



Creating More Revenues Without Selling New Clients

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The laboratory industry largely equates to a zero sum game. This means when a lab gains a client, another lab loses one. Trying to unseat an incumbent reference lab from a satisfied doctor's office or a hospital resembles no small feat. In fact, barring obvious client frustrations causing consideration of other lab services, it takes a very skilled and professional salesperson to demonstrate his lab's differences that might convince the satisfied prospect to consider switching. Add to this scenario the *time* it takes to build credibility and the costs involved with result connectivity (e.g., interfacing), it remains easy to understand the challenges.

Lab owners, lab managers, sales managers — anyone who wants to see their lab revenues grow — sometimes become discouraged with the amount of resources it takes to activate new business. Most salespeople are given monthly quotas to meet, which adds more pressure and frustration to the job.

Since the early 1970s when large reference labs began to proliferate, marketing people intuitively figured out increasing revenues from existing accounts helped considerably toward making their quotas. Both the reps and their manager quickly deduced it generally took less effort —with no additional courier expense — but gave the same positive result.

There are two different avenues to travel in order for clinical labs to gain more business from existing customers. One calls itself *cross-selling* and the other one, *up-selling*.

Cross-Selling

Cross-selling occurs when a company/institution (e.g., hospital) offers numerous services, and they attempt to get the consumer (e.g. doctor) to use additional ones subsequent to establishing a business relationship.

Hospital cross-selling develops into a potentially powerful weapon. It has become necessary due to the competitive pressures from commercial companies, the necessity of growing hospital revenues and the desire to protect the relationship with the doctors. Administrators task many of their departments to grow revenues organically each fiscal year, and the hospital field person (provider relations/sales person) plays a large role in this kind of initiative.

The lab generates around 70% of clinical determinations in a patient's chart. Diagnostic decision-making, however, increases to 80-90% if one combines imaging services with the lab. Consequently, from a volume, profitability and consolidation point of view, it is understandable why hospitals aspire to market both entities. However, it does not simply rest with lab and imaging. The attraction of selling one-stop-shopping for a variety of health care services equates to mighty marketing fodder.

Expanding the Relationship

Most industry analyses show it costs about six times more to acquire a new customer than to retain a current one. On the other side of the coin, one widely accepts the fact that the cost of *losing* a customer must include all of the hidden costs of lifetime potential spending, not to mention bad press. Therefore, from a business standpoint, it makes sense not only to do what constitutes a necessary action to retain current clients, but also to *expand* relationships with those customers. Astute business leaders believe if a customer relationship does not advance, then it may soon retreat. The field representative plays a significant role in building and growing the bond between doctor's offices and the local hospital. He or she should aim to *intensify* the affiliation. Cross-selling strategies embody a terrific opportunity to realize both organic growth and rapport advancement.

Cross-Selling Effectively

The first thing a sales person has to do when he wants to broker various capabilities means adjusting to the proper mindset. He has to understand it boils down to a *selling* job — and it is not always easy.

Most all communities have commercial labs, imaging centers, physical therapy and occupational health centers, etc. These businesses concentrate their efforts on improving *every* service aspect in an effort to remain as competitive and patient-centric as possible. On the other side of the coin, hospitals have traditionally held an orientation toward the inpatient. Within the last dozen years or so, some administrators have decided to challenge commercial vendors in the outpatient market. In the case of laboratory services, these institutions must make significant investments (connectivity, field rep, courier, client services, testing, equipment, patient draw centers, etc) in order to make a serious play against the commercial labs.

Cross-selling can be sometimes frustrating for the hospital representative because there may not be exact parity of service offerings compared with the local companies (especially in the clinical lab arena). The person responsible for brokering the hospital's lab requires focused training in consultative sales techniques. Field coaching by an experienced manager helps to solidify the classroom-training component. Cross-selling is *not* a job for an entry-level individual learning the sales ropes. Even for an experienced salesperson, classroom instruction provides the optimum method to refresh and establish strategic and tactical expectations. Thereafter, consistent role-playing and follow-up coaching becomes paramount in maintaining effectiveness.

