is low due to lack of **IT infrastructure, data standards, investment** and **collaboration**

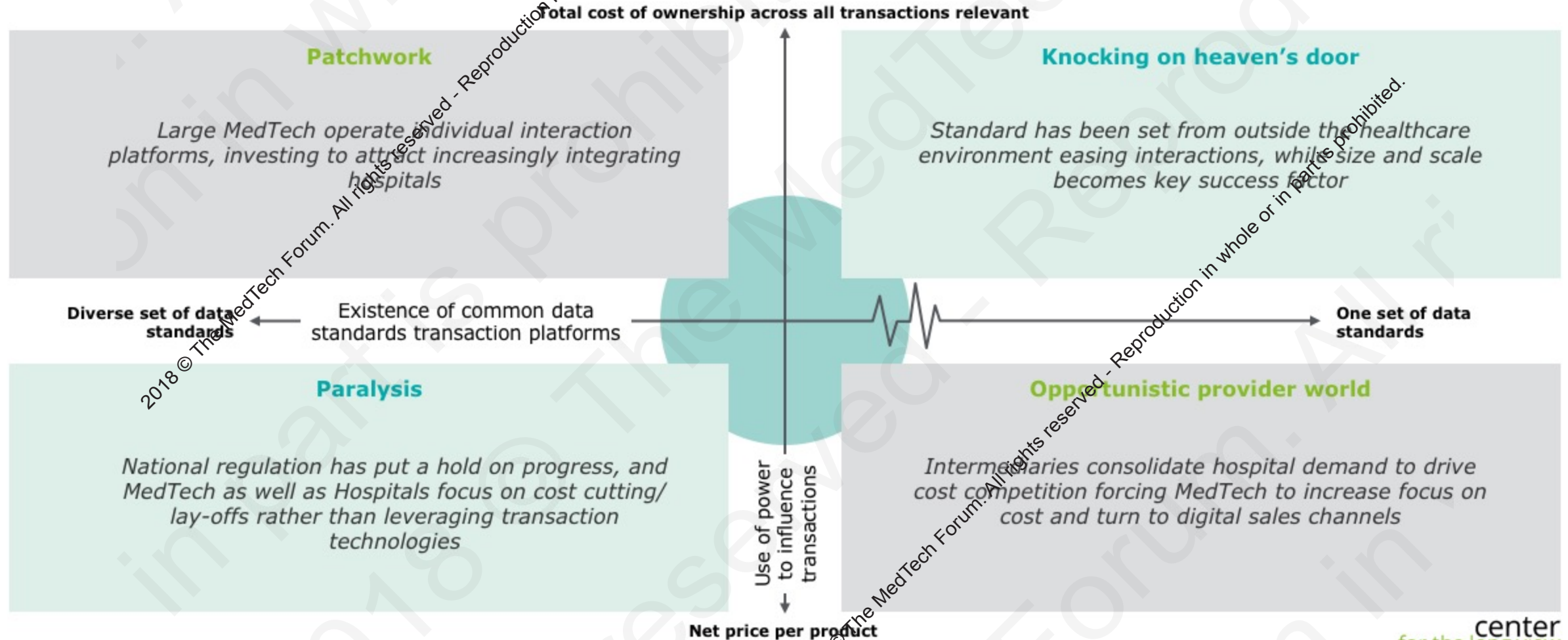


Lack of management attention, complexity of the problem, high investment needs are the three top barriers for the change



