Unlocking value from medical device data

Driving growth with subscription-based revenue

Capgemini

Introduction

According to recent research from the [Capgemini Research Institute](#), a significant number of MedTech organizations are embracing connected health products: 39% have launched them into the market, while another 38% are actively testing or developing such products. These connected devices not only enhance patient health outcomes and strengthen the overall performance of the healthcare system but also generate vast amounts of data, creating rich ecosystems ripe for transformation into new products and revenue models.

But are MedTech companies fully tapping into the potential of these data-rich ecosystems as revenue streams, efficiency agents, and innovation drivers? Are their customers able to draw maximum value from their investments by using the technology to continuously enhance results, lower costs, and increase client-centricity?

Our research suggests that the answer may be no—but the shortcoming isn't due to the technology itself. Rather, it lies in how connected health products and services are delivered. In our latest report, we found that only one in four (25%) MedTech companies with connected health devices offered subscription-based pricing models that could improve access to and extend the impact of these products.

Often overlooked, the delivery model of services offered in conjunction with connected health devices is a crucial part of the value equation for MedTech customers and patients. The emergence of subscription-driven value is becoming increasingly important as connected products create more data-rich ecosystems, primed for conversion into innovative products and revenue streams.

Unlike traditional models that rely on one-time sales, a subscription-based delivery model equips users with flexible and responsive options for accessing and analyzing the data produced by connected health devices. For MedTech companies, shifting to a subscription value model enables them to harness the data generated by connected devices to better serve their customers, unlock new and ongoing revenue streams, differentiate their offerings, and use device data to identify operational efficiencies and fuel innovation.

In this paper, we explore the makings of an effective subscription value offering for MedTech companies. We outline the steps companies should take when developing such an offer and how to adapt the organization to enable this new revenue stream. By focusing on the emergence of subscription-driven value, we highlight how connected products are creating data-rich ecosystems that can be transformed into new products and innovative revenue models, ushering in a new era of value for both MedTech companies and their customers.

77% Medtech companies have launched connected health products or are actively developing them

25% MedTech companies with connected health devices offer usage-based pricing models

The shift to a subscription model starts with the customer

Shifting from a traditional one-time sales to a subscription model introduces significant strategic, technological, and operational considerations for MedTech companies. Organizations must consider how to adapt and enhance their existing architecture and infrastructure to enable or strengthen ongoing service delivery and ensure continuous customer support.

However, before MedTech companies undertake any strategic investments, they must first understand the customer and their needs, as well as the needs of end users. Tailoring the subscription model to address these specific issues is at the heart of every successful transition and ensures long-term customer satisfaction.

Figure 1: The value of Subscription driven revenue in MedTech

Traditional model	Subscription model
• Reliance on one-time sales of devices or services	• Ongoing services offered alongside or instead of individual devices
• Significant upfront investment and development effort required to bring product to market and implement with customer	• Flexible pay-as-you-go models with multiple subscription tiers to fit variable needs and budgets
• Data is presented in a raw format, leaving customers to analyze information and identify trends or insights	• Data is analyzed as part of the service offering; insights are used to produce personalized care recommendations, predictions and trends.

To effectively navigate the transition to a subscription model, there are four clear steps for MedTech companies to take:

Step 1: Identify value drivers

The cornerstone of a successful subscription offering is the ability to identify what customers truly value. This involves distinguishing between features that serve as differentiators, those that customers expect as standard, and those that are viewed as nice-to-have additions. Understanding these value drivers is crucial for creating offerings that meet and exceed customer expectations.

Step 2: Configure offers based on customer needs and preferences

Armed with knowledge of what constitutes value for their customers, MedTech companies can then configure their subscription offerings accordingly. This means integrating essential features that meet basic customer expectations, incorporating differentiators that set the offering apart in the marketplace, and adding benefits that significantly boost customer satisfaction.

