they were more often exposed to semiconductor price levels from Europe and Asia. Industry analysts expected North American distributors to become more active in global markets as they pursued aggressive expansion campaigns in Europe and Asia. Although Texas Instruments’ current contracts with its distributors prevented them from selling semiconductors outside of the region in which they were purchased, distributors were becoming insistent on access to freer global supplies and markets. While the concept may have appeared reasonable to the distributors, it was somewhat more complicated for Texas Instruments. Kevin McGarity elaborated:

Because business is different everywhere in the world, our international distribution channels have evolved independently. They aren’t subjected to the same costs, and don’t operate under the same methods and calculation models. In the United States, for example, we offer a 30-day payment schedule for our customers. If they don’t pay us within 30 days, we cut off their supply, no matter who they are. Italy operates under a 60-day schedule. Europeans include freight in their prices; we don’t in North America. Finally, the cost of producing semiconductors varies by country. Europe tends to be more expensive than North America or Asia, simply because their infrastructure is more costly. So when one of our large distributors phones with the Singapore price for semiconductors manufactured in Düsseldorf, he is crossing boundaries that may be invisible to him but are very real to us.

Preparing for the Meeting with Arrow

With sales of almost $4 billion in 1994, Arrow Electronics was the largest semiconductor distributor in North America, of which TI products accounted for approximately 14 percent. Its aggressive growth had taken the company into global markets, and had given it increased exposure to fluctuating price and exchange levels in different international markets. Seeking to minimize its costs, Arrow had begun to pressure semiconductor manufacturers to set standard global prices for each of their products. Motorola, one of Texas Instruments, largest competitors in the semiconductor industry, was rumored to be preparing for global pricing. Management at Texas Instruments, however, was unsure of the wisdom of moving toward global pricing. According to Szczepanik, the pros and cons to global pricing seem unevenly balanced:

The large distributors want global pricing to reduce their costs and simplify their planning. But does it make sense for us? Right now our organization, calculation systems and costs in each country are too different for us to offer standard global prices. There are other things to consider as well. If we set global prices, we will no longer continue our price adjustment negotiations with the distributors. This may save us the cost of staffing our negotiations team, but it also takes away from us a powerful tool for gathering information on our customers’ prices and our product performance. As soon as we stop negotiating price adjustments, we lose our visibility into the market.

To prepare for his discussion with McGarity and forthcoming meeting with Arrow Electronics, Szczepanik knew TI had to make some fundamental decisions regarding global pricing. Who held the power in the relationships Texas Instruments had with its distributors? What was the source of the negotiating strength each party would bring to the meeting? Finally, what position should the Semiconductor Group take with its distributors regarding global pricing? And what organizational implications would such a decision imply?

MARKETING SMS (SHARED MEDICAL SYSTEMS) PACS TO U.S. AND WORLDWIDE AUDIENCES THROUGH A EUROPEAN TESTIMONY

INTRODUCTION

Health care organizations have grown in size and configuration over the last fifteen years. The paradigm of the local community hospital has been replaced with the health care network, which consists of connected health care-providing organizations. Additionally, a vast array of health care information products, systems, and applications have been created to meet those needs.

This health care information technology industry began in the late 1960s to help physicians deal with their Medicare reimbursements. Today, the industry is much more complex: Several companies provide a wide range of information solutions (including clinical, financial,
administrative, ambulatory care, managed care, decision support, and electronic data interchange systems for both the public and private health sectors) to an equally wide variety of health care providers (including integrated health networks, multientity health corporations, and community health information networks, and even payers and physician groups).

It is one matter to provide financial information, which is dry in its content and factual in its nature. But many of these providers also provide clinical information, such as that found in radiology departments, hospital pharmacies, and clinical laboratories. This information is naturally considered to be of a higher order, as it deals with the critical area of patient health. One distinct segment of clinical systems is the rapidly growing area of Picture and Archiving Communication Systems (PACS) — filmless systems that acquire, move, display, store, and digitally process radiological images.

