2024 STATE OF REVENUE

A SURVEY OF TOP INDUSTRY EXECUTIVES

Model N

6th Annual State of Revenue Report

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

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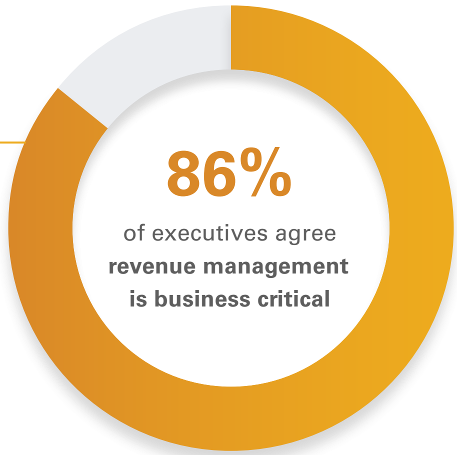
Introduction

For the life sciences and high-tech industries, successfully growing revenue and market share requires special emphasis on pricing, rebates, contracts, and other revenue optimization activities. Executives are turning to technology and leveraging data to streamline operations and extract valuable insights that can shape strategic plans and optimize revenue. However, market realities often collide with plans for innovation, making agility more imperative than ever.

The clear message of the 2024 State of Revenue Report: Despite associated challenges, revenue management is business critical – and leveraging data is the key to shifting from managing revenue to truly optimizing it.



For the last six years, Model N has set out to uncover how life sciences (including pharmaceutical and medical technology) and high-tech (including semiconductor, electronic component, and original equipment) manufacturing executives are embracing opportunities and overcoming challenges in modern revenue optimization and compliance. This year's report endeavors to answer three key questions:

1. **What is the state of data analytics within revenue management?**
2. **What global and industry trends are having the greatest impact on revenue management?**
3. **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 who are directly responsible for revenue management at large pharmaceutical, medical technology, high-tech, or semiconductor and electronic component manufacturers. Certain questions were repeated from similar studies in 2020, 2021, 2022, and 2023 to enable trend analysis.

Revenue management

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

SECTION 1

In revenue optimization, data is currency

96%

of companies use **external data sources** to drive revenue management decisions.

94%

of executives are **open to the idea of anonymously contributing data** for industry benchmarks.

1/3+

of executives listed **accuracy as their top concern** about internal data.

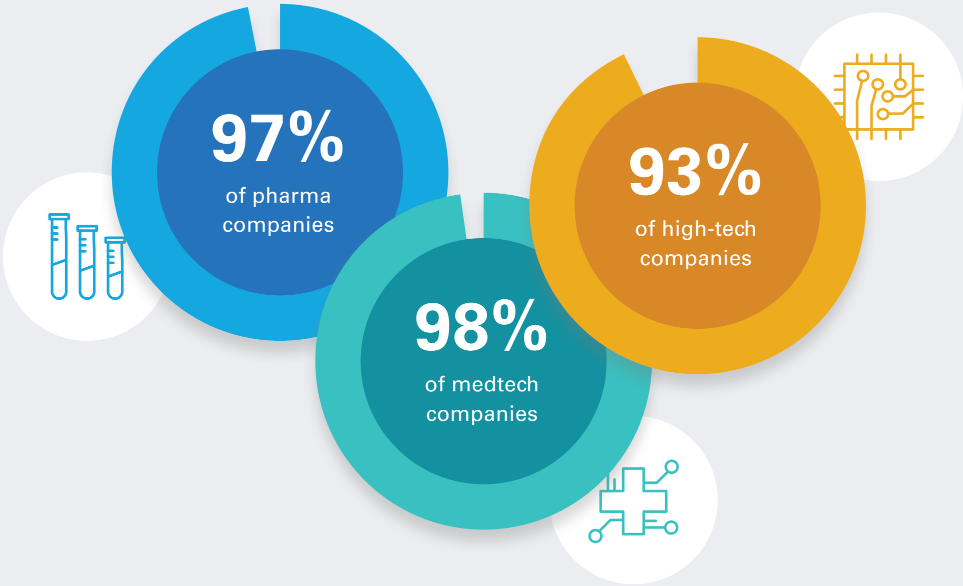
In revenue optimization, data is currency

Harnessing the power of external data is a priority

Companies that have a well-rounded data strategy know that by looking outside to competitors, peers, and the industry, they can gain business insights that will greatly impact business outcomes. **External data sources**, such as channel data, reports from industry organizations, analyst data, and commissioned market research, offer a wealth of information that feeds decision-making for 96% of companies.

Almost all (99%) executives view **benchmarking data** as an important source of revenue management insights. When asked if they purchase peer benchmarking data other than market share data, nearly two-thirds (64%) of executives said yes, and another 33% said they were considering it. These results are particularly meaningful, as they suggest these organizations are relying on other data sets – like pricing and incentives – that are highly relevant to revenue management functions.

External data sources drive revenue decisions for:



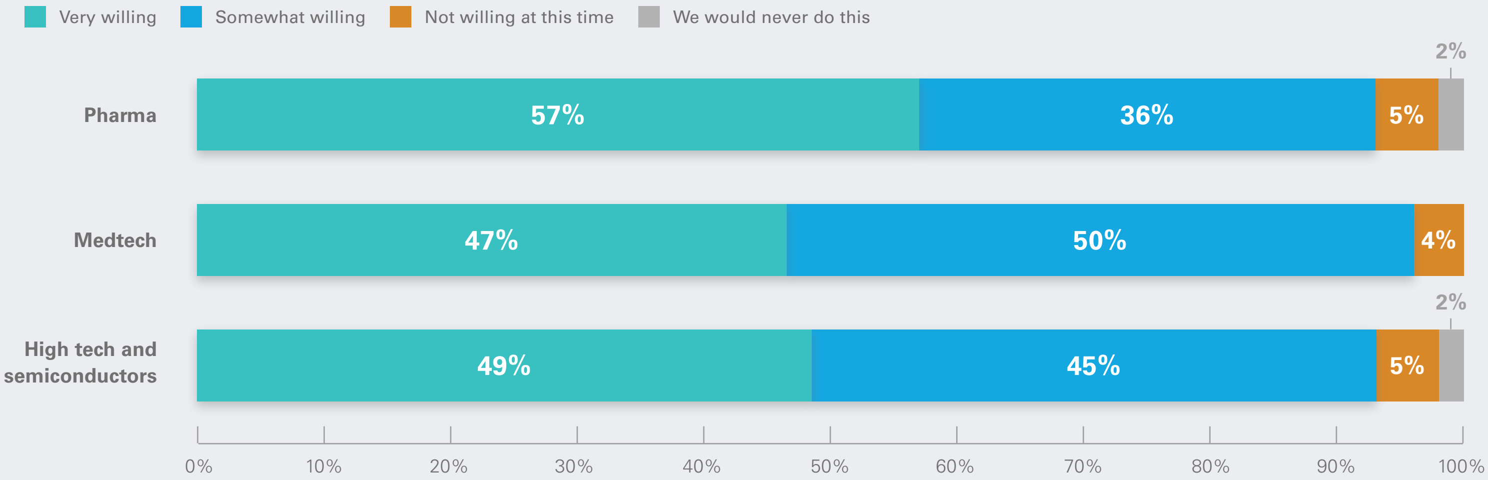
It's one thing to use benchmarking data but another to be **willing to share data** with others. Fortunately for the life sciences and high-tech industries, 94% of C-level executives are open to anonymously sharing data in exchange for receiving industry benchmarks.

And nearly everyone (99%) believes participating in this kind of data exchange would help them identify possible competitive advantages and opportunities for improvement.

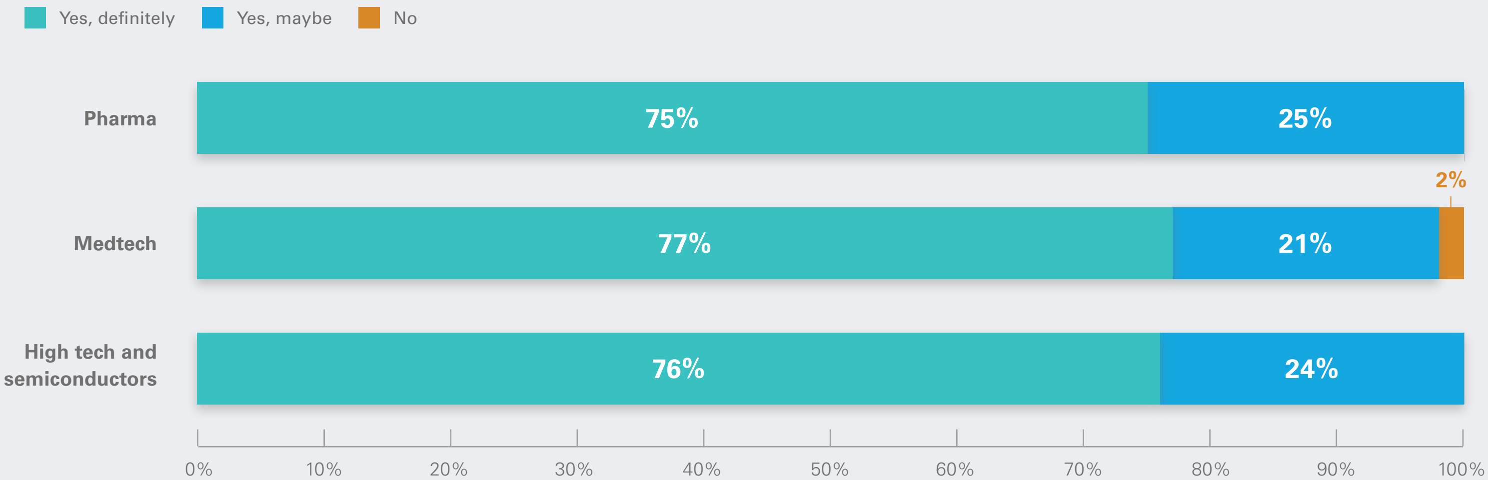
99%

of executives believe participating in industry benchmarking would provide valuable revenue management insights.