It remains important to understand human bias within the nature of sales: the customer must discover for him- or herself the benefits of expanding his relationship with the hospital. The sales rep cannot simply flog services. He/she needs to ask questions, leading the client to discover better value and, thereby, greater outcomes (e.g., hospital improvements with revenues derived from the doctor's referrals). Ideally, the customer should view the sales representative as someone who offers worthy opinions by bringing to bear the full weight of business acumen, industry knowledge and skillfully asked questions.

A Jaundiced Eye

Hospital administration may intuitively think independent doctor's practices already perceive some value in their facility's capabilities. The very existence of a business relationship appears to have evidence analogous to trading currency. People feel it seems logical to break into new areas of the doctor's business (e.g. lab) because ".....*we're already doing business on other levels so we must be considered a valuable asset to him.*" Management may operate under the mistaken assumption this so-called "currency" transcends more worth than really exists. Ineffective cross-selling initiatives fail because the sales person forgets to provide value creation for the client. The seller becomes a mere peddler, suggesting expanded capabilities without first helping the doctor gain insight on new opportunities they can seize or challenges they can address.

Hospitals have begun responding to the implementation of health care reform and risk-based payment approaches by accelerating their hiring of both primary care and specialist physicians. This employment act, unfortunately, has shown to be (in a number of cases) an initial money-losing proposition for the hospital. After several years, however, hospitals expect to make money on employed physicians when they account for the value of all care, tests and referrals.

In this case of hospital-owned practices, the marketing person expectedly has an easier time converting the client. However, he/she should avoid any hint of hubris when approaching the office personnel for the first time. Mandating a change can create frustration and ill will for those who have been perfectly satisfied with a commercial vendor. There exists a human tendency to object to forced change; thus, it takes a skillful and understanding approach by the field person.

Up-Selling

Besides cross-selling, the second way to augment revenues comes through laboratory *up-selling*. Laboratories — independent or hospital-based — can increase income through this method by educating the provider on tests, methodologies and/ or clinical guidelines that generate new or more appropriate testing. In addition, with the ubiquitous scenario of multiple labs in one office practice, a well-trained marketing person may be able to persuade the client to siphon off discretionary lab work from one lab to another on a test-by-test basis (or by selected insurance companies). Sometimes, the mere implementation of the lab's web portal on to a client's computer creates the incentive to transfer work from the primary to the secondary lab.

It should not be overlooked that large reference labs have opportunities to up-sell newly developed assays. In a hospital setting, a reference lab representative should inform the send-out clerk, supervisor, head of the lab department whose area the particular test applies, lab director and the pathologist(s). Following those steps, it stands as a logical next step to enlighten the appropriate attending physicians, and — if a teaching institution — fellows and residents.

Those specialized labs with a focused business offering such as pathology, dermatopathology, molecular, etc. have a more limited opportunity to up-sell due to their restricted menus.

Tests of Interest

There sits a number of different approaches within this segment: (a) talk about a new test (or profile) the lab has recently introduced, (b) talk about a test from the lab's reference lab, (c) talk about a new methodology of an existing assay or (d) talk about the availability of an assay the client did not know was accessible.

Some labs educate their sales staff on a single test or method the lab has recently implemented. This prevails as very good practice, allowing the sales/service person to disseminate the information and, expectedly, witness more volume from said test/methodology. However, depending on the sales culture, one of the ignored training elements in some clinical laboratories resides in explaining a *number* of various assays and methods clinicians might utilize in their practice. Logically speaking, a sales representative would not want to spend precious time discussing their recently introduced Hepatitis C viral load test to a rheumatologist! By the same token, outlining the components of a new celiac profile to a gastroenterologist or pediatrician would be very appropriate. If a lab has implemented PCR or LAMP methodology for *C. difficile*, family practice and internal medicine clients would appreciate information on this more sensitive method. Labs should not rely solely on a newsletter for announcing changes and test additions. Unfortunately, many people disregard these documents or not see them at all. Besides, a face-to-face discussion tends to have a more positive impact as opposed to reading.

