2023 STATE OF REVENUE

A SURVEY OF TOP INDUSTRY EXECUTIVES

Model N

5th Annual State of Revenue Report

Proprietary research conducted through a partnership with **Dimensional Research**

TABLE OF CONTENTS

Introduction

To optimize revenue, C-level executives have always needed to manage numerous factors, including pricing, rebates, contracts, compliance, and other revenue-impacting activities. However, the digital era has brought with it a quantity of data and level of complexity not seen before.

Data analytics and artificial intelligence can now be leveraged across a range of areas – sales, marketing, finance, and IT. This, coupled with economic forces that are beyond their control, has left many executives looking for ways to grow revenue and market share successfully.

Modern technology and innovative business models hold promise. But for the life sciences and high-tech companies striving to change the world with their revolutionary products, revenue management still poses a significant challenge.

Life sciences companies, including pharmaceutical and medical technology organizations, must find ways to overcome a shortage of staff and expertise while meeting urgent operational needs and delivering better customer experiences.

Semiconductor, electronic component manufacturers (ECMs), and high-tech manufacturing companies face ongoing challenges with their supply chains, logistics, and material availability, as they strive to incentivize a complex and evolving channel and leverage data to make better decisions.

To better understand the reality of modern revenue management within these industries, the 2023 State of Revenue Report endeavors to answer three key questions:

- What global and industry trends are having the greatest impact on revenue management?
- What is the state of data analytics within revenue management?
- How are modern technologies being used to support revenue management?

This report, commissioned by Model N with research conducted by Dimensional Research, is based on the results of a survey of more than 300 C-suite executives in the U.S. who are directly responsible for revenue management at large pharmaceutical, medical technology, high-tech manufacturing, or semiconductor companies. Certain questions were repeated from similar studies in 2020, 2021, and 2022 to enable trend analysis.

revenue management

rev·e·nue | *\ re-və-nü * • *man·age·ment* | *\ ma-nij-mənt *

Refers to the optimization of revenue activities to maximize growth. Activities include, but are not limited to, rebates, compliance, contracts, and price modeling, and cross multiple functional areas such as sales, marketing, finance, IT, and operations.

Innovation remains critical despite economic headwinds

KEY FINDINGS

84%

Inflation is the market factor that is having the single biggest impact on innovation (84%).

95%

Nearly all companies have expanded their C-suite to address new initiatives and priorities (95%).

Technology and digital transformation

The number-one area of focus for innovation efforts is technology and digital transformation; product development is number two.

Innovation remains critical despite economic headwinds

Innovation collides with current market realities

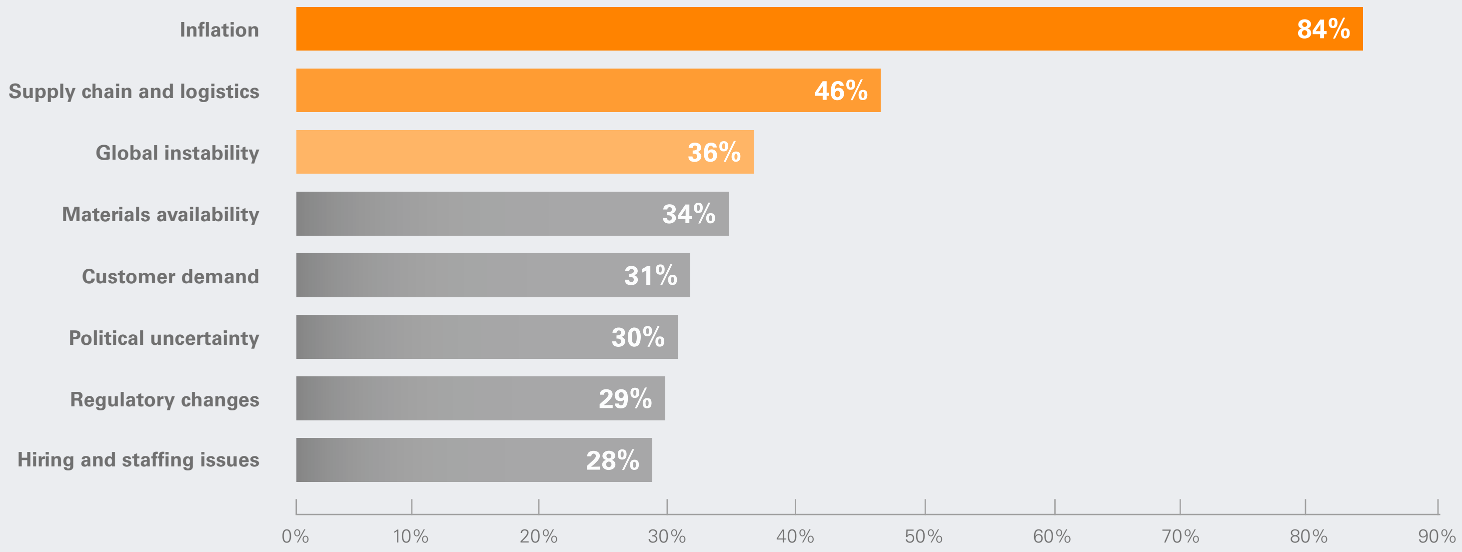
The past few years have brought unprecedented levels of uncertainty into business operations. A global pandemic, supply chain problems, workforce shortages, and even war have required executives to be more flexible and respond quickly to dramatically changing environments. Before drilling specifically into the topic of revenue management, this year's research explored broader business trends that could ultimately impact companies' strategies, growth, and revenues.

C-level executives universally cite one major factor impacting their innovation plans in 2023: inflation. Eighty-four percent of executives indicate that inflation is affecting strategic decision-making; that's more than the next two factors combined – supply chain and logistics (46%) and global instability (36%).

Regardless of the industry they're in, nothing comes close to the issue of inflation for these executives. High tech is particularly concerned with inflation because it impacts both pricing and the supply chain. Medtech has also been hit on two fronts: the rising costs of raw materials, manufacturing, and administration that strain profit margins, and the downward pricing pressure being applied by healthcare providers that are experiencing higher staffing costs and other expenses.

What market factors are having the biggest impact on your company's plan for innovation in 2023?

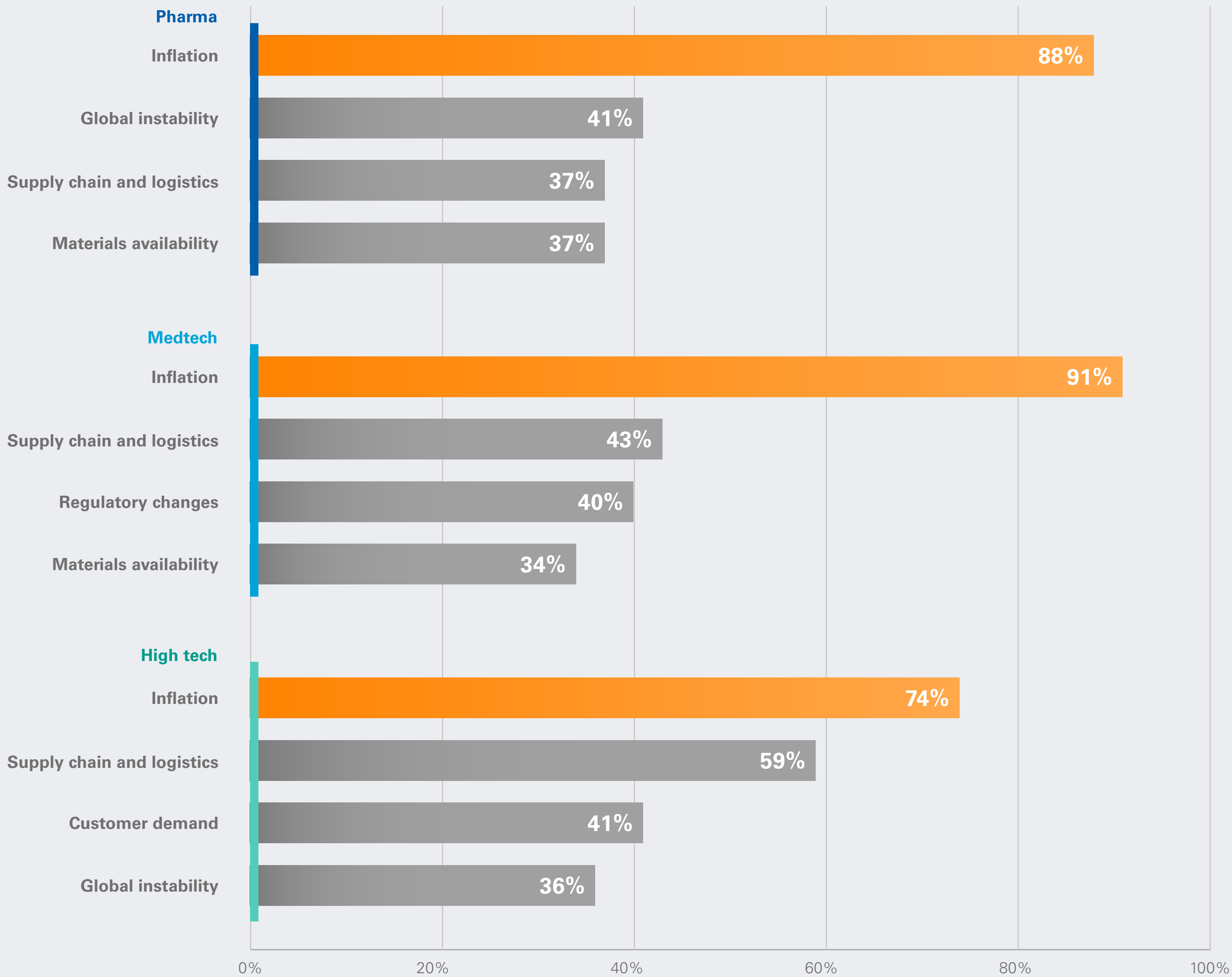
Choose up to four of the following.



However, inflation isn't their only concern. Within life sciences, pharmaceutical executives cite global instability as their second concern, followed by supply chain and logistics and materials availability. Medtech is also struggling with supply chain and logistics issues, but a surprising 40% identify regulatory changes as a top issue impacting innovation.

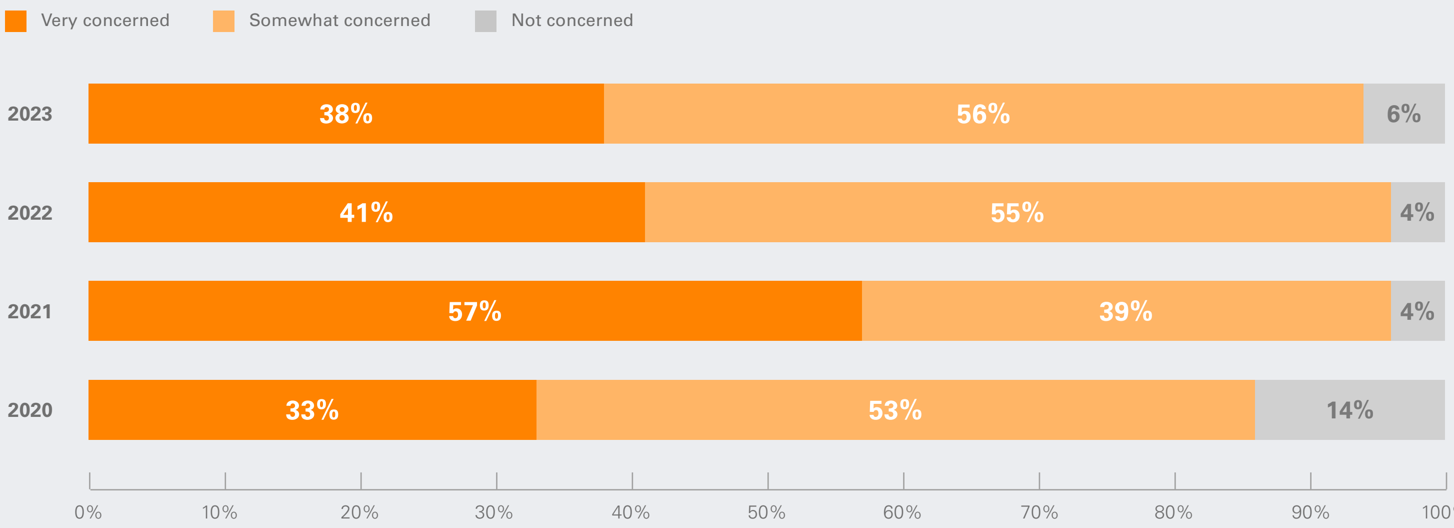
More than half of high-tech executives continue to grapple with supply chain and logistics problems – issues the 2022 survey uncovered – which speak to the evolving nature of interactions within the channel ecosystem. At 41%, customer demand concerns, which could be a side effect of inflation, rounds out the top three issues facing the high-tech industry.

