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How to navigate uncertainty amid mass layoffs in life sciences



The financial challenges faced by health systems resulting from the downstream effects of COVID-19, payer pressures, consumer confidence and workforce shortages are being felt in other healthcare sectors. Life science suppliers like medical device manufacturers and pharmaceutical companies are experiencing margin contraction, which has resulted in unprecedented layoffs.

In 2022 alone,
medical companies

cut roughly



417,500 jobs

a **315% increase** as compared to last year.¹

Normally immune to market volatility, many medical companies have experienced cascading, destructive events since the pandemic, contributing to revenue downturns and layoffs. These events include:

- The elective surgery shutdown during the early part of 2020
- Restricted access for sales teams to promote products and services
- Stalled research and development (R&D) activity from postponed clinical trials
- Disruptive supply chain shortages
- Inflationary pricing with manufacturing and shipping costs

Job losses for healthcare suppliers and manufacturers are up 287% in the first five months in 2023, totaling more than 33,000 employees and positions.² This deep and dark abyss has impacted the entire industry. Large, well-funded conglomerates with staggering layoffs totaling thousands of employees to midsize suppliers and startups cutting 10%-35% of their workforce have all been affected.²

Mass layoffs have occurred in all business divisions: sales, operations, marketing, product management, quality assurance, supply chain and R&D. Overall, no department has been spared. Impacted areas have unique consequences to manage and adjustments to make. Medical and pharmaceutical suppliers will undergo restructuring and make necessary adjustments as they experience the effects of consolidating their sales force and the loss of institutional knowledge during account representation. Lost relationships and confidence between suppliers and their customers will have indirect and immeasurable consequences.

Reducing “feet on the ground” will force companies to re-examine the landscape and modify their strategy as sales teams are asked to do more with less. However, it won't be that simple or even possible using preconceptions and former strategies. It's no longer about the loudest voice in the room or the strongest relationships, it's now about **multi-disciplinary value analysis teams**. This process has replaced the typical physician-focused product selection process with preferential considerations. Hospitals are evaluating and standardizing products with an emphasis on the communities they serve and their clinical strengths.

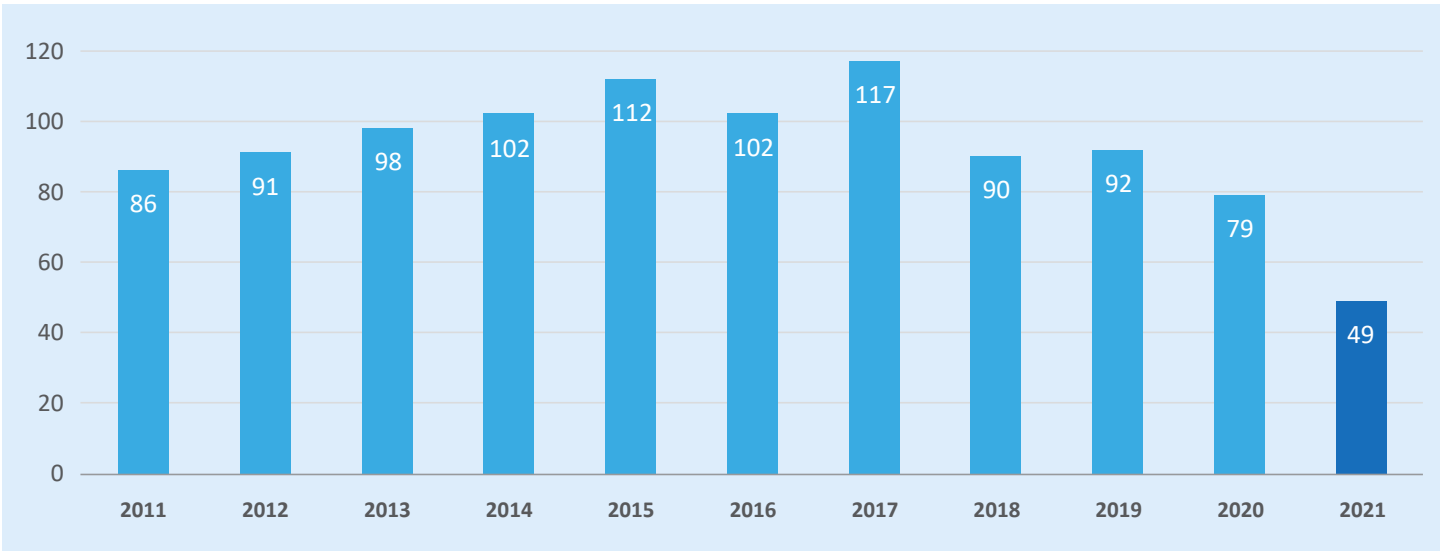




An evolving healthcare landscape for suppliers to navigate

Amid this uncertainty, healthcare systems have also dramatically restructured their organizations with expanding networks and services. For suppliers, this new reality is akin to hitting a moving target. The volume and size of healthcare mergers and acquisitions have altered the healthcare terrain and vital stakeholders. A Kaufman Hall report states, after a steady and significant increase in hospital mergers and acquisitions from 2011 to 2018, “The number of transactions was down but the size of the transactions was up.” During 2020 and 2021, more “mega mergers” of over \$1 billion occurred, with 8.9% and 16.3% respective annual increases. The consolidation of healthcare facilities will continue to alter purchasing priorities, influential decision-makers and even market share for products and services as more standardization occurs.²

