

## Launch Innovative Medical Device Profitably with Value-Based Pricing Research

With more companies moving toward commercializing their digital innovation, deciding how to best price new, sophisticated technology is one of the most complex marketing hurdles to tackle. As a ground rule, it's important to start this process and discussion around product value early on, even before entering the market. While it can be tempting to apply simple cost-based pricing to a new product, companies must focus on developing a value-based pricing strategy that accurately reflects its true economic worth.

Our client in the MedTech sector was a medical device start-up that recently received de novo clearance from the FDA to launch a wearable medical device that would be sold directly to patients and caregivers. The client wanted to determine the ideal prices for the product that would maximize their stakeholder's purchase probability and the company's revenue. With the launch date already set, the Pricing Solutions team completed the project in 12 weeks.

# 2x

Higher Pricing for New Technology

### The Challenge

The client was interested in testing different price points and structures in order to understand which offer customers felt was the fairest and captured the real value the device was delivering. As a result, the client asked the Pricing Solutions team to design and develop an overall pricing strategy for each target care setting, including:

- Offer structure
- Pricing structure
- Price levels
- Identifying price fences

### Building a Solution That Fits

Pricing Solutions developed a comprehensive end-to-end solution using the following three-step approach:

#### 1. Develop Value and Pricing Hypotheses

To develop value and pricing hypotheses, our team:

- Completed internal interviews with relevant management and executives to understand the existing pricing culture and processes
- Researched the industry to gain knowledge and fully understand target markets, customer users and final product
- Conducted a kick-off workshop to create value tools for the client including a Perceived Value Map, Pricing Power Assessment and Financial Value Model.

# 12

Weeks for Project Completion

#### 2. Conduct Market Research

Pricing Solutions conducted in-depth market research focused on four main customer segments. Within each customer segment our team interviewed 25 customers. Data and insights from these interviews were compiled into a final report and managed in a final pricing model/dashboard. This market research identified important customer insights that have a direct impact on pricing factors, such as:

- The cost of the devices is only the fourth important purchasing factor for interviewees.
- Unique customer segments exist with different needs and willingness-to-pay
- Within the unique customer segments approximately 30% of the potential customers claimed a high likelihood to adopt the technology based on their needs. This group had a much higher willingness-to-pay compared to the other customer segments

#### 3. Develop New Product Pricing Strategy

- Combined pricing research, interviews and survey insights to inform pricing strategy recommendations
- Conducted a final workshop to deliver results and achieve internal consensus and alignment for next phases.



## The Result?

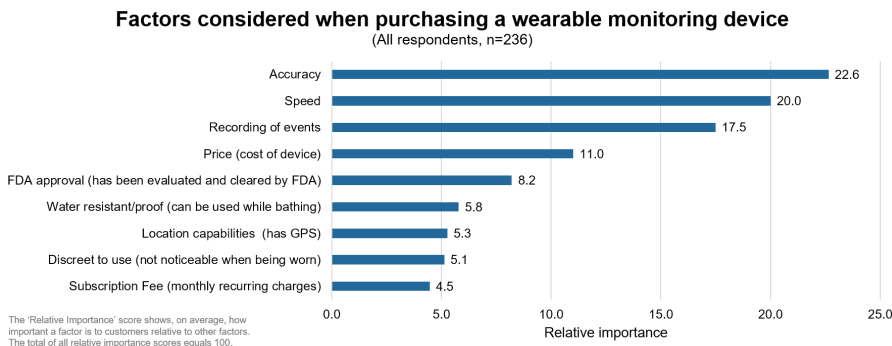
The culmination of research that Pricing Solutions conducted identified that the device delivers significantly more value compared to the wearable competitive set. As the result, we determined the optimal pricing range that would maximize the likelihood of purchase by the client's core customer segments, while capturing the true value of the new product. The research provided the insights and confidence that enabled the client to launch their new technology at about **two times the amount they initially expected**. A value-based offer structure was developed and customized according to the various customer segments.

Lastly, the Pricing Solutions team identified additional partnership opportunities for value-based contracts to share risk.

## What's the Pricing Solutions Difference?

Given the significant investment firms are making into the development of digital innovations and the significant expected economic benefits they provide, it is only logical and good business practice to also invest in the development of a thoughtful pricing structure

Pricing Solutions understands these economic benefits which are amplified by a strong pricing structure. We work closely with MedTech clients at the early stages of their product development cycles and conduct extensive research that reveals stakeholders' true perceptions of the delivered value, hosting workshops to align on the next steps and ensuring our clients feel confident and supported in the execution of their strategy. Contact us today to learn how to mitigate the risk of undervaluing your company's digital solution.



*The market research identified that the cost of the device is only the fourth important purchasing factor for the respondents.*

## Our Firm

Our mission is to dramatically improve clients' profitability and market share through improved pricing. Pricing Solutions' four core services include Pricing Strategy, Pricing Analytics, Pricing Research and Pricing Training. Known for our World Class Pricing™ methodology, we have grown to become one of the world's leading pricing consultancies with offices in North America, Europe, Asia Pacific and Latin America. Our global team of researchers, consultants and partners are recognized thought-leaders.

We deliver customized cross-functional solutions, helping our clients achieve a typical payback of 10:1 on their investment.

### Global Headquarters

106 Front St. East, Suite 300  
Toronto, ON Canada M5A 1E1  
Tel: 1.416.943.0505  
Fax: 1.416.943.0507

### UK Headquarters

10 Queen St Place  
London EC4R 1BE United Kingdom  
Tel: +44.7323.5059