Market factors having the biggest impact on innovation by industry



Over the past four years, Model N's State of Revenue Report has tracked concerns about governmental compliance. Not surprising for highly regulated industries, there's always some level of concern. However, the degree to which executives are worried about compliance fluctuates. This research clearly indicates that with changes come increased concerns. In 2021, when the new administration took office, the level of concern about compliance spiked, with 57% of executives reporting that they were "very concerned" about the impact additional compliance regulations could have on future revenues. Concerns subsided the following year and decreased again in 2023, though levels are still higher than they were in 2020.

How concerned are you that new or additional compliance regulations could impact future revenues?



Digital transformation is the top focus for innovation

Regardless of the industry they operate in, companies must stay innovative if they want to continue to grow and remain relevant. Innovation spans many different areas – from product and service development, to technology and digital transformation, to process improvements and many more. Where are companies in the life sciences and high-tech industries focusing their innovation efforts?

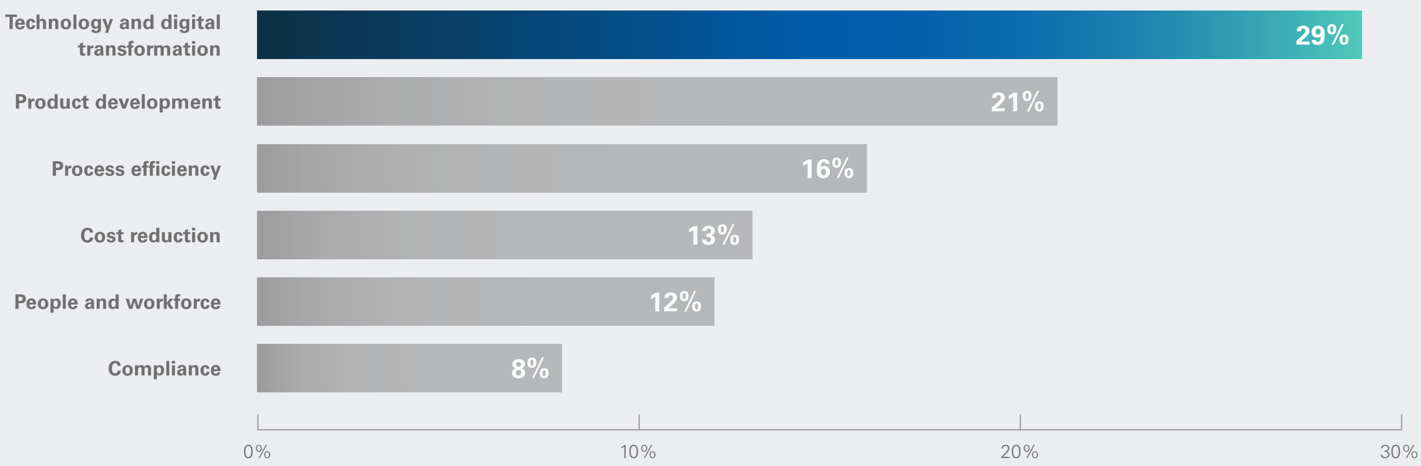
When asked to identify the single top area of focus for innovation plans in 2023, 29% of respondents selected technology and digital transformation ahead of product development, process efficiency, cost reduction, people and workforce, and compliance. It should be noted that these areas overlap to some degree. For example, digital transformation could deliver process efficiencies, which may result in reduced costs. This question uncovers the key underlying driver of investment, even if outcomes may be felt across multiple areas.

#1

Technology and digital transformation is the number-one area of focus for innovation plans in 2023.

Which of the following is the primary focus of your company's innovation plans for 2023?

Choose the one answer that most closely applies.



Given the headwinds and changes facing the life sciences and high-tech industries, it's not surprising that almost twice as many executives say their approach to innovation in 2023 will focus on improving existing strategies and tactics to build stability into business operations (63%) as those who plan to focus on new and different tactics to take advantage of opportunities (37%). Companies will likely do both things, but the core focus of innovation in 2023 will lean toward doing better, not doing more.

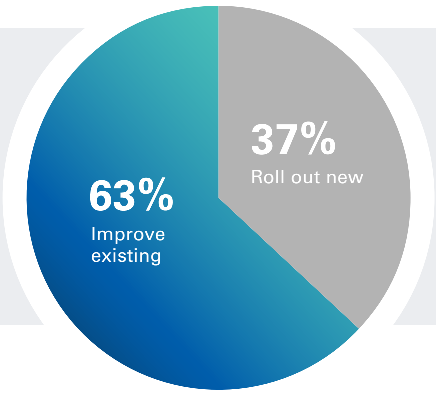
Different roles give slightly different weighting to this question. Marketing and sales executives (CMOs and CROs) were slightly more likely to report they will focus on new strategies (41% and 43%, respectively), while CEOs, CFOs, COOs, and CIOs are more likely to concentrate on existing strategies and tactics (74%).

2x

Nearly two times as many executives plan to focus on improving existing strategies and tactics than implementing new ones.

Which of the following statements best describes your company's approach toward innovation in 2023?

- *"We will be rolling out new and different strategies and tactics to take advantage of opportunities."*
- *"We will be focusing on improving existing strategies and tactics to build stability."*



The C-suite is expanding

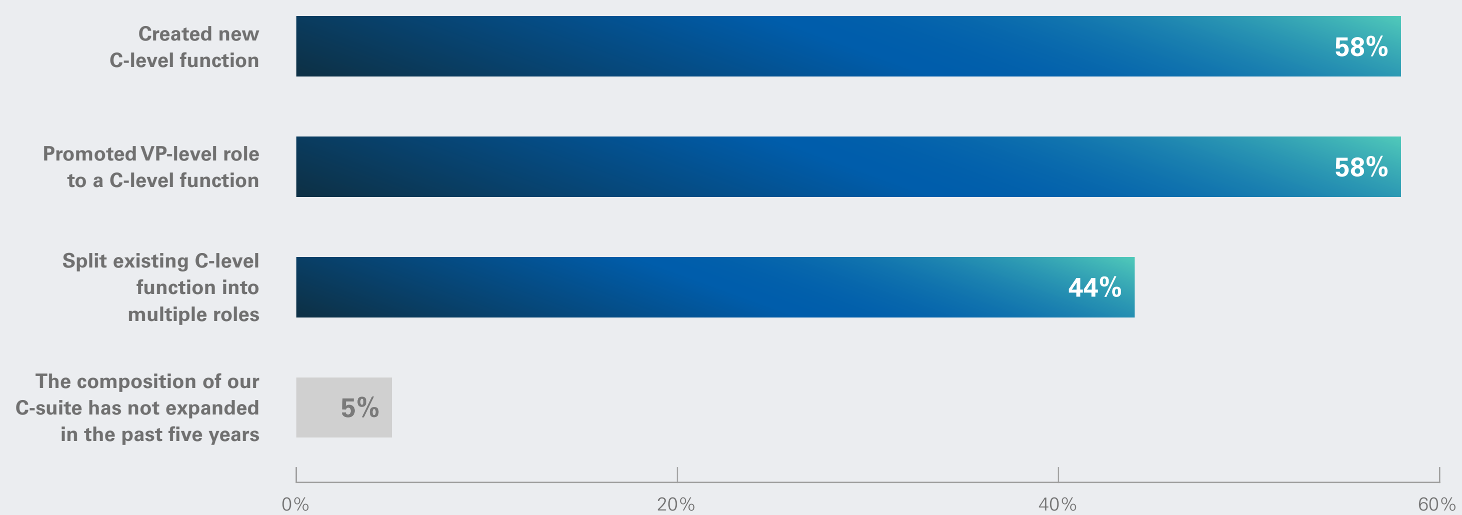
Recently, there have been many anecdotes about companies transforming their leadership teams to address key focus areas, streamline decision-making, and better position the company for changing market imperatives. According to LinkedIn, there are now 51 C-level roles spanning everything from traditional roles (e.g., CEO, COO, CMO) to new positions that cover privacy, data, customer experience, and talent.[1] This research study was interested in quantifying how extensive this trend is and what roles have been added to the C-suite.

51

In recent years, the conventional C-suite has significantly expanded to 51 roles according to a current list from LinkedIn.

The data clearly indicates the C-suite is growing. Over the past five years, 95% of companies expanded their C-suite in a variety of ways. More than half (58%) created a completely new C-level function, such as a chief strategy officer or chief compliance officer. The same number of companies (58%) promoted a role that was traditionally a VP-level function; for example, elevating a VP of marketing or VP of sales to a CMO or CRO title. Just less than half (44%) split an existing C-level function into multiple roles; for example, breaking a single CIO role into separate positions focused on security (CISO) and IT systems (CIO). Smaller companies – those with $250 million to $1 billion in annual revenue – were more likely to have promoted existing functions into the C-suite (68%), whereas companies with more than $1 billion in annual revenue were more likely to have added a new function (62%).

In the past five years, has your company expanded your suite of C-level executives in any of the following ways? *Choose all that apply.*



[1] LinkedIn. "From diversity to data, these 10 roles are rising fastest in C-suite hiring." September 29, 2021

What new roles were added to the C-suite? According to participants who indicated their companies had expanded their leadership teams, additions weren't uniform. Chief strategy officers (50%) and chief digital or digital transformation officers (49%) top the list, followed closely by chief data officer roles (44%). A third (32%) reported their companies created a chief privacy officer role, while more than a quarter (28%) had a new C-level function responsible for customer and/or employee experiences. A new role reported as the write-in "other" entry was a chief diversity officer.

Chief strategy officer

was a new role introduced by 55% of pharma companies and 48% of high-tech companies.

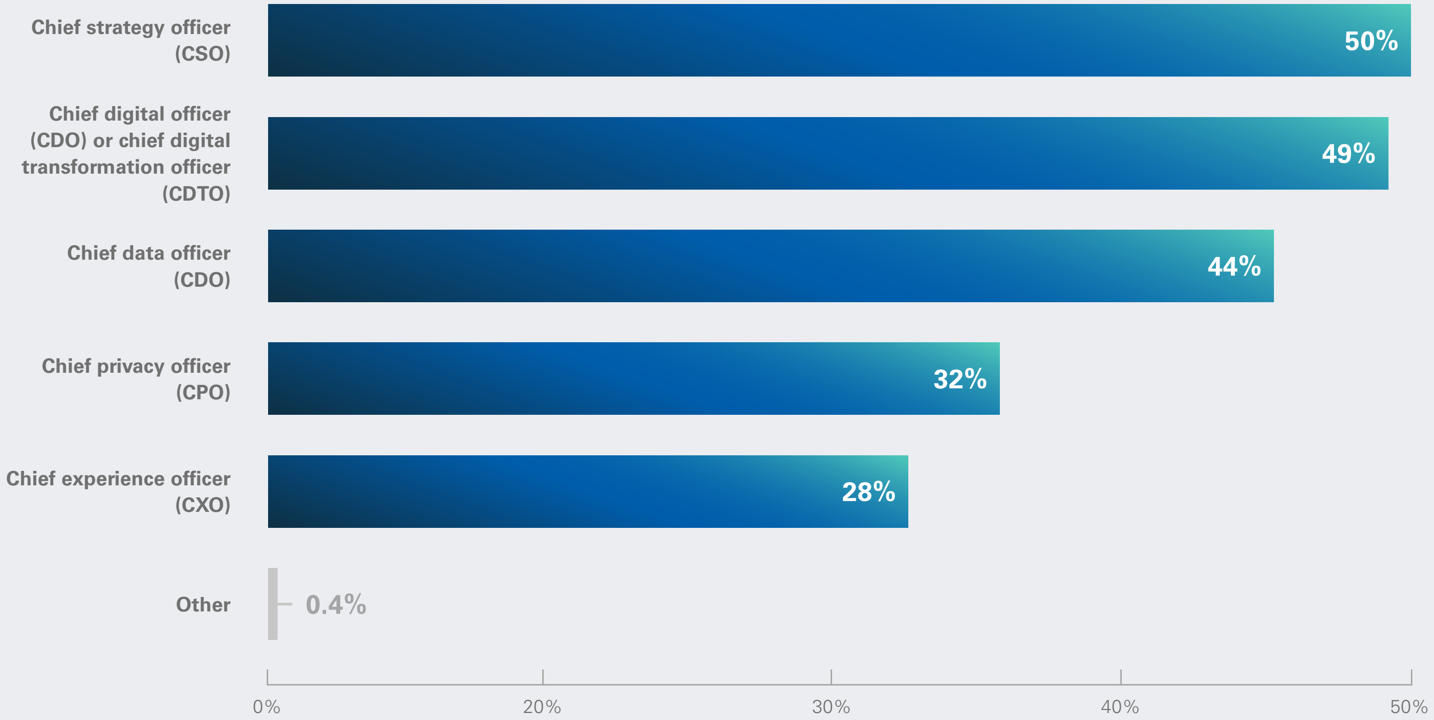
56%

of medtech companies added a chief data officer (CDO).

What additional C-level functions were created at your company in the past five years?

Choose all that apply.

n = have added new types of C-level functions



Trends directly impact revenue management

KEY FINDINGS

2 years

Supply chain disruption is the number-one theme impacting revenue management – for the second year in a row.

94%

Executives believe expanding the C-suite has positively impacted their revenue management program (94%).

70%

Executives believe their industry is losing billions of dollars due to issues like inaccurate or ineffective pricing and quoting (70%).