Willingness to share data in exchange for receiving industry benchmarks



Participating in industry benchmarking would yield valuable insight



Data-based decision-making gains traction but room for improvement remains

With such a high level of executive interest in external data, it's not surprising that 85% of companies use data to back up many or all their decisions. However, there's another side to the coin. Slightly more than 4 in 10 executives consider their organizations to be very data driven. These results could indicate that executives don't feel confident in the data they have access to or that they lack the analytics capabilities that would enable them to extract meaningful and actionable insights from their data.

Only
44%
of executives classify their organization as very data driven.

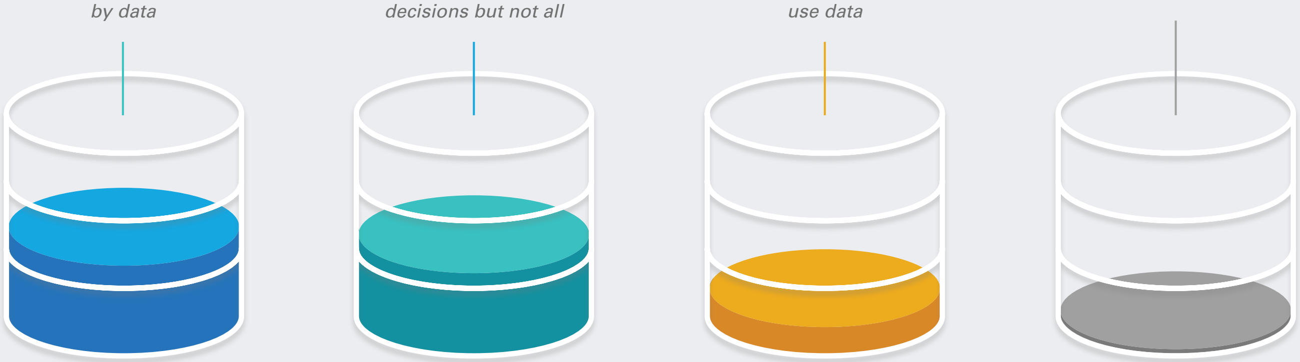
Level of reliance on data for decision-making

44%
Very data driven
All decisions backed by data

41%
Somewhat data driven
We use data for many decisions but not all

14%
Less data driven
We occasionally use data

2%
Not data driven
We rarely use data



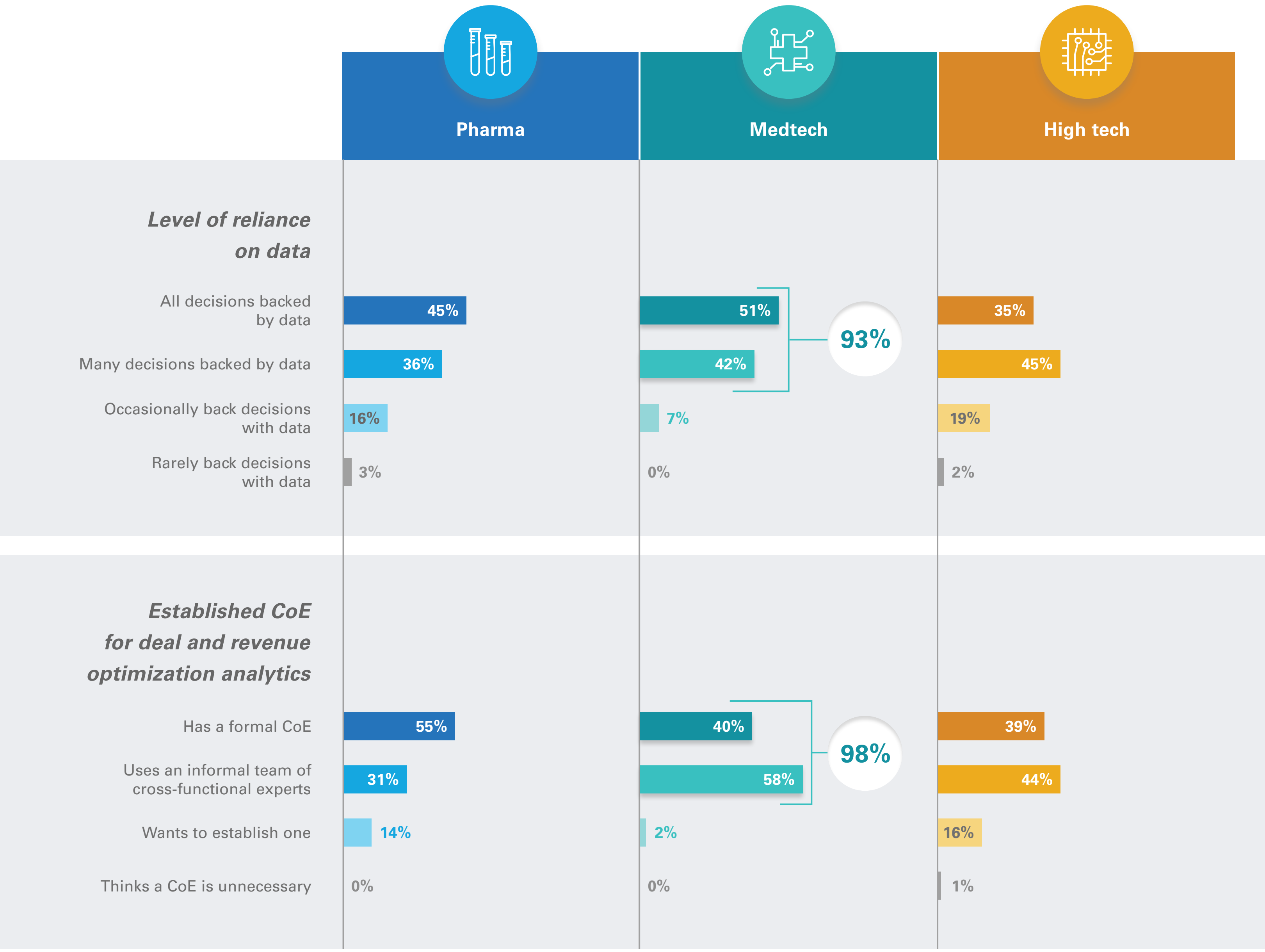
Internal data concerns abound

Most (97%) executives have some level of concern surrounding their internal data. While privacy is the top concern at 40%, fears about data accuracy (37%) and data completeness (15%) may contribute to executives' hesitancy to use data to drive all their decisions. This point is further echoed by executives' lack of trust in revenue management-related data.

The medtech industry is the most data driven, with 93% of organizations using data to make many or all decisions. Perhaps, this is a direct result of the effort they've placed in establishing a center of excellence (CoE) for deal and revenue optimization analytics. Nearly all (98%) of the medtech companies surveyed have either an informal or formal CoE, while their pharma and high-tech counterparts lag slightly behind at 86% and 83%, respectively.

47%

of C-level executives don't fully trust the data their companies are using for revenue management decisions.



SECTION 2

Executives shift innovation focus to operational automation

#1

Process efficiency is the number-one focus of companies' innovation plans in 2024.

3/4

of executives believe their industry **could do a better job at revenue management.**

94%

of companies face **issues with staffing and expertise** in their revenue management programs.

