PRICING INTELLIGENCE
Introduction

An intelligent pricing model takes into account more than market intuitions. It considers the degree of demand, supply and product/service scope down-to-the-T as parameters before determining the price. Therefore, it’s imperative for enterprises, regardless of their scale to adopt a holistic intelligent pricing solution that customarily aligns itself to the company and the market dynamics it faces. An ideal pricing model turns to analytics to make a decisive choice by considering a host of factors such as reference prices, cost prices, sales prices, forecasts, expected demand, market intel and wholesale acquisition costs to arrive at a set of actionable insights. While arriving at these insights is one side of a coin, determining what insights to go with is another. This paper talks about how the both work in detail.

Is the price right for your product?

Yes, you have a dynamic sales team which determines the pricing decisions for you based on their intuition; nevertheless, are they well equipped with superior visibility of the competition, munitions to handle pricing exceptions and a streamlined pricing process? A manager needs to have a firm grip on the local market dynamics while deciding the product price strategy. An informal pricing strategy can spell doom for an organization not just through exposure to regulatory compliance hazards, but via government liabilities too.

If we look at the health sector, we’ll notice without much ado that the negotiating power of health maintenance organizations, hospitals, and clinics is far higher as compared to retail pharmacies, this is because they enjoy a better hold over the prescription practices of doctors. The discount generally offered on a drug depends on its market performance along with the ability of the purchasing organization to swing market share by favoring a particular brand.

An integrated analysis of all the above factors goes miles together in maximizing the margins as well as checking revenue erosion throughout the distribution chain. A comprehensive pricing intelligence system has built-in demand forecasting, management and negotiation processes; advanced data models and guidelines to keep you on track along with smart market insights and the required management control over for your customers in multiple markets.
We start on the journey of attaining pricing process maturity as we gain a firm understanding and control on the following:

- Realized Price – Volume
- Customer Profit – Volume
- Customer Profit – Price
- Realized Price – Sales Person

This is undertaken by standardizing the pricing decision efforts, centralization of pricing process and leveraging business control.

As we reach mid-maturity levels (Level 3-4), our objectives circle around managing the value delivered so that customers acknowledge a great extent of it and pay accordingly. This is enabled by pricing systems which arm you with valuable insights into the market trends and channels.

This is further followed by optimization of the tools, integrating databases, pricing policy enforcement and finally achieving excellence in execution through a well-oiled pricing organization structure.

**World Class Pricing - Process Maturity**

- **Level 1**
  - Base line process Ineffective
  - 30% of companies

- **Level 2**
  - Internal process in place
  - 40% of companies

- **Level 3**
  - Value process in place
  - 20% of companies

- **Level 4**
  - Optimization Process in Place
  - <10% of companies

- **Level 5**
  - Excellence in execution
  - <1% of companies

**Manufacturing Pricing Excellence 2013 – Pricing Conference**
Analytics can help you take business decisions proactively and optimize your strategy accordingly. The internal availability of prices at each level of the entire distribution chain helps in analyzing the impact of the price change and formulate the response accordingly. The ability to simulate price points and quantities along with market trends helps further to forecast demand and shore up reserves accordingly. An indicative diagram below of the intricate flow of goods and financial transactions among channel partners in the U.S.

Profitable selling

"A price increase of 1% generates an 11% increase in operating profits" - McKinsey and Company

Happiest minds advantage

Happiest Minds provides you with the demonstrated capability of building a customized pricing Intelligence solution according to your existing pricing models, structure of distribution channel, available data on sales price, volumes, cost prices and referential market prices. The system can then be designed to simulate market conditions to arrive at a suitable price-volume plan for a customer. These strategies can be created either for a single drug or for multiple drugs in the portfolio to a customer as required.
The system will be powered by a superior analytics engine based on your intelligent pricing models which can be amended to accommodate your business processes and needs.

Snapshot of the Pricing Analysis methodology used in the system

Dashboard
Report/Charts at each step
Benefits

**Pricing Intelligence**

- Maximized drug lifetime value
- Reduced revenue erosion
- Pricing uniformity across org.
- Fact based pricing than on hunches
- Market price insights-Reference pricing
- Portfolio/Scenario Analysis
**Client**
Leading Indian Pharma major with USD $1.4 Billion annual revenue

**Client Situation**
Client faced the problem of significant revenue leakage amounting to 1-2% of total revenue owing to channel inefficiencies, outdated prices, incorrect charge backs and rebates. They were also losing out on their profits due to non-availability of an effective mechanism for revision and realignment of product prices.

**Happiest Minds Solution**
- Service delivered on a fast track mode on client request to plug the inefficiencies at the earliest
- A holistic intelligent price solution was established which comprised of integrated cost data, forecasts, expected demand, market intel, reference prices from external systems as MIDAS IMS and wholesale acquisition cost (WAC) to arrive at management actionable insights
- Set up robust analytics engine based on multiple pricing models as Transfer, Royalty & Margin sharing

**Software & Services**
- Development- Microsoft stack using Smart Client & .NET 4.0
- Presentation through WPF- Windows Presentation Framework
- Service Oriented Architecture, WCF (Secured Services)
- Infrastructure & Persistence components: Enterprise Library 5.0, ADO.NET library/Entity Framework/ LINQ

**Achievements- Within first fiscal**
- Built negotiation plan for partners constituting the top 80% of their business
- Negotiation complete for an Upside of $14 million across markets
- Decreased commissions for multiple partners across geographies
- Analyzed prices to realize around $1 million upside with a partner

**Benefits**
- Price intelligence capability, market insights, referential prices from various databases
- Basis to carry out negotiations with partners
- Market assessment – historical growth rate of value and volumes
- Agility in competitive pricing
- Provides potential to increase top-line and bottom-line through price increase
- Portfolio Analysis of products
- Reduces price erosion
- Effective decision making driven by real-time integrations & reports
About the Author

Nihar has over 6 years of experience working in various areas in the Life Sciences domain. He has extensive exposure on systems and processes pertaining to Research & Development, Product Registration, Price Analytics, BI & Reporting, GRC, Content Management, Incident & Change Management. He holds a Master’s degree in business administration and has also completed a graduate degree in Biotechnology.

About Happiest Minds Technologies

Happiest Minds, the Mindful IT Company, applies agile methodologies to enable digital transformation for enterprises and technology providers by delivering seamless customer experience, business efficiency and actionable insights. We leverage a spectrum of disruptive technologies such as Big Data Analytics, AI & Cognitive Computing, Internet of Things, Cloud Security, SDN-NFV, RPA, Blockchain, etc. Positioned as “Born Digital . Born Agile”, our capabilities spans across product engineering, digital business solutions, infrastructure management and security services. We deliver these services across industry sectors such as retail, consumer packaged goods, edutech, e-commerce, banking, insurance, hi-tech, engineering R&D, manufacturing, automotive and travel/transportation/hospitality.

Headquartered in Bangalore, India; Happiest Minds has operations in USA, UK, The Netherlands, Australia and Middle East.