



accelerating
SL@B

LOCAL DISTRIBUTORS IN LOW AND MIDDLE- INCOME COUNTRIES

Bringing a Unique Customer Voice to Global Health Innovation



Table of Contents

- 1 Program Context
- 1 Background
- 3 Emerging Innovation Themes
- 5 Considerations for Global Health Tech Innovators
- 6 References

Program Context

Accelerating Saving Lives at Birth (Accelerating SL@B) is an accelerator program that seeks to increase the scale, sustainability, and effectiveness of promising innovations in the Saving Lives at Birth Portfolio—with the overarching goal of improving maternal and newborn health (MNH) outcomes across the globe. Accelerating SL@B innovators strive to first identify and fill gaps left by health systems, and work to improve health outcomes that occur before and in the 48 hours after birth, the period when the majority of maternal and newborn deaths occur. The Accelerating SL@B program seeks to help these innovations reach scale through ongoing, individualized coaching and mentoring provided by a team of experts in the innovation and global health spheres. All of the support activities for Accelerating SL@B participants aim to help innovators make progress toward achieving scalability and sustainability.”

BACKGROUND

At least half of the world’s population cannot obtain essential health services (WHO 2017), compromising the physical and economic welfare of hundreds of millions of people, primarily in low and middle-income countries (LMICs). Medical devices and equipment are crucial for quality essential health services, yet in many LMICs, there is a lack of basic medical devices and an abundance of unused or broken equipment (WHO 2012). Despite innovation in medical technology that has improved efficacy, accuracy, and efficiency, those advances have primarily targeted higher resourced health care systems. Many of those advances have not reached resource-constrained settings, and most are neither appropriate nor affordable for it (Diaconu et al. 2014). This mismatch between what is available and what is needed can be attributed to a number of challenges: real or perceived market failures that dissuade manufacturers from pursuing innovation specific to LMICs; the complexity of logistics and regulatory pathways to enter emerging markets; sales and marketing activities necessary to grow and sustain market share; confounding need for a product with customer demand; and not differentiating end-users, decision-makers, or payors. These challenges require creative solutions to ensure that investments into “global health technology innovation” can reach their full potential.

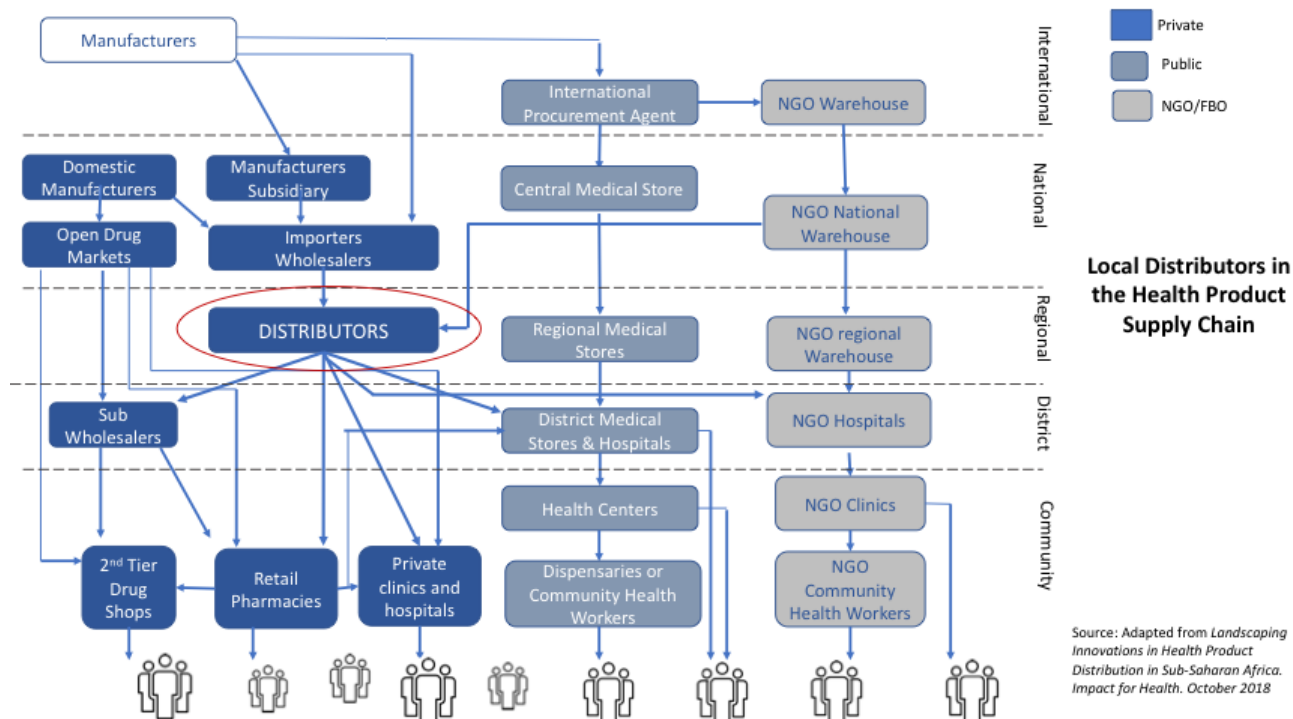
Under the United States Agency for International Development (USAID) Accelerating Saving Lives at Birth Program (A-SL@B), which is designed to provide tailored support and accelerate scale and impact of dozens of global health innovations, VIA Global Health has been engaging with medtech innovators to strengthen their understanding of product market-fit by incorporating the voice of local medical product distributors in LMICs into innovators’ research and development and market entry strategies. As depicted below in Figure 1, distributors in LMICs receive products from different sources, and sell to different customers in the health sector, including private, public, and Non-Governmental Organizations (NGOs)/Faith-Based Organizations (FBO) facilities. Medical product distribution, which is critical for scale and impact, is highly complex, and challenged by factors that affect availability, affordability, and quality.

