

Achieving excellence in tender and deal management

Upgrade your tools, processes and culture to maximize revenue and profits in an increasingly important and competitive market.

The public tendering process accounts for 70% to 85% of global revenue for medical technology manufacturers and 25% to 40% for pharma companies. Whoever can best respond to tenders, as well as the individually negotiated deals used by private companies, will maximize their revenue and profitability while minimizing cost and risk.

Pharmaceutical and medical device manufacturers that improve their tender and deal management can gain better visibility—not only into how tenders are priced and under what terms, but into when new tenders will be published. That information helps them shape future tenders and offer prices and terms that will win more business without sacrificing profits. Too often, however, manufacturers learn about new tenders too late to submit well-researched bids. Further, when lacking historical market data, they lose new business by overpricing their bids, or give up profits by underpricing. Failing to anticipate upcoming tenders also robs them of the ability to shape them in their favor.

Read on to learn how pharmaceutical and medical device manufacturers can improve their tender and deal management, as well as how to choose a global management platform and the best practices for implementing it.

The changing tender and deal management landscape

A tender is the process in which a single or multiple healthcare providers solicit bids for drugs or medical devices. They are used most often in Europe and, increasingly, in emerging markets, and most often by publicly owned or governmental agencies. Tenders are published and thus open to any vendor to respond, but typically do not allow bidders to negotiate terms.

According to publicly available data we estimate the European tender market is growing 10% to 14% annually and represents an increasing share of revenue for vendors in emerging markets. In the EU alone, the tender market is estimated at €47 billion a year for pharmaceutical providers and €23 billion for medical technology providers. Their use in Europe is expected to rise further due to a European Commission mandate that EU countries use tenders for all procurement by public care givers.

Deals, which are used more often in the United States and by private or for-profit organizations, also called group purchasing organizations (GPO), solicit bids to supply the same range of products but are often not made public by the same open process as a tender. The winners are typically chosen in private negotiations between a healthcare provider and vendors.

Tenders have always presented a time challenge because they allow as little as 35 days from their publication for vendors to respond. An increasing number of complex, cross-border tenders require vendors to adapt their bids to multiple local market dynamics, procedures, contract types, award criteria and legal requirements.

Tender management is often done by local teams that have knowledge of local competitors, pricing and business conditions, working with market access teams that bring in-depth understanding of the product and its uses. These local efforts are often tracked manually by spreadsheets and phone calls, using unique processes for each geographic region. All this makes it difficult for top management to get an overall view of the current and expected tender pipeline and the revenue it is expected to generate across regions.

In addition to these traditional challenges, tender markets are becoming more mature, more complex and competitive. As populations age and require more care, with new therapies to meet their needs, the number and variety of tenders is increasing. Manufacturers' responses to these tenders are also evolving as medical technology providers move away from traditional product offerings to integrated digital solutions with new business models, such as smart and wearable devices connected to medical technology products. Pharmaceutical manufacturers, meanwhile, are shifting from traditional branded drugs to bio-similar and complex generics.

The public nature of tenders gives healthcare providers a wealth of information about past bids from multiple vendors with which they can set the optimal prices for their bids. They are also employing more professional buyers and involving more stakeholders, such as health technology assessment organizations, in the buying process. As new therapies reach the market, and are administered by new players, the common procurement vocabulary (CPV) used to classify products is becoming more complex, with different tender issuers using different CPV codes for various products or combinations of products and services. This makes it more difficult for bidders to search for CPV codes in tenders that fit the products and services they offer.

Facing shrinking budgets and rising patient expectations, some healthcare providers are demanding vendors enter risk-sharing arrangements with hospitals. These usually involve drugs that meet an urgent need but have not been in use long enough to fully understand their value. In these agreements, the payer agrees to pay reimbursement costs for the product despite uncertainties about its performance, and the manufacturer agrees to make financial or other concessions based on the product's future performance.

In this increasingly complex and competitive market, pharmaceutical and medical technology manufacturers often lack the insights, processes and systems to offer winning, profitable bids.