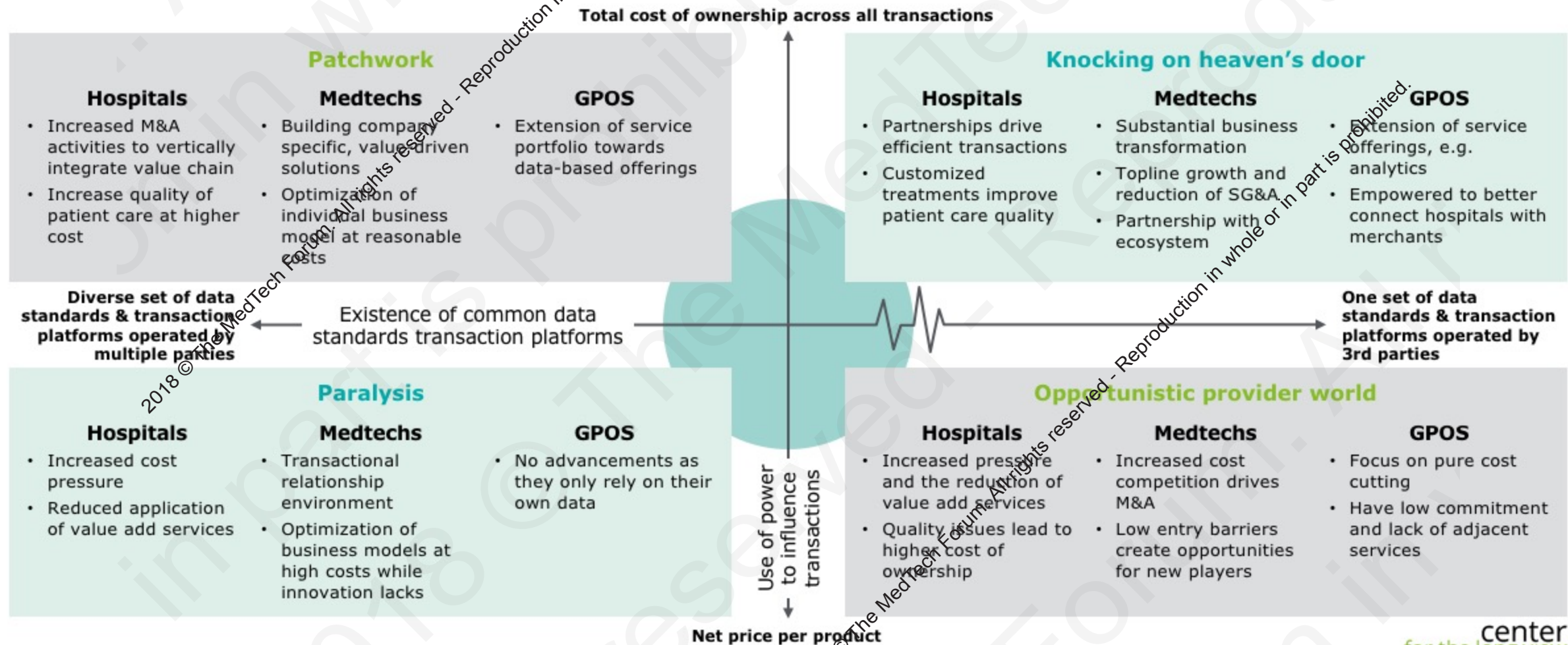
Future of Business Interaction Scenarios

Building on our study results, we went into a scenario process to go beyond short-/mid-term impact and identify what is relevant for MedTech by 2030



Future of Business Interaction Scenarios | Implications

... each scenario has distinct implications for Medtech players, hospitals and GPOs



Uncertainty remains

We want your participation in the future process towards better business interactions



Define future scenarios

- What are drivers of future change?
- What are possible scenarios?
- Which scenarios do you think are most likely?

Discuss implications

- How will companies be impacted?
- Who will profit from the scenarios?
- How will MedTech companies respond?

Align on annual update

- Are you interested in annual updates?
- What content would most interest you?
- Would you be willing to participate in interviews?

center
for the long view

Uncertainty remains

- Who will drive future change? MedTech or providers?
- Which role will GPOs play?
- Will regulation be an enabler or barrier?
- ...

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Appendix

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Who we are – Deloitte in Life Sciences and Healthcare

Deloitte serves more than 87% of the Fortune Global 500 Life Sciences and Healthcare companies

Life Sciences

- 100% of the Top 10 Global Pharma companies (Fierce Pharma)
- 100% of the Top 10 Global MedTech Manufacturers (MPO Magazine)
- 100% of the Top 10 Global Biotech companies (Forbes)
- 100% of the Top 10 Global Generic companies (Fierce Pharma)

Health Plans

- 95% of the top 20 U.S. health plans (Fierce Health)
- 90% of the top 10 Blue Cross Blue Shield Plans (AISHealth)
- 65% of the 20 largest provider sponsored plans (Healthcare Finance)

Providers

- 75% of the Best Hospitals Honor Roll (U.S. News)
- 9 of the 10 largest health care systems (Modern Healthcare)
- 6 of the 10 largest for-profit healthcare systems (Modern Healthcare)
- 90% of the 10 largest secular not-for-profit healthcare systems (Modern Healthcare)
- 90% of the 10 largest Catholic Health Systems (Modern Healthcare)
- 80% of the largest non-Catholic Health Systems (Modern Healthcare)
- 6 out of 10 Best Children's Hospitals Honor Roll (U.S. News)

Federal Health

- All major Federal Health Organizations, including CMS, HHS, CDC, FDA, NIH, and VA
- Major health related non-profits including PCORI, CCFA, Dr. Susan Love Research Foundation, Bill and Melinda Gates Foundation, Michael J. Fox Foundation and the American Cancer Society

Consistent performance and growth:

Numerous third party accolades citing Deloitte as a leader in LSHC market:

