

Developing a Financial Value Mapping Tool to increase authority in customer negotiations

For many pricing research projects, regardless of industry, the key is to understand how customers evaluate decisions and make choices between competitive options.

This pharmaceutical company had developed a more efficient product that would save their customers money in the long term. Customers however, merely viewed the premium price per gram headline and perceived the product as too expensive.

By developing an adjustable pricing tool that allowed customers to calculate how much money they could save, while maintaining the product's premium price, Pricing Solutions were able to drastically improve the sales team's position.

The Challenge

Although the product had similar efficacy and safety to the current standard treatments, this product had the potential to save customers significant amounts of money through reduced nursing administration time, fewer consumables and less frequent patient visits to the hospital.

Like many European and global health care services, the NHS in the UK is under severe internal price pressure and therefore is constantly looking for ways to reduce expenditure. Our client's product gave them an opportunity to do this, but the individuals evaluating were not looking any further than the headline price per gram, that was more expensive than the competitors.

Our client needed a way to convey the savings that could be made if patients were moved onto the higher priced treatment.

Building a Solution That Fits

Pricing tools, such as our Financial Value Mapping tool, enable our clients to quantify the value of their offerings. We are then able to work together to develop methods and techniques for communicating this to customers.

Having initially worked with the client to set product pricing, our research suggested that customers understood the product well, however they found it difficult to evaluate if

the savings would outweigh the premium price, simply communicating percentage savings was not convincing enough.

In order to make our client more persuasive during negotiations, we developed a bespoke pricing tool to calculate the potential savings for a hospital, trust or region in pounds.

In order to build confidence in the calculations, the initial focus of the tool was to approximate the customer's current expenditure. Manual inputs alongside built-in assumptions and calculations—which could be adjusted as needed—meant that the customer was able to validate the tool's functionality.

Once this baseline was established the client's sales person asked a series of questions to better understand how the customer would use the product, determining which current patients would be treated with the new product which alternative products would no longer be in use.

PHARMACEUTICALS

“ The Pricing Solutions tool helped our internal understanding of the customer's budget impact and gave us a customer ready negotiation aid to help communicate our product value ”

- Brand Manager



Based on this information it was then possible to model what the future expenditure would be for this specific customer using our clients more efficient, albeit premium product.

The Result

The tool transparently highlighted to the customer which parts of their current expenditure would increase and where cost offsets would occur and reduced their total expenditure. When all of this was taken into consideration the client's customers were no longer focused on the more expensive list price of the product, but were thinking about the total treatment costs.

We also went on to do training with the client's sales team such as: how to use the financial value mapping tool and how to communicate arguments to effectively demonstrate value in real negotiations.

As part of this we also conducted a thorough sensitivity analysis of the model so that the sales team understood the thresholds and ratios of the customer inputs that would lead to a positive model outcome.

Our client went on to use this tool to demonstrate the financial value in numerous customer negotiations as they looked to grow market share.

The Pricing Solutions Difference

Pricing Solutions combines strong consumer research capabilities with pricing and pharmaceutical expertise to transfer advanced pricing tools and knowledge to your organization. Our models allow you to understand today's complex pharmaceutical marketplace and to ensure that your sales team can manage prices with confidence. To learn more about how our tools and consumer research can help you achieve your business objectives, please contact us.

Our Firm

Our mission is to dramatically improve clients' profitability and market share through improved pricing. Pricing Solutions' four core services include Pricing Strategy & Management, Pricing Research & Analytics, Pricing Training and Pricing Tools & Systems. Known for our World Class Pricing™ methodology, we have grown to become one of the world's leading pricing consultancies with offices in North America, Europe, Asia Pacific and Latin America. Our global team of researchers, consultants and partners are recognized thought-leaders.

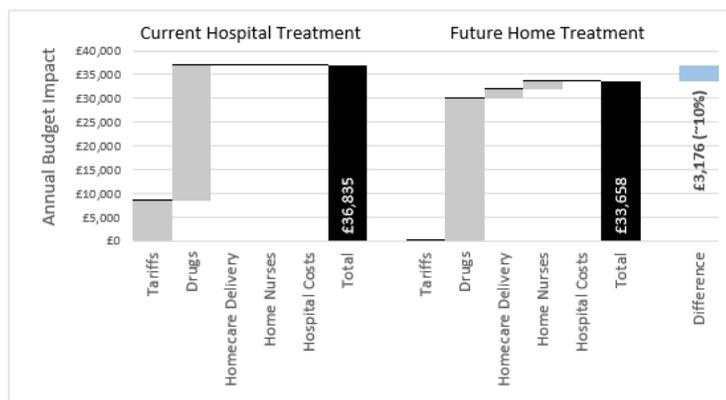
We deliver customized cross-functional solutions, helping our clients achieve a typical payback of 10:1 on their investment.

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Left Pricing Tool : Showcases cost reduction of ~10% when all factors, not just headline price, are taken into account