How current processes fail

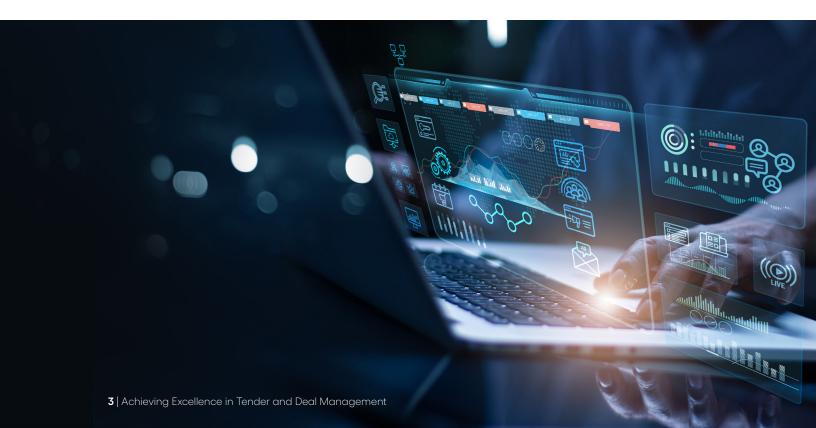
Pharmaceutical and medical device manufacturers typically rely on spreadsheets and other manual processes to learn about and respond to tenders. These siloed approaches fail to share timely insights into upcoming tenders and market trends with all the stakeholders whose input is needed to offer the best prices and terms. This results in lost revenue, margin erosion, high operational costs and undue risk exposure.

Limited or no visibility into upcoming tenders means the manufacturer often lacks the time to properly decide which tenders to compete for, and what pricing and terms to offer. Without easily accessible historical information about past tenders, they may either lose the business by setting prices too high or reduce their margins by setting prices too low. The historical information they require, but often lack, includes results per lot, the name of the award winner and price, the participating bidders' names and prices, and the scores each bidder received for each award criteria.

A lack of preparation time also often prevents the creation of a business case with forecast revenues and volumes, and notification of other stakeholders ranging from legal to distribution and manufacturing to assure they can deliver on the terms of the tender. This raises the risk of fines, lost revenue and litigation if the vendor cannot supply the agreed-on products on time, in the agreed upon volumes. In a 2019 survey, 63% of life sciences companies said, "limited preparation time until submission deadline" as well as "tender price transparency" (information about the prices various vendors had bid in the past for products or solutions and which bid won the business) were key current internal challenges. Awareness and capture of opportunities (42%) and absence of a direct relationship with the tender authorities (37%) were also major issues, as was the fact that responding to a tender required collating information from six departments within 35 days. The survey also showed 67% reported crucial issues and inappropriate setup to support proper execution of the tender.

Fewer than half of the companies surveyed reported a high ability to anticipate tenders in the next 9-12 months and prepare for them. Only half have access to and systematically gather competitive intelligence. More than 60% were unable to always identify the right offering and optimum price to maximize their revenue and profitability.

The lack of comprehensive, consistent tender and deal management also weakens the internal governance and management of the bidding process, raising the risks of missed income and margins. Such governance includes price approval, audit trails for decisions, and rigorous workflows to prevent missed deadlines and incomplete submissions. Poor governance and management mean excessive administrative overhead, and the risk of mistakes or missed deadlines.



Achieving tender and deal management excellence

Tender and deal management excellence is a multiyear journey, requiring ongoing investment over the many steps required to reach a higher maturity level. The sequence of effort will not be the same for every organization due to its unique goals, market position, starting level and technical landscape. However, these are the common steps we have seen in our work with clients worldwide.

The first is a gap analysis to identify the areas that need the most improvement, creating a baseline on which to improve. This will also help business sponsors gauge the return on investment for the tender and deal management excellence initiative.

Questions to ask include:

- Is the enterprise, and each of its local offices, relying on manual tools such as spreadsheets to find and record the details and requirements of tenders and deals?
- How are current and pending tenders and deals monitored, tracked and managed?
- How are prices set and proposals created and approved before submission?
- Are win/loss and other outcome results recorded, including competition and award criteria scoring?
- Is data harmonized and centralized and even pushed to a data lake for reporting and analytics?
- Where could AI help in automating processes, calculating bids, tracking competitor performance or pre-filling information in response to tenders?

