Philippe Hügli – CEO, hystrix medical

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hystrix medical is an online contracting marketplace for medical devices and replenishing/repeat purchase products in hospitals. CEO Philippe Hügli explains the company's origins and model today, his ambitions beyond the company's home market of Switzerland, and why a digital sales approach is core to "360-degree customer centricity."

What was the motivation to leave a big corporation and start your own company?

I was with St. Jude for six and a half years before spending around four and a half years with Boston Scientific. We had a fantastic team, were very successful, and everyone was quite surprised when I quit! It was not easy for me from a people perspective, because it really loved the people with whom I was working, but I had this feeling at the age of 36 that I *could* continue in a comfortable position, but that I *should* do something with a bigger impact on how healthcare actors interact and making medical device procurement more sustainable. I realized that this was something I could not do while being employed by a big company; I needed to be neutral. Therefore, four years ago I decided to embark on a new challenge.

Since 2017, the top 10 online shops in Switzerland have had higher revenues than the top 10 shopping centres; a clear sign that people are buying more online than offline. Having been educated as an engineer and with an understanding of medical device products, I questioned whether all of these products were really as complex as they were being made out to be and

whether some well-established products could be sold in the same way as consumer goods.

The consumer goods market, especially online, values three characteristics above all else. These are speed, transparency – having an immediate overview of everything that is available –, and comfort. Having observed these trends in consumer goods, I strongly believed that they would also occur in every other industry, including healthcare.

With the massive price erosion that has affected healthcare in Switzerland since 2012, the only option I saw for companies to maintain profitability was to find new sales and distribution channels which allow for omnipresence in the market; visibility is king, especially for commodities as well as established and formerly complex products which are not anymore in need of explanation. I strongly believe that digitalization at the interface between sales and procurement in healthcare has a fundamental sustainable impact on the entire system and makes a relevant contribution to containing the exploding healthcare costs, which topped CHF 80 billion in 2020, rising three percent year-on-year.

In big corporations, the only thing which counts is shareholder value creation. To create this value, companies need to grow, ideally by double digits, every year. However, an average annual sale price decrease of eight percent means that companies then need to sell many more units per headcount in the sales team. However, hiring more people when margins are shrinking is challenging, so new sales channels – particularly digital channels – in my opinion are the solution.

What is hystrix medical today and how have you prioritized which products to bring to market first?

For hystrix, it was really important to understand which products were able to be sold digitally. This means products which you promote on a screen, assuming that the user understands what they are about. This page can include certificates, training videos, or product explanations, but there is a basic assumption that the product itself is already established in the market. Looking at my own portfolio when I was still an industry representative, I realized that 60-70 percent were products of this type, meaning that no sales rep was required to explain how to use them. I was convinced that these products could be sold through a platform such as ours.

No supplier is keen to declare their own product to be a commodity; they want to play up its complexity and the need for training etc. However, in today’s world, plug and play is key; just look at Apple products as an example. Suppliers might then think about the so-called “long tail” of their

product portfolio; the many products with smaller margins, lower prices, lower contributions to top line revenue, and less time and energy spent on them than more complex products. These products are where we can really work with our clients to add value to their sales excellence. Visibility is king and creating the circumstances where friction is as low as possible between solution/product providers and potential buyers is key to the often-talked about “customer-centric” approach. 360-degree customer centricity must include a virtual or digital component in selling and providing solutions.

What kind of marketplace is hystrix and what is your revenue and subscription model?

It is not an open platform like Amazon or eBay where anyone can register and buy something. Customers have to apply for accounts because we have to control who is on the platform, both on the selling and buying sides. Putting prices on a platform for suppliers is only attractive if you can ensure that none of their competitors can see those prices. We must ensure that no competitor can log in as a buyer. Knowing your customer is crucial. Is your customer working in a hospital or is he pretending to and actually working for another supplier who wants to know your prices? This is what we must guard against.

Our vision is to be the hub of healthcare market information. We have been described as “Amazon for healthcare,” which we are definitely not. Amazon is famous for digitalising processes in different businesses but also onboarding suppliers, looking at which products work best, then developing them by themselves, and then positioning them on the top ranks so that they sell more. Then the original manufacturer suppliers are sorted out. This is not what we were, are and will be doing at all. Our business model is to earn our money through transaction fees. We have no primary interest in pure price erosion. We are much more interested in optimising and achieving the holistic sales and procurement process.

You have said that the success of hystrix medical relies on its neutrality, but we know that for different product categories, there might be different options. How do you influence your users in their decision making?

Support and one-to-one relationships are still important for certain products which need it. We have no intention of replacing or removing this support for those products.

When I was the managing director of Boston Scientific, I always told our sales representatives to get specialized in a specific field, so that in the long run they could create added value through being with the doctor and creating the best patient outcomes. If you are only selling commodities, you can easily be replaced. It makes no sense to retain a person with fixed costs of over CHF 200,000 per year (fixed plus variable salary, insurances, expenses, social security contributions) with no added value other than merely being present.