This case describes Shared Medical Systems’ (SMS) most recent attempts to raise its profile in this highly competitive market. The case shows how SMS has progressed toward this goal by expounding a unifying message, which was gleaned through a single videotape that was produced in a foreign company. This case also describes both the logistics of producing a video overseas and the international regulatory considerations behind marketing PACS.

**SMS AS A LEADER IN THE HEALTH CARE INFORMATION INDUSTRY**

Information is a vital strategic asset for contemporary health systems, and for this reason, the health care information industry has thrived since its inception in the late 1960s. To accommodate the ever-increasing demands for information to unite, manage, and support their networks of provider entities, and to continue to provide the highest possible standards of care, health systems require fully integrated information solutions that create a seamless continuum of information. This information continuum, in turn, enables effective decision making on every level of the organization because all users have all the information they need at their fingertips — whatever they need, wherever and whenever they need it, and in whatever format is most useful to them. They must accommodate changes in policy, evaluate clinical protocols, achieve their business standards, improve their business processes, establish and track health status, and continue to improve quality. Patients themselves need information, such as eligibility status, co-pay amounts, appointments, referrals, discharge summaries, and statements.

In particular, care providers need immediate access to up-to-date individual and global information in order to make informed, effective clinical decisions. Patient data must be current, comprehensive, integrated, and cumulative, even though it may have been collected at multiple locations over multiple episodes of care.

SMS has more than 6,000 employees worldwide. There are 5,000 employees in Chester County, Pennsylvania, alone. Additionally, SMS is located in more than fifty offices around the globe, more overseas offices than their competitors combined. SMS was founded in 1969, and its original charter was to assist hospitals in their Medicare reimbursements. The company expanded its operations to Europe in 1981, and has grown since then to provide a full range of information solutions, both financial and clinical.

SMS supplies more information solutions to customers in more locations around the world than does any other health care information systems (HIS) supplier. Whether one considers types of customers, customer retention, number of countries served, number of systems installed and operational, integrated technologies, revenues, sales, or revenue backlog, SMS is the recognized leader.

Industry analysts have identified SMS as the company offering the broadest array of integrated information solutions in the HIS industry. SMS has more than 3,000 worldwide customers, which includes hospitals, physicians’ offices, clinics, and major health provider networks and organization in twenty countries and territories in North America, Europe, and Asia Pacific. SMS solutions include applications and services for clinical results, orders, laboratory, radiology, pharmacy, nursing, patient registration, medical and document imaging, scheduling, physicians’ offices, payroll and HR, billing and receivables, managed care, outcomes management, and financial reporting.

SMS solutions also include a broad array of professional (consulting) services critical to the successful design and management of our customers’ strategic information systems. These professional services include system installation, support, and education. In addition, SMS provides specialized consulting services for the design and integration of software and networks, for facilities management, for information systems planning, and for system-related process reengineering.

SMS bases its business on building long-term partnerships in the health industry, helping customers improve their quality of care and financial performance, and enhancing their clients’ strategic positions by providing superior, cost-effective solutions based on information systems and services.

Other major HIS technology providers include HBOC (which is currently in the process of being acquired...
by pharmaceutical provider McKesson), Cerner, and Meditech. However, none of these companies offers PACS as SMS does; to do that, they must partner with other companies. The leading PACS vendors are listed later.

AN OVERVIEW OF THE PACS PRODUCT LINE

As defined previously, a PACS (Picture and Archiving Communication Systems) is a computer system that enables digital management of diagnostic imaging and related records to acquire, transmit, store, and display diagnostic images. PACS had historically been relegated to government and academic settings, especially in U.S. Veterans’ Administration hospitals. It is now available to organizations as an emerging technology.

PACS are designed to eliminate X-ray film, which, in turn, increases the efficiency of radiology department operations while saving film costs. PACS growth has also escalated due to the recognition of its strategic importance, the development of communications standards, the decrease in communications costs, the decrease in hardware costs, and the fact that there are now open platforms (i.e., that they can interface with a variety of computer systems).