96%

The majority (96%) report staffing and expertise issues stymie their revenue management programs.

Trends directly impact revenue management

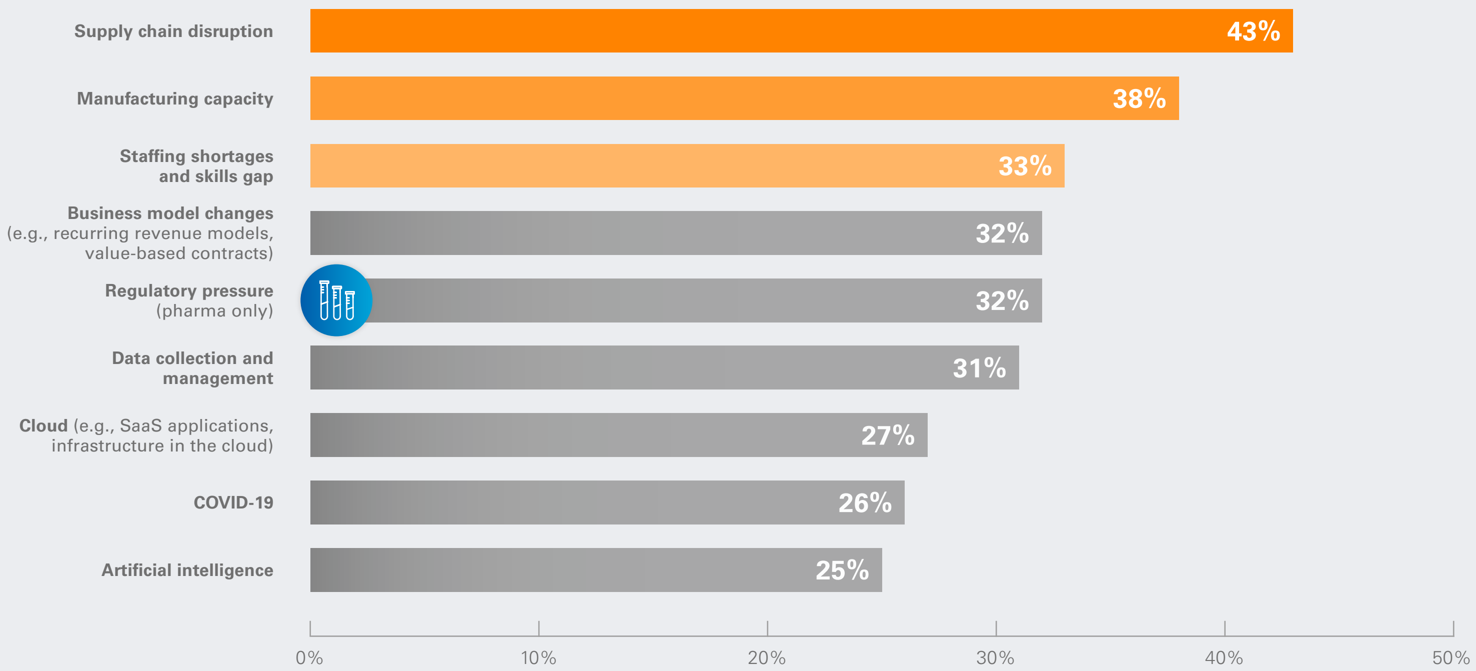
Revenue management in 2023 affected by numerous factors

Optimizing revenue is a multifaceted process that must evolve to address changes in business practices, markets, and regulatory environments. Now that the data has provided a better understanding of the macro issues affecting the life sciences and high-tech industries, it's time to take a look at how they could influence revenue management programs.

What do revenue management teams need to be prepared to address in 2023? To find out the answer, survey participants were asked to select just three factors. Interestingly, 100% of participants indicated their revenue management programs would be affected by at least one of the factors identified.

Once again, supply chain disruption bubbles to the top of the list (43%); it held the same spot in 2022, with 44% of executives selecting it as a key issue. Manufacturing capacity and staffing shortages round out the top three, at 38% and 33%, respectively. These results aren't surprising given their expected impacts on innovation initiatives, as discussed earlier.

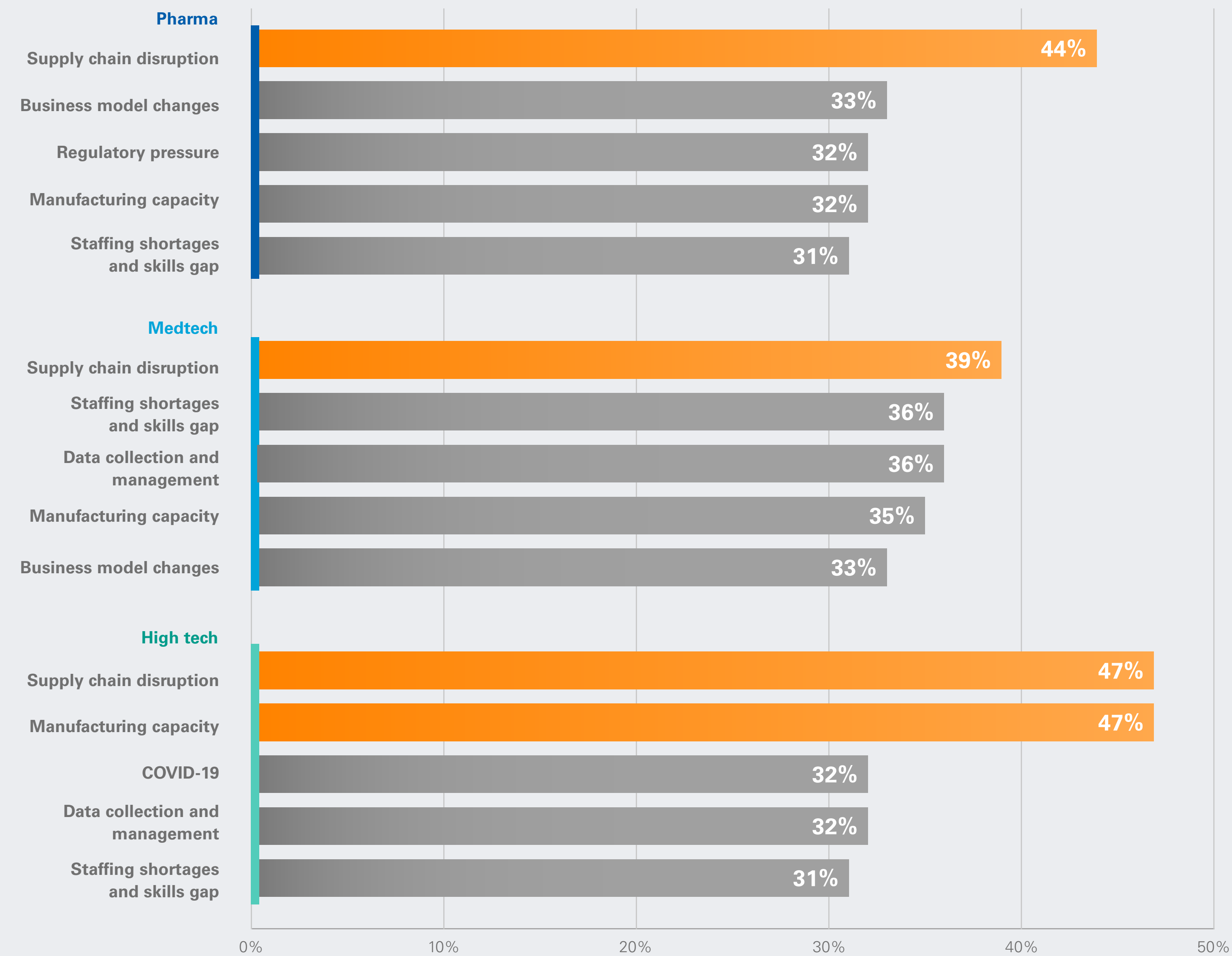
Which of the following is having the biggest impact on how your company manages revenue?
Choose up to three of the following.



Fortunately, the news isn't all negative. Some themes expected to significantly impact revenue are related to technological advancements or corporate strategic decisions. Take data collection and management, for example. A third of executives chose this theme, perhaps because it has the potential to unlock insights that could support better decision-making and minimize risk. Another third of executives cite business model changes, including the move to recurring revenue and value-based pricing. And at 27%, it's clear that cloud applications and infrastructure continue to play a role in delivering positive benefits like cost savings and efficiency gains.

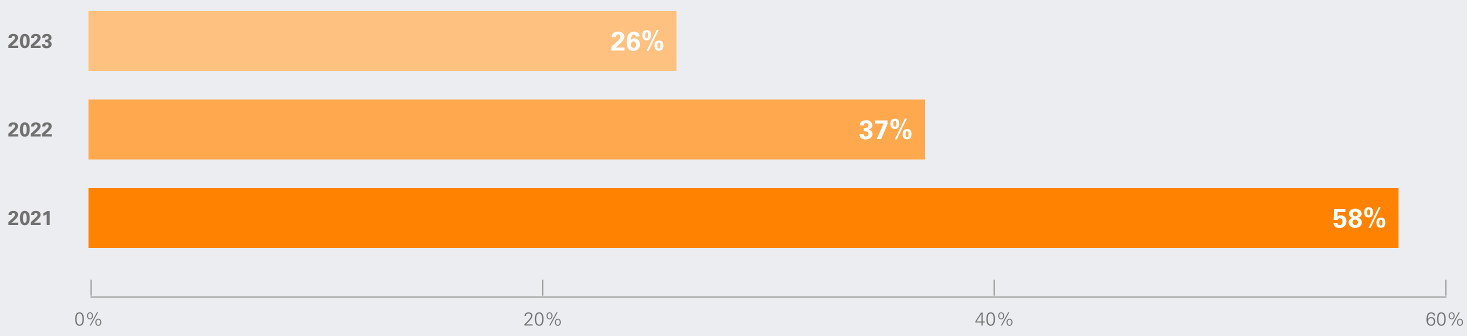
The industries included in our study had some obvious differences when answering this question. Only pharmaceutical participants were asked about regulatory pressure, and among that group, a third cite it as one of the top three impacts on revenue management. Manufacturing capacity was much more of an issue for high-tech companies, while executives working in medtech were more likely to cite issues with staffing.

Top five biggest impacts on revenue management by industry



One clear trend over the past couple of years is the impact of COVID-19 on revenue management. While COVID-19 has not gone away, most companies have adjusted their revenue management activities so it's no longer a key issue. When this question was asked in 2021, more than half (58%) of respondents cited it, making it the number-one issue for the year. In 2022, only 37% believed COVID-19 was impacting revenue management, and now this year, responses have dropped even further to just 26%.

Which of the following is having the biggest impact on how your company manages revenue?: COVID-19

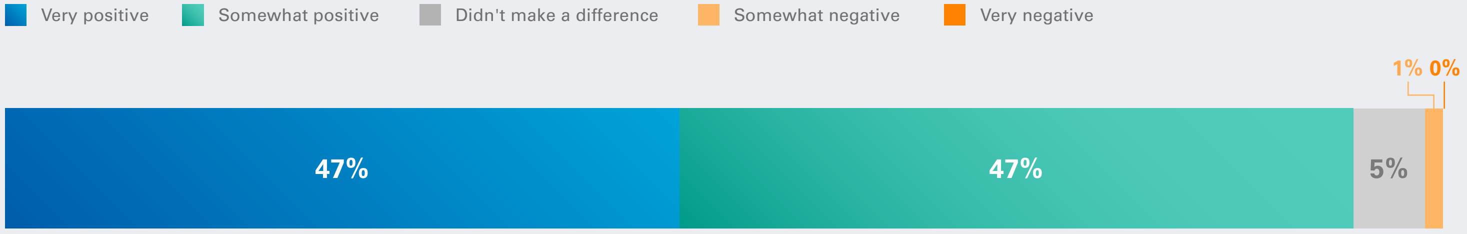


Expanded C-suite is positively impacting revenue management

The prior section detailed how respondents have seen their companies expand the C-suite. But what do today's C-level executives think of this change?

Among the companies that expanded their C-suite in the past five years, whether by splitting, elevating, or adding new roles, 94% of executives are positive about how these changes have impacted revenue management. This change was particularly impactful at high-tech companies, with 61% of executives reporting that they are "very positive" about the change.

In your personal opinion, what was the impact of expanding the C-suite on your company's ability to manage revenues?