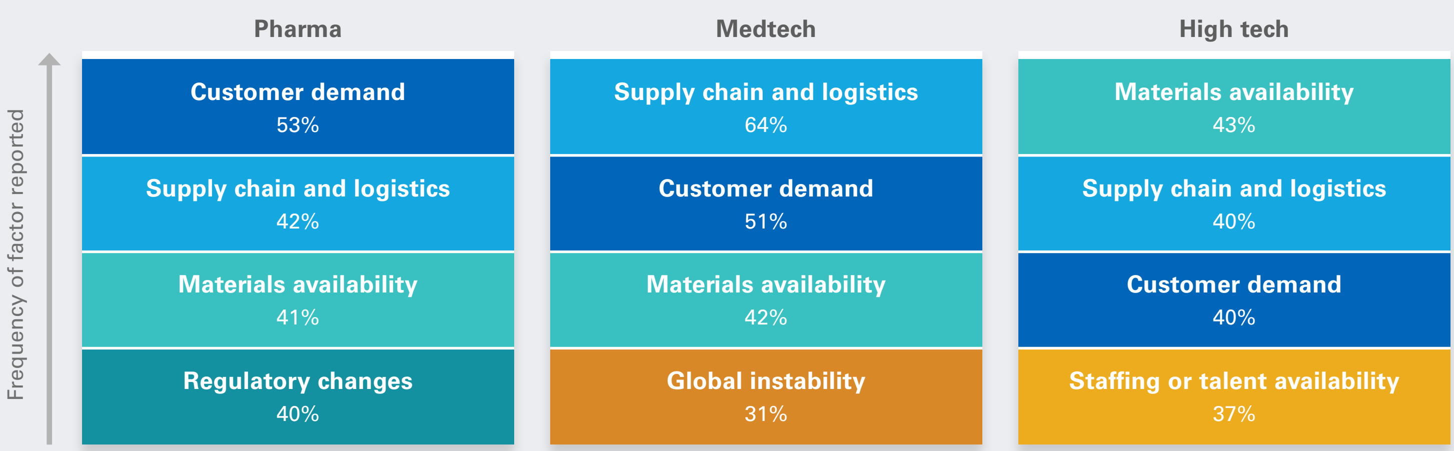
Executives shift innovation focus to operational automation

Customer demand joins supply chain challenges as key concerns

The last few years have seen ongoing **supply chain challenges** – from longer lead times and manufacturing constraints to shipping disruptions and rising transportation costs. In the 2023 State of Revenue Report, executives named supply chain and logistics as one of the top factors impacting innovation. That theme continues again this year, with supply chain appearing in the top two most frequently reported factors impacting innovation across all industries.

Changing and unpredictable customer demand could have positive or negative impacts on business. New buying habits, price sensitivity, and inventory volatility can affect revenues, market share, and growth. To stay relevant and address new customer needs, companies must take advantage of technological innovation and find ways to deliver more tailored and efficient solutions. It's not surprising that customer demand is top of mind for life sciences and high-tech executives. Nearly half (48%) of all executives expect customer demand to impact innovation plans in the coming year.

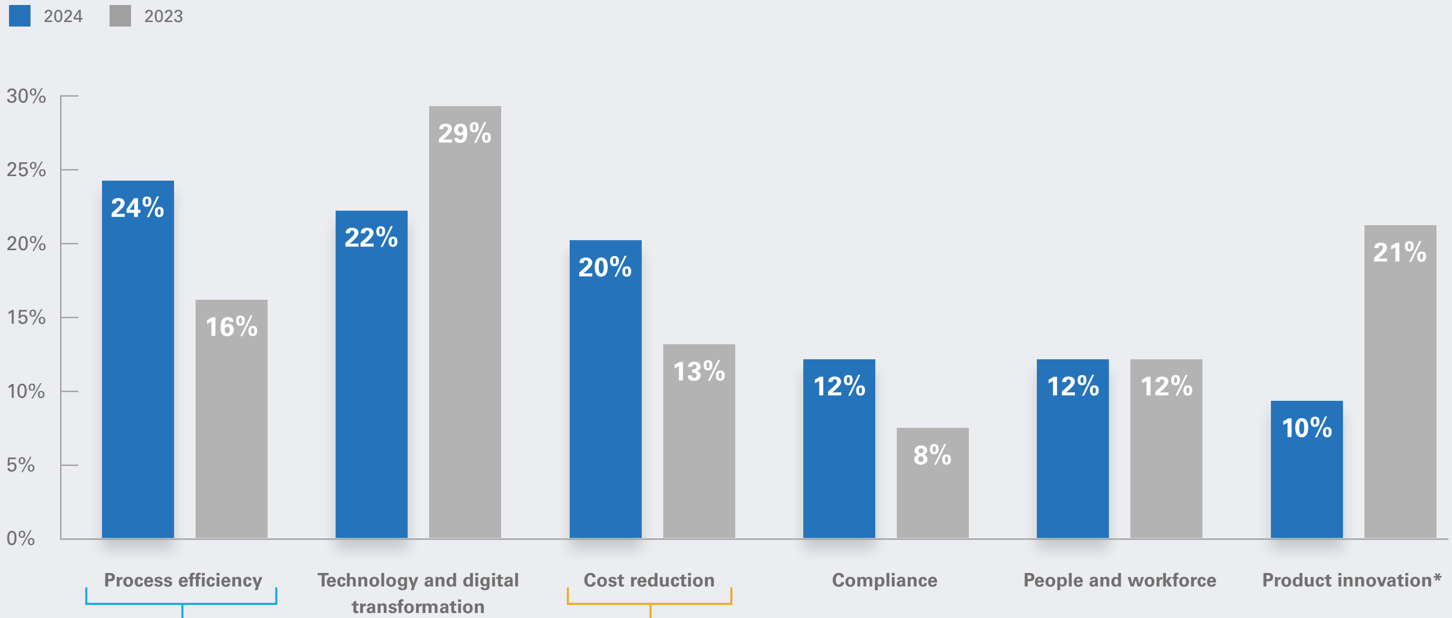
Market factors having the biggest impact on innovation by industry



Operational improvements outweigh product innovation

Domestic and global economic uncertainty is likely the reason many executives have turned their focus this year from product development and digital transformation to **process efficiency improvements and cost-saving measures.** Companies are using technology as a transformational mechanism to elevate their current processes to reduce costs, improve revenues, and enhance experiences for customers and employees.

Primary focus of innovation plans in 2024 versus 2023



Process efficiency is the primary focus of innovation plans for 28% of life sciences executives, whereas product innovation is the priority for only 9%.

Cost reduction is the primary focus of innovation plans for 28% of high-tech executives, whereas product innovation is the priority for only 11%.

*Category description was altered slightly between years: 2023 was labeled as product development, and 2024 was product innovation.

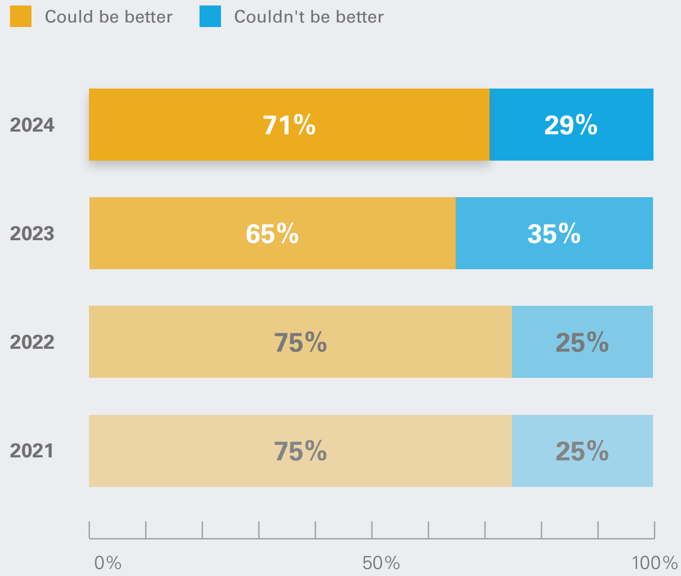
Lackluster progress made in improving revenue management processes

To gauge how the life sciences and high-tech industries are impacted by revenue management concerns, this survey has asked C-level executives **how they think their industry is doing with revenue management** for the last four years. After a brief bout of optimism in 2022, opinions have held steady for the last two years with 75% of executives believing there's room for improvement. On an industry level, life sciences executives are much more bullish about their industry's approach to revenue than their high-tech counterparts: 29% of life sciences executives say their industry is perfect versus only 17% of high-tech executives. However, this means there are still substantial efficiency gains to be made in revenue management processes across the board.

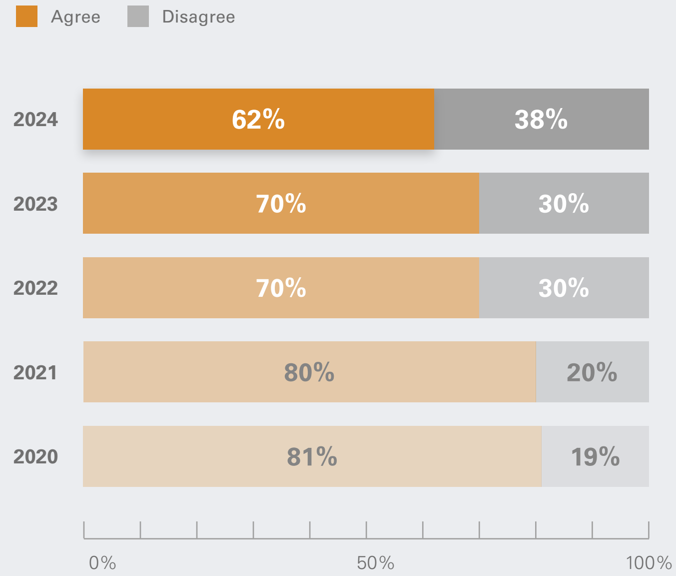
Interestingly, the executives from very data-driven organizations are more than twice as likely to say their industry is doing a perfect job with revenue management (74%) than those who believe the industry could improve (34%). Perhaps having seen the value and impact data and insights have had on their own revenue management processes has led to a rosier view of their industry's capabilities than their less data-driven counterparts.