PACS technology can improve the management and distribution of image information across an entire enterprise. PACS technology can break down the traditional and physical barriers associated with image retrieval, dissemination, and display.

Capabilities of PACS in the Current Healthcare Environment

PACS have existed since about 1982. Modality manufacturers—the companies that make radiology equipment—began PACS as a logical extension of the then-burgeoning digital technology (as compared to the more conventional film-based technology). Images could be created digitally and then sent to a workstation, enabling radiologists to work with them right on the spot, rather than wait for the film to be delivered to them for viewing over fluorescent lights. That image could also be stored in a computerized archive system for instant access, rather than waiting for it to be delivered from a film storage room.

Back in 1982, this technology was seen first as a way to offset the expenses associated with film. A reasonably sized hospital—275 beds and up—could conceivably spend more than a million dollars a year in film. Physicians also realized later that, by virtue of having immediate access to the images, they could save time, both in viewing and delivery.

As cost effectiveness becomes of utmost importance in the health care setting, medical facilities have looked to technology to squeeze the inefficiencies out of their processes. With PACS technology, a group of fifty radiologists might cover five to seven hospitals; travel time is one of the inefficiencies plaguing that setup. With teleradiology equipment, one or two radiologists headquartered in a central receiving center can cover the same hospitals with greater efficiency and at far less expense. They can even use the technology to view images after hours in the comfort of their homes.

Storage, or the lack of it, also became a benefit to PACS users. If films no longer needed to be placed in a folder and the folders kept in a dedicated space, then hospitals would no longer need file rooms. And if file rooms were no longer needed, that space could be put to use generating revenues for the hospital.

Although PACS once may have seemed like science fiction, it is now reality. According to the research group MarketLine International, about 17 percent of U.S. hospitals currently own a full PACS or some component of a PACS. Over the next five years, this figure is projected to rise to as much as 68 percent, and like most technology, it has become more and more affordable in recent years. (Due to economics, the penetration overseas is much lower.)

According to MarketLine International, the PACS market value is expected to continue strong double-digit growth due to the ongoing conversion of single, community hospitals to IDSs, or integrated delivery systems (i.e., health “networks,” such as the national chains of Columbia and Tenet, or seen locally as Jefferson Health System and Main Line Health System). IDSs, by their very nature, created the need for the wider distribution of information, and that has increased demands on already strained resources. For example, the American Hospital Radiology Association tells us that 65 percent of radiology department managers are managing multiple radiology departments, which puts new strain on radiology professionals.

In light of this changing health care environment, PACS is becoming increasingly recognized as a valuable tool, both in the provision of health care, and the management of health care. The health care industry has become increasingly cost-conscious in a more highly competitive market. More than ever, these organizations are scrutinizing attendant costs, such as numbers of full-time employees (FTEs), resource utilization, and productivity. Many physicians are also using technology to improve their productivity by accessing clinical information in a variety of locations around the clock.

Hospital radiology departments are more focused on service to their physician customers. This includes improving how timely images are read, how quickly reports are written, and the amount of consultative time that is available. This is important because physicians may decide to take their business to other hospitals to get the service they need.
The Measurable Value of PACS

There is compelling data to support the claim that PACS improve both operational efficiencies and cost improvements to health care imaging facilities. One SMS customer who has been live on the company’s PACS system since January 1996 is saving $80,000 a year on film. Another SMS customer has estimated a two-year ROI of $2.5 million on the SMS PACS, including hardware.

According to Diagnostic Imaging magazine, the Veterans’ Administration Hospital (VA) in Bethesda, Maryland, has shown measurable benefits from going filmless:

- The VA standard is an 8.8-year depreciation schedule, and based on that standard, the PACS began to save money at a volume of just under 37,000 studies a year. There were also measurable results at a five-year depreciation schedule, for which the break-even point was about 57,000 studies per year. When they reached the break-even point, the hospital’s costs dropped $12 per exam.
- Labor costs went down, which tends to happen in a filmless environment. The hospital also held their staffing levels constant between (years) 1993 and 1995. This happened in spite of a 42 percent increase in study volume and a 68 percent increase in weighted work units.
- PACS helped physicians save about 12 minutes each day on procedures. This happened while throughput in the emergency room and clinics increased.
- After converting to filmless imaging, the hospital had a 22 percent net increase in the total number of their exams, but it only had a 13 percent increase in the number of technologists. This represents a 40 percent overall increase in technologist productivity.