Revenue issues continue to have significant industry costs

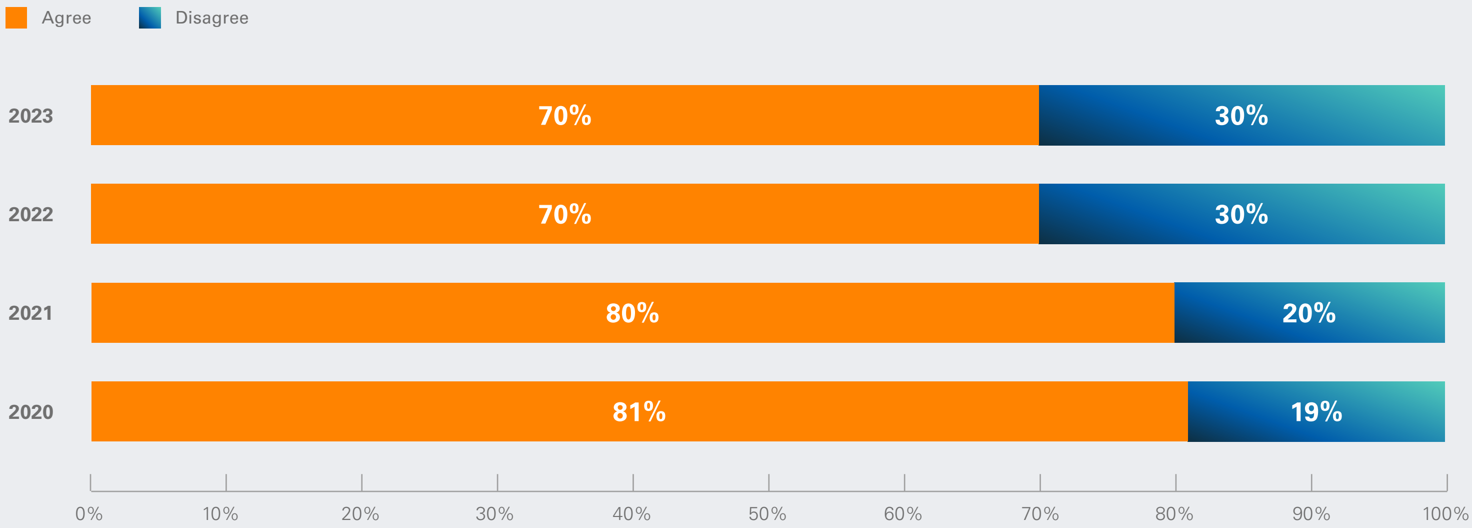
In an effort to gauge how the life sciences and high-tech industries' revenue is impacted by revenue management concerns, this survey has asked respondents to agree or disagree with the same statement for the last four years.

The 2022 State of Revenue Report reported a notable improvement in the number of executives (70% compared to 80% in 2021) who agreed that their industry was losing billions of dollars because of poor revenue management practices, such as ineffective or inaccurate pricing and quoting. However, this year, there was no additional improvement. The majority of executives continue to believe their industry is losing significant income because of issues with revenue management. There remains a clear opportunity to do better.

Pricing and quoting

represent two opportunities for improvement as companies strive to optimize revenue.

"Our overall industry loses billions of dollars because of revenue issues such as inaccurate or ineffective pricing and quoting."



Staffing and expertise concerns continue

A third of executives cite staffing shortages as one of the top three issues that will impact how their companies manage revenue. This is relatively unchanged from the 2022 report, where 34% were concerned about the impacts of staffing on revenue management.

Let's not let the broader question camouflage the ongoing problem with finding revenue management expertise. Nearly all (96%) executives report that they are currently dealing with staffing or expertise issues. While this is a slight improvement over last year (2% drop), executives continue to grapple with the availability of consultants and contractors and difficulties with hiring both highly skilled staff and frontline workers. Teams are dealing with increased workloads that current bandwidth cannot manage. To make matters worse, the "Great Resignation" continues, with more than a third of companies reporting unusually high staff attrition.

The pharmaceutical industry seems to be faring slightly better than medtech and high tech. Eight percent of pharma executives report that they are not facing any issues with staffing or expertise – up from zero in 2022. Pharma companies are also dealing with less attrition and more balanced workloads than the previous year. While it's become easier to hire highly skilled workers, the challenge of finding frontline staff rose by 15% year over year.

57%

The limited availability of consultants or contractors is impacting 57% of companies – making it the top staffing issue and the only one that has gotten worse across the board.

Types of staffing and expertise issues facing each industry in 2022 versus 2023

	Pharma		Medtech		High tech	
	2022	2023	2022	2023	2022	2023
Increased workload we do not have the bandwidth to manage	**51%**	**42%** (-9)	**44%**	**52%** (+8)	**46%**	**65%** (+19)
Limited availability of consultants or contractors	**54%**	**59%** (+5)	**42%**	**58%** (+16)	**45%**	**52%** (+7)
Difficulty hiring high-skill staff (data scientists, accountants, etc.)	**49%**	**33%** (-16)	**51%**	**59%** (+8)	**41%**	**41%** (--)
Difficulty hiring frontline staff (admins, analysts, etc.)	**37%**	**52%** (+15)	**51%**	**51%** (--)	**30%**	**31%** (+1)
Unusually high levels of staff attrition	**46%**	**34%** (-12)	**33%**	**37%** (+4)	**42%**	**44%** (+2)
We're not facing any staffing or expertise issues	**0%**	**8%** (+8)	**2%**	**1%** (-1)	**4%**	**3%** (-1)

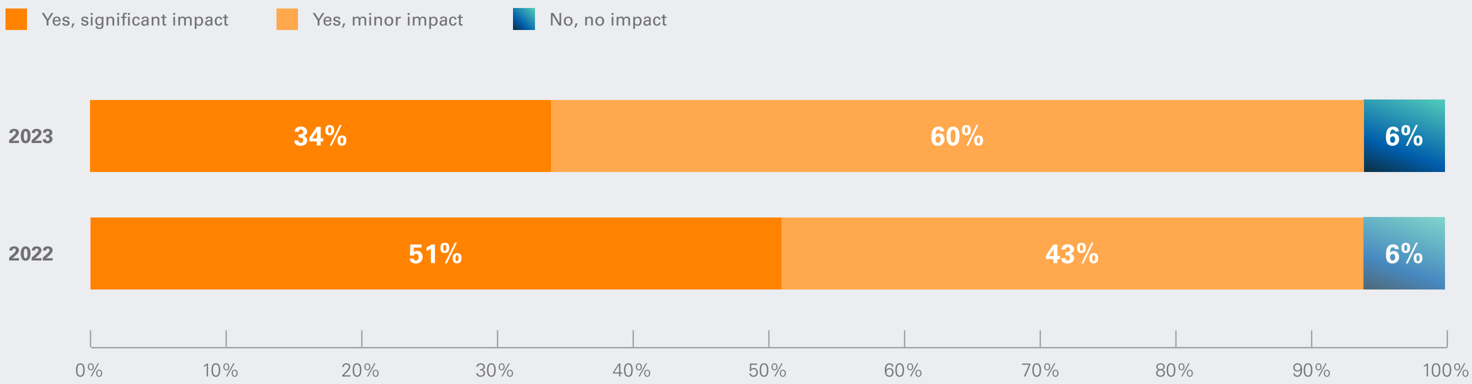
For medtech and high-tech companies, the picture isn't as rosy. The number of executives reporting that they are experiencing issues with staffing and expertise increased across virtually all areas. Medtech companies saw a 16% jump in the reduced availability of consultants and contractors, along with an 8% increase both in workloads and difficulty hiring highly skilled staff. The number of high-tech companies that are dealing with increased workloads and not enough bandwidth grew by nearly 20% year over year, which may be related to the limited availability of contractors and consultants and higher levels of attrition.

However, there might be a silver lining. The same number of executives expect staffing and expertise issues to impact revenue management in 2023 as did in 2022 (94% in both years); however, the number that characterized the potential impact as "significant" dropped significantly from 51% in 2022 to just 34% in 2023. On an industry basis, medtech executives feel that staffing and expertise issues will have a significant impact (41%) in 2023, whereas the majority of pharma and high-tech executives believe they will experience only minor impacts (66% and 57%, respectively).

94%

of executives anticipate staffing and expertise issues to impact revenue management.

Do you expect staffing and expertise issues to impact revenue management?



Use of technology for revenue management is expanding

KEY FINDINGS

97%

Most organizations want to improve their capabilities for data and analytics within their revenue management program.

11%

Only 11% of companies use the same revenue management technology and applications across global regions.

Customer experience and operational needs

Customer experience (45%) and urgent operational needs (43%) are the key drivers for technology investments.

100%

All executives report using spreadsheets for revenue management tasks, though the frequency of use has dropped over the last year.

Use of technology for revenue management is expanding

Revenue management analytics could be better

Capturing and analyzing data to gain business insights has been the technological advancement that has had the biggest impact on business outcomes. New data sources offer a wealth of information to feed decision-making. Innovative approaches for storing and using both structured and nonstructured data enable more comprehensive analysis. And breakthroughs in artificial intelligence provide remarkable capabilities for gaining insights from expansive data sets.

But there's still room for improvement.

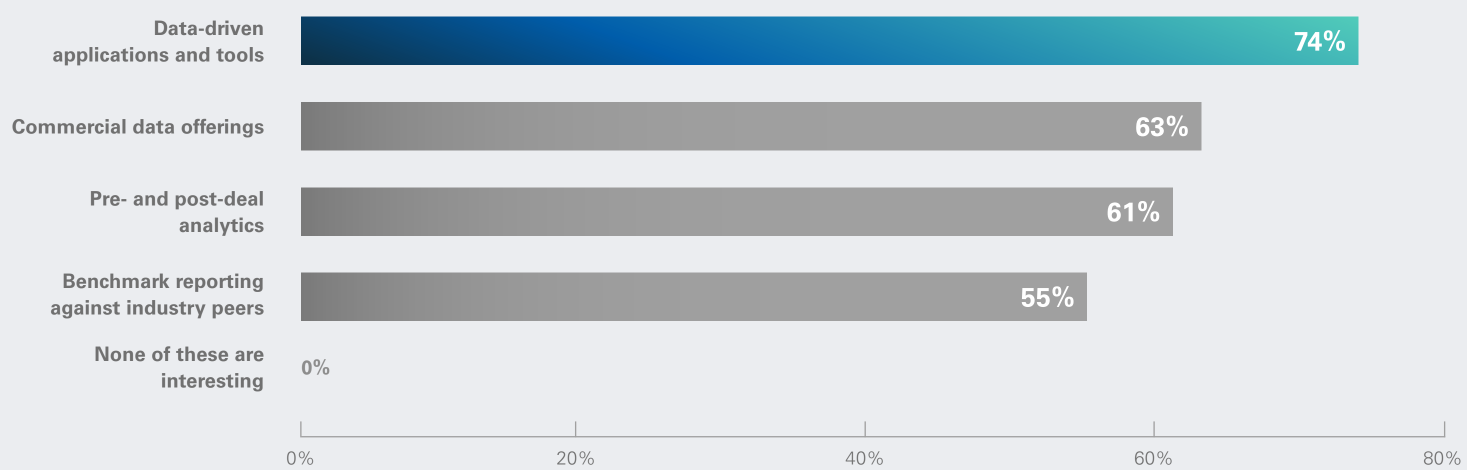
Additional data and analytics offerings are a clear area of interest for executives – 100% reported that their company would like to do more in this area. Of particular interest were data-driven applications and tools and commercial data offerings. Accessing predictive analytics through a tool is more scalable and repeatable than trying to surface insights from a spreadsheet or asking IT to pull information. Even benchmark reporting, which received the lowest response, generated interest from well over half of the respondents.

74%

of executives are interested in adopting more data-driven applications and tools.

Which of the following types of data and analytics offerings are of interest to your company?

Choose all that apply.



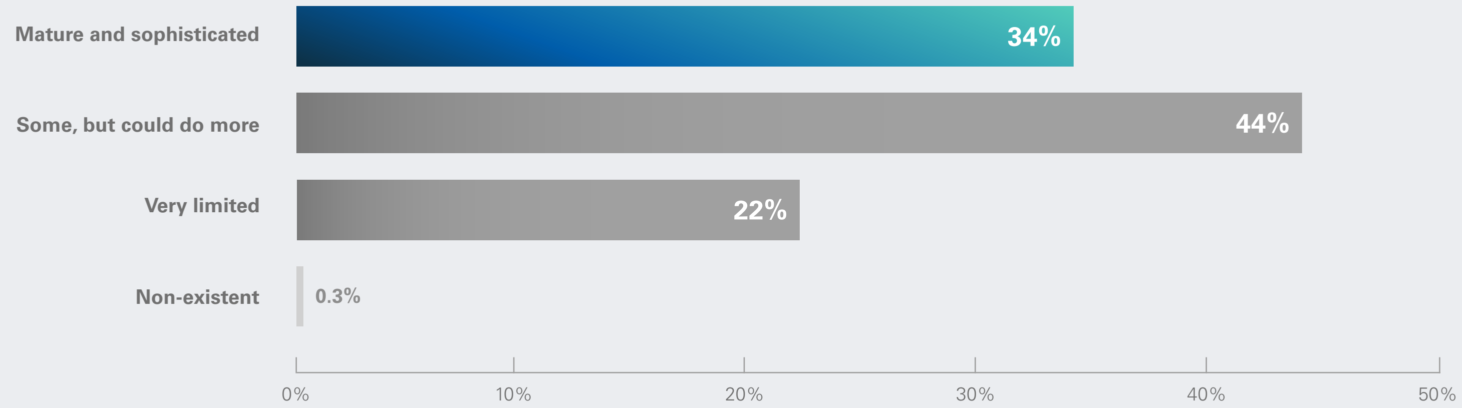
With such a high level of executive interest in data and analytics, it's somewhat surprising to uncover a lack of maturity in revenue management programs. Only 34% characterized their revenue management analytics as "mature." More than 40% of executives reported that data and analytics for this area is a work in progress, while an alarming 1 in 5 characterize their program as "very limited." Resource constraints and data illiteracy may be hindering these organizations from approaching data and analytics in a more strategic manner.