Also of note is the decrease in the number of executives (62% compared to 81% in 2020) who agree that their industry is losing billions of dollars because of poor revenue management practices, such as ineffective or inaccurate pricing and quoting. After two years of holding steady, there was a marked improvement this year. However, nearly two-thirds of executives continue to believe their industry is losing significant income because of revenue management issues – a clear sign that something needs to change.

How executives think their industry is doing with revenue management



"Our overall industry loses billions of dollars because of revenue issues."



Staffing and expertise issues remain an ongoing concern

Likely because of the tight labor market in the U.S. – unemployment was just 3.7% in December 2023[1] – 94% of life sciences and high-tech executives are dealing with **staffing or expertise issues**, such as talent shortages, high attrition, and a limited availability of consultants and contractors. Nearly 1 in 10 are bracing for a more significant impact on their revenue management program than was expected this time last year.

88%

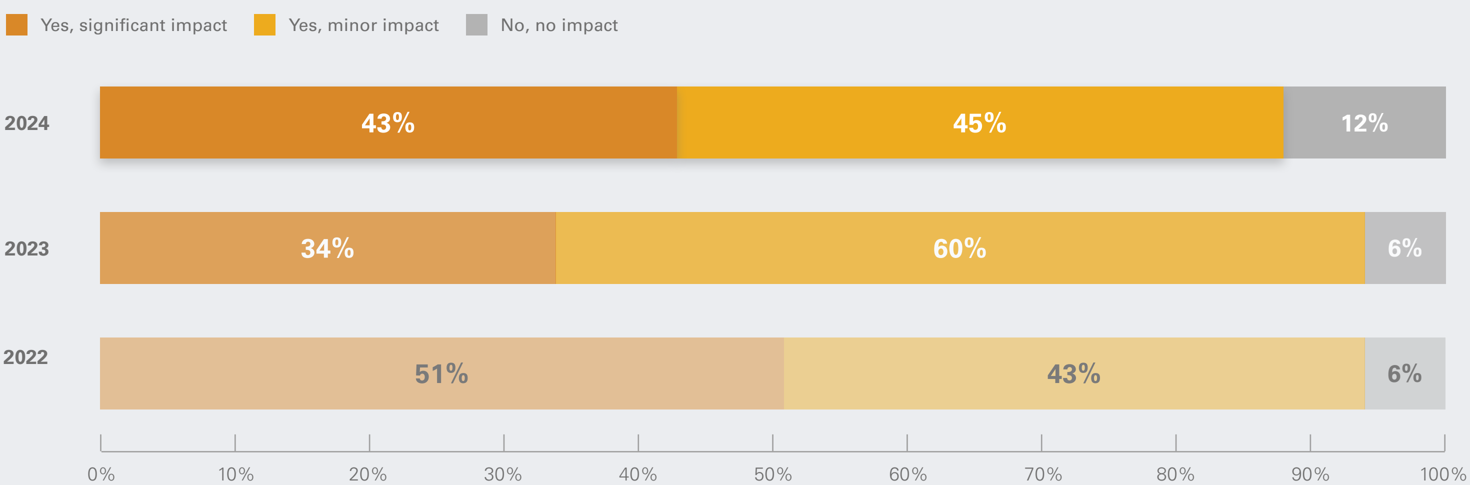
of executives expect staffing and expertise to have an impact on revenue management in 2024.

Unlike last year, the pharmaceutical manufacturing industry is faring worse than medtech and high tech. Only 2% of pharma executives report that they are not facing any issues with staffing or expertise – down from 8% in 2023 – whereas 8% of medtech and 9% of high-tech executives said they aren't having any issues. More than half of pharma companies are challenged by a shortage of qualified talent (56%) and the limited availability of consultants and contractors (53%).

The medtech industry is experiencing the most substantial shortage of talent and experts, with three out of four companies struggling to fill gaps with qualified team members.

In high tech, high attrition is a problem for 50% of companies, which is compounded by the limited availability of consultants and contractors (also 50%). This issue is expected to continue over the coming years, in part because the U.S. CHIPS and Science Act has generated fast-paced demand for jobs in the semiconductor space.

Expected impact of staffing and expertise issues on revenue management year over year

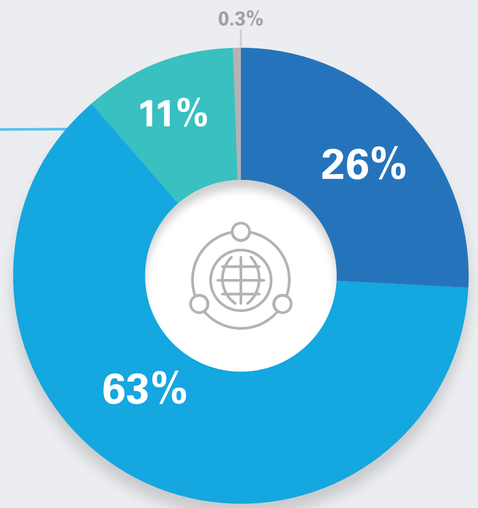


[1] U.S. Bureau of Labor Statistics. January 5, 2024.

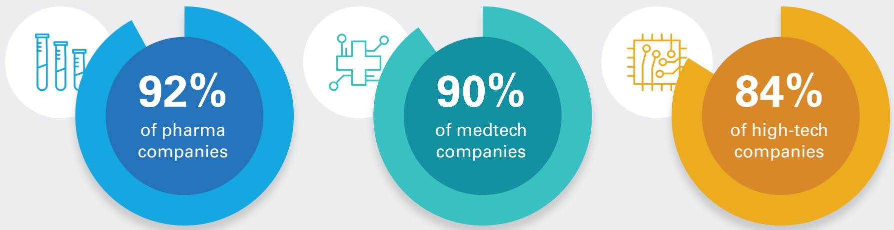
Nearly two-thirds of companies rely on **business process outsourcing** (BPO) to augment their revenue management teams. Another 26% view BPO as critical – the backbone to their revenue management staffing and expertise strategy.

Ninety-six percent of companies with revenues between $1 and $5 billion rely on BPO as a critical or important part of their revenue management program. Larger companies – those with more than $5 billion in revenue – are more likely to use BPO in a minor role (14%), whereas companies with $250 million to $1 billion in revenue are least likely to use BPO in a critical role (20%).

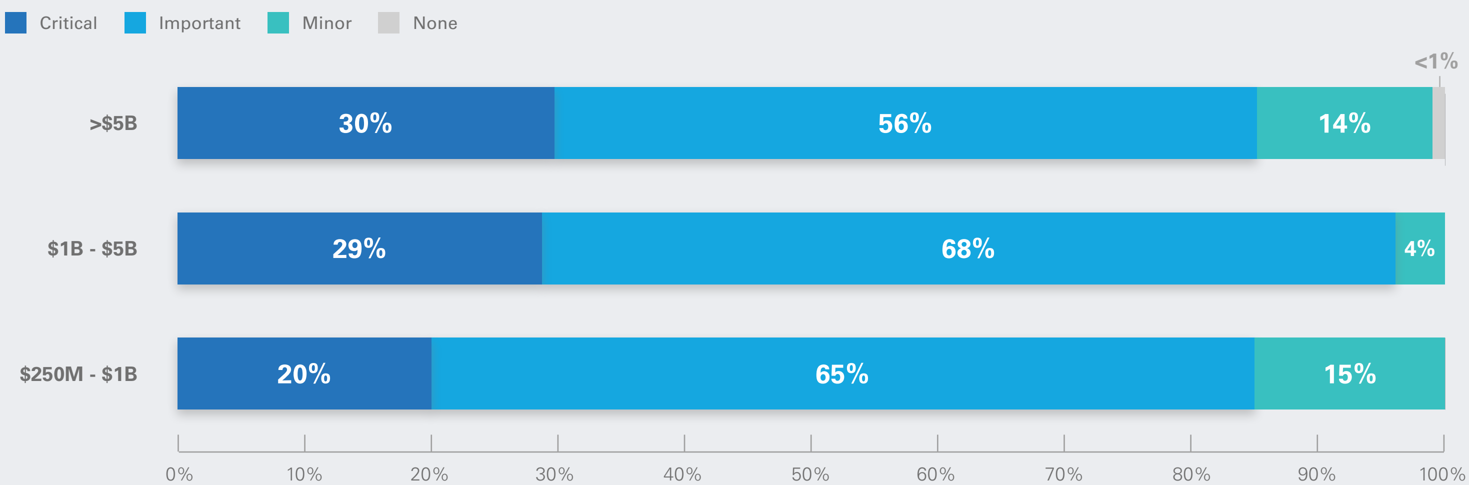
The role BPO plays in revenue management



BPO plays an important or critical role for:



Role of BPO by organizational size



SECTION 3

Technology is the key to successful revenue management

2/3

of organizations prefer to leverage **proven revenue management solutions** that they can modify to meet their specific business needs.

ONLY

8%

of companies use the same revenue management technology and applications **across global regions**.

99%

of executives use **spreadsheets** for revenue management tasks, and the frequency of use has increased by almost 10% since 2023.

Technology is the key to successful revenue management

Companies need cutting-edge revenue management technology

Companies invest in technology for a host of reasons, including to improve operational efficiency and elevate the customer experience. Six out of 10 executives state that the opportunity to increase revenue is a key driver for technology investments.