In summary, the benefits of a PACS include the following:

1. Quick access to information about patients, both onsite and off-site.
2. The archiving of information, for both immediate access and future reference.
3. The ability to extend the scope of operations to imaging centers that are geographically distant from the radiologists. This is particularly important in a multi-entity environment (IDSs).
4. Long-term cost benefits, as shown above.
5. Improved efficiencies in productivity and resource utilization, including faster action and reaction by physicians. This speed leads to reduced lengths of stay (LOS), which can, in turn, reduce costs. Lower lengths of stay have other benefits: improved utilization of resources and improved patient satisfaction. All of these improvements can translate to increased revenues through a higher throughput of examinations without increased operating costs. And as you deliver quicker, higher-quality, less-expensive radiology services, you can attract more referrals.

6. The development of the computer-based patient record (CPR), which is a goal of the health care industry. A CPR gathers clinical information from the hospital’s central information systems; it includes additional information for other sources such as lab, pharmacy, radiology, and home health systems. That information can also be combined with multimedia objects, such as images, voice, and video.

An Analysis of Competition in the PACS Market

The leading vendors in PACS technology are:

- **AGFA Division-Bayer Corporation (www.agfa.com)** — AGFA-Gevaert is an international chemical and pharmaceutical corporation headquartered in Belgium. (In the United States, AGFA is a subsidiary of the Bayer Group, the company most associated with aspirin.) PACS image management and dry imaging fall under AGFA's Medical Systems Division. AGFA’s presence in PACS is considered to be very formidable by SMS. For example, AGFA has the first and only full-scale PACS in Oregon, and one of the largest in the northwestern United States, at Doernbecher Children’s Hospital in Portland.

- **Eastman Kodak Company (www.kodak.com)** — The Kodak Medical Imaging Systems Division offers products for remote diagnosis, critical care, ultrasound, digital modalities, and fully digital solutions. At the 1998 HIMSS, the industry convention devoted to health care information, Kodak and Perot Systems announced a joint vendor agreement that will allow customers to contract with Kodak to meet both their PACS and system integration requirements. Additionally, Kodak announced on August 3, 1998, that it had acquired Imation, another leading Medical Imaging business. Imation already has 130 installed PACS sites, so Kodak’s saturation improved overnight.

- **Raytheon E-Systems Medical Electronics (EMED) (www.esys.com)** — Raytheon is the third-largest aerospace and defense company, following Boeing and Lockheed Martin. It has three main segments—electronics, aircraft, and engineering and construction—with electronics the largest. Raytheon EMED’s PACS customers include the U.S. military and prisons, for whom the PACS reduces the costs and risks associated with transporting patients to off-site facilities.
• **Fuji Medical Systems** ([www.Fujifilm.com](http://www.Fujifilm.com)) — Fuji Photo Film is Japan’s number-one photographic film producer and is engaged in a competitive market against rival Eastman Kodak for the world lead. Although photo-based business accounts for the majority of sales, Fuji also makes information systems equipment such as data storage items for computers, electronic filing systems, and microfilming products. Fuji Medical Systems’ entry into PACS serves as a filmless alternative to more traditional radiology.

• **GE Medical Systems** ([www.ge.com](http://www.ge.com)) — The 800-pound gorilla that can sit wherever it wants, GE Medical Systems (GEMS) is the major competitor worldwide for all radiology systems. GE states that its objective is to provide its customers with products that deliver excellence in clinical performance and economical value. This single GE business recorded sales of more than $4 billion in 1997 (compared to $1.2 billion for all of SMS). GE reports that its new product introductions, growing services offerings, information technology, and remote diagnostics serve as its foundation for the next century.