Figure 1: Number of Announced Transactions, 2011 – 2021



Source: Kaufman, Hall & Associates, LLC
 2021 M&A in Review: A New Phase in Healthcare Partnerships | Kaufman Hall

Additionally, thin operating margins are forcing hospitals to focus on strategies that bolster financial health, without negatively affecting the safety and quality of care they provide. Some of these revised strategies are outlined in *The Growth Mindset for 2023*,³ which addresses the crucial drivers healthcare system leaders are following for smart short-, mid-, and long-term growth strategies.²

With these changes, it's imperative that suppliers reevaluate and devise new strategies based on the evolving landscape. Suppliers will need more than historical data and arbitrary indicators such as bed counts to carve out sales coverage or align resources appropriately. Deeper, more relevant data is required to better prioritize scarce sales resources in the right place at the right time.

The upheaval from dramatic layoffs will create ambiguity, but there's a guarantee that the old way of doing business is no longer applicable. Suppliers with significant restructuring and reduced resources in an equally volatile market need to consider how Vizient data and insights can address and solve these issues.

- How to engage providers to ensure a bankable return.
- How to effectively use the resources currently available.
- Determine which relationships should be invested in and why.
- Determine specific clients to engage when introducing innovative new products and services.
- Work to reengage relationships lost through layoff attrition.

Below are two different accounts of healthcare industry businesses that downsized. Both stories discuss how they navigated their reductions in workforce:

Supplier advice for managing a recent mass layoff

A medical device company outlined their resolution after a recent workforce reduction for the company's strategic realignment. The teams impacted by this company's downsizing included sales, marketing and product management. The goal was to provide more capital resources for R&D to launch new products and maintain a competitive edge.

Three essential steps recommended by this company to minimize major consequences of a large-scale layoff:

1. **Manage documentation**- Enforce detailed recordkeeping of customer accounts and sales activities for transparency and access by future sales successors.
2. **Rebuild relationships**- Following personnel changes, facilitate thoughtful engagements with customers and encourage them to maintain trust in the company and products.
3. **Rely on data analytics**-Identify prime targets and top opportunities with current, specific data then prioritize efforts in this rapidly changing industry.

Medtech company successfully navigates with a small sales force

One innovative medical technology company worked to develop a go-to-market strategy for a suite of innovative products supported by a downsized sales force. Their solution illustrates how suppliers can recover from mass layoffs with the right insights and targeting, knowing they have one shot to get it right.

The company's initial target list of health system and physician group accounts was primarily based on organization size, with little focus on other attributes. Business unit leadership recognized that sales could be accelerated with a more precise account prioritization and market approach to their product launch.

To accomplish this, the company segmented and prioritized all health systems and physician groups (focused on relevant specialties) in the U.S. to provide a more objective and targeted list of priority accounts. Account attributes analyzed included:

- Disease state and procedure volume forecasts
- Customer market share for relevant diseases and procedures
- Care innovation (e.g., level of IT integration, quality performance and ambulatory footprint)
- Perceived willingness to partner

The company defined several account segments oriented around innovation readiness, and identified likely priorities, needs, and call-points for each segment. Across segments, the team ranked accounts in order of attractiveness and provided a brief list of priority accounts not captured in the company's initial list. This work enabled the company's limited sales force to go to market effectively and focus on accounts where success likelihood was highest.

This case study using a quantitative approach serves as an example of how Vizient can support industry professionals who must adapt to a reduced sales force from large-scale layoffs, merging of companies or tight resources as with start-up companies. Igor Uman, Associate Principal, Sg2®, a Vizient Company, notes having worked closely with life science companies for decades, there is rarely a "normal" or predictable period, and changing conditions leave all vulnerable.

Following layoffs, what can healthcare companies do to regroup?

Vizient recommends five tactics to help healthcare suppliers adjust to their new structure and landscape:

- Verify their new, targeted clients with updated data and recognized the uniqueness of each account.
- Map and prioritize the shift in care and segmentation within healthcare networks.
- Trace telling signs of volume shifts to seize on opportunities while protecting existing business.
- Align messaging and targeting to the modified landscape.
- Contact Vizient for support with current data and actionable insights to accelerate your performance.



References

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- 3 Sg2, The growth mindset for 2023 5 key drivers every healthcare system leader should prioritize. Feb. 27, 2023. Accessed Sept. 14, 2023. [Intelligence | Sg2](#)


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