The digital platform is not replacing what is done manually. It’s part of the 360-degree customer centricity approach all suppliers have to follow. What is critical is that when companies are able to sell the commodities through a headcount-neutral sales channel, they free up resources to focus their salesforce on the complex products where they can really move the needle and create added value for the user. The salesforce can employ top notch people who perhaps have been educated as doctors and have seen thousands of implantations in a specific area. These people can create massive value for doctors implanting particular devices and answer all of their questions. Suppliers and manufacturers can really create a competitive advantage in freeing up resources where no value is added and investing them where there can be tremendous value added.

What type of companies have partnered with hystrix medical so far?

We have representatives from every segment, including big original manufacturers such as Olympus and B Braun who see where the market is going and want to be part of shaping it, making sure that their process requests get reflected in the digital processes and can be ahead of the curve.

We also have a lot of small- and medium-sized players on the supply side who realize that through such a platform they can immediately be visible alongside big corporate competitors, regardless of field force size. Big corporates have between 30 to 70 sales representatives in Switzerland, while SMEs tend to have only between 5 and 20.

Is there a member fee to be part of the digital platform?

No, on both the buyer and supplier side, the usage of the platform is free. That is critical; as I mentioned previously, having been employed at big corporates, I wanted to build something which helps both the buying and selling sides to grow sustainably.

Approaching the suppliers with the tool, which might be perceived as full transparency – something basically no-one wants in the healthcare sector – is very difficult to sell unless it is for free. We are selling an extended radius of influence or activity which only costs something if a company gets something out of it. In other words, if contracts get closed, they pay a transaction fee. But if nothing is sold companies can upload their entire portfolio, have full visibility, and find out that perhaps their portfolio does not sell digitally without incurring extra costs.

How successful has hystrix medical been up to this point?

We have had three capital increases: a seed round, a pre-Series A, and a Series A, raising up to almost CHF six million today. We have around 190 buyers, 150 suppliers, and have built the best team possible.

One challenge for medtech companies in 2020 was not being able to meet with stakeholders or even enter hospitals. Has this represented an opportunity for hystrix and have you been able to capitalize on it?

2020 was an amazing year for us in a way that it gave us the perfect proof of concept for our vision of being the hub of healthcare market information. Many hospitals and buyers were desperately looking for PPE, but traditional supply chains had broken down. Other suppliers with containers of masks and gloves, all with the correct certificates and already in the country were able to step in and fill this gap using our platform. Through mouth-to-mouth marketing we were able to increase the number of users in our community by over 100 percent.

Given the high costs of operating in Switzerland and the limited market size, do you have your sights set on other geographies moving forward?

If our vision of being the hub for market information in healthcare was only focused on Switzerland, it would be a very small plate. We therefore definitely have strategies in place to move abroad. This was part of our fundraising strategy for the last cap-raise where we consciously wanted to convince investors of our vision who also have international experience. Among others, we succeeded in winning Mediclinic International, the owner of one of Switzerland’s two leading private clinic groups, for our project. They have business in the Middle East, South Africa, Namibia,

the UK, and Switzerland, so we definitely want to leverage that and learn from their experiences.

We have some ongoing discussions about where the next steps will take us and while I cannot go into specifics, we have the intention to go abroad. This could even be on the other side of the Atlantic; the US market could be very interesting for us.

As a market disrupter, what are the most important preconditions for launching hystrix medical in a particular country?

Many suppliers ask us about whether and when we might move into other countries, we have seen that in Switzerland it works and they are keen to see whether we could access other geographies through the platform, adapting the currency and some of the certificates, deleting some products and uploading others which are available in a particular geography. It would be very easy to do.

Our operations in Switzerland serve as proof of concept of our platform and the service it provides to users. Switzerland is the market that I am most familiar with, where I know a lot of people, and where we have now been able to show that the concept works during the pandemic. We also have very good connections to the supplier side and listen carefully to them to know what is needed. In our first two years we focused on developing the business and creating awareness of the platform in the market.

Some doors closed initially, which then suddenly opened during the COVID-19 pandemic, which has seen us learn a lot in a very short time. Now we have to realize all these learnings into additional functionalities. Once we have those, we are confident in our ability to approach new markets.

It is not about focusing only on Switzerland, but more about what functionalities the market needs which can be activated or deactivated on a country-by-country basis.

What message would you like to share with our international audience about hystrix Medical?

Suppliers and manufacturer do not have to fear digital channels. We recommend trying it out; Just getting started and gaining maximum visibility is free of charge. Digitalization is not the driver of new business models, but rather is the enabler. In the end, your own experiences lead you to decide how to structure your sales and distribution organization. If it does not create value for you, it definitely does not hurt and there is nothing to lose. It is easy to learn and to adapt strategy.

On the buying side, it is the same. You either create tons of excel files and meet thousands of people to discuss three basic parameters – the contract period, the price and the quantity – which can easily be done digitally in a consolidated, standardized, and fast way.

This also frees up a lot of time for value-adding topics or tasks within a hospital, care home, or private practice. At the end of the day, there should be investment in whatever is relevant for patients and clients rather than the process of purchasing and selling commodities.

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