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Mohit Tandon, Senior Director, Axtria Inc.
Jim Rogers, Senior Manager, Axtria Inc.

The FDA occasionally approves existing drugs for new uses – approvals that sometimes disrupt the marketplace. Glucagon-like peptide-1 (GLP-1) agonist drugs are making such a disruption. They are a class of medications originally used to treat type 2 diabetes and have recently received FDA approval for chronic weight management in adults with obesity or overweight-related conditions such as high blood pressure. Their use is quickly becoming a popular alternative to traditional surgeries.

A medical study published in March 2021 showed "a sustained, clinically relevant reduction in body weight,"[1] and the first approvals for weight-related treatment using these drugs were granted in mid-2021.[2] Since then, enthusiasm in the patient population has led to skyrocketing demand for GLP-1 prescription drugs as weight-loss alternatives to traditional bariatric surgical procedures. Multiple brands are now available, and several companies are currently working to bring even more onto the market.[3] This uptick in GLP-1 usage has led to a rapid reduction in bariatric surgeries at a speed and scale surprising to many. In addition, the impact of these drugs on the larger MedTech market may not yet be fully known. It's still too early to judge the long-term implications for other obesity-related sectors, such as orthopedic, cardiovascular, and sleep apnea treatments, as well as blood glucose monitoring in diabetes patients.

Temporary or Permanent?

Opinions vary widely about whether GLP-1 drugs will negatively impact MedTech longer than the next couple of years. While the utilization of these drugs for weight loss has produced remarkable results in a comparatively short time, many continue to see traditional surgeries as a superior long-term option for many patients.[4] The future state of the market is uncertain because data supporting both sides of the question can be cited. For instance, GLP-1 drugs as weight loss treatments have their own drawbacks:

High cost: Currently, GLP-1 drugs cost around $1,000 per month[5] and require lifetime use since patients who stop taking them tend to regain much of their lost weight.[6] Most insurance companies do not yet provide coverage, so there is little financial relief for patients wishing to use them for weight loss.

Government insurance options are equally limited, meaning the yearly cost may be prohibitive for much of the population, making a one-time surgical procedure (covered by insurance) a more attractive option than the monthly cost associated with GLP-1s. So, an initial decline in demand for surgical options could be followed by some level of rebound as patients opt for a more permanent solution.

Side effects: Along with the benefits comes a list of possible side effects, such as digestive system disturbances, headaches, and dizziness,[7] that some will find unacceptable, leading them to abandon the drugs altogether after trying them for a short time.

The amount of weight lost: Patients using GLP-1 drugs tend to lose less weight than those who choose traditional surgical options,[8] so depending on the patient's desired weight loss, a surgical option may still be the preferred path.

On the other hand, some factors could alter the market permanently and lead to a broader reset of revenue expectations:

Insurance: As of February 1, 2024, most private insurers and Medicare did not provide coverage for weight loss using GLP-1 drugs, but that is likely to change. Dramatically increased market demand combined with advocacy by groups such as the American Medical Association are pressuring both private insurers and the Federal government to begin covering them.[9] If market forces succeed in changing the way insurers treat these drugs, coverage will likely improve, costs will come down, and their overall use will increase.

The permanence of surgery vs. GLP-1s: Even in the absence of insurance coverage, some patients may choose to incur the cost of the drugs because they can stop and restart them, thus avoiding the permanence of surgical options, which cannot be easily reversed, if at all.

On the margins: While patients with more serious health situations will continue to require surgical procedures, many will be on the margins, giving them the freedom to choose their preferred course of treatment. These patients may choose GLP-1s to avoid undergoing surgery. If a significant portion of this group opts out of surgery, that will likely create a permanent decline in bariatric procedures. On the other hand, since some of these patients would not previously have been considered viable candidates for bariatric surgery, their potential impact on the size of the traditional market could be minimal.

Positive weight-loss experience: Some patients may see the health improvements from using GLP-1 drugs as an incentive to pursue a more permanent surgical solution, which could serve to offset the overall drop in surgical procedure volumes from other negative factors.

Combined use: The emerging use of GLP-1 drugs in conjunction with bariatric procedures is another development that may mitigate the decline in the annual number of procedures performed.[10] Recent studies indicate that combining GLP-1s with traditional surgery improved patient outcomes by helping them achieve their weight-loss targets more effectively. Rather than being an "either/or" option, patients can benefit from both.[11]

With indicators pointing in both directions, it will likely be several years before this MedTech sector finds a new "normal." And what that "normal" will look like is largely unknown. MedTech companies must react quickly to keep their sales reps engaged and motivated as the market evolves.

Any decline in the number of surgeries will adversely affect those who sell the various MedTech products used in those procedures. Fewer reps will achieve their quotas, increasing the risk of higher sales force turnover – at a time when protecting market share is of the utmost importance. What happens to sales force sizing and compensation as this turbulent period unfolds? How should companies respond to a surprise drop in sales when the year is already underway? There are multiple options, each with pros and cons, so the best course of action will depend on the specific circumstances within each company.

Sales Operations Response

From a budget standpoint, a sudden decline in sales similarly reduces sales rep earnings, which means unspent budget dollars will likely be available to incentivize continued rep engagement, provided there is still an opportunity to do so from a profit margin standpoint.