Step 3:   Develop a flexible pricing strategy

The development of a pricing model that accurately reflects the value provided by the subscription is a pivotal task. It involves selecting appropriate pricing metrics—be it based on usage, outcomes achieved, or access levels—and establishing price points that customers perceive as fair and are willing to pay. This strategic approach to pricing is integral to making the subscription model attractive and financially viable for both the company and its customers.

Step 4:   Focus on continuous transformation

A connected health device should always be in a state of evolution. Data generated from the device, when combined with other organizational data, can help unlock important capabilities such as data-driven product development, personalized experiences, and predictive maintenance.

By starting with customer insights and systematically addressing these key areas, MedTech companies can craft subscription offerings that are not only compelling and competitive but also deeply aligned with market demand. This strategic focus on customer centricity ensures that the transition to subscription models is rooted in delivering genuine value, setting the stage for long-term success and customer loyalty in the evolving MedTech landscape.

Exploring the pricing and revenue impact of subscription models in MedTech

While the shift to a subscription driven revenue model holds significant revenue opportunities for MedTech companies, the transition will require organizations to overcome potential challenges and adapt existing strategies to support new business needs, including customer support, procurement and marketing.

For example, when shifting to a subscription model, companies must consider that they will likely incur higher upfront costs to acquire customers since free trials or promotional pricing are effective ways to attract users. Over time, companies will also need to ensure that new and unique features are added to the model to ensure the offering remains competitive and that customers are retained.

To that end, companies must adapt their strategy to focus on building strong, long-term relationships and deep engagement to ensure the offer remains relevant and valuable to customers. This can be accomplished by:

- Personalizing the onboarding experience to showcase the subscription's value proposition based on individual user needs and goals.
- Offering exclusive benefits or early access to new features for subscribers to strengthen engagement and loyalty.
- Creating a sense of community and belonging for subscribers through online forums, group challenges, or activity leaderboards.

Beginning the subscription driven revenue journey in MedTech

As mentioned above, MedTech companies that are in the process of transitioning to subscription-based models need to undergo strategic transformations, both in terms of infrastructure and overall organizational readiness. These changes are crucial for aligning the organization with the goals of sustaining customer relationships and managing recurring revenue effectively.

In the below chart, we outline the key considerations for companies looking to become subscription-ready:

Agile infrastructure development

- Invest in agile and scalable technology infrastructure to support the dynamic nature of subscription-based models.
- Adopt cloud-based solutions for flexible storage, efficient data processing, and seamless integration with various devices and services

Data integration, interoperability and analytics

- Ensure that connected health platforms can seamlessly integrate data from various sources.
- Prioritize interoperability standards to facilitate the smooth exchange of data between different systems and establish a holistic view.
- Leverage advanced analytics capabilities to continuously enhance services and the surrounding experience to ensure ongoing relevance and value.

Customer relationship management (CRM) integration

- Implement robust CRM systems to manage customer interactions, track subscription engagement, and personalize communications.

- Utilize CRM data to understand customer preferences, improve customer support, and tailor subscription offerings based on individual needs.

Subscription management platforms

- Implement a robust Configure, Price, Quote (CPQ) system that can streamline and automate complex billing, invoicing, and subscription activities.

- Provide users with self-service options for managing their subscriptions.

Enhanced security measures

- Strengthen security protocols to safeguard sensitive health data.

- Implement end-to-end encryption, secure authentication processes, and regular security audits to build trust with subscribers.

Internal skill development

- Train and upskill employees to understand the nuances of subscription-based business models, emphasizing customer-centric approaches and data-driven decision-making.

- Foster a culture of adaptability and innovation within the organization to align with the evolving landscape of connected health subscriptions.

Cross-functional collaboration

- Encourage collaboration between IT, marketing, product development, and customer support teams to ensure a cohesive strategy.

- Break down silos to facilitate seamless communication and alignment across different departments.

Legal and regulatory compliance

- Prioritize robust encryption and secure data transmission protocols to protect sensitive health data stored or transmitted through connected health subscription services.