Given this overall lack of maturity, it's clear that changes must be made if companies are going to drive outcomes based on data. Nearly all executives (97%) agree and are interested in improving their capabilities for revenue management data and analytics. More than half are "very interested" in doing better in this area.

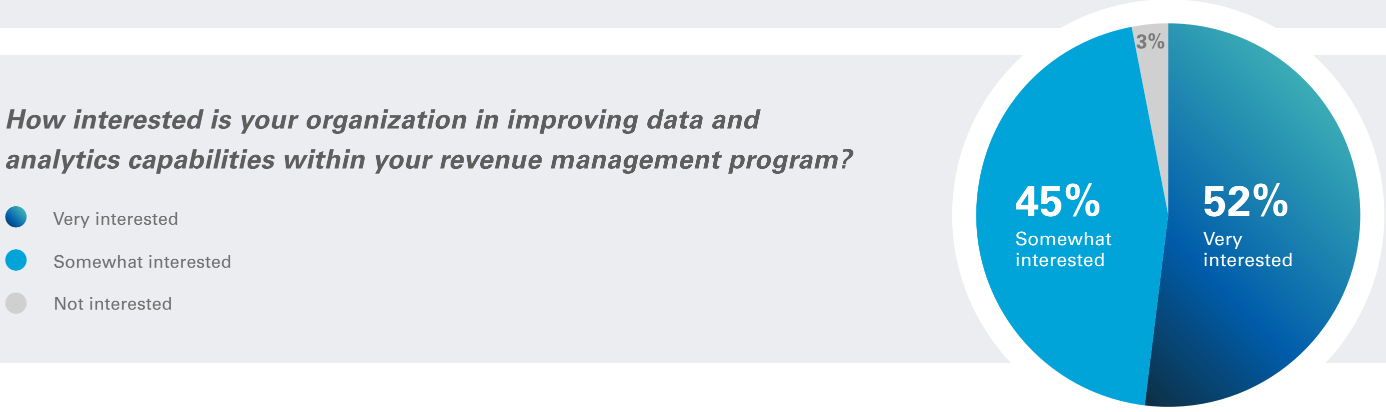
22%

of executives characterize their data analytics programs as very limited or non-existent.

How would you characterize your company's capabilities to use data and analytics within your revenue management program to drive competitive advantage? *Choose the one answer that most closely applies.*



How interested is your organization in improving data and analytics capabilities within your revenue management program?



Use of revenue management applications is inconsistent across global regions

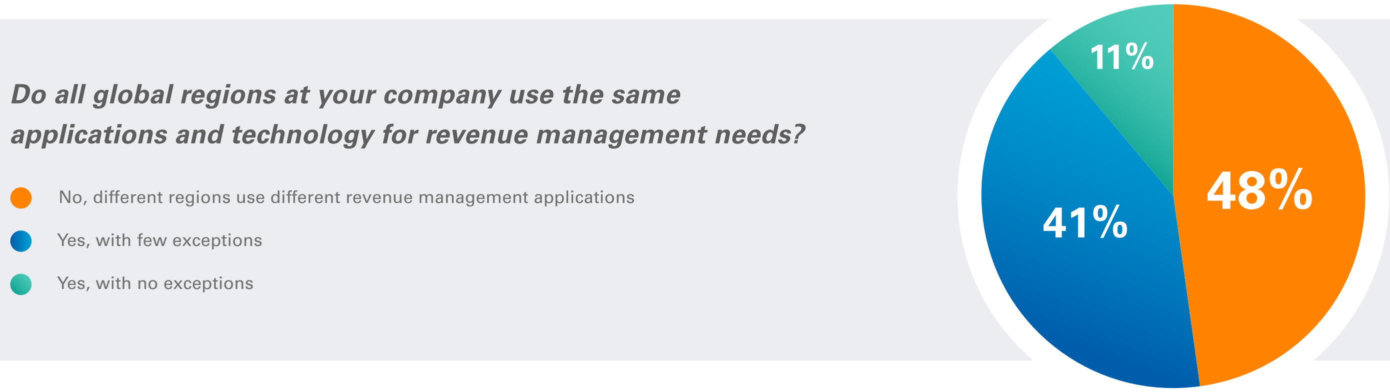
Among the companies responding to the survey that have global operations, there is a worrisome lack of consistency in the use of revenue management applications and technology across different regions. Only 1 in 10 report that all global regions use the same applications and technology for revenue management. The most common approach – taken by almost half of companies with operations in multiple countries – is one where each region uses their own revenue management application.

The reasons given for the use of diverse technology across regions varied. The most common explanations provided were that available applications were inadequate – either companies believe that a single application cannot meet the diverse needs of regional processes or that regions need different capabilities within an application. However, the diversity of technology is likely not only an issue with revenue management applications, as reasons for using certain technologies were related to how technology decisions are made. Regional silos can drive different technology decisions for different areas, while historical decisions, such as acquisitions of organizations, can result in disparities.

52%

Over half of the respondents report all their global regions use the same applications and technology in some or all cases.

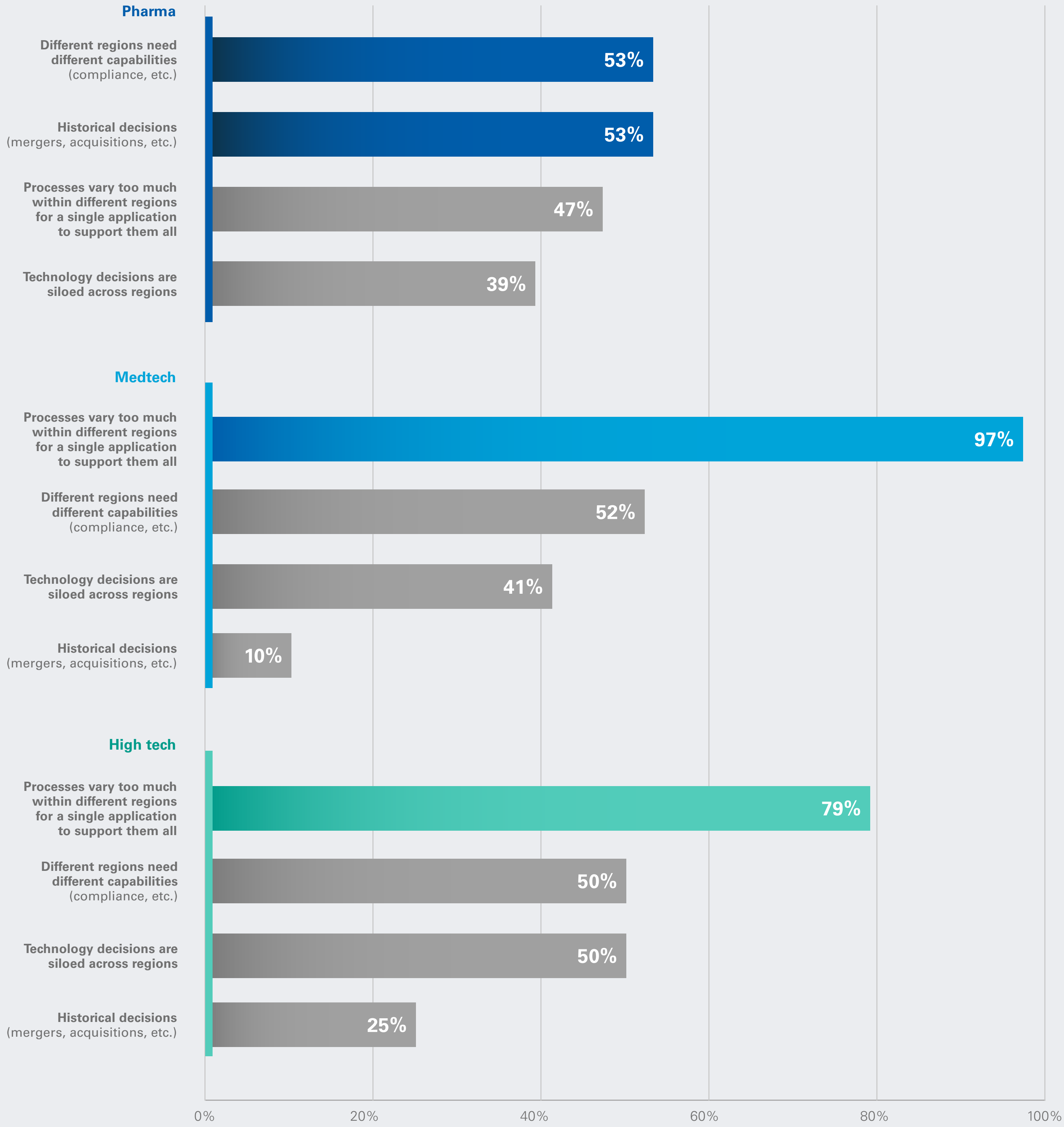
Do all global regions at your company use the same applications and technology for revenue management needs?



Why does your company use different applications for revenue management in different regions?

Choose all that apply.

n = have added new types of C-level functions



Spreadsheets remain ubiquitous in revenue management

The use of Excel, and to a far lesser degree Google Sheets or other spreadsheets, is ubiquitous in business environments. Spreadsheets are extremely convenient, allowing nontechnical stakeholders to manipulate and track data in a simple way. However, spreadsheets have inherent flaws, especially when more than one individual is using them. The lack of scalability and version control, possibility of manual errors, and inability to integrate into shared systems can create inconsistent, inaccurate, and unreliable data – which can impact a company's ability to optimize revenue and ensure compliance.

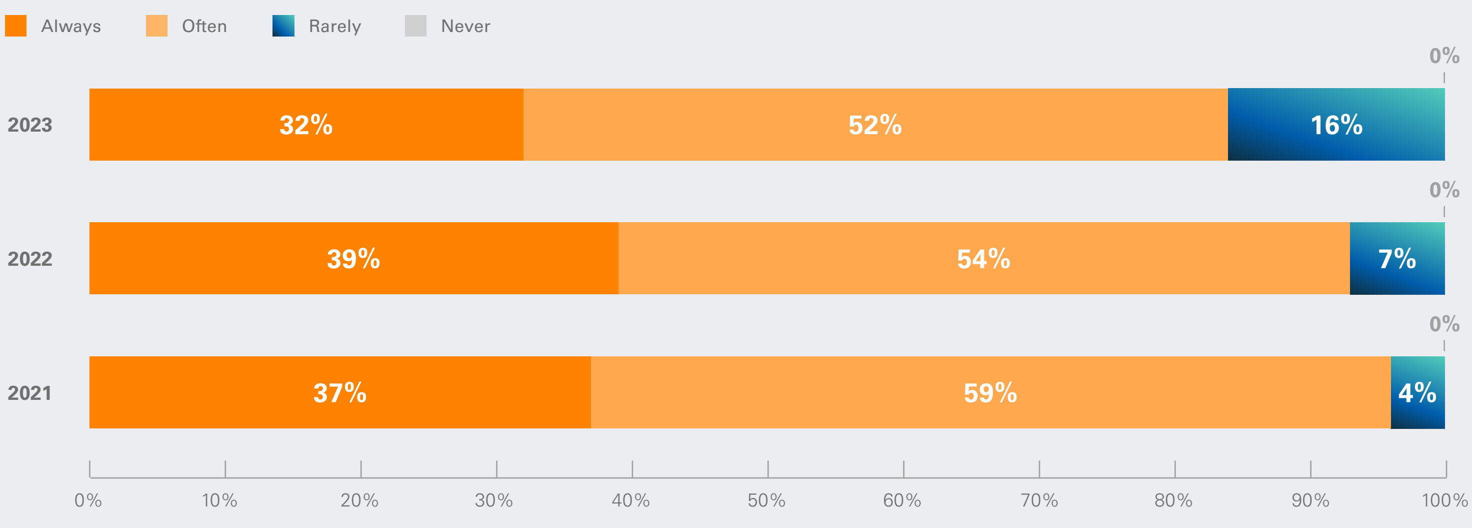
While spreadsheets in revenue management remain ubiquitous – with 100% of executives reporting that their teams use them – there is some good news. The frequency of use dropped in the past year. A third characterized their team's use of spreadsheets as "always," down from 39% and 37% in 2022 and 2021, respectively. The number of executives reporting that spreadsheet use is "rare" has increased, from 4% in 2021 to 7% in 2022, and then more than doubled to 16% in 2023.

Companies with $250 million to $1 billion in annual revenue are much more likely to report extensive use of spreadsheets for revenue management tasks, with 58% saying their teams "always" use them compared to only 22% who say the same at larger companies. High-tech companies are also more likely to "always" use spreadsheets for revenue management (42%) than their pharma (26%) and medtech (27%) counterparts.

