

Medtech firms losing edge, need to innovate: PwC

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Singapore: Medical technology companies may be losing their competitive edge and are in need of a different approach to innovation in a new outcome-based health economy, according to PriceWaterhouseCoopers' (PwC) Health Research Institute (HRI) new report. The report also includes a web-based interactive innovation scorecard to assess medtech companies based on leading innovation practices.

Only 14 percent of medtech executives say that they formally manage innovation activities, which is essential to creating new services and business models. And just 17 percent believe their companies are innovation pioneers. The HRI report outlines how medtech companies need to expand their approaches to innovation outside traditional R&D, in order to remain competitive.

The report highlights that the value of a device is no longer solely in the product itself but in a company's ability to help customers solve broader problems. New competitors are staking their claim, with at least 18 companies entering the medtech space and are driving innovation at the pace of technology. New integrated services and business models that address clinician and consumer needs are becoming more important.

The report further pointed out that medtech executives expect a higher level of innovation over the next three years but lack formal processes to achieve their goals for new services and business models. Also, medtech companies have been slower to apply new social, mobile, analytic, and cloud (SMAC) technologies than other industries. Furthermore, medtech companies are looking to open innovation as a key approach to drive future growth.

Mr Christopher Wasden, managing director and global healthcare innovation leader, PwC, "Historically, medtech innovation has relied on incremental improvement. But 'innovation' needs redefining for an environment that rewards value - measured in affordable patient outcomes and customer satisfaction - over volume. True innovators learn from failure - fast, frequent, frugal failure. Medtech leaders need to change their business models, their corporate DNA, to embrace lean innovation beyond their core operations."

PwC principal Ed Yu said that, "Three things are essential to transform today's medtech companies for the future. Embrace failure - create an innovation operating model that separates breakthrough and radical innovation from incremental innovation. Embrace the disease - select a target area and collaborate with health industry counterparts to get closer to the

patient. Finally, measure innovation in new ways with forward-looking metrics and connect the dots for shareholders. That's the formula for success."