Using Analytics to Up-Sell

By using the resources of the lab's IT department, a representative can up-sell tests based on examining individual test activity of specific specialties to ensure his lab receives all of the testing associated with the doctor's specialty. For example, a representative may notice over the course of three or four months an endocrinologist has not sent Intact PTH (or other hormone tests). Perhaps the rep notes a lack of tumor markers, mutation assays for drug toxicity/resistance or ZAP 70 from an oncologist. Citrulline antibody and ANA should be common assays referred by a rheumatologist's office. One should see tTG (IgA) and total IgA tests from GI and pediatric offices. From family practice and internal medicine offices, one would expect to see not only an abundance of TSH testing, but also a certain ratio of total T-4, triiodothyronine, and possibly free T-4 and TSI tests — all associated with the diagnosis of clinical and subclinical hyperthyroid patients. To add more power to the equation, comparing test activity between different clients of the same specialty stands as an interesting exercise. A representative should identify some testing similarity beyond CBCs, metabolic panels and other routine tests. If disparities exist, it may present itself as an up-sell opportunity. At a minimum, the field person should confirm the client would send a certain test to the rep's lab if they saw a patient with a condition requiring that type of assay.

Clinical Testing Guidelines

Another expectation from providers rests in learning about up-to-date testing guidelines issued by different organizations (e.g., American Diabetes Association, American College of OB/Gyn, American College of Genetics, College of American Pathology, American Medical Association, etc.). For example, in a primary care setting, patients with dyspepsia (indigestion) in people younger than 55 should be tested for *H. pylori* using the urea breath test or stool antigen (according to the American College of Gastroenterology guidelines). If a representative does not notice any *H. pylori* testing on a test activity report from a general practice physician, or if he/she notices *H. pylori* antibody tests, it could present an opportunity to discuss the current guidelines.

Becoming a Resource

Irrespective of the source — professional association, rep's own lab, reference lab, reagent vendor, consultant — representatives should strive to become a *resource*. Credibility rises exponentially when the client observes how a representative provides industry insight and *value* to the practice (and, ultimately, to patient care). Yes, this background sleuthing consumes up-front time; however, it can potentially pay big dividends, and it helps to separate the me-too field person from the master-class rep. Becoming an "information specialist" sits in direct opposition to the field person stopping by his clients and casually asking the front desk person (or office

manager), “How’s everything going with our lab service? Any problems I can address?” First, reps do not have to ask if there are problems. The client will voice them on their own without any coaching! Second, aside from the visibility factor, there stands minimal positive outcome derived from such bland interaction. Assuming an equally vapid client response, “Everything’s fine”, what does the rep (and the employer) gain from this uninspired communication? People tend to forget the significant costs associated with each client visit. From a business perspective, it makes sense to create a call that potentially adds value to both parties — and avoid vacuous conversation.

A lab’s pathologist, Ph.D., test kit supplier or outside consultant can explain various assays and newer methods (and provide third party proof) to the field representative. Also, companies exist whose primary job resides in uncovering (via IT analytics) specific test ordering patterns — by individual client — in an effort to help labs understand where they need to concentrate their client educational processes. Possessing a journal article, a clinical guideline, a lab-produced bulletin, a reference lab’s test information piece or a vendor’s brochure about a certain test provides the marketing person with a show-and-tell approach — aiding in the credibility factor and in up-selling.

Final Thoughts

Gaining more revenues in a zero sum situation transcends more than exerting time and resources trying to convince clients to switch labs. Hospitals can engage in cross-selling activities; clinical laboratories (hospital-based and independent) have potential up-selling capabilities.

In addition to gaining more revenues, both types of selling actions have the added components of (1) building stronger relationships, (2) reducing selling costs and (3) adding *value* to the vendor/client alliance. Office practices want information that will help them help their patients. Field lab reps can provide such consultation and potentially see additional revenues — making it a win-win scenario. The author knows an astute field service executive (i.e., not a salesperson) who grew her territory in a rolling twelve month period approximately \$250,000 by employing focused up-selling techniques. The bottom line questions remains: are you leaving revenues on the table with any of your clients?

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