51%

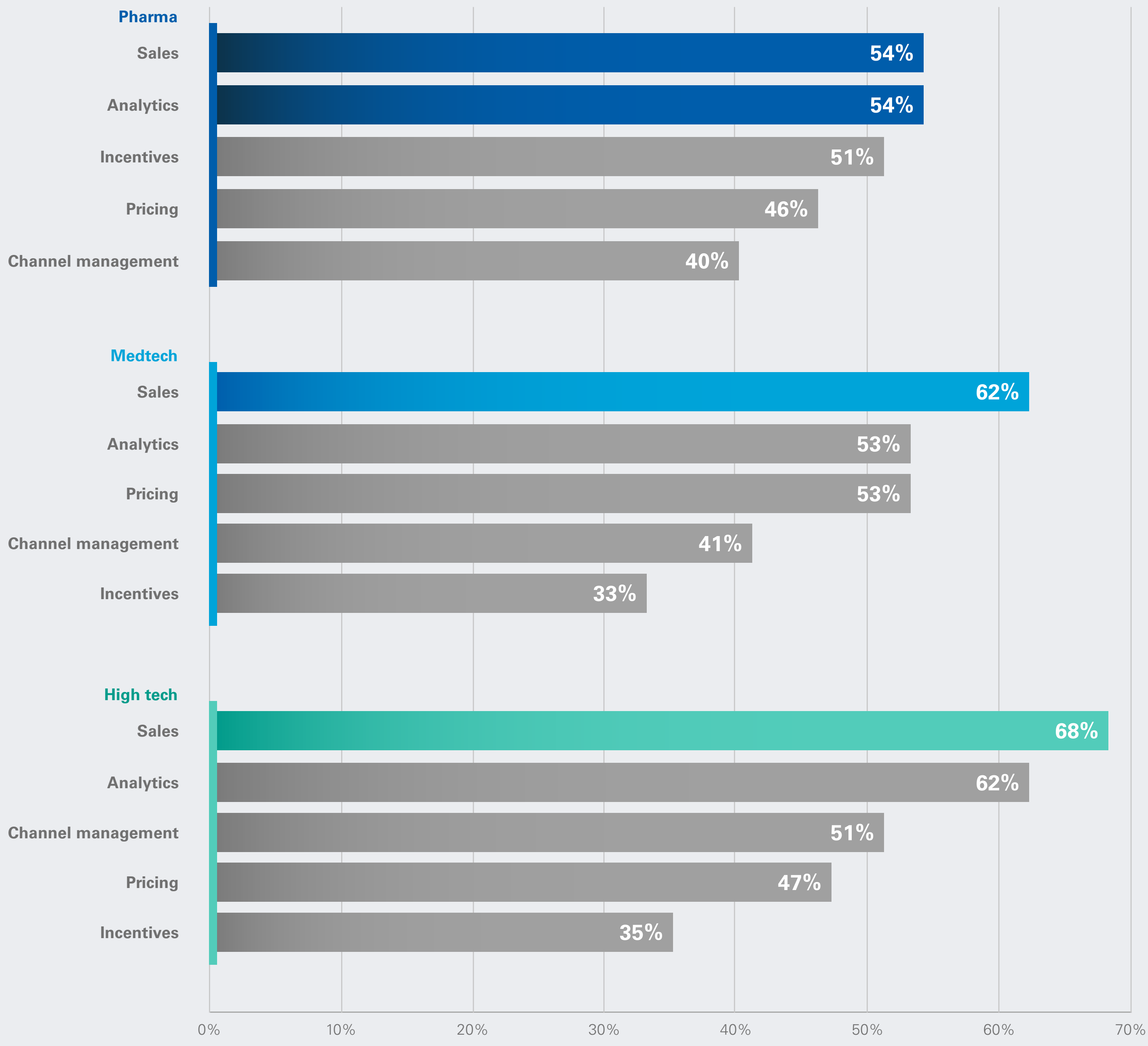
of executives don't fully trust the data their company uses for revenue management decision-making.

How extensively does your team use spreadsheets for revenue management tasks?



Executives report that spreadsheets are used across a wide variety of revenue management tasks. Sales activities top the list for all industries, followed by analytics. Pharmaceutical companies use spreadsheets more for incentives, whereas high-tech companies rely on them for channel management and medtech companies for pricing activities.

What type of revenue management tasks does your team use spreadsheets for?



Technology investments are made for a wide range of reasons

Enterprise technology investments are not taken lightly, as they often require upfront costs, process updates, and employee training. What motivates executives to move beyond these potential barriers and decide to invest in a major application or infrastructure improvement?

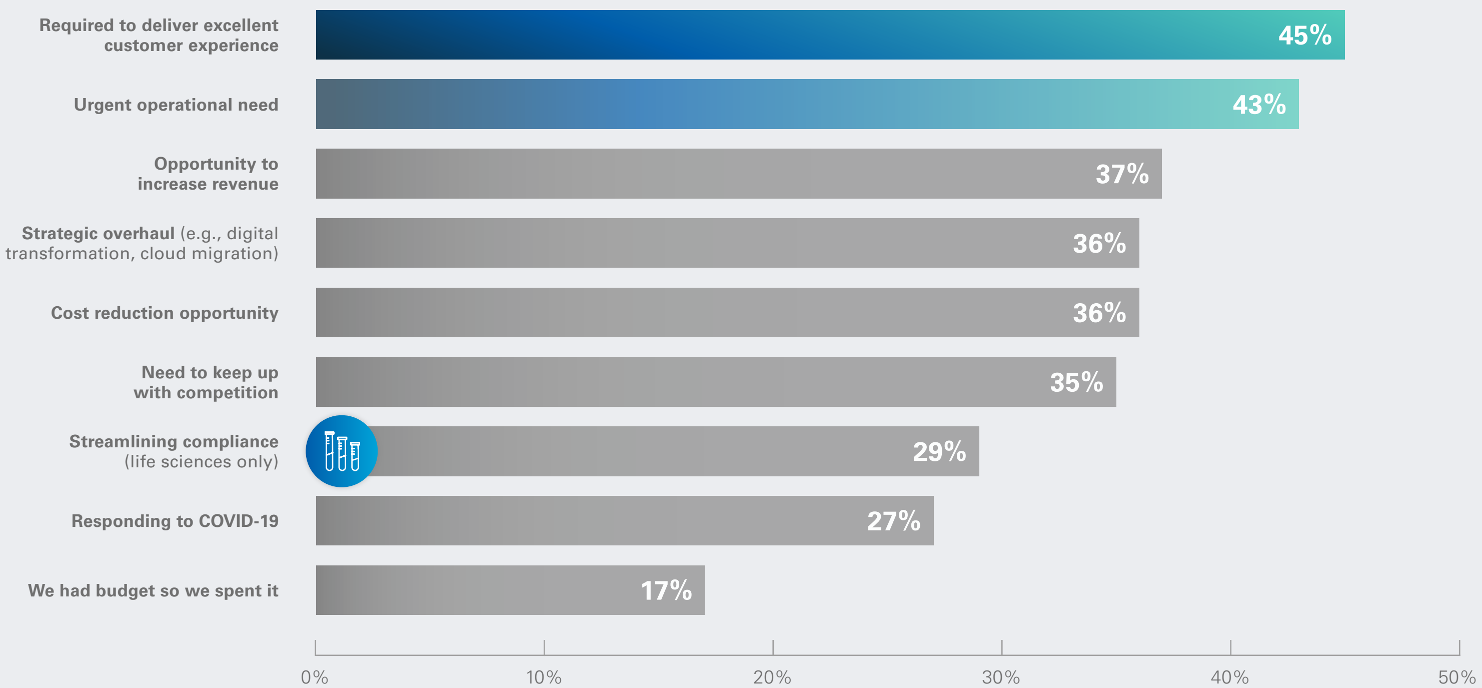
This research shows two drivers are the most likely to motivate investments: customer experience (45%) and an urgent operational need (43%). Other motivators include opportunities to increase revenue or reduce costs and strategic activities such as a digital transformation initiative or cloud migration. Only life sciences executives were asked about streamlining compliance, and 29% of them cite it as a driver for major technology investments. The least likely reason for making a technology investment – although it does happen for almost one out of five companies – was that there was available budget to be spent.

The different industries included in our study were generally consistent in how they answered this question, with a few obvious differences. Urgent operational need was more likely to be a factor for pharmaceutical companies (51%), while high-tech companies were more likely to make technology investments to reduce costs (40%).

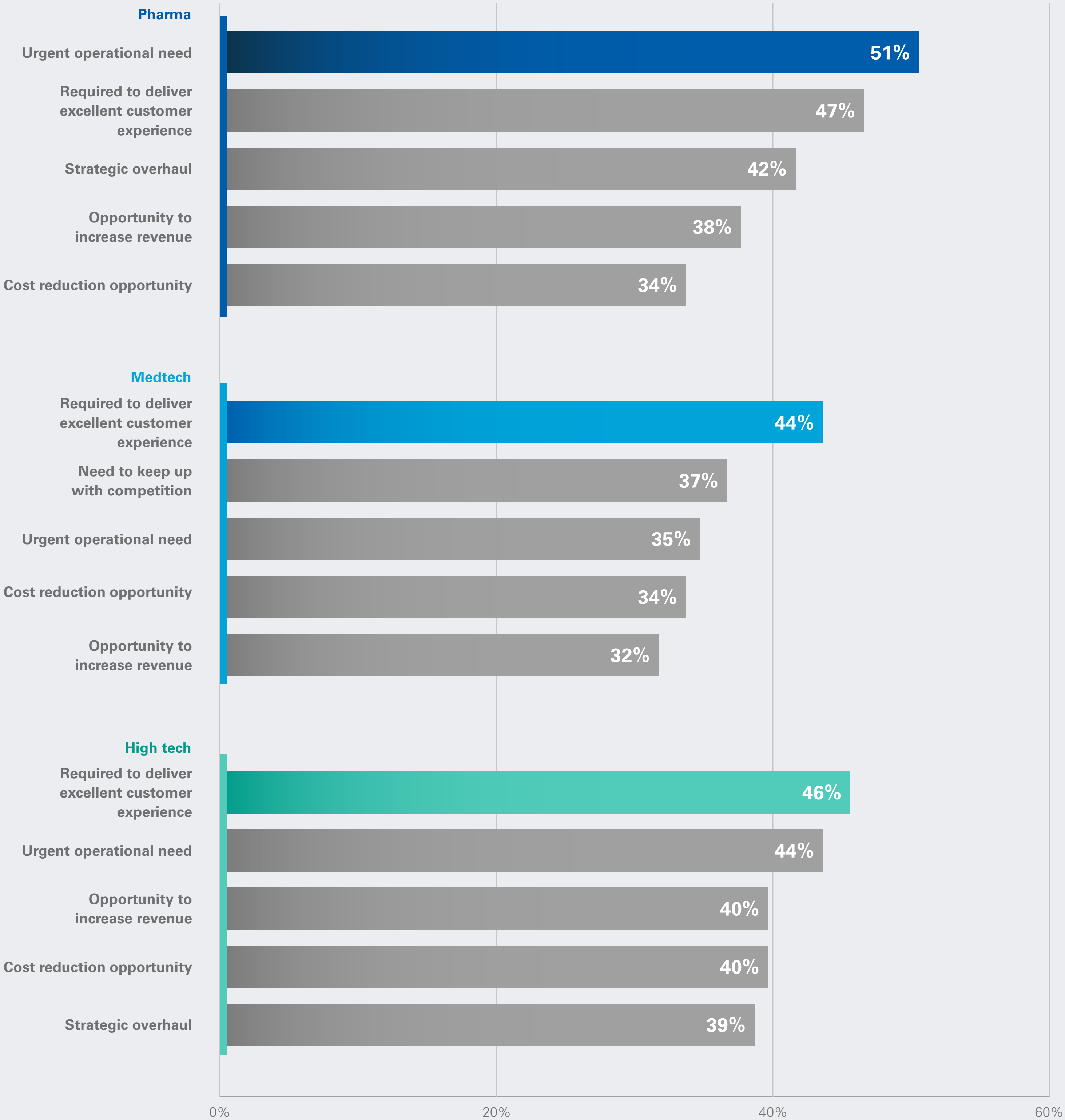
45%

of executives indicate customer experience as a key driver for investments in technology.

Think across major enterprise technology investments that your company has made in the past five years. What have been the primary drivers for those investments? *Choose all that apply.*



Top five drivers for technology investments made in the past five years



From supply chains to incentives, change is afoot

A SPECIAL REPORT ON **HIGH-TECH** COMPANIES

In the 2022 State of Revenue Report, 57% of executives expected obstacles related to the supply chain, material availability, and logistics would have a key impact on revenue management throughout the year. Based on results of this year's survey, that expectation became a reality. Supply chain and logistics are significant factors impacting innovation for 59% of high-tech companies this year, and supply chain disruptions and manufacturing capacity are listed as the top two factors impacting revenue management in 2023.

But good news may be on the horizon.

47%

of executives cite both supply chain disruptions and manufacturing capacity as the top impacts on how their companies manage revenue.