• **Siemens** ([usa.siemens.com](http://usa.siemens.com)) — Siemens Corporation is a multinational, diversified company with a scope that encompasses energy, industry automation, telecommunications, information systems, transportation and other industries. Just as noted in the introduction section of this case, Siemens cites the shift of the health care industry toward managed care and integration as its reason for evolving its business strategies to emphasize PACS more. Siemens has established new priorities in dealing with its customers. It claims to serve its customers “as business partners and not merely as technology partners.” Its PACS product serves a variety of hospital departments with online access to patient diagnostic images. This system is used throughout the United States.

• **SMS** ([www.SMED.com](http://www.SMED.com)) — While SMS is the recognized leader in health care information, that leadership has not transferred into the PACS product line. While SMS has high top-of-the-line recall for both patient-accounting systems and clinical systems (including lab, radiology, and pharmacy), the company is not well known as a PACS vendor. As already shown in the descriptions of SMS’ PACS competitors, it is able to point to many installations in its marketing communications. Conversely, SMS had very little to which it could refer. SMS set out to change that by setting a 1998 goal to start increasing its number of PACS “requests for proposals” (RFPs). This goal precipitated the push to use SMS’s leading PACS customer in Germany as a proof statement for the company’s PACS capabilities.

### Meeting SMS’s Challenges in PACS Competition

#### Regulatory Issues

One issue facing all PACS vendors in the United States is regulation by the Federal Drug Administration (FDA). As a medical device (i.e., one that can be used for the diagnosis of disease or other medical conditions), all PACS are regulated by the FDA. In order for any medical device to be cleared as one used for diagnostic purposes, one must first obtain approval by filing FDA form 510k.

SMS currently has approval to use its PACS for review purposes only. This means that physicians can use the SMS system only to get a general look at the situation and make some preliminary notes. The SMS PACS cannot currently be used to make diagnoses; to do that, the clinician must use either traditional X-ray film or a PACS that was approved for diagnoses through form 510k.

SMS is currently filing a 510k (a laborious process) so that its PACS may be used for diagnostic purposes. SMS expects to have the approval in 2000. Until then, SMS must be very careful with the language SMS use in its marketing materials:

• SMS cannot claim that its PACS is usable in diagnoses.

• SMS must avoid using the word integrate, as in “The SMS PACS integrates its images with clinical data.” To do so implies medical use and violates the FDA regulations.

**Note:** Due to fact that regulatory permits are on file with the FDA and not accessible in a public forum, we cannot state whether SMS’s competitors have filed 501ks. There is no evidence that they did, although many of them imply the ability to diagnose. 501k information would be helpful to any PACS vendor, as it would enable a company to challenge its competitors’ claims. If a PACS provider has not received 510k approval for its PACS to be used as a medical device, then it cannot claim so. If it does so wrongly, the FDA could launch a full-scale investigation of its entire product line. This, in turn, could conceivably result in all its products in that line being pulled from the market.

### Using Video to Meet SMS’s Marketing Challenges

In order to meet the challenge that SMS faces in marketing its PACS both in the United States and in Europe, the company sent a video producer to a client’s site in Germany. The Kreis Krankenhaus health system in the town of Sonneberg (in eastern Germany) faces needs similar to those expressed throughout this case, as such requirements are not unique to the U.S. health care industry. (It was important to include this information on the video so that the worldwide health care audience
could immediately identify with the testifying customers and not merely discount them as irrelevant.)

1. **Why SMS used a German customer in its video**—Kreis Krankenhaus had classic health care challenges that made them suitable subjects for this video. This is a system that consists of two hospitals separated by 25 km (20 miles) of mountain road. They could not afford to send film back and forth between the two sites, so the electronic transmission of images is beneficial to them. Kreis Krankenhaus also knew they could save money by eliminating other attendant film costs. Also important, they needed a system that compared in quality to conventional film.