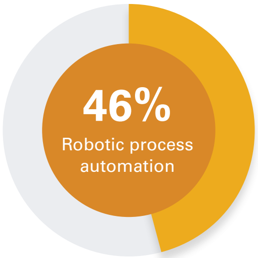
As they look toward the future, executives are planning to embrace a variety of cutting-edge technologies to support their need to do more with less within their revenue management processes:

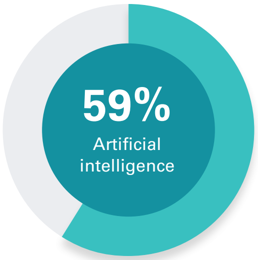
- **Automation** delivers speed and efficiency.
- **Artificial intelligence** (AI) empowers smarter, more informed decision-making.
- **Advanced analytics** enable executives to identify trends, so they can focus resources on areas that will deliver the greatest return.

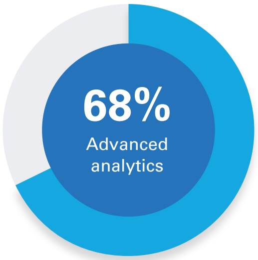
While more than half of companies plan to incorporate AI, it's somewhat surprising that this technology isn't at the top of this list given the attention it's received in the last year.

Robotic process automation (RPA) offers the lowest barrier to entry, but companies are placing a higher emphasis on advanced analytics and AI. Of the three industries, high tech is more likely to use RPA to support their revenue management processes than their counterparts in life sciences.

One such way companies can ensure their revenue optimization and compliance applications remain on the cutting edge is to purchase a proven industry solution. Nearly three-quarters of executives report that their organizations use either a mix of in-house solutions and external solutions that can be modified to meet business needs (66%) or an external solution that was created and optimized just for them (7%). The remaining 26% rely on in-house capabilities to develop homegrown solutions. This heavy reliance on homegrown solutions and a hybrid mix of technologies could be a contributing factor to the lack of confidence in internal data quality.







1 of 2

high-tech companies plan to use RPA

2 of 5

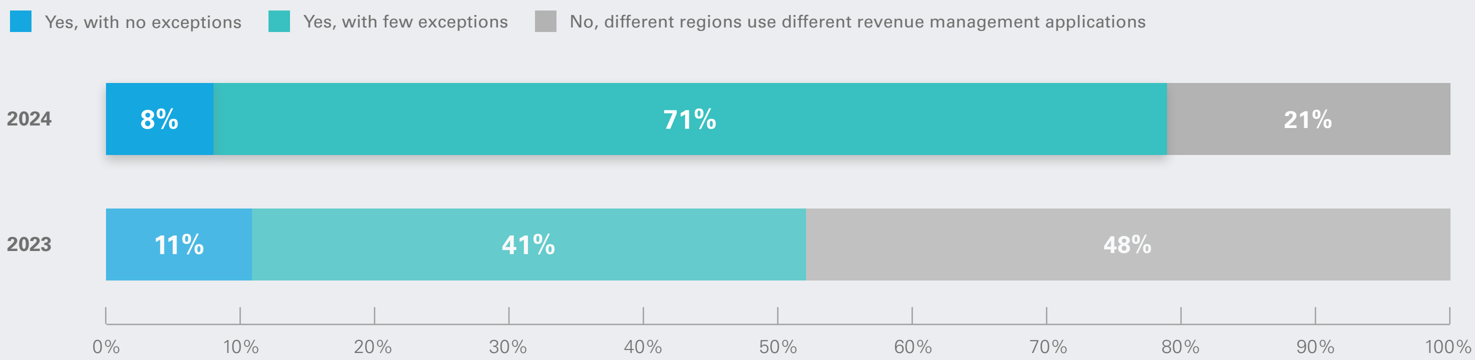
life sciences companies plan to use RPA

Revenue management applications become more consistent across regions

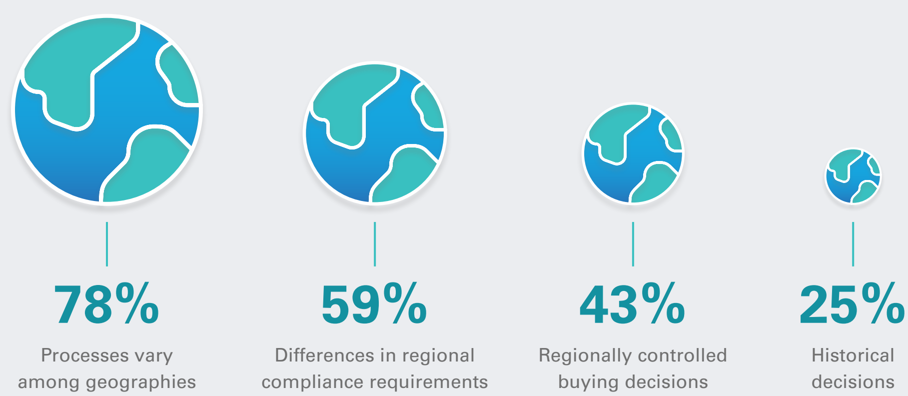
Of the companies responding to the survey that have global operations, less than 10% always use the same **applications and technology across all regions**. The most common approach – taken by nearly three-quarters of companies with operations in multiple countries – is to use the same solutions with some exceptions. This is a marked change from last year, when nearly 50% of respondents indicated that each of their regions relied on different revenue management solutions.

Why do companies use different applications? The most common explanation is that solutions cannot effectively handle different geographical process variations and compliance requirements. To a lesser extent, reasons for using certain technologies are related to how technology decisions are made. Regional ownership can drive different technology decisions for different areas, while historical decisions, such as acquisitions of organizations, can result in disparities. Regardless of the underlying reason, using diverse technology can hinder a company's ability to understand performance and trends on a global scale, and ultimately, devise and execute strategies to optimize revenue across the organization.

Companies' global regions use the same revenue management technology



Reasons for using different applications in different regions



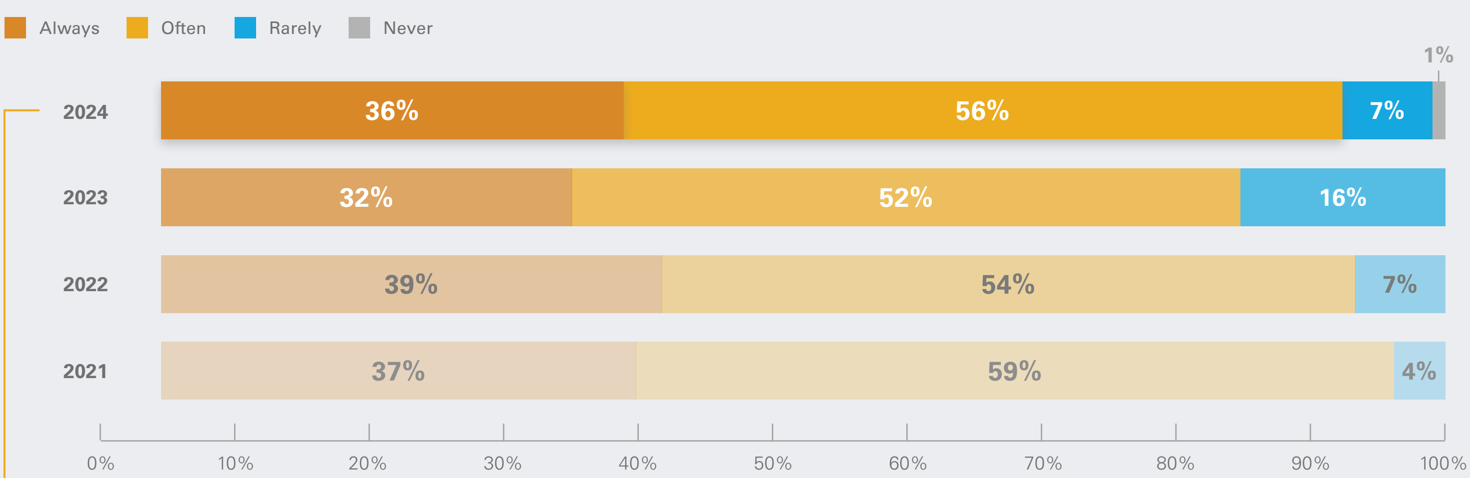
Spreadsheets clearly aren't going away

The use of **spreadsheets for revenue management** remains ubiquitous – with 99% of executives reporting their teams use them. For the last four years, the State of Revenue Report has queried executives on the frequency of spreadsheet use. In 2023, there was a significant uptick in the number of executives who reported spreadsheet use was "rare" in their organizations – moving from 7% in 2022 to 16% in 2023. Unfortunately, that gain disappeared in 2024, with only 8% indicating they rarely or never use spreadsheets.