- Ensure strict adherence to healthcare data privacy regulations to build trust with users and meet legal requirements.

- Clearly communicate data usage policies and practices to subscribers, promoting transparency around how data is collected and used.

Internal strategic shifts

- Redefine success metrics to focus on long-term customer value and retention.

- Adapt operational and financial planning to address the nuances of subscription revenue models.

- Integrate technical enablers, including the CPQ and CRM systems, to provide the foundation for effectively offering, managing, and scaling subscription services within the MedTech sector.

Together, these strategic adjustments and technical foundations pave the way for MedTech companies to thrive in a subscription-based landscape, ensuring the entire organization is equipped and aligned to capitalize on the benefits of this transformative business model.

Callout: Benefits for MedTech Companies

Financial stability

Steady, recurring revenue from subscriptions facilitates better financial planning

Lower costs

Recurring revenue models are built on lasting customer relationships, which lead to lower overall customer acquisition and retention costs in the long-term

Differentiation

Unique subscription offerings help MedTech companies differentiate in a crowded market

Enhanced compliance

Subscription models can streamline the process of keeping technology up to date with current healthcare regulations

Innovation

Regular feedback loops with customers spur continuous product and service innovation

Enhanced customer experience and loyalty

Data-driven insights enable companies to offer personalized services that drive engagement, satisfaction and loyalty

Taking the next step on the road to connected health

While most MedTech organizations have entered the connected health market, there remains a significant opportunity to maximize the value of these products and services for MedTech companies, their customers, the healthcare system, and patients.

In many ways, harnessing the full potential of these devices rests not just in the technology, but how it is delivered. By embracing Subscription Value, MedTech organizations can better meet the evolving needs of their customers and contribute to a more effective, value-based healthcare system.

Call to action

Transitioning to a subscription-driven revenue model in the MedTech industry necessitates a clear and purposeful business strategy and the design of a comprehensive technological framework anchored around a robust cloud computing approach and data management. By leveraging these technologies, MedTech companies can unlock new revenue streams, improve patient outcomes, and stay competitive in a rapidly evolving market. Implementing the right mix of technical systems not only supports the subscription model but also fosters innovation, operational efficiency, and enhanced customer satisfaction.

For more information about how your company can successfully navigate the transition to a subscription-based model, please contact our authors.

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Connected health research

Healthcare is undergoing a profound transformation driven by connected technology. The Capgemini Research Institute's report, "The connected health revolution," reveals the unprecedented opportunities that arise from connected health.

Based on a survey of 420 industry executives from biotechnology, pharmaceutical, and MedTech organizations, this comprehensive study provides a unique insight into the adoption and maturity of connected health initiatives. The results are striking: 63% of life sciences organizations have connected health products already on the market or under development, with nearly 20% of biopharma organizations having rolled out connected health offerings – a sixfold increase from 2021.

Download the full report here:

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insights/research-library/
connected-health-research/
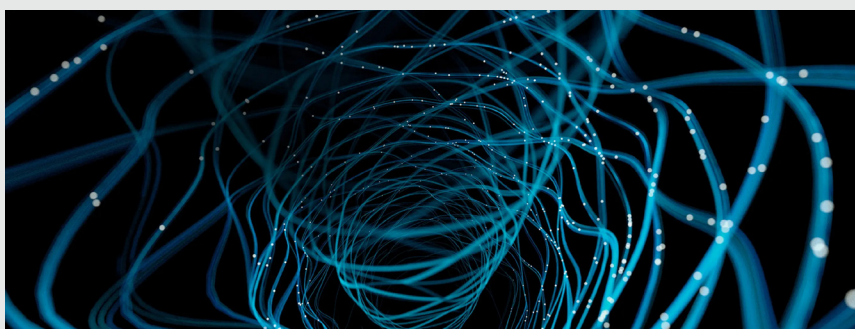
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