In the short term, there are several options to consider:

One-time payment: Provide a one-time payment to reps who have been negatively impacted by the sudden drop in demand. This choice has the advantage of being simple to calculate and communicate to the sales force and can be done quickly. The likelihood of turnover is reduced because sales reps are assured that management understands their situation and takes their market challenges seriously. However, this path does have potential disadvantages.

Awarding such a payment fails to address the ongoing negative impact on quota attainments, thereby bringing a rep's reduced performance into year-end awards, contests, and performance appraisals. Future year comparisons will always need to have an asterisk next to them.

Finally, since the payment is not tied to actual results, some might perceive this approach as awarding payments without encouraging a continued push for every dollar in sales. Still, in some situations, it might be the best path forward.

Quota relief: Retroactively adjust quotas downward so reps can achieve them more easily and keep their earnings close to target levels. As with one-time payments, this kind of management action signals to the sales force that leadership "has their back." Quota relief has the added advantage of preserving a rep's yearly performance rating vs. quota, so contests, awards, and annual performance appraisals more closely resemble what they might have been if the market disruption had not occurred. Provided it is still challenging yet attainable, a reduced quota can motivate reps to push for every dollar they can get.

However, choosing the appropriate amount of relief for each territory may prove challenging since the degree of market impact will not be uniform across territories and regions. One strategy – not perfect, but still fair, given the unknowns – could be determining an organization-wide quota reduction amount and allocating it according to the same distribution algorithms that determined the yearly growth over baseline when quotas were initially set.

These measures can address short-term surprises, but the likelihood is that several years will elapse before this sector finds equilibrium. As noted above, conditions may continue to change rapidly as consumer perceptions evolve and GLP-1 drug costs decline. So, a long-term strategy is also needed.

How will a long-term decline in market size affect the go-to-market strategy a company developed before

things suddenly changed? If the entire market shrinks and remains flat for several years before returning to growth, what changes in strategy are needed? In a disrupted marketplace where the current rules of thumb no longer apply, changing conditions warrant a reevaluation of the sales organization, territory alignments, and incentive compensation plan design. Costs must stay in line with revised revenue forecasts, so sales force structure and territory sizing should be optimized to maintain the needed ROI while fairly compensating reps for sales results.

Given this rapidly evolving marketplace, risks come from two directions: a further unexpected drop in sales or a sudden unanticipated rebound. As discussed above, a sudden drop could lead to low rep performance, low morale, and high turnover. However, when market conditions unexpectedly improve, reps may significantly over-achieve their quota and receive budget-busting windfall payments. A multi-pronged approach is needed to mitigate these possibilities:

Revised quotas: While a company's multi-year business plan might have originally forecasted moderate growth, the new reality may necessitate a reset of those expectations. Setting quotas too aggressively will discourage sales reps and lead to increased rep turnover at the worst possible time. Quotas must be perceived as fair, even if a bit aggressive. In a period of uncertainty marked by a general market decline, even a return to baseline revenue may not be achievable for all territories. In such situations, a decline vs. the previous period might still be considered a measure of "success."

Shorter cycle: Rather than setting quotas for an entire year, they can be set in 6-month increments so the business can react more quickly and flexibly to ensure quotas reflect the latest market intelligence. When implemented correctly, reps will feel they have a legitimate chance to succeed and will be motivated to continue working hard in a challenging environment.

Plan design: Modify the current incentive plan so an increased portion of a rep's compensation potential comes from exceeding their quota, shifting their existing earnings focus beyond simply achieving quota. Even in a shrinking market, growth is needed, so modifying the current plan to provide more earnings potential from over-quota achievement will likely incentivize reps' continued focus on increased market share. Even if the pie has (temporarily) gotten smaller, every company wants their reps to get a bigger share of whatever pie there is.

One option is to pay an attractive percentage in commission for every dollar over quota, using a rate per dollar that increases in steps as over-quota revenue increases. As reps push past their quotas, the increasing commission rates that kick in, especially if made retroactive back to the first dollar over quota, provide real motivation to push for every dollar possible.[12]

This approach also ensures that sales rep earnings above quota are self-funding in terms of budget impact: A surprise jump in a territory's results will not negatively impact the budget because the commission rates have been pre-calculated to stay within budget requirements. The additional marginal revenues offset the cost of the marginal earnings paid above budget amounts.

The introduction of GLP-1 drugs has disrupted the MedTech landscape, and the changes will likely continue for several years before normalizing. In response, sales operations strategies will need to fairly remediate the short-term negative effects on sales reps and incentivize aggressive selling to win market share in a challenging environment. Providing quota reductions in the short term when possible and awarding one-time payments in cases where quotas cannot be changed will effectively deal with the immediate need. For the long term, however, companies must perform a general review of sales organization staffing, territory profitability, and incentive plan design to achieve their revenue targets and do so with the desired profitability.

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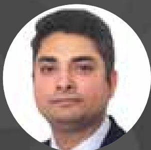

Mohit Tandon
Senior Director, Axtria Inc.
300 Connell Drive,
Berkeley Heights, NJ 07922
E: mohit.tandon@axtria.com

Jim Rogers
Senior Manager, Axtria Inc.
300 Connell Drive,
Berkeley Heights, NJ 07922
E: jim.rogers@axtria.com

Contact Us

+1-877-9AXTRIA
info@axtria.com

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