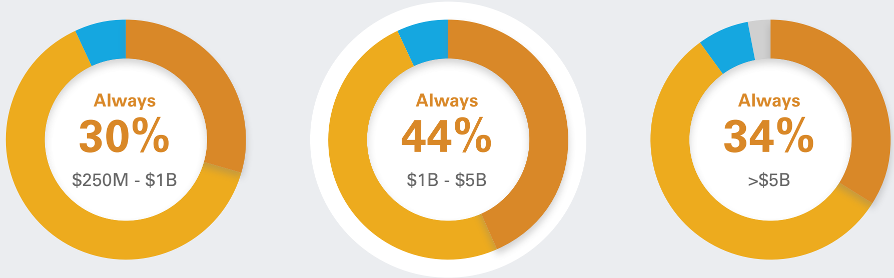
Interestingly, this year saw changes in the types of companies that always rely on spreadsheets. Last year, companies with $250 million to $1 billion in revenue were more likely to report extensive use of spreadsheets, with 58% saying their teams "always" use them. In 2024, 44% of mid-market companies (those with $1 billion to $5 billion in revenue) reported they always use them, compared with only 30% of their smaller counterparts.

Over the last year, pharma companies have displaced high-tech companies as the most likely to "always" use spreadsheets for revenue management (41%). High-tech companies have made significant gains, decreasing their "always" use from 52% to 36% year over year and reporting the highest percentage of "rarely" or "never" use at 11%.

How often organizations are using spreadsheets for revenue management



Reliance on spreadsheets in 2024 by company size:

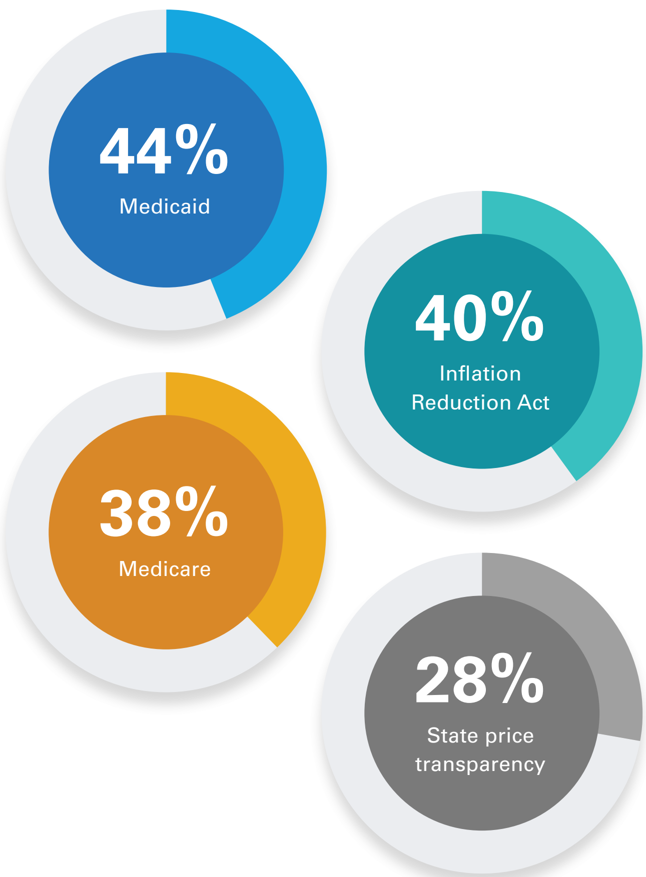


INSIGHTS FOR **PHARMA** EXECUTIVES

Technology is pivotal to ensuring compliance

The ever-changing compliance landscape is always a top concern for pharma executives. This year is no different – with all but 5% of pharma executives stating they're worried new or additional regulations will impact future revenues. As a result, 94% of executives are taking steps to prepare their revenue management programs for upcoming regulatory changes.

The governmental changes concerning pharma executives



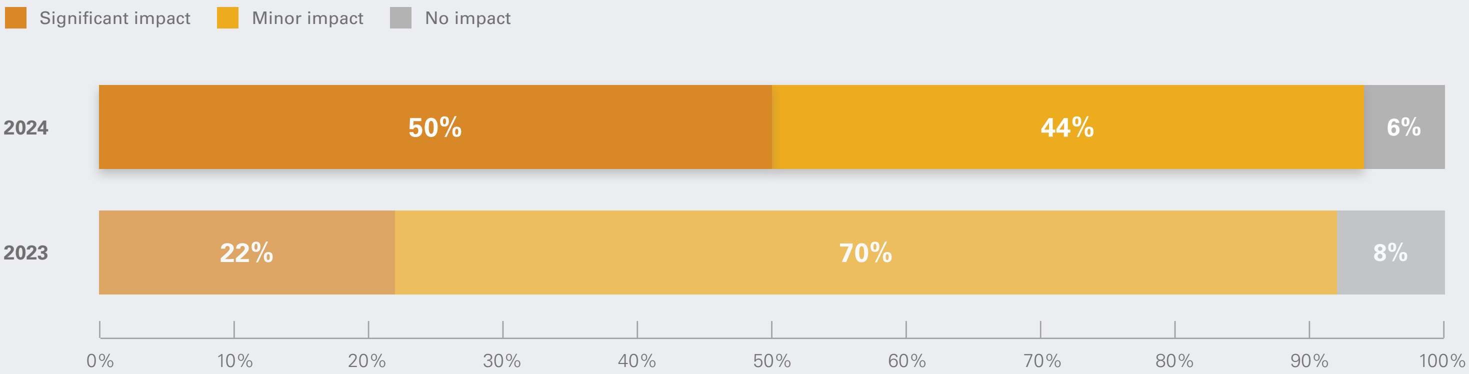
Now that negotiations between drug companies and Medicare under the **Inflation Reduction Act** (IRA) have begun, executives expect to see a greater impact on their revenue management programs than they did last year. Half of executives are bracing for a significant impact in 2024, compared with only 22% in 2023.

As more states propose and pass legislation for **drug price transparency**, pharma companies must figure out how to efficiently manage reporting requirements. Two-thirds of companies are turning to technology as a means of ensuring compliance, and 3 out of 5 are outsourcing some or all their state price transparency processes.

25%

of executives use both technology and dedicated headcount to address price transparency reporting requirements.

Expected impact of the IRA and the ability for Medicare to negotiate drug prices on revenue management programs