- Deloitte is the *largest* Life Sciences consulting organization in the world (2016)
- Deloitte ranked #3 by Vault for best consulting firms for health care consulting (2016 ranking)
- Deloitte Consulting named a global leader in Private Healthcare Consulting by Kennedy (2014)
- Deloitte ranked #1 globally in Healthcare Risk Consulting based on revenue and capabilities by Kennedy (2014)
- Deloitte named a global leader in Life Sciences Industry Consulting by Kennedy (2014)



Source: Fierce Pharma, MPO Magazine, Forbes, AIS Health, Healthcare Finance, U.S. News, Modern Healthcare, Vault, Kennedy

Who we are – Deloitte's global Life Sciences and Healthcare scope

We have ~12,600 dedicated Life Sciences and Healthcare specialists in 90 countries

Global presence



● Designated Life Sciences and Healthcare practice/ hub

Geographic insights

Americas:

- Largest practices: U.S., Canada, Brazil, Mexico, LATAM
- 10,500 practitioners, 19 countries



Europe, Middle East and Africa:

- Largest practices: Denmark, France, Germany, Italy, Netherlands, Spain, Sweden, UK) 1,200 practitioners, 63 countries

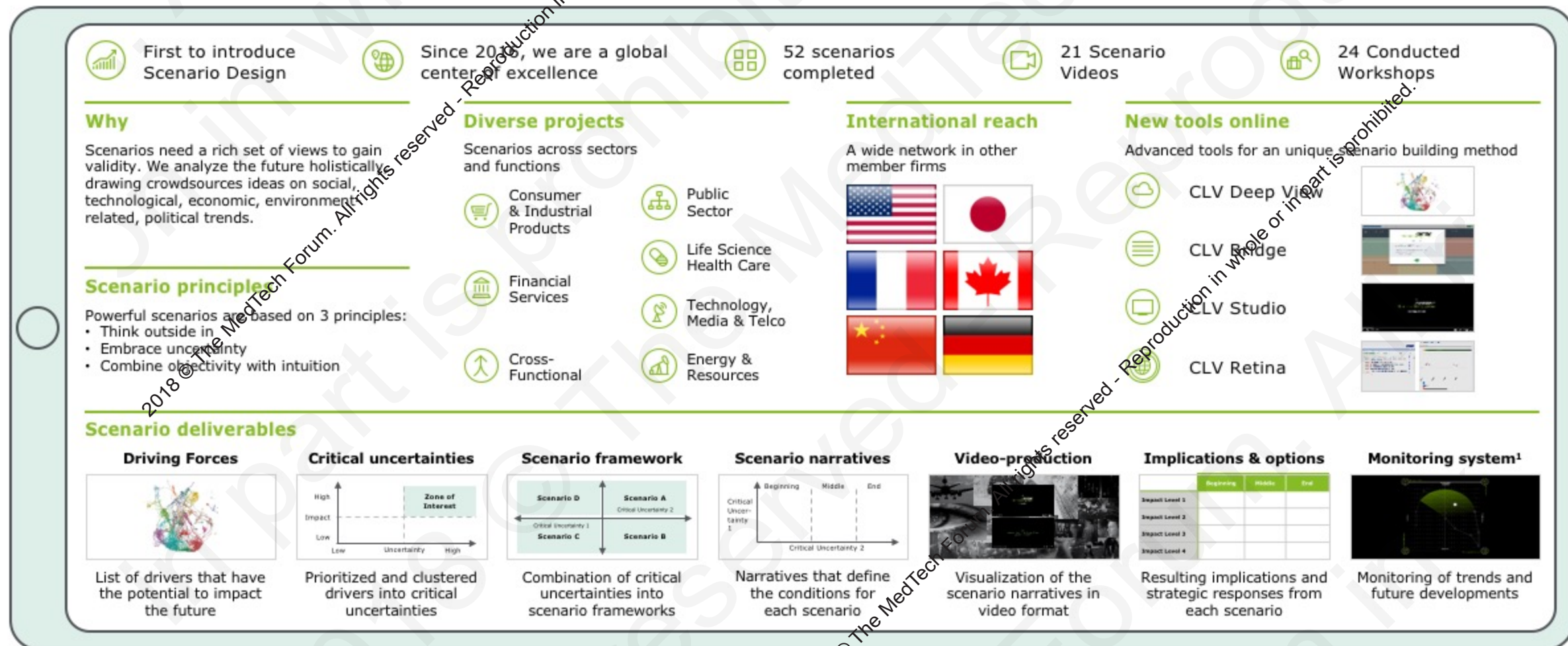


Asia-Pacific:

- Largest practices: Japan, China, Australia, Southeast Asia
- 900 practitioners, 17 countries

CLV and scenario design overview

The Center for the Longview as part of Deloitte offers a powerful tool to create scenarios for future states



Contacts



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