



A whole new world

A cross-border approach to pricing and tender management by medical technology and pharma buyers in the European Life Sciences market will deliver real benefits, but how can buyers develop the most efficient tender management response?

Organisations operating across European markets must address localised price complexities and multi-market dynamics, then take control of tendering and tender pricing as well as manage reference

pricing and market price discrimination more effectively to create an efficient tender management response.

In enabling pricing and tender management across borders and achieving centralised visibility and control, a best practice approach to tender management will ultimately result in higher win rates, improved margins and a reduced risk of disqualification and penalties. This integrates all aspects of the end-to-end process across all geographies.

Such an approach delivers substantial, measurable benefits, including full control of the bidding process and a systematic approach to optimising value throughout the tender lifecycle.

In a process dominated by regulation and the customer, this structured approach creates maximum bid success.

Start with the end in mind

In developing an effective tender management response, an understanding of the reasons why businesses encounter challenges that can lead to lost tenders is essential.

For example, the sales organisation may not be able to secure direct access to key clinical and non-clinical decision-makers regarding the tender specification, due to a poor relationship with the customer or a lack of awareness of the tender.

The importance of access is to encourage the focus of any tender away from price alone, encompassing other criteria such as quality and value-added services. By involving all key stakeholders within the buyer's organisation, it becomes easier to create the most economically advantageous - rather than cheapest - offer. Evidence shows that if the

business only becomes aware of the tender when it reaches the tender department, chances of winning the bid are reduced by 50 per cent.

There is also an issue of IT maturity. Competitive advantage in bid environments demands tender and contract management software capable of managing complex processes across multiple countries, ensuring compliance through the creation of appropriately-constructed tender responses. Combining standardisation with flexibility, the technology should offer the opportunity to manage the full process lifecycle and deadlines.

Internally, senior management must be aware of the importance of the tender management process and secure executive sponsorship. There is little understanding of the complexities of the tendering environment so the high level buy-in it demands to implement the transformational change required is absent.

The business needs to meet this challenge by implementing and evidencing key process-driven performance improvements to achieve solid, measurable business benefits. These include higher win rates, reduced incidence of disqualification, better margin through improved offers and guaranteed performance compliance.

Tendering is a complex, all-encompassing process. In life sciences, training and knowledge-sharing on all steps of the process is crucial - from technology training to pre-tender business analytics, legal aspects and post-tender considerations. A recent Model N poll highlighted that there is a poor level of understanding of the critical need for continuous training on procurement law to ensure compliance, with only one in five businesses seeing this as a priority throughout the tender lifecycle.





From yesterday's silos to tomorrow's integration

Underlying this business transformation is the recognition that an outdated departmental approach may fatally damage the chances of success in generating business in the life sciences market. There is some way to go; another Model N global online poll of senior managers and VPs found that only one in four firms actively engage all key stakeholders early on as part of a proactive win strategy.

A silo mentality creates disconnects between people and processes at every stage - from creating a unified pricing and incentive strategy, through managing bids and contracts, to ensuring performance compliance. Any gap creates revenue risk and 'throws money down the drain.'

Reasons include the fact that companies rely on the historic experience of local teams to execute tenders, supported by sales. This reflects a reactive corporate mindset, with tendering not seen as a high priority or strategic issue within the business.

Second, a lack of a systematic approach introduces variability in the quality of responses and increases the risk of disqualification or future fines in breaching the tender's terms and conditions.

The result of poor practice and lack of system support is that companies leak substantial revenues in tender-driven markets such as life sciences.

Consistent tender management

In looking at a best practice tender management solution, the watchwords are standardisation and flexibility. This provides a response of consistent high quality, satisfying the regulatory and legislative demands of each country.

Best delivered by a single integrated tool managing the entire tender lifecycle and associated deadlines, this tracks all internal activities prior to the publication of the tender header through to post-award activities such as tender renewal.

Maintaining strict control and visibility of pricing is critical. An effective tender management system will provide a complete history of the status of all prices tendered, including those offered, awaiting a response, awarded or lost, extended, improved or expired.

Such transparency avoids the risk of overlapping prices, where the same product is offered to the same organisation over the same period but differently priced.

This is especially important given the commercial realities of how much can change over the tender period. For example, product specifications and ranges may evolve significantly over a five-year period and any proposed change or substitution must be implemented within the terms of the original tender.

A tender management system should also be fully integrated with other elements of the IT infrastructure. By interfacing with the company's ERP, CRM or Master Data Management system, the business will be able automatically to access all types of customer-related data to develop and manage the best bid.

Tangible technology benefits

When making the business case for investment, it is essential to provide evidence of the achievable level of performance improvement. This should include measurable KPIs such as lead/opportunity qualification rates and new tender exclusion rates, along with the tender bid win rate, optimisation rate and the

average rebate and incentive payments per tender.

In routinely defining and evaluating these KPIs, organisations gain not only the information needed for investment purposes but also process-driven benefits such as clear visibility of how their tender process is performing and the specific areas for improvement.

Based on an analysis of existing implementations, the adoption of a common commercial platform as part of a best practice tender management solution has been shown to support the creation and development of such process-driven improvements.

For example, by putting in place appropriate processes to manage, monitor and control pricing, discounting and incentives in the planning stage, businesses can expect to see a typical one to three per cent improvement in margin, by eliminating unwanted prices.

In ensuring the most effective and profitable bid, this addresses issues such as account segmentation and pre-deal modelling, price and incentive controls, offer contract and tender management and contract lifecycle administration.

By enabling automated post-tender analysis, agreement utilisation, rebate management and mandatory price reporting, businesses can benefit from a two to five per cent reduction in incentive overpayments. This also eliminates the risk of inadequate or inaccurate price and regulatory reporting.

Other measurable benefits, including a 10 to 50 per cent improvement in the value of the deal, will typically be achieved through a combination of more effective offer and agreement performance tracking.

The deployment of technology delivers higher win rates, reduced incidence of disqualification, better margin through improved offers and ensuring performance compliance by both sides, throughout the life of the agreement. In optimising the tender life cycle, organisations will also decrease operative costs.

Looking ahead

In the next few years, tendering is likely to become the principal means of procurement across all EU countries. Though there are currently no standard formats for electronic bid submission, this could change as e-procurement submissions take over from paper as the principal method of tendering.

Many businesses recognise the need for change but lack either senior level commitment or an understanding of how to tackle the tender management challenge. They also typically have little visibility of what is happening at local level and the impact across the organisation.

The business must identify where it sits in terms of tender performance. A short feasibility study, typically undertaken by a third party specialist, can identify the key weaknesses in the existing tendering processes and assess the value/return of any improvement programme. It will increase awareness at board level of the strategic importance of effective tender management and of moving away from a local to a centralised approach.

The time to act is now. As global management consultancy Booz & Co. says: "Top-tier pharmaceuticals are leading the way. Four of the top five pharmaceutical companies have invested in developing tender and contract management capabilities in the past year. Inevitably, the rest of the industry will need to catch up."

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