Failing to Monitor Vital Signs

In contrast, Johnson & Johnson's cardiology unit squandered its lead in a new market by failing to react to market changes. Like First Direct, J&J was a pioneer in defining a new market in 1994 when it introduced a revolutionary device called a stent, which held open obstructed heart vessels with a tiny metal scaffold. The benefits of this new device were so compelling that cardiologists adopted it en masse. Within two years, J&J had sold a billion dollars worth—at 80 percent gross margins—and held 91 percent of the market. Yet, by 1999, their share had collapsed to 8 percent and they faced two entrenched competitors.[2]

How did this highly regarded marketer of Tylenol and Band-Aids lose what they thought was an insurmountable lead? At the head of a long list of shortcomings was a failure to listen to the market and keep innovating. Perhaps because they were new to the cardiology marketplace, they weren't sensitive to the needs and frustrations of the doctors. The first version of their stent had limitations that doctors soon found annoying: it was hard to use in some situations, came in only one size and couldn't easily be seen in the X-rays that were used to locate and then guide the stent through the arteries.

J&J was slow to address these problems because the small unit had its hands full just meeting demands. Also their ability to innovate was impeded by a culture with a

pharmaceutical company mind-set that was unused to the speedy development cycles of medical devices firms, and a traditional organization with strong functional departments that created obstacles to a customer focus. Their challengers had an advantage because they were configured into teams that were adept at getting products to market quickly. When J&J finally made improvements, their rivals had already beaten them to market with products that were easier to use and less expensive.

These rivals also benefited from J&J's inflexibility in pricing as hospitals struggled to cope with the unexpectedly high cost of stents. Initially insurers wouldn't pay these costs, but they relented in the face of compelling evidence of the lifesaving and cost benefits. While the stent ultimately won the support of insurers, J&J's higher-priced products didn't. The company's lack of empathy for the cost pressures of the hospitals alienated influential luminaries in the field who instead welcomed the new competition.

Day, G. S. (2007). *The Market Driven Organization: Understanding, Attracting and Keeping Valuable Customers.* Simon And Schuster.