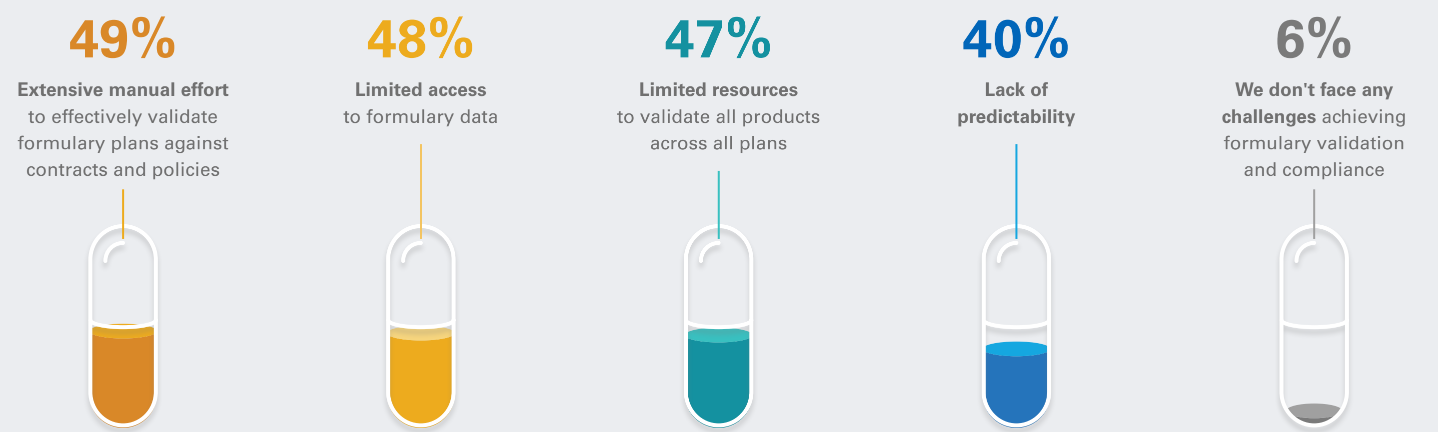


Approach used to address state price transparency reporting mandates

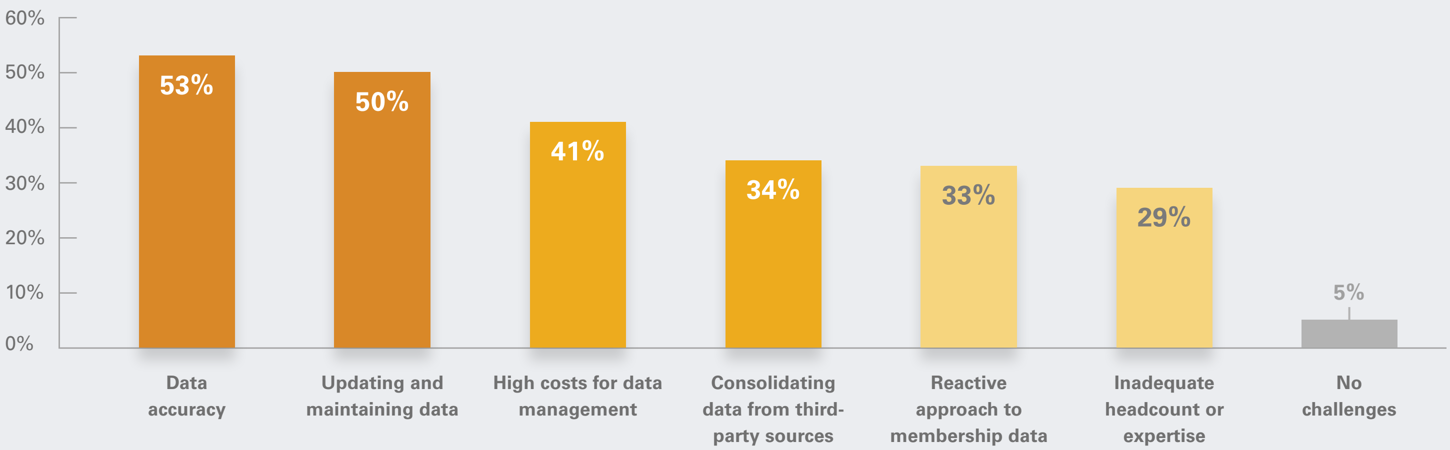
Because a product's formulary position correlates directly with rebate amounts, pharma manufacturers need to verify that payers are placing their products on the formulary outlined in the contract. However, as this year's report uncovered, this is easier said than done. Ninety-four percent of executives are challenged with **formulary validation**. Perhaps one of the key reasons for the issues is the heavy reliance (49%) on manual audits.

From revenue loss to customer service issues to government penalties, the consequences of poor customer and membership data are many. Yet, only half (52%) of pharma executives characterize their **membership management** process as highly effective – leaving ample room for improvement. Poor membership management can lead to duplicate customer records, incorrect contract pricing eligibility, rebate and chargeback overpayments, and government pricing miscalculations. This is particularly concerning as 95% of executives struggle to manage membership-related data.

Top challenges to validating formularies and achieving compliance



Challenges with managing customer and membership data

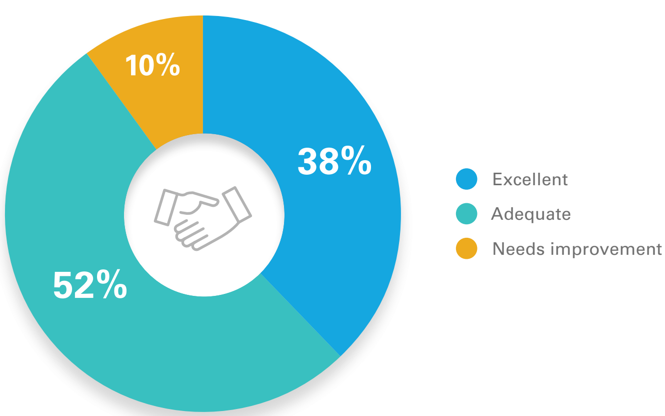


INSIGHTS FOR **MEDTECH** EXECUTIVES

Collaboration between sales and ops is a sore spot for medtech

When medtech field sales and operations teams collaborate effectively, companies can execute deals more efficiently and consistently. And that leads to greater revenue and stronger customer relationships. This year's survey set out to identify how executives feel about the level of collaboration between these vital front- and back-office teams. Unfortunately, the picture isn't rosy. Only 2 in 5 executives consider sales and operations teams to have excellent collaboration, leaving plenty of opportunity to improve communication, respect, and cooperation between the teams.

Describe the level of collaboration between field sales and sales operations teams



As the medtech industry embraces **financing and subscription models** for capital equipment and software, companies must figure out how to effectively switch from upfront revenue to recurring revenue. For the last three years, the State of Revenue Report has asked medtech executives if these new models are difficult to manage. This year saw a sizable drop in the level of difficulty reported; however, there was also a sizable increase in the number of companies that are not offering financing or subscription models.

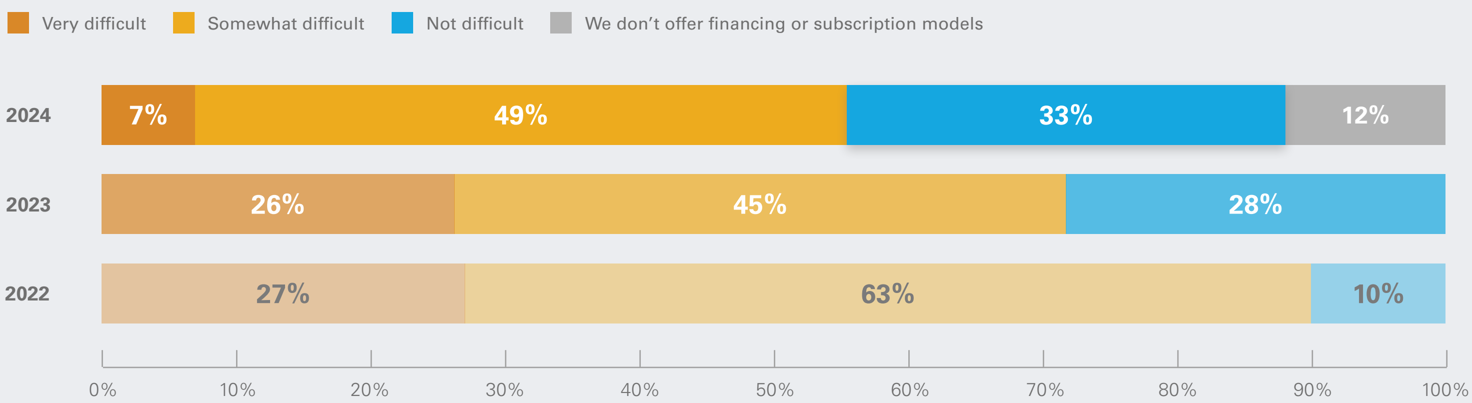
Effectively managing **membership data** is critical to mitigating risk and optimizing provider contract revenue. Only 55% of medtech executives characterize their membership management process as highly effective – leaving ample room for improvement. In fact, 92% of executives struggle to manage membership-related data, which can lead to duplicate customer records or worse, incorrect pricing and rebate payments.

Only

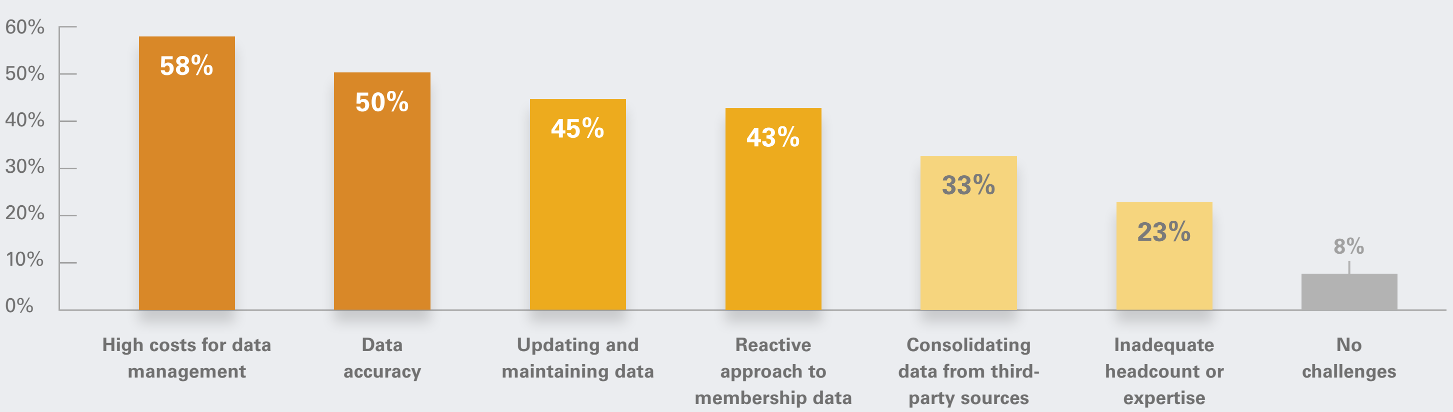
55%

of medtech executives characterize their membership management process as highly effective.

Difficulty of managing financing or subscription models



Challenges with managing customer and membership data



INSIGHTS FOR **HIGH-TECH** EXECUTIVES

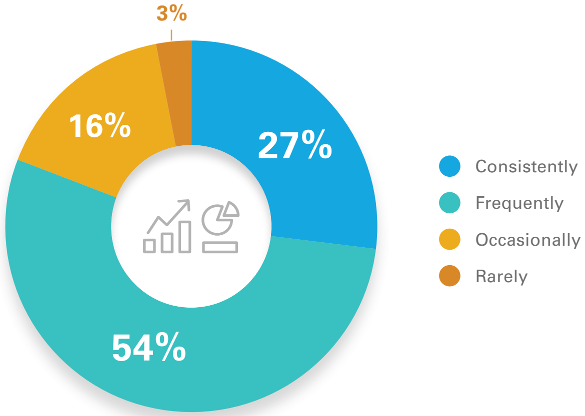
Capturing price intelligence through channel data remains an untapped opportunity

The 2023 State of Revenue Report uncovered that channel data benefits other departments besides the channel team. But this year's report discovered that despite the perceived value of channel sales data, only 27% of high-tech companies consistently use this data to inform their price management and optimization decisions.