A distributor's contribution to moving medical products to end users and beneficiaries is an important one. The customers of distributors are hospitals and clinics in the private sector and the public health systems and are therefore also the customers of the innovators and manufacturers, as represented in the graphic above. Distributors fulfill the role of delivering products when and where the customers want them, and also perform the function of promotion and sales. Furthermore, distributors sit at the intersection of public, private, and NGO/FBO channels, a position which enables them to continually track customers' needs and match them with the best products available. The voice of LMIC distributors as customers and conduits to other customers, does and should matter to innovators and suppliers seeking to enter emerging markets and achieve meaningful impact in persistent global health challenges. Why? Because they represent one of several pathways to scale, often serving both public and private sectors, and are routinely selling standard of care and innovative products to their paying customers in hospitals and clinics in emerging markets.

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Through its e-commerce platform, sales, and customer engagement (distributors and end users), VIA Global Health is learning from local distributors in LMICs about the very markets that global health innovations are targeting, as well as working with innovators to incorporate insights from LMIC distributors into their development and market entry strategies. Over the past two years, through our Market Insights Program, VIA Global Health has focused on innovators from the A-SL@B portfolio, through surveys shared with our network and in-depth interviews conducted with distributors from 9 different countries (Ghana, Kenya, South Africa, Zambia, Nigeria, Zimbabwe, Uganda, Botswana and India) about new medical products intended for their communities. These interviews, combined with our daily customer interaction, have highlighted the following themes about emerging innovations.

Figure 1: Local Distributors in the Health Product Supply Chain



EMERGING INNOVATION THEMES

- **Despite market inefficiencies, distributors and healthcare providers in LMICs behave like consumers in more developed economies.** Even in communities with considerable health challenges, distributors and their health sector customers (private and public systems and facilities) are consumers that make decisions across multiple domains to find better products, taking into account some combination of price competitiveness, quality, or differentiation through novel product offerings. In underserved markets, there may be less transparency in product information, restricted availability of products, and distorted supply and demand curves, all of which in turn may cause fluctuations in consumer priorities. These priorities may not always be consistent, which is not unlike consumer behavior in more developed markets. Perspectives from LMIC distributors on the relative value of features and benefits, pricing, prospective customers and use cases, and competitive products have served to both validate and challenge A-SL@B innovator assumptions, and helped prioritize product development efforts. In one particular case, the comments from the distributors helped the innovator reconsider how to articulate the “value for money” in a new way so that it could check both boxes of price and quality.
- **Customer acquisition planning and execution are essential.** Regulatory approvals, clinical trials, and extensive research studies may prove accuracy, effectiveness, and potential impact, and be necessary for certain stakeholders, but these activities alone do not convert into sales. A common sentiment among LMIC distributors with whom VIA Global Health has spoken, is that they have heard of new products and local excitement about a new innovation, but the commercialization infrastructure has not been developed sufficiently for distributors to access it or purchase those new products on behalf of their customers. Sales planning and support, pricing structure, customer-oriented marketing materials, available inventory, and clarity on servicing and warranty are essential to meet expectations of customers, and are therefore key for local distributors to move products. This presents obvious challenges when product suppliers do not have a physical presence in the countries for which the innovations are destined, and highlights the need for partnerships and collaboration with local entities, and committed resources to support those activities at the country level.
- **Sharing risk with customers, particularly with disruptive innovation, is important for market entry.** Changing status quo in standard of care through disruptive technology carries some degree of reputational and financial risk for LMIC distributors and their customers. The luxuries of free shipping and free returns are not available to most of these customers, nor do many have sufficient working capital to front a large purchase or carry inventory; as a result, the financial and reputational risks associated with purchasing new products is higher than what might be appreciated by manufacturers and other key global health stakeholders. For those reasons, samples and “starter packs” are common expectations, allowing the customers to try a product before making an investment, and facilitating the sales process for distributors. These approaches can secure preliminary demand for distributors from the market before taking on the expense of product registration and also protect their credibility in the eyes of their customers. Distributors might also ask for exclusivity because it grants some assurances and allows them to differentiate themselves, and though exclusivity agreements can be challenging, they present opportunities for suppliers to hold their distributors accountable to drive sales and market penetration. This feedback has been shared with several A-SL@B innovators, one in particular has modified initial packaging assumptions to incorporate starter packs to “seed” their early market entry and enable prospective customers to experience the product without a major upfront investment.

