



Stuck Between Complexity and Commoditization

By

Peter T. Francis

May, 2014

The clinical and pathology laboratory industry equates to a complex business, but it begs the question: why do healthcare providers so commonly think of labs as a commodity? Part of the reason resides in the fact that—for the millions of tests ordered each day—practicing physicians receive their reports without a hitch. It's only natural for people to think: a lab...is a lab...is a lab.

If your job is to promote a lab service, it can be a daunting task to determine how to differentiate your lab versus a competitor. The customary method suggests employing a consultative approach: ask the client some questions to uncover problems and/or annoyances. The vast majority responds with, "*There are no issues. The doctor and the office are very happy with the laboratories we use. See you later.*"

Those that work within a commercial or hospital laboratory (especially supervisors and upper management) know only too well the service they provide the medical community is very intricate. There are specimen transportation logistics, multifarious IT ordering and reporting components, specialized reports (graphs, diagrams, interpretations, pictures), billing, specimen processing and storage, transport supplies, add-on test policies, critical result policies, phlebotomy coverage, compliance issues, sending patients their test results—the list seems boundless.

The Driving Forces of Commoditization

At the risk of bruising some people's self-image, many salespeople across the country are responsible for commoditizing laboratories. The unfortunate fact exists that not all commercial and hospital outreach labs properly train their field staff to effectively differentiate their lab in order to compete in their market. The so-called "training" a marketer receives typically consists of a broad overview of its lab's services (IT, couriers, billing, client services, testing departments, patient drawing center locations, etc.). Following this cursory overview, the lab throws their representative to the proverbial "wolves" with the expectation they will eventually "catch" a customer that is frustrated

with some aspect of their incumbent lab's service. If the job description involves "sales", that does not correlate to "wait for dissatisfied prospects." The question remains, has upper management provided enough background knowledge of how their laboratory operates *differently* than local competitors? Barring a *truly* unique test, methodology or service, some of the differences mentioned in training are items such as fast turnaround time, ease of getting through to a technical person, convenient pick-up times, interfacing with an EMR, etc. But, these are expected. If a representative mentions generic categories like this, it is no *wonder* clients judge labs as a commodity! And, Heaven help the field marketer if there is client-billing involved! The customer's primary interest translates to reducing their buying decision to the lowest common denominator—test prices. When no perceived disparity exists among laboratories, incremental value does not exist. Price is king. In fact, the selling roles may be reversed: *customers* attempt to convince *lab reps* their offerings are essentially the same as the incumbent lab—subsequently exerting downward pressure on fees.

The other aspect that drives commoditization resides in the emotional issue of control. It points to the old adage: people love to buy, but they *hate* to be sold. Unfortunately, negative stereotypes of a professional salesperson endure. Some clients are fearful that, by acknowledging complexity and admitting their own ignorance of certain aspects of the lab they use, they will lose control of the situation and open themselves to manipulative sales techniques. Unless a client specifically requests a field rep's visit, people have a penchant to dodge (what they consider) time-wasting conversations. Commoditization, in this sense, is the way customers maintain control of the situation and "protect" themselves.

Finally, the written copy on the lab's website may also enable and perpetuate commoditization. Most commercial laboratories explain how they place the utmost importance on providing excellent turnaround time, high quality standards, connectivity options and excellent communication between the laboratory and its clients. Obviously, these are familiar and necessary components. But, the issue evolves into the fact the descriptions sound basically all the same! Here is an interesting assignment: copy the About Us section of several local competitors, scrub logos and names and paste them on a blank document. Give the page to a courier or a lab technician and ask him or her to indicate which one describes their employer. This exercise may turn into an embarrassing one—and more difficult than expected! If an *employee* struggles, how do you think a *customer* feels?

Commoditization Is a Choice

The above discussion distills down to a critical choice: whether to embrace a core strategy that supports a me-too organization or one that supports a high-value solution. As commoditization occurs, sales skills become blunted, and transactional efficiency turns out to be the critical edge. It implores the question: why would any lab invest thousands of dollars in salary and benefits to hire an individual that basically tells prospective customers, "*We can provide all the same services you're getting now from*

your current lab.”.....? A commodity sale should only exist because the marketer (or upper management) consciously chooses it as a strategy.

The Alternative

The other option that laboratories have is to support a high-value strategy that fuels growth. Laboratories can only achieve this if they are aligned to deliver their promised value *and* their sales person can clarify, connect and quantify that value for customers. When this is done successfully, the high-value strategy becomes a sustainable competitive advantage and commoditization pressures recede.

To adopt a penetrating approach, companies need to recruit, develop and equip sales and marketing professionals so they can effectively differentiate their lab and create value for their customers. The mere fact that we are talking about a sophisticated and complicated business provides opportunities to uncover subtle, yet possibly important, differences. Successful salespeople know their competition inside and out, and they subsequently “dig” into their own employer’s complex operation, carefully isolating discrepancies. Precisely because *of* conventional commodity perceptions, astute marketers can uncover evidence of the incumbent lab’s *absence of value*, as well as *unrecognized problems*. In this respect, clients find it difficult—if not impossible—to recognize a proposing lab’s value solutions *without* the help of a well-trained representative.

Summary

Although sounding like a glittering generality, healthcare providers rarely appreciate the complexity of a testing lab’s services—leading the way to commodity perceptions. This points to the fact that those who market a lab should have on-going training on their company’s high-worth differences. After a discussion with a marketing rep, the clinician may understand some of these as significant benefits to not only him-herself, but also to the entire practice. Every seller must afford its customers with a means to understand the value of his lab. If done properly, doctors might ultimately value the mosaic characteristics of their laboratory *and* its differences. In fact, just as 7-Up became the un-cola, doctors may start considering their lab an *un-commodity* service! Wouldn’t that be novel?

*Peter Francis is president of **Clinical Laboratory Sales Training, LLC**, a unique training and development company dedicated to helping laboratories increase their revenues and reputation through prepared, professional and productive representatives. He has written over forty articles on the subject of laboratory sales. Visit the company’s web site at www.clinlabsales.com for a complete listing of services.*