

Improving profitability across national markets by analyzing & understanding true net prices

Without clear visibility of true net prices, organisations cannot effectively manage their pricing. Pricing Solutions was appointed by a division of an international pharmaceutical company, with annual revenue in excess of \$1Billion, to establish how true net prices to customers and distributors in different markets could be measured accurately and consistently to reduce potential profit leakages.

As a result, the company division is now in a position to make strategic and tactical pricing decisions with confidence. This project has been so successful that it has already been rolled out across two more divisions.

The analysis and insights from the pricing tool are now being utilized as a key part of the strategic planning and budgeting process.

50

Countries in Implementation

The Challenge

The company was already highly skilled at establishing the value and the pricing for new drugs, as well as setting launch and reimbursement prices in their global markets. Once the prices had been set however, it was difficult to measure, monitor and manage prices through their sales force and distributors across different regions.

Discounts and rebates were held and administered in a number of systems, with no one person having a clear view of the full process. This meant there was no consistent and recognised way of identifying the net realized price by customer, product or market.

Building a Solution That Fits

Pricing Solutions has developed an analysis tool that could capture all price adjustments from different systems, and present pricing information in a clear and insightful way.

The tool graphically depicts key - and perhaps more importantly - actionable pricing analysis including:

Net price waterfall analysis, showing the most significant areas of price leakage and the reasons why this is happening

12

Week Project Implementation

- Price band analysis which identifies customers who are getting very high and very low levels of discounting in relation to how much they are spending
- Price performance by product, country, segment or sales manager

Implementation was through a clearly defined, efficient and fast process with minimal client involvement. Training was also provided for how to use the tool for analysis purposes and to complete regular monthly updates.

Our experience shows that organizations can improve percentage margins by between 2 and 6% through better price management. Projects like this can pay back the investment within weeks.

The Result?

The solution was implemented in 12 weeks across almost 50 countries and provided the following benefits:

- Real visibility of net prices and discounts that had not been available previously

- The analysis capability required to consistently measure and manage prices across countries by product & customer
- The ability to analyze and review the many types of discounts and rebates that were having an impact on overall profitability

For the first time, the central commercial team could review and refine true net prices across markets, products, customers, segments and time periods. Links were also built to compare internal sales data by country to third party market research data.

The project enabled the company to accurately analyze a range of pricing variables via an intuitive and easy to use software interface. The tool depicts pricing analysis including:

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- Price band analysis which identifies customers who are getting very high and very low levels of discounting in relation to how much they are spending
- Price performance by product, country, segment or sales manager

What's the Pricing Solutions Difference?

Pricing Solutions has extensive and in-depth knowledge of price management from a wide range of industries combined with a range of proven tools and techniques that can be applied to the issue of potential profit leakage. Pricing Solutions was selected to lead this project because our firm could apply this combination of knowledge and tools to the specific issue affecting the client's business.

Our Firm

Our mission is to dramatically improve clients' profitability and market share through improved pricing. Pricing Solutions' four core services include Pricing Strategy, Pricing Analytics, Pricing Research and Pricing Training. 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.

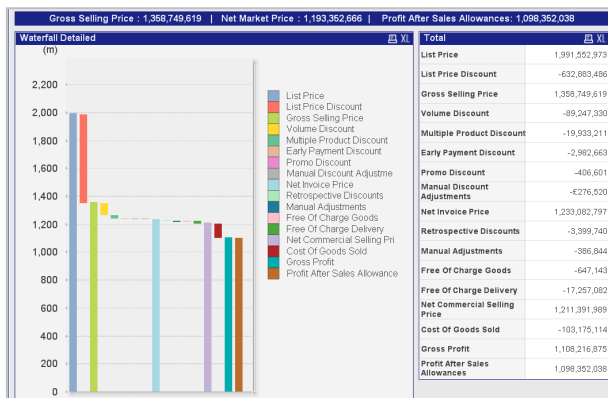
We deliver customized cross-functional solutions, helping our clients achieve a typical payback of 10:1 on their investment.

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Bottom Left: Pricing Waterfall in Pricing Solutions' custom analysis tool; Bottom Right, Inset: Analyzing the impact of