   While there are one or two U.S. customers who faced the same challenges and had similar results, SMS chose to shoot the video at Kreis Krankenhaus in Germany rather than with a U.S. customer for the most banal of reasons: Kreis Krankenhaus was using the SMS system to its fullest capabilities, and no U.S. customer compared in its use of its SMS PACS.

2. **Technical and cost considerations (video)**—German video is in the PAL format, which runs a picture at more than 625 lines. U.S. and Japanese video runs at NTSC, which is 525 lines. Therefore, SMS had to consider whether to use a German crew shooting in the PAL format and transfer the video later, or take over a U.S. crew.

   SMS management decided to hold the line on costs by limiting costs to those of one SMS communicator. Instead, SMS used a German crew (obtained by the local SMS office) and transferred the tapes to NTSC upon return to the United States. That actually turned out to be a sound managerial decision, as it only cost just $900 to transfer the video, compared to the cost of transporting and housing an entire video crew.

3. **Language and culture**—Another question SMS faced was deciding the language in which to shoot the video. As advised by both SMS International and the customers at Kreis Krankenhaus themselves, SMS shot the video in English, which is spoken and read fluently not only by SMS’s customers in Germany, but throughout all of Europe and Asia. (Remember that SMS’s target market, which consists primarily of clinicians, comprises a highly educated audience that speaks and writes English as a matter of course.) This is evidenced by the overall grasp of English among the people who were interviewed.

   The German culture that was exhibited in these customer testimonials was noteworthy. While the subjects were gracious and very happy to give their time to help SMS with the project, it was not in their nature to wax enthusiastic over the product. In fact, it was quite common for the interview subjects to give a long list of capabilities of the system and then conclude by saying it was “OK.” Obviously, this was not sufficient for the video, as one wants customers to say that your product is more than OK.

   The behavior of these customers is evidence of Germany as a “low-context” culture; that is, Germans rely on the explicit and literal. Therefore, there is little body language or other expressions that show their contentment with the system. What they feel is expressed through their oral testimony. On the other hand, what they actually end up saying on tape is extremely valuable because it is distinct, exacting, and measurable (e.g., a precise accounting of the amount of money saved, definite and unequivocal reasons for their contentment with the system).

   (Note: These cultural differences did not become obvious until SMS was close to editing the final production. Because there was no footage of anyone saying that they were enthusiastic about the SMS product, there was no concluding testimonial statement that could tie the production together. Therefore, SMS made an eleventh-hour decision to add a narrator whose words could provide the missing pieces together and wrap up the video with an appropriate marketing pitch.)

4. **Regulatory issues in the production of the video**—In producing this video, attention had to be paid to relevant international law. In terms of FDA regulations, all PACS are subject to the international FDA agreement titled “CONFORMITY ASSESSMENT—SECTORAL ANNEX ON MEDICAL DEVICES,” which is part of the harmonization that is currently in progress in European trade. This preamble of this document states that “carrying out the provisions of this Annex will further public health protection, will be an important means of facilitating commerce in medical devices, and will lead to reduced costs for regulators and manufacturers of both Parties, because they are medical devices.”

   Furthermore, the Sectoral Annex states that its purpose is “to specify the conditions under which a
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Party will accept the results of quality system-related evaluations and inspections and pre-market evaluations of the other Party . . . as conducted by listed conformity assessment bodies (CABs) and to provide for other related cooperative activities.” The Annex applies to exchange and possible endorsement of certain types of reports from equivalent CABs. These reports include surveillance/post-market and initial/pre-approval inspection reports, pre-market product evaluation reports, quality system evaluation reports, and examination and verification reports (as referred to in the EC).

The medical device Annex is based on the concept of equivalence, defined as follows:

- “CABs in the EC are capable of conducting product and quality systems evaluations against U.S. regulatory requirements in a manner equivalent to those conducted by FDA;
- and CABs in the United States are capable of conducting product and quality systems evaluations against EC regulatory requirements in a manner equivalent to those conducted by EC CABs.”

Stated in language that is more familiar to laypeople:

- Under the terms of the Sectoral Annex, SMS was not permitted to portray its medical device as one used for diagnostic purposes in the Europe because it is not cleared for diagnostic purposes in the United States.