The 54% of companies that use channel data for pricing frequently but not consistently likely haven't realized that channel data can give them a more complete picture of the market, which enables faster and more strategic sales pivots in response to changing conditions in the channel.

Based on survey responses, it's clear that high-tech manufacturing companies have not fully seized the opportunity to track pricing via channel data. Too often companies lack in-house capabilities for channel data, and thus, cannot access a complete picture of sales and price points by market, region, and channel. Without visibility into end customers' willingness to pay – which channel data provides – pricing teams cannot reach the pinnacle of pricing excellence: value selling.

Frequency that channel sales data is used to inform price management

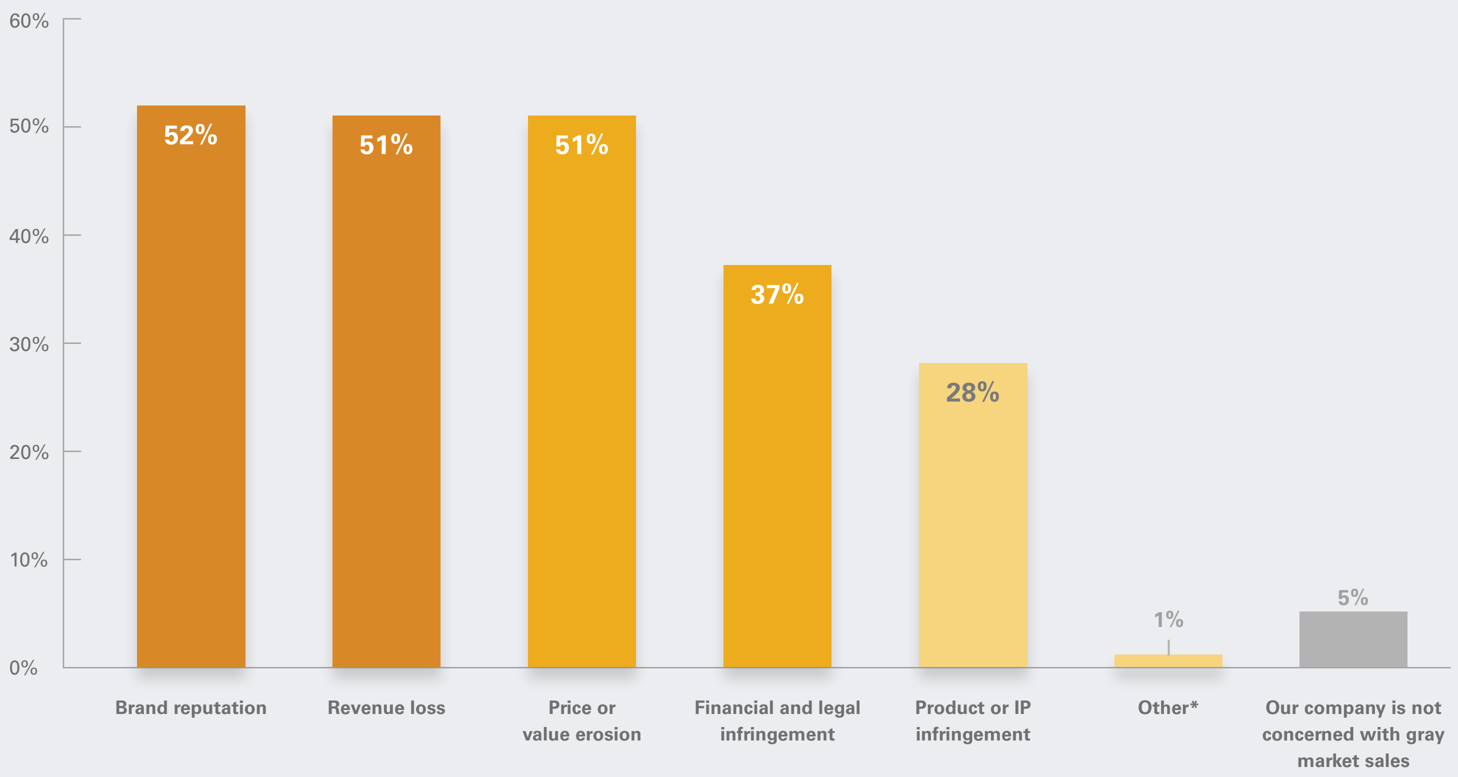


According to the Alliance for Gray Market and Counterfeit Abatement, a nonprofit focused on protecting high-tech intellectual property, billions of dollars of high-tech revenues go through **gray market channels** every year. These gray market sellers are undermining authorized distribution networks, which in turn, creates significant channel conflict between manufacturers and their valuable distribution partners.

Unless manufacturers can keep the gray market problem in check, they could lose these partnerships; face issues with price erosion and reduced sales; and jeopardize their brand reputations. And this year's State of Revenue Report confirms that the gray market is worrisome for most high-tech executives: Only 5% state they are not concerned with gray market activity.

Only
5%
of high-tech executives are not concerned with gray market activity.

Main concerns related to the gray market



*Other: Enforcing patents, trademarks, and copyrights around the world

Closing thoughts

This year's research uncovered that life sciences and high-tech manufacturing executives have placed a renewed importance on **data and revenue management as critical business enablers.** The number of executives who agree that revenue management is business critical increased by 10%, from 76% in 2023 to 86% in 2024.

+10%

However, the function of revenue management remains highly susceptible to changes in the business and market landscape and the ongoing pressure from supply chain issues, unpredictable customer demand, and evolving regulatory requirements. Perhaps that's why many companies are turning their innovation efforts inward, with 44% planning to invest in **process efficiency and cost reduction** while only 10% are focused on product innovation.

44%

Executives know that insights are power. They're turning to **external data sources**, and 94% are open to sharing anonymized data in exchange for highly coveted industry benchmarks. But only one in four executives consider their organizations to be very data driven, indicating significant advances must be made. The market is ripe for data-driven insights, automation, and AI-driven intelligence.

94%

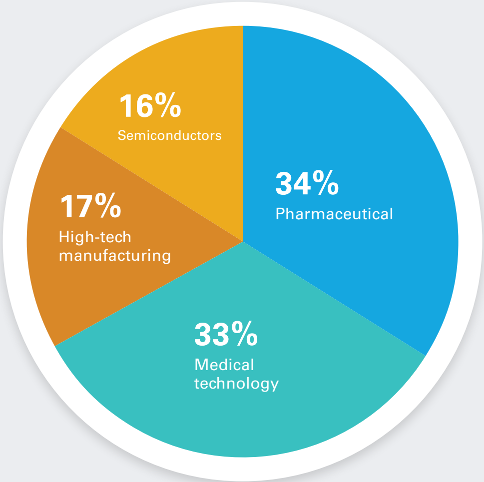
That's where technology holds the biggest promise. More than two-thirds (68%) of companies are using or planning to use **advanced analytics** to enable revenue optimization and compliance teams. Given the pivotal role data and analytics plays in commercial processes, such as pricing, rebating, compliance, and channel programs, investing in innovative technology solutions – that are purpose built for the life sciences and high-tech industries and are coupled with expert services and proven processes – could address urgent operational needs and drive revenue optimization.

68%

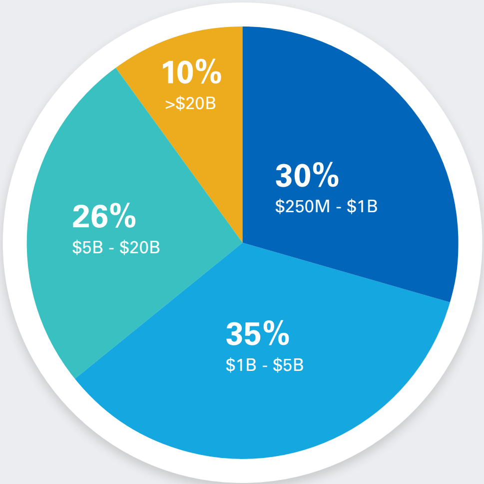
Survey methodology and participant demographics

Dimensional Research conducted an online survey with independent sources of top executives working in select industry verticals. A total of 304 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 was 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, 2022, and 2023.

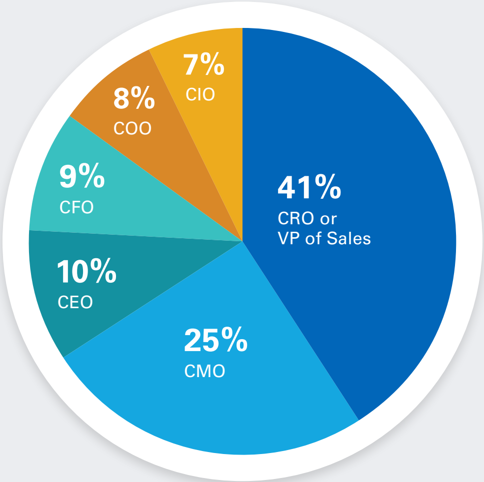
Industry



Company size



Role



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 AstraZeneca, Stryker, Seagate Technology, Broadcom, and Microchip Technology.

About Dimensional Research

Dimensional Research® provides practical market research for technology 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.

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