

## Digital transformation- An expensive exercise

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**Supply chain digitalisation in the MedTech sector is essential to being cost-competitive through increased efficiency and agility in the post-pandemic era**



Increasing industry pressures in the medical devices (MedTech) sector, including complex regulation and operational inefficiencies, are impacting bottom lines. Additionally, rising prices from healthcare providers who are facing falling profits, with mature product lines are squeezing margins.

MedTech companies now need to deliver more value in new ways, to be faster to market, to become more flexible in responding to demand changes and to reduce costs. To achieve these higher expected service levels, many companies have turned to external suppliers to provide them with capabilities that they can no longer provide. This has increased the need for deeper levels of coordination among MedTech companies and their complex supply chains.

Supply chain digitalisation in the MedTech sector is therefore essential to being cost-competitive through increased efficiency and agility in the post-pandemic era. It has been advocated for several years that competition is not only manufacturing plant against manufacturing plant but supply chain against supply chain. Shrinking product life cycles and innovative technology applications have started a chain reaction in the MedTech industry that has raised the performance expectations of their supply networks.

The Internet of things (IoT), artificial intelligence and machine learning are all-powerful technologies to consider implementing, but MedTech manufacturers will not see value from them without a solid, integrated digital foundation in place. Those that digitise their operations will be well-positioned for significant growth and profitability as global economies recover.

**Creating opportunities for MedTech**

Opportunities for digital transformation have been created throughout MedTech operations such as production and enabling functions such as engagement with patients, physicians, health systems and payers, to developing new products and services.

Many MedTech companies are now embracing digital transformation to become more agile and efficient. The digitalisation required is more than just the deployment of systems such as automated equipment monitoring, factory digital twin and real-time asset tracking.

Realising each opportunity requires the capabilities of a digitally mature organisation, including an overall strategy, culture of collaboration and experimentation as well as supportive leadership.

## **The role of ERP**

For MedTech manufacturers, an Enterprise Resource Planning (ERP) system makes up a large piece of the digital foundation required. Traditionally, many think of an ERP platform as primarily a financial and supply chain management system. However, a modern ERP purpose-built for manufacturers can do far more, easily integrating with smart factory technologies to provide essential information in real-time and within a richer context.

An ERP system will standardise, automate and integrate the core business processes in a MedTech company, allowing the organisation to consistently do things the same way and easily understand if a problem occurs. The automation of business processes reduces human effort and consequently error while improving operational efficiency and productivity.

By integrating disparate business processes, ERP simplifies data and information transfer across the MedTech company, ensuring coherent information in all systems while also avoiding duplication of effort.

Disparate systems encourage discontinuity between processes and result in people working at cross purposes in different parts of the organisation. Simply put, ERP becomes the heart of a MedTech business and will enable them to start digitising their entire organisation from the shop floor to the supply chain and back again.

## **Increasing supply chain agility and efficiency**

Improving agility and efficiency in the supply chain is a key driver for digital transformation in the MedTech sector. Advanced MedTech companies are now moving towards next-generation Supply Chain 4.0, which McKinsey describes as the interconnection of all parts of the supply chain, which significantly improves demand forecasting and supply replenishment.

## **Digital strategy planning**

Digital transformation offers MedTech companies opportunities to execute efficiently, engage effectively and innovate new products and services, but digital transformation is an expensive exercise. It is therefore recommended for MedTech businesses to plan their digital strategy carefully and focus on areas of the business that will make a difference. The best-planned initiatives often fail for many reasons, my advice is to start simple, start small and focus on nailing the implementation.

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