

eCommerce offers preferred platform for drug and medical device biz : survey

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Digital marketplaces with predictive and efficient business models receive a boost with the higher adoption of eCommerce channels, finds Frost & Sullivan



As the tech-savvy millennial population has come to expect a high level of user experience (UX), the healthcare industry has begun to digitize products, services, and commerce models. The industry is setting up personalized UX/user interface (UI)-enabled eCommerce platforms and websites, which are expected to be the preferred digital channels for browsing and ordering medical devices and supplies.

This will not only improve access, quality, and affordability of healthcare, but also promote predictive, preventive, and outcome-based care models. The overall benefits of supply chain optimization and improved UX are expected to result in an eCommerce channel that will reach \$200 billion at a compound annual growth rate (CAGR) of 15 percent by 2022.

"Drug and device OEMs and distributors should prioritize their eCommerce strategy based on the maturity of their buyer/market using a mix of available digital tools for educating, researching product information, and order and payment management," said Kamaljit Behera, Industry Analyst, Transformational Health.

Frost & Sullivan's recent analysis, Healthcare eCommerce Market in North America, Forecast to 2022, examines the key trends and developments in healthcare eCommerce with specific focus on the eCommerce market for pharma drugs and medical devices in North America. It also provides market projections, opportunity analysis by supply chain participants, strategic imperatives, and industry best practices or case studies for both segments.

"The convergence of healthcare with IT and retail industries has opened the market up to non-traditional players, which is disrupting the existing business channels and future revenue streams. For example, Google, Amazon, Facebook, Apple, and Microsoft (GAFAM) in the West, and Baidu, Ali Health, and Tencent (BAT) in East will continue to make further headways in the healthcare industry," noted Behera. "Amazon will have a particularly high impact on emerging home or individual care concepts like telehealth, telemedicine, and direct-to-consumer (D2C) commerce."

Some of the most prominent trends and growth opportunities in the healthcare eCommerce space include:

- Hospital buyers are more willing to repurchase from a B2B digital marketplace that offers transparency, personalization, and competitive pricing for stable medical devices, implants, and consumables.
- Selling, general & administrative (SG&A) expenses accounting for 35 percent to 40 percent of the overall healthcare industry cost, which creates a need for an efficient eCommerce distribution model by automating sales

representatives' routine and tactical works.

- Development of business models that support the integration of the product sale and service functions (maintenance, repairs) in the eCommerce channel. Furthermore, the integration of eCommerce channels with customer relationship management (CRM), business intelligence (BI), and social relationship management (SRM) tools will help standardize the purchasing process.
- eCommerce platforms offering not only robust account management functionalities but also integration with warehouse and fulfillment software to provide real-time inventory updates and delivery status to customers.
- Apart from drug or device types and purchase volumes, factors such as market positioning, target end users, and reimbursement playing a critical role in eCommerce channel selection and success.
- Retail pharmacy, consumer devices, and medical supplies segments present a scope for large profit pool disruption by eCommerce. At the same time, digital marketplace and centralized contract management platforms such as OpenMarkets, Amazon Business, DST Pharmacy Solutions, and Global Healthcare Exchange (GHX) are viewed both as an opportunity and threat by groups of purchasing organization (GPOs) and pharmacy benefit management (PBMs).
- eCommerce will solve the humongous medication adherence challenge and it presents an opportunity to increase transparency in drug pricing- a problem plaguing the United States healthcare system for decades.