A SPECIAL REPORT ON HIGH TECH COMPANIES: FROM SUPPLY CHAINS TO INCENTIVES, CHANGE IS AFOOT

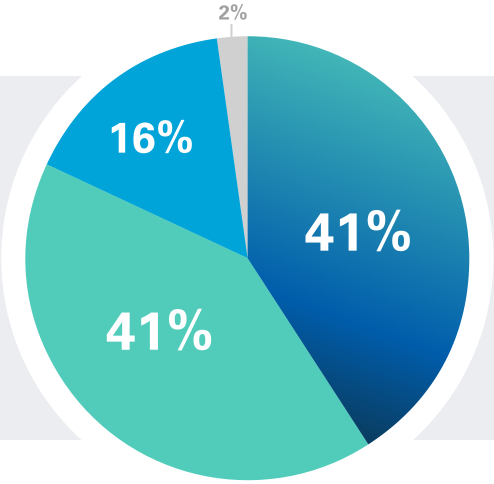
The CHIPS and Science Act of 2022 is a U.S. federal statute that provides $280 billion in new funding to boost domestic research and manufacturing of semiconductors and technology over the next 10 years. So how do executives feel about this new law? Will it help address supply chain issues? The answer was a resounding "yes." According to 98% of high-tech executives, the CHIPS Act will help, and it won't take long. Many (41%) think that they'll see a difference this year – and perhaps as expected, executives at semiconductor companies are even more bullish, as 55% expect results in 2023. While 41% of high-tech and semiconductor executives are slightly more pessimistic, expecting the change to take a few years to have an impact, they believe benefits will be seen within five years.

98%

of executives believe the CHIPS Act will help alleviate supply chain issues.

In your opinion, will CHIPS Act benefit your company's supply chain needs?

- Yes, we'll see results in 2023
- Yes, but it will take 2-5 years
- Yes, but it will take more than 5 years
- No, it won't make a difference no matter how long we wait



Channel data benefits many departments

Nearly all high-tech executives (97%) are interested in improving data and analytics capabilities within their revenue management programs. Given the importance of the channel to high-tech companies, what is the potential value of channel data? And who uses it?

All executives agree that channel data benefits departments other than the channel team. Marketing and sales are the most likely downstream beneficiaries, but operations, supply chain, and finance teams also benefit from insights into the data generated by channel partners.

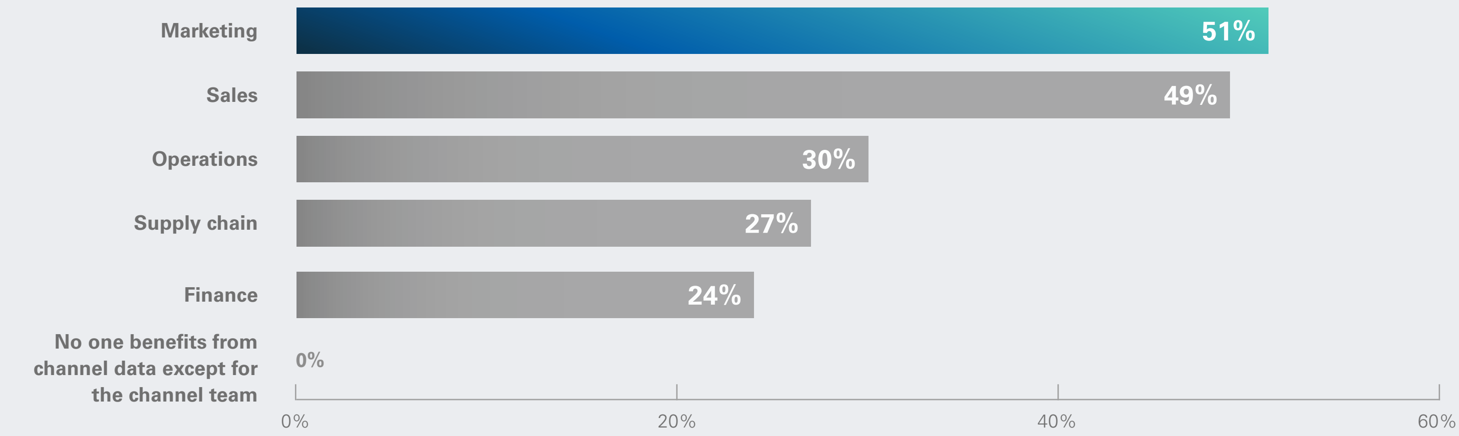
51%

of executives believe channel data will benefit marketing teams the most, followed by sales (49%).

A SPECIAL REPORT ON HIGH TECH COMPANIES: FROM SUPPLY CHAINS TO INCENTIVES, CHANGE IS AFOOT

In your experience, which downstream departments gain the most benefit from channel data?

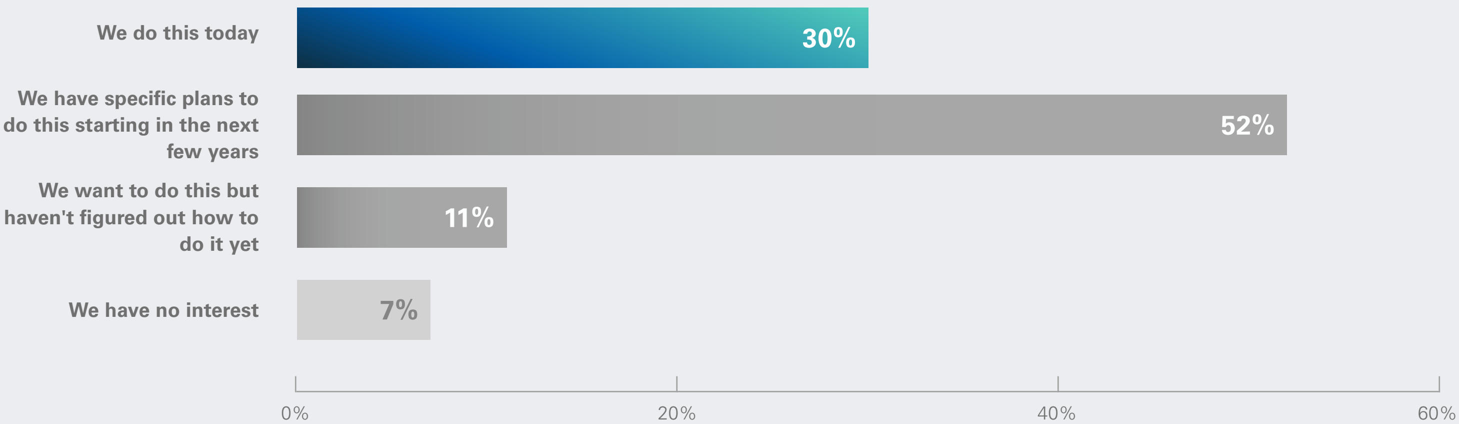
Choose up to two of the following.



Influencer compensation is a work in progress

High-tech companies have started looking at expanding their compensation programs to include nontraditional partners who aren't directly involved in the transactions that form the basis of traditional compensation plans. These programs are a work in progress. While there is broad interest (93%) in compensating non-transacting entities, less than a third of companies currently have programs in place. More than half have plans to get started in the foreseeable future, while 11% are interested but haven't developed a plan for proceeding.

Which of the following statements best represents your company's interest in offering financial compensation to influencers that are not directly involved in transactions** (e.g., bloggers, YouTube influencers)**?



Managing compliance in the wake of staffing concerns

A SPECIAL REPORT ON **PHARMACEUTICAL** COMPANIES

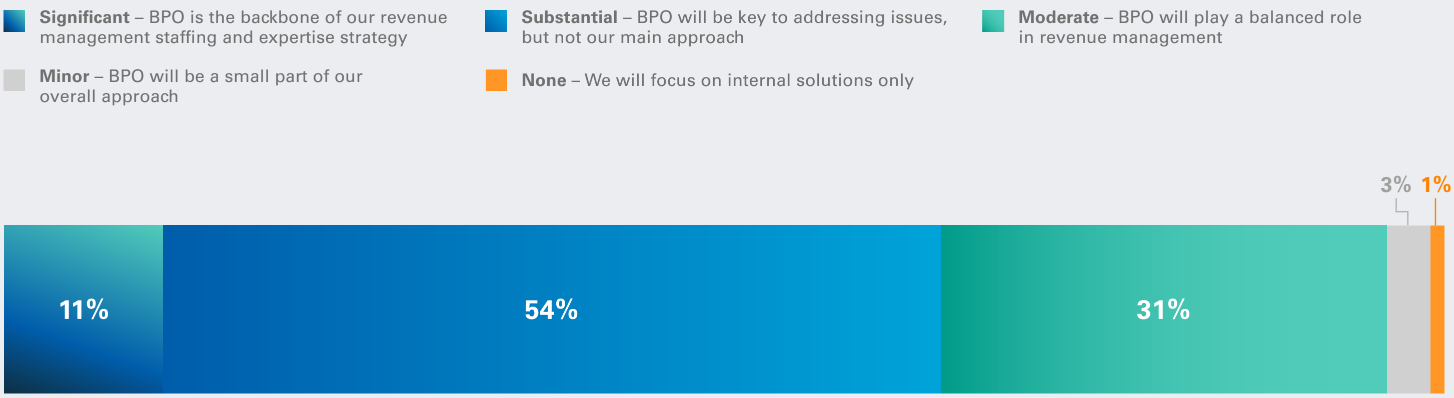
Ninety-two percent of pharmaceutical companies face significant issues with resourcing, staffing, and expertise. Given these issues, it's not surprising that executives are turning to business process outsourcing (BPO) to fill resource gaps. Almost all (99%) pharma executives report they will use some level of BPO to address these issues, with two-thirds characterizing the role of BPO as "substantial" or "significant."

47%

of pharmaceutical executives view outsourcing as a permanent solution that enhances business operations.

A SPECIAL REPORT ON PHARMACEUTICAL COMPANIES: MANAGING COMPLIANCE IN THE WAKE OF STAFFING CONCERNS

What role will business process outsourcing (BPO) have in addressing staffing and expertise issues with revenue management? *Choose the one answer that most closely applies.*



Governmental changes cause continued concerns

Regulatory compliance can have an outsized impact on pharmaceutical companies, creating concerns for leaders responsible for revenue management programs. Heading into 2023, 97% of executives report that their teams are preparing their revenue management programs for potential changes, with financial controls topping the list of concerns.

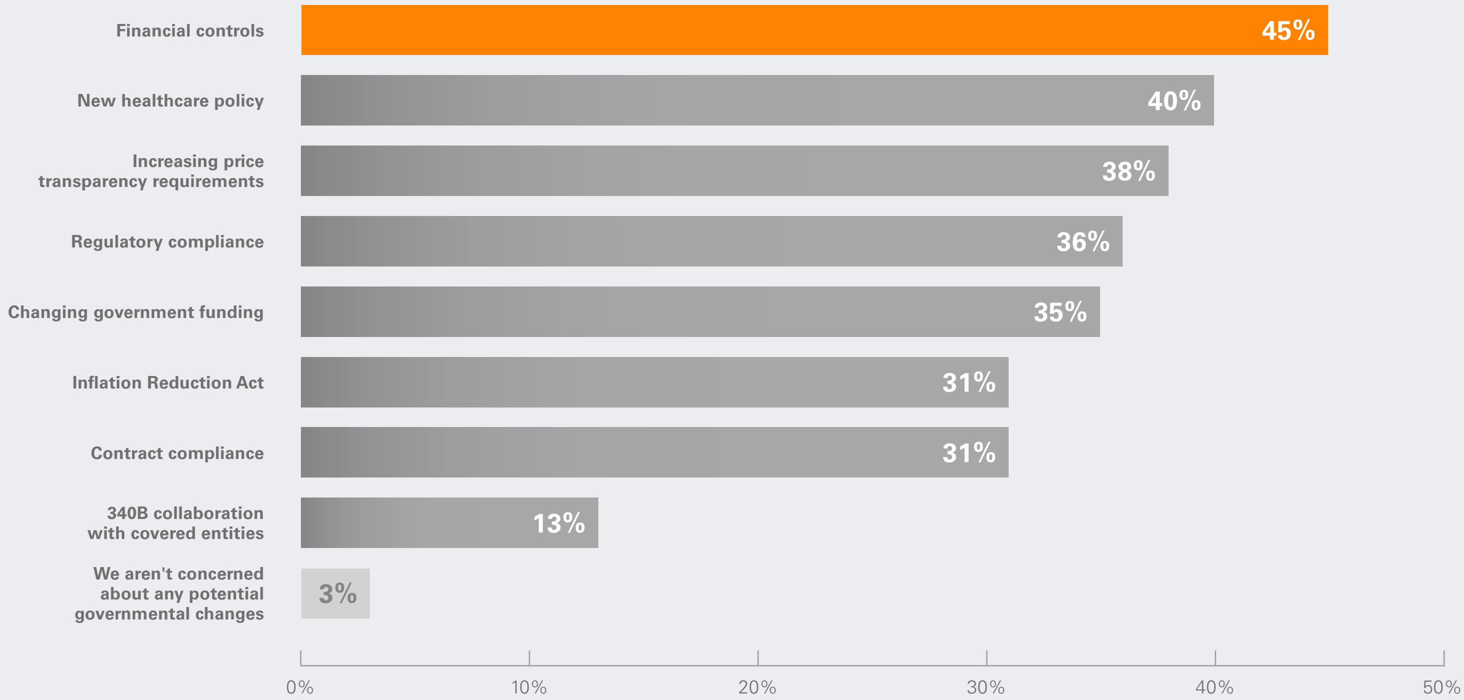
More than a third of executives (38%) believe that increasing requirements for price transparency will impact their revenue management program. Already more than 20 states have enacted mandates for reporting drug prices, and others have discussed or proposed legislation. Along with the risk of fines and penalties for non-compliance, these mandates have generated another cause for concern. Most pharma executives (90%) are worried that the data collected by the states through price transparency reporting could impact their companies' revenue management programs. Automated tools and business process outsourcing services can help manufacturers operationalize these mandates, thus lessening the manual burden on revenue management teams.