Based on our work with clients worldwide, we found the top priorities for improvement were tender discovery and advance planning. Those were followed by the ability to manage pricing, awards, predictive intelligence and competitive intelligence. Project management and collaboration, documentation, and supply/delivery constraints were of lower importance.

The next step is the design deployment and documentation of global processes for the discovery, management and governance of tenders and deals. These should include the identification and tracking of upcoming tenders and deals, the capture and analysis of competitive information, local and global approval of pricing and terms, and collection and distribution of the required analytics and key performance indicators (KPIs) for monitoring and tracking tender and deal performance.

Among the metrics and KPIs our clients have found most useful are:

- By company: Revenues, volumes, gross profit margin and profits per market, by customer type and segment and by deal type (tender vs non-tenders).
- By products: Which products generate the greatest revenue and margins, volumes, gross profit margins and price variation analysis. This refers to the minimum, maximum and average prices bid for a product and awarded by the issuers over multiple tenders. This information helps vendors correlate prices with volumes to more precisely set the bid price for any given quantity of product.
- By market: Size, potential and market share of the (relevant) geographic markets.
- By competitors: Competitive performance by market, customer type, segment and deal type (tender vs non-tenders). By revenues, volumes, product (category), price analysis (minimum, maximum and average,) win/loss analysis, etc.

The third step is to choose and deploy a global tender and deal management solution throughout the enterprise and to all local offices. This platform must be configured to meet any specific country requirements such as local product attributes, bid proposal templates in local languages, local approval pathways including notification and coordination of pricing, terms and other details with partners such as distributors or wholesalers.

Next, ensure that all local offices are familiar with the new processes, tools and analytics for insights into tenders and deals, as well as the new automated workflows so they can more proactively respond to and maximize their value. This should include a postmortem analysis of each tender or deal, working with the bid team to identify successes and areas for improvement. These might include collaboration, time management, price setting, and a review of how their bid scored in various areas compared to the competition.

The fifth step is ensuring the improved visibility into tenders and deals enables the entire organization to better plan and prepare the business case, forecast supplies, and respond to the most attractive tenders and deals with bids that maximize both the likelihood of winning as well as revenue and profits. This may require, for example, education and change management to assure all affected stakeholders understand the value of the new processes and how to use a new global management platform. Once a tender is published, make sure information about it is published through a "tender radar" automatically alerting key stakeholders throughout the enterprise's business intelligence and collaboration platforms. Consider using natural language processing (NLP) to automatically match relevant tenders to your organization's ERP master data and import the published tender details (per lot) into your tender application. This reduces the time to complete the bid, increases its accuracy and minimizes the risk of promising delivery of products that are not in stock or can't be produced in time.

Based on the analysis of previous winning and losing bids, AI models can automatically identify which tenders to bid for and recommend bid prices per product, create the bid proposal, provide a "probability to win" for each price and help manage the bid lifecycle most efficiently.

The final step is using these insights and tools to anticipate and shape upcoming tenders and deals as much as 18 months in advance. Analyzing previous tender requirements and results, monitoring contract compliance and performance, and understanding the buyer's behavior and what they value most allows account managers to influence new tender requirements, award criteria and weighting to their advantage. As your tender and deal management processes improve, continued investment in tools and retraining can provide ongoing additional benefits.

Choosing a tender and deal management platform

Effectively managing tenders and deals requires that all stakeholders throughout the enterprise have timely, accurate access to information so they can choose which tenders to respond to and how to structure their responses. This, along with the need to quickly share information with business partners and local offices, is why a single, global tender and deal management platform is so essential. Allowing local responders to deploy their own tools and processes dramatically increases the risk of lost revenue and profits, and costly mistakes in bidding or execution, as well as administrative delay and costs.

While it may be tempting to try to create a custom tool for what seem to be unique needs, we have found it is far more cost-effective to rely on the best practices built into the solutions produced by specialized tender and deal management vendors. Using an off-the-shelf tool also makes it possible to make use of the artificial intelligence and machine learning capabilities in these solutions.

