

Profit Management and Optimization for MEDICAL DISTRIBUTION



MARKET

As in most distribution industries, medical distributors operate in a climate where regulation, increased competition, and issues with suppliers and customers put constant pressure on margins. Additional challenges include:

- Growth of group purchasing organizations (GPOs)
- Increases in supplier costs
- Inefficiencies in pricing processes.

And as with most industries, the complexity of transaction data means that tracking costs, tracing pricing initiatives and promotions, and putting together complex deal terms becomes an issue. Distributors must have the ability to track historic transactions and identify opportunities for pricing improvement if they hope to improve margin.

CHALLENGES

As GPOs start moving into new sectors like physicians' offices, it becomes increasingly more difficult for medical distributors to create profitable deals. Supplier managers are forced to manage vendor price increases and communicate price increases to the sales force and to customers without the benefit of knowing when or how often these prices will change.

Supplier managers are also unable to use customer buying behaviors as a way to negotiate better rebates/chargebacks. This lack of insight can lead to either ad hoc pricing increases, or "peanut butter" pricing, where all prices increased on a yearly basis. Treating all customers and products the same without accounting for peer groups leads to inefficient pricing and lost margin.

Further, gathering data and reporting accurate results can take weeks or months due to disparate data sources and inefficient processes. Without the ability to identify profit leaks, high value products, and corrosive costs, there's no way of knowing if quoted prices will meet targets.



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 an integrated solution that supplies all the information needed to make better pricing decisions, including market trends, costs and transaction trends, scientifically derived target prices, and margin guidance. By providing root cause analysis through analytics tools, PROS allows you to target which aspects of the pricing decision to change.

PROS execution tools allow you to act on this information. Scientific segmentation accurately puts customers, products, transactions, and deals into peer groups. Once the segments are defined, PROS customers may use Pricing Guidance rules to set price lists for customer segments and manage pricing rules at various levels, including contracts, spot pricing, and deal pricing.

With PROS solutions, your sales force will be able to make informed pricing decisions that increase margin, and your supplier management teams will be empowered to negotiate better deals with vendors.



BUSINESS RESULTS

PROS customers have seen significant improvement in profit as a result of using the PROS Pricing Solution Suite, including one company that was able to increase its gross profit by \$1 million in three months. PROS provided this company with the ability to look at its customer base at a more granular level, enabling it to target pricing to its customers and increase the number of customers receiving an increase by 36 percent compared to previous years. With PROS Scientific Analytics, the customer is now able to identify profit leaks, enforce desired sales behavior, and track pricing initiatives at a level of detail previously unavailable.