90%

of executives are concerned that data collected through state price transparency mandates could affect their revenue management programs.

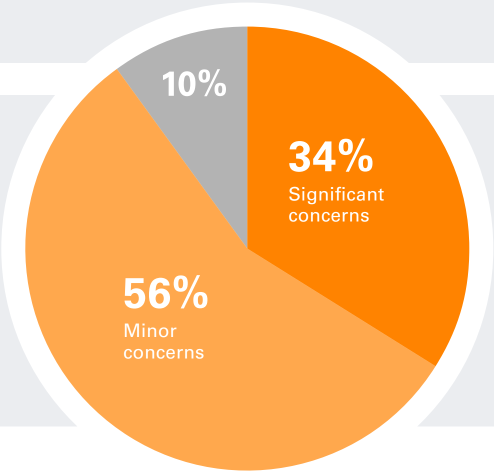
A SPECIAL REPORT ON PHARMACEUTICAL COMPANIES: MANAGING COMPLIANCE IN THE WAKE OF STAFFING CONCERNS

What governmental changes is your company currently concerned about and preparing for as part of your revenue management program? *Choose all that apply.*



Do you have concerns that data collected through state pricing transparency mandates could impact your revenue management program?

- Yes, significant concerns
- Yes, minor concerns
- No concerns



Model N

Revenue experiences present opportunities for improvement

A SPECIAL REPORT ON **MEDTECH** COMPANIES

Three-quarters of medtech executives agree that their industry loses billions of dollars due to revenue issues. Obviously, there are opportunities for improving processes, but where should leaders look to optimize revenue?

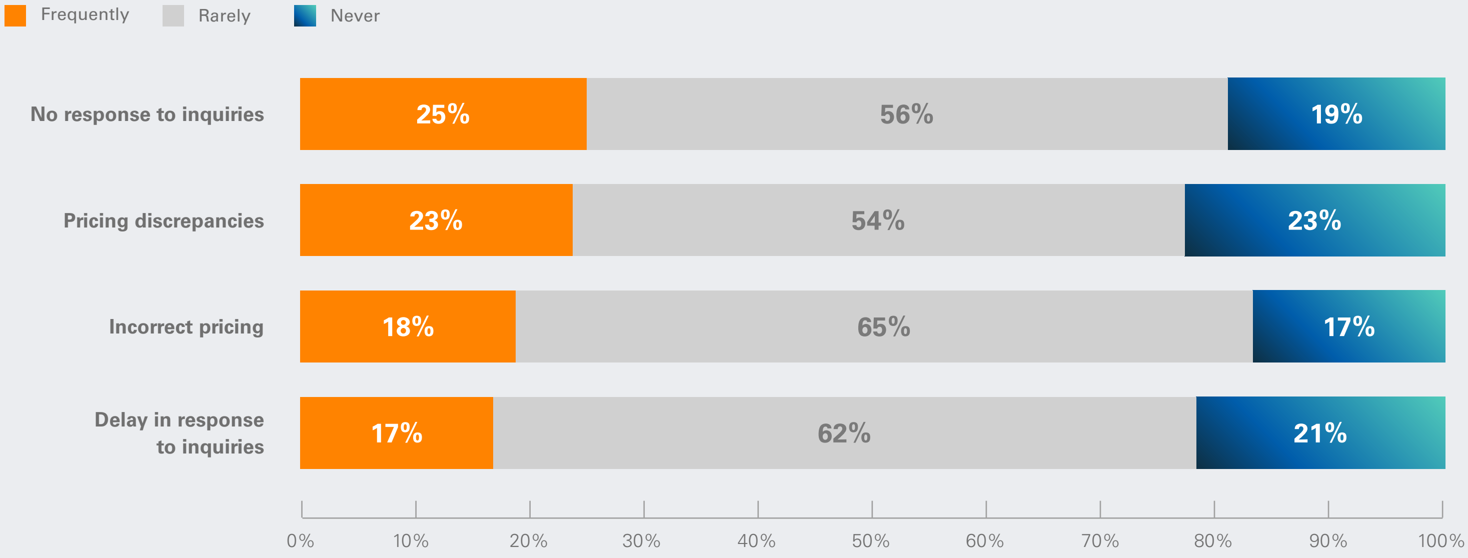
The research shows that customers are being exposed to a range of potential issues that could prevent medtech companies from optimizing their revenue. Ideally, an executive could answer "never" when asked if customers experience issues with pricing or timely responses. Sadly, that is rarely the case. While less than a quarter of executives state these issues occur "frequently," problems still happen more times than they should. Executives report that their customers face pricing discrepancies (77%), delays in response (79%), a complete lack of response (81%), or even incorrect pricing (83%) at least some of the time.

73%

Most (73%) executives agree the medtech industry is losing billions due to revenue issues, such as pricing and quoting issues.

A SPECIAL REPORT ON MEDTECH COMPANIES: REVENUE EXPERIENCES PRESENT OPPORTUNITIES FOR IMPROVEMENT

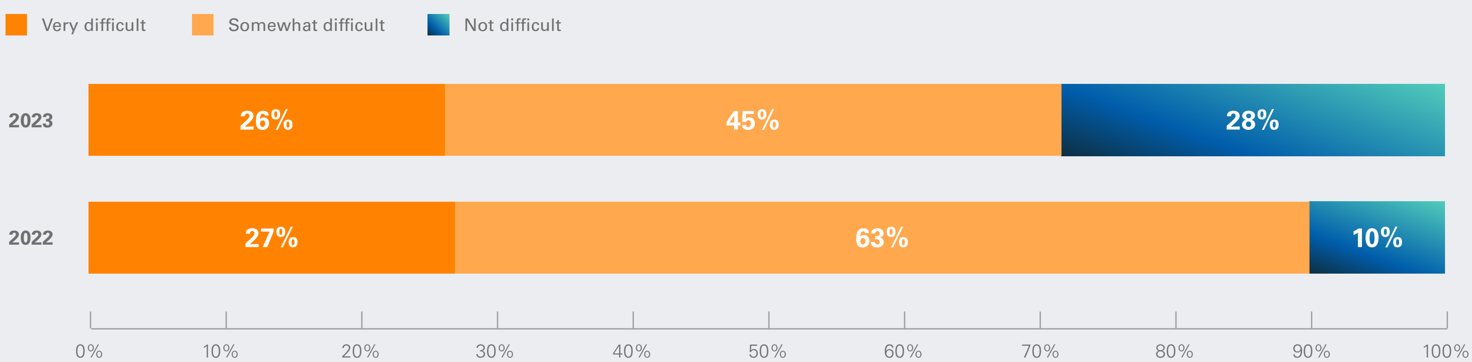
How frequently do your customers experience each of the following?



Financing and subscription models are difficult

The switch from upfront revenue to recurring revenue can be a difficult transition, as it touches on a wide range of revenue management activities. Medtech companies are still figuring out how to do this effectively, but there is good news. The overall number of companies struggling with financing and subscription models offered to customers for capital equipment or software has dropped notably, from 90% in 2022 to 72% in 2023. While there is still significant room to do better, the industry is headed in the right direction.

How difficult does your company find it to manage financing or subscription models offered to customers for capital equipment or software?



Closing thoughts

This year's survey uncovered that revenue management continues to be a challenge for 99% of life sciences and high-tech executives. This business-critical function remains highly susceptible to changes in the business and market landscape and the ongoing pressure from supply chain issues, shortages in experienced staffing, evolving regulatory requirements, and constricted manufacturing capacity.

Furthermore, three-quarters of executives believe their industry could do a better job with revenue management. Perhaps one reason for this is that more than half of executives don't fully trust the data that their companies are using for revenue management decision-making. Given the role data plays in pricing, rebating, compliance, and channel relationships, investing in the right technology solutions could address urgent operational needs and help deliver better customer experiences.

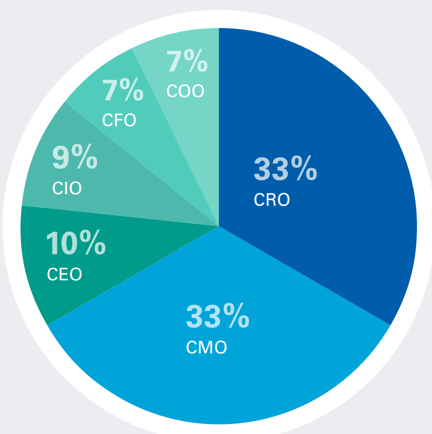
But the results weren't all bad. More companies have reduced their reliance on spreadsheets for revenue management tasks. Four out of five executives believe their companies' data and analytics capabilities are helping to drive a competitive advantage. And by expanding the C-suite to include new roles and areas of focus, 94% of companies are seeing positive impacts on their ability to manage revenues.

Overwhelmingly, life sciences and high-tech executives are interested in improving the data and analytics capabilities within their revenue management programs. Plus, two-thirds plan to focus on improving their existing operational strategies and tactics, so they can achieve more stability in the wake of the uncertainty and change facing global markets today. But executives realize they need partners that offer the combination of deep industry expertise and innovative technology solutions, so they can effectively apply best practices to optimize revenue, mitigate risk of non-compliance, and grow market share.

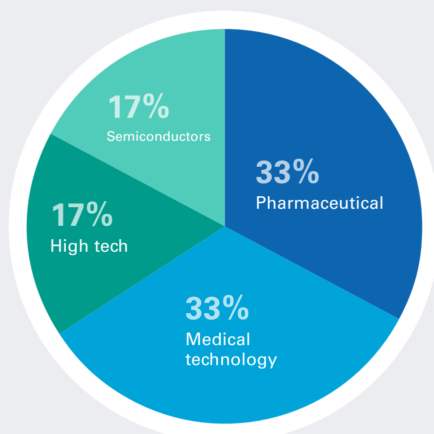
Survey methodology and participant demographics

Dimensional Research conducted an online survey with independent sources of top executives working in select industry verticals. A total of 306 qualified executives from the U.S. completed the survey. All participants had direct responsibility for revenue management in a C-suite or similar top executive role at a company with more than $250 million in annual revenue. A variety of questions were asked on a range of topics, including current approach to revenue management, opportunities to improve it, and the role of technology. To enable trend analysis, certain questions were repeated from studies conducted with a similar audience in 2020, 2021, and 2022.

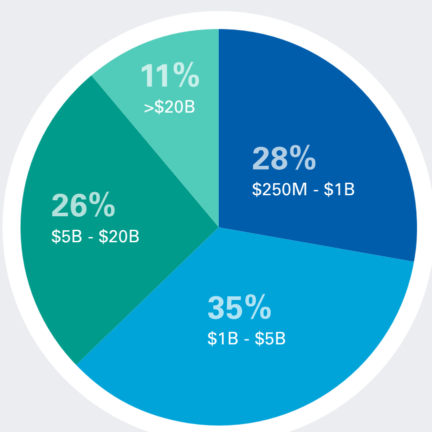
Role



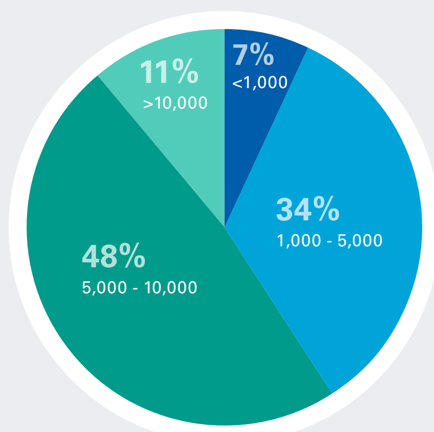
Industry



Annual revenue



Number of employees



About Model N

Model N is the leader in revenue optimization and compliance for life sciences and high-tech innovators. Our intelligent platform is purpose-built with technology, data and analytics, and expert services to deliver deep insight and control over the complexities of commercial operations and compliance. At each step of the journey, Model N equips customers to nimbly respond to regulatory changes, streamline operations, scale strategically, and mitigate risk as they change the world with their revolutionary products. Model N powers the world's leading pharmaceutical, medical technology, semiconductor, and high-tech companies, including Johnson & Johnson, AstraZeneca, Stryker, Seagate Technology, Broadcom, and Microchip Technology.

About Dimensional Research

Dimensional Research® provides practical market research for innovative companies. We partner with our clients to deliver actionable information that reduces risks, increases customer satisfaction, and grows the business. Our researchers are experts in the applications, devices, and infrastructure used by modern businesses and their customers.

Model N