Deploying a tender and deal management platform

The rollout of a global tender and deal management platform is complex enough to warrant beginning with a minimum viable product (MVP). This will allow the stakeholders most affected by it to understand how it works, its benefits, and make any configuration changes required to maximize those benefits. In this phase, connect with local, currently used, sources of tender information and configure it to the needs of local offices. Create interfaces with ERP master data and locally mandated platforms, but save the creation of other interfaces, such as for currency or tax calculation, as well as any enhancements for later.

Switching from local, manual processes to global standards, workflows and approvals may feel unfamiliar and threatening to users accustomed to doing things their own way. Extensive change management is often required to educate local managers about the value of a single global tender and deal management platform, and how the new skills and changes in processes can make their jobs easier and maximize enterprise-wide revenue and profits. We highly recommend documenting, in a change management playbook, the roles, responsibilities and deliverables of all parties involved. Hold weekly status updates to review progress and escalate issues as needed.



Benefits of tender and deal management excellence

Making dramatic improvements to the tender and deal management process yields significant, material business benefits. The value realized will depend on the enterprise's starting level of maturity in managing tenders and deals, the amount and quality of support from management, how well the platform is adopted and if the enterprise creates a culture of sharing and continual improvement.

Given those variables, in our work with clients worldwide we have delivered improvements to both top and bottom-line results. If organizations continue to invest in tender and deal management, the annual benefits can include:

- Up to 10% increased visibility and prioritization of tenders, allowing vendors to shape them in advance.
- Up to a 5% increase in revenue.
- As much as a 25% reduction in operating costs and increase in efficiency.
- Fewer risks and penalties due to non-compliance with awarded contracts.

Standard global processes and tools make life easier, and work more productive and efficient, for every corporate function. For the commercial function, enhanced tender and deal management provides earlier, and more detailed alerts of current and future tenders. This allows it to respond more quickly and effectively to new business opportunities, winning more business with higher margins while incurring lower administrative costs through automated data access and analytics.

The financial function benefits by receiving earlier notification of possible changes such as increases in revenue to improve their forecasting, and the ability to budget for associated costs, such as increased production or transportation costs.

Earlier and more accurate notice of potential new business helps operations plan for increased production and sourcing demands, and allows it to warn of possible supply chain bottlenecks before the business commits itself to supplying products it cannot deliver. The same is true of the supply function, which can make earlier adjustments to orders of raw material or production capacity while providing early warning of its inability to fulfill orders.

Improved tender and deal management helps compliance do its job by alerting it to which regional or national regulatory regimes the organization must comply with and giving it a head start in compiling the type and amount of documentation required in each. Tracking the status of each pending tender and deal, and how well its terms are being met, allows the risk management function to find and mitigate problems earlier.



Conclusion

In an increasingly complex and competitive healthcare market, pharmaceutical and medical device providers can no longer afford last-minute scrambles to respond to tenders. Nor can they afford to over- or underprice their offerings because they lack the same quantity and quality of data as their customers.

Global tender and deal management platforms, backed up by executive commitment and a renewed corporate culture, have been proven to increase revenue and profits while reducing cost and risk.



Cognizant (Nasdaq-100: CTSH) engineers modern businesses. We help our clients modernize technology, reimagine processes and transform experiences so they can stay ahead in our fast-changing world. Together, we're improving everyday life. See how at www.cognizant.com or follow us @Cognizant.

World Headquarters

300 Frank W. Burr Blvd. Suite 36, 6th Floor Teaneck, NJ 07666 USA Phone: +1 201 801 0233 Fax: +1 201 801 0243 Toll Free: +1 888 937 3277

European Headquarters

280 Bishopsgate London EC2M 4RB England Tel: +44 (01) 020 7297 760

India Operations Headquarters

5/535, Okkiam Thoraipakk Old Mahabalipuram Roac Chennai 600 096 India Tel: 1-800-208-6999 Fax: +91 (01) 44 4209 6060

APAC Headquarters

1 Fusionopolis Link, Level 5 NEXUS@One-North, North Tower Singapore 138542 Phone: + 65 6812 4000

© Copyright 2023, Cognizant. All rights reserved. No part of this document may be reproduced, stored in a retrieval system, transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the express written permission of Cognizant. The information contained herein is subject to change without notice. All other trademarks mentioned here in are the property of their respective owners.