 **Innovators need to plan for and allocate resources to do adequate product launch activities, with marketing and promotion efforts. Products won't just sell themselves and distributors don't have resources to do all that.**
- local distributor, Kenya

- Social proof and local key opinion leaders are high value catalysts.** There is a lot of risk in being the first or earliest adopter, especially in healthcare where more than financial loss is on the line; it is far easier to be the second or third adopter when a similar market has successfully used the product. Sharing information about where else the product has been successfully sold and utilized offers the “social proof” that can reduce skepticism, instill confidence, and offer more local relevance. Cultivating relationships with key opinion leaders as one source of “social proof” can serve as a way to de-risk adoption for others, and overcome institutional inertia often associated with trying something new. Most innovators recognize the value of key opinion leaders, but presenting information as “social proof” with maps, testimonials, and other data points that may be more locally relevant can complement other product information or research studies. In considering how to introduce their new product, one innovation team incorporated this insight from distributors to reconsider the scaling pathway, and the importance of including the generation of more locally relevant evidence through implementation research and cultivating champions who can offer referrals and testimonials to the product.

- It takes time for my customers to make a decision about a new product, so I need to let them “try before they buy” with no commitment. I want to differentiate myself but I can’t take on that financial risk.
 - local distributor, Ghana

- Good data and a smart message are important, but so is ability of customers in health sector to see for themselves, and know where else it is being used and by whom.
 - local distributor, South Africa

- Customer segmentation and differentiation can help determine scaling pathways.** The public sector may help innovators reach the numbers and the volume for scale, but sales cycles are frequently slow due to financing and procurement constraints, and the public tender process is not designed for new innovations just entering the market. Our distributors have commented that they often start with the private sector when introducing a new product, including NGO and FBO customers, to gain traction and seed demand, with the hopes that the public sector may follow.

- Private sector fuels early growth; the public sector will bring the volumes and impact but also a long sales cycle and price pressure.
 - local distributor, Kenya

- Key opinion leaders in the private sector can have significant influence even in the public sector, and often are providers who work in both. This business decision makes sense when the financial outlay to serve the public sector stretches operating capital, of which there is little, for many smaller size local distributors. Early adopters in the private sector can provide more reliable payment and early market penetration, and complement public sector scaling, which can take much longer.

CONSIDERATIONS FOR GLOBAL HEALTH TECH INNOVATORS

Support from Accelerating Saving Lives at Birth has enabled VIA Global Health to leverage its network of over 350 local distributors in 50 different countries, and bring an additional market perspective to maternal and newborn health technology innovators. Although there are many swerves and roadblocks on the pathway from idea to impact, increasing visibility into prospective markets serves as one of many important data points in development, introduction, and scaling activities in the innovation process. Distributors in LMICs have particularly unique perspectives; they view products from the lens of being able to “sell” to users in the health sector, and therefore represent the “demand” vantage point incorporating experience working with public, private, and NGO/FBO sectors. These insights have helped Accelerating Saving Lives at Birth and other medtech innovators sharpen key elements in pathways to scale: Value Proposition; Customer Segmentation; Distribution Channels; Customer Relationship Management; and Revenue Models, etc. There have been surprises along the way, as well as pieces of wisdom passed along to the innovators about entering the markets and positioning their product.

Underserved markets are not necessarily unsophisticated markets. Developing distribution channels and increasing market share requires time, patience, intention, and commitment to having a proactive and responsive team. Though we are all impatient in our commitment to achieve impact and scale, before selling 100,000 units, innovators need to sell one.

Key success factors, according to the LMIC distributors with whom VIA Global Health has spoken could be best summarized as the following:

- 1) **Plan for and allocate resources to sales and marketing efforts**, don't rely on distributors to do all the ground work for new products because it's risky and expensive
- 2) **Locally or regionally relevant data and word of mouth** matter as much as other research studies and awards
- 3) **Find ways to seed the market** through smaller scale pilots, market “seeding” and demonstrations with prospective customers
- 4) Understand that **distributors have costs and risks** associated with running their business, but also **add value by managing** many of the local market requirements of product registration, importing, facilitating transactions in local currencies, and finding customers.

There are many local distributors seeking to differentiate themselves by bringing the best products to their customers in healthcare; understanding how they do that is one way to get that first sale.

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