Because the video does not show the SMS PACS being used for diagnoses in Germany—only reviews—SMS may show the video in the United States without violating FDA law.

Initially, the SMS sales team was thrilled that SMS was going to Europe to shoot this video: They advised the producer to show the German physicians using the SMS PACS for diagnostic purposes. They reasoned that, while U.S. doctors may not use the SMS system as a diagnostic tool, German physicians have no such restrictions; therefore, the diagnostic capabilities of the SMS could be shown in use in Germany. This was incorrect, given the terms of the Sectoral Annex as stated above, and SMS did not show its PACS used for diagnoses in the final production.

To overcome this problem, some customer interviews were shot twice: One take would conform to SMS’s current status with the FDA, and a second take in which the diagnostic capabilities are touted—which SMS hopes to have in the future. Thus, if SMS files a 510k in the future to have diagnostic capabilities, the company will be able to revise the video with the more appropriate, more timely testimony.

RESULTS OF THIS MARKETING EFFORT

As of this writing, which is less than two months after the release of the video, it is somewhat premature to assess its ultimate success. However, certain promising trends can be noted:

1. Credibility—By focusing on a true and verifiable success with Kreis Krankenhaus, the video gives SMS the opportunity to promote its ability to deliver a successful PACS; before the testimony, that ability was only theoretical. The video has already been used to kick off marketing presentations, and it reportedly has helped set a positive tone that SMS has been able to follow up.

2. Message Clarification—SMS’s PACS marketers are better able to promulgate the company’s ability to deliver the PACS. These benefits include access to clinical data, archiving, geographical extension, and a host of cost benefits. This improvement can be measured by the additional number of leads generated and the higher level of interest in RFPs from SMS. (One notable example of this improvement: At a recent convention of the Radiological Society of North America—the largest convention or radiology professionals in the world—the producer of the video took the themes expressed therein and turned them into a stand-up presentation that was given every half hour for four days straight. As a result, SMS finished the convention with double the number of actionable leads over the previous year.)

3. International Presence—SMSs can add to its image as a strong international health care technology provider by being able to claim rightfully that it is also a strong PACS provider. (In fact, people who have used the video in presentations have pointed out in their oral presentations that SMS beat the German technology giant, Siemans, in their own backyard!)

4. Progress In Overseas Video Production—Finally, this “project turned out to be somewhat different than “line ‘em up and shoot” testimonial video for SMS. It was essential that the producer understood the ramifications of international trade law throughout this process, first in order to avoid the unnecessary shooting of video overseas (a potential waste of time and effort), and also to avoid trade regulation violations (market implications for SMS). This finished production should also serve to make future SMS video producers and other marketing communicators cognizant of the cultural peculiarities of the company’s overseas customers. This heightened awareness will help the communicators predict how the customers will respond to questions and otherwise participate in testimonials.
Discussion Questions

1. Discuss the capabilities of a PACS and the ways it can contribute to the operations of a health care institution.
2. Discuss SMS’s organizational structure and its ability to conduct business internationally.
3. Did cultural differences play a role in SMS’s process of recording testimony among the company’s German customers? If so, then what was done to adjust?
4. Discuss the regulatory concerns that had to be addressed as they pertained to SMS’s PACS as a medical device.
5. Discuss SMS’s future plans to take on similar projects in other customer countries in the future. How useful will this experience be in the future?

EXHIBIT 1
THE GROWTH OF PACS

Source: Marketline International, PACS.

CASE 8
TILTING WINDMILLS: SANEX TRIES TO CONQUER EUROPE

The message that rolled off the fax machine on August 3, 1993, in the office of Mr. Martin Muñoz, president of the Southern European division of the Household and Body Care H&BC business unit of the Dutch-based international company Sara Lee/DE was depressing: “The liquid soap you conceived and successfully commercialised in Spain seven years ago has failed to make any inroads in the UK market. Sorry.” To his secretary’s utter surprise and shock, Martin Muñoz simply smiled.