

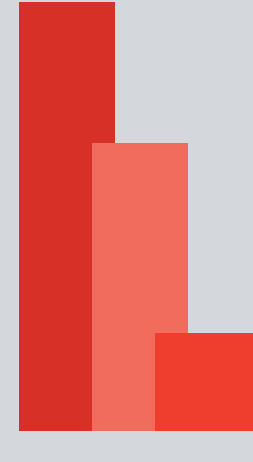
# OPERATIONAL PERFORMANCE CHALLENGES FOR MEDICAL DEVICE MANUFACTURERS

The medical device industry is increasingly competitive and manufacturers are burdened with operational challenges.

**There are growth opportunities**, but it's critical to address several key issues.

This infographic focuses on the overall industry, but provides an example of **Aeortivix**, a fictional, but typical medical device manufacturer that provides technologies for aortic disorders.

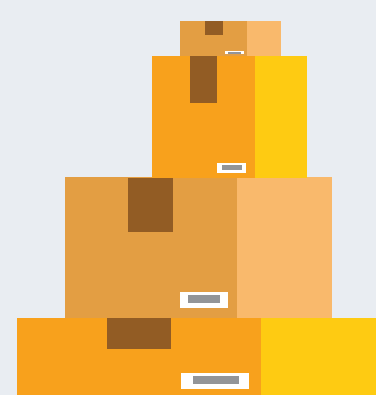
## SHRINKING NET INCOME



Net incomes continue to shrink and are now **less than 10%** for many companies.

**Aeortivix** is a mid-size medical device manufacturer with **revenue of \$200M** and a **gross margin of 60%**, and **shrinking net income**.

## EXTENDED CASH-TO-CASH CYCLE AND INVENTORY



Slow cash-to-cash cycles and excess inventory are exacerbating shrinking margins.

**Aeortivix** has \$40 million of inventory in warehouses, distribution centers and even trunks of salespeople's cars. The need to have the right device at the right place at the right time preventing a stock out results in low inventory turns of two.

Improving turns from **two to three**, would realize an annual income statement benefit of **\$3.2M** with a one time balance sheet impact of over **\$13M**.

### CASH-TO-CASH CYCLE:

Current:	Target:
<b>160+</b>	<b>130</b>
DAYS	DAYS

### INVENTORY TURNS:

Current:	Target:
<b>2</b>	<b>3</b>

### DAYS IN INVENTORY:

Current:	Target:
<b>221</b>	<b>130</b>

## HIGH SELLING, GENERAL & ADMINISTRATIVE EXPENSE



SG&A expenses are excessive with sales focused on non-sales activities.

### SG&A EXPENSE:

Current:  
**70%**  
OF REVENUE

Target:  
**43%**  
OF REVENUE

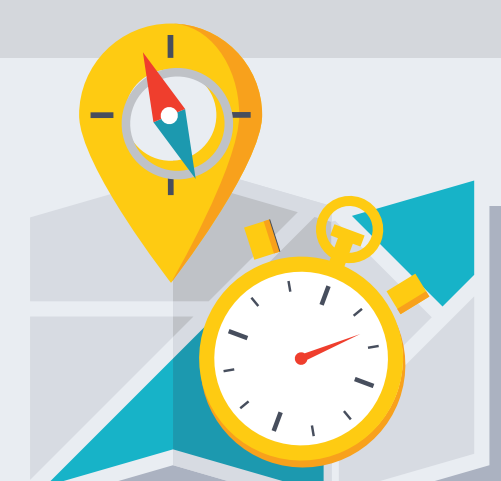
### SALES PRODUCTIVITY:

Current:  
**40%**  
OF SALES TIME ON  
NON-SALES ACTIVITY

Target:  
**20%**  
OF SALES TIME ON  
NON-SALES ACTIVITY

In addition to selling, **Aeortivix** relies on 25 salespeople to spend part of their time managing inventory and delivering product to ensure provider needs are met. With greater visibility and better forecasting, adequate inventory management and on time delivery could be achieved without relying on sales people delivering product.

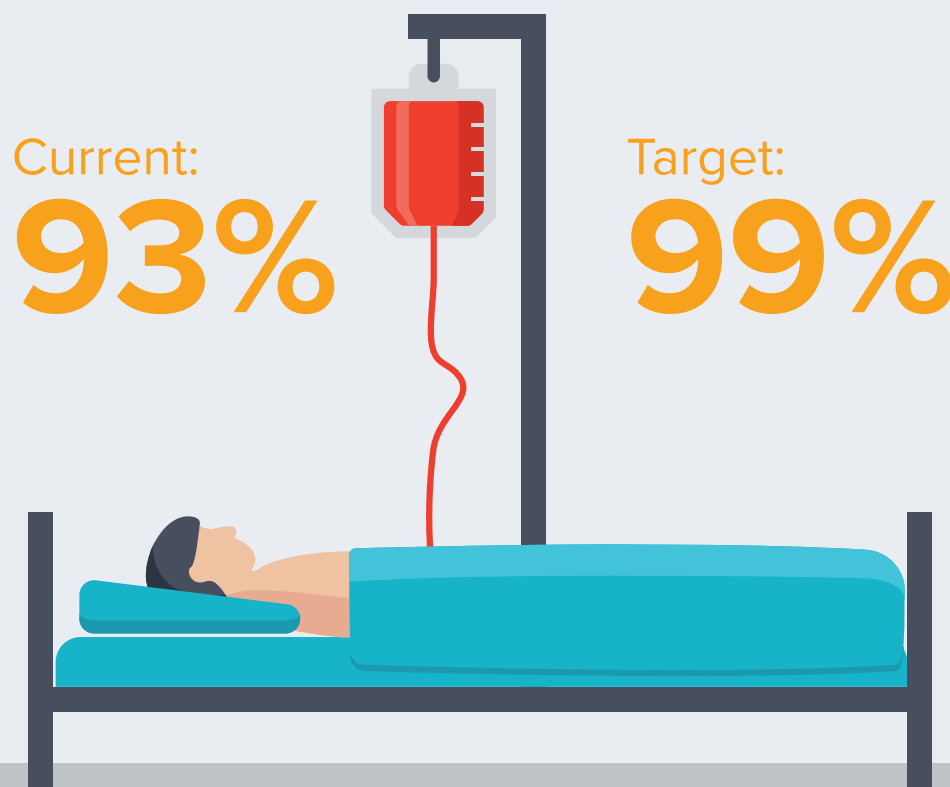
**Sales could spend more time selling which could result in additional sales of \$1.2M and could decrease the number of salespeople required by 5 which would save \$1.2M in SG&A.**



## CONCERNING ON TIME DELIVERY

Delivery is critical to patient care and customer retention, but is increasingly complex.

### ON TIME DELIVERY:



Would **Aeortivix** see decreased delivery without sales rep deliveries?

With optimized inventory, better forecasting and visibility into demand, **99% delivery** would be attainable.



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Sources: Supply Chain Insights 2016 Healthcare Value Networks, FinListics, Ernst & Young