

Profit Management and Optimization for MEDICAL DEVICE MANUFACTURING



MARKET

Medical device companies have traditionally enjoyed healthy margins, but are increasingly facing margin pressures and a commoditization of products. Historically, device producers used technological innovation to drive continuous performance improvements. But for many, the ability to drive continual improvement through innovation is plateauing. Additionally, many forces are at work to drive margins downward:

- Increasing consumer healthcare costs affect hospital reimbursements and collections
- Economic buyers, rather than doctors, increasingly influence the purchase decision
- Savvy and aggressive negotiation tactics employed by hospitals
- Fixed-price and capitated contracts
- Increasing strength and purchasing power of group purchasing organizations
- Regulatory and litigation-related scrutiny of manufacturers' pricing practices
- Price disparities that result in increased risk for global suppliers.

CHALLENGES

One of the many challenges to pricing excellence for device manufacturers is establishing the right pricing strategy. Doing this involves answering a lot of questions, such as:

- Are all products and customers equal? How do I best segment them?
- What measures do I use to benchmark and guide segment-specific tactics?
- What is the risk of executing my strategy and being consistent in my approach?
- How should I approach price concessions, and what tradeoffs are the right ones to make?
- How do I arm my sales force with tools to conduct powerful negotiations?
- How do I audit and ensure accountability against my strategy?

Additionally, the right pricing strategy must account for different potential complexities in the way a manufacturer goes to market. This includes various distribution, inventory, and product bundling models, and, for the global enterprise, challenges in balancing the need for globally consistent prices and processes with appropriate local deviations.



By utilizing PROS pricing analysis software, customers gain insight into pricing strategies, identify detrimental pricing practices, optimize pricing decisions, and improve business processes as well as financial performance.

**THE WORLD LEADER IN
ENTERPRISE PRICING SOFTWARE.**

SOFTWARE SOLUTION

PROS provides medical device manufacturers with the tools to overcome these challenges by optimizing prices and improving price processes. Through scientific segmentation of customers, products, and contracts, PROS provides the data foundation upon which to build sound pricing strategies; determine targeted, goal-driven pricing benchmarks and negotiation thresholds; assess price risks; and drive pricing accountability within and beyond the company walls. PROS tools support fact-based customer negotiation through true peer price comparisons and rich deal modeling and performance tracking. PROS tools also provide insight into the hospital cost and margin thresholds and tradeoff/break-even analysis for the occasional, inevitable price concession.

Finally, PROS supports price management for the centralized and scalable, yet locally flexible pricing needs of global businesses, and the scenario modeling capabilities to assess grey market risks and determine optimal product launch sequencing. In short, PROS helps device manufacturers model, get, set, manage, and protect better prices.



BUSINESS RESULTS

One device manufacturer recently found more than \$7 million in short-term margin opportunity using PROS to pinpoint underperforming customers and products. Previously unable to make sense of the company's irrational price-volume scatter plot, PROS revealed a more granular view consisting of numerous clusters of customer and product pricing peers, from which real and significant underperformers were identified.

PROS helped the company find administrative gaps that had allowed some customers to remain on outdated, multi-year old price lists, as well as sales concessions that were made with no follow-up performance audits. Using PROS transactional analytics embedded with segmented pricing targets, the company gained insight into pricing irrationalities that would have otherwise gone unnoticed and unaddressed.