



## Vistaar Medical Devices and Diagnostic Industries

## Price Performance Management Solutions

### Medical Devices: A Unique Pricing Challenge

Historically, the medical devices and diagnostics industries have been characterized by high margin and high growth. Specialized technology and unique go-to-market requirements have made the barriers to entry quite high. As a result, the market today consists of a limited number of large companies, most of which have been in business for two decades or more.

- Data scattered in multiple sources - contract system, billing and/or invoicing system, excel spreadsheets etc.
- Limited understanding of P&L impact of actions, e.g. price changes, discounts, deal/contract negotiations, etc.
- Limited visibility of volume, price and mix performance by distributor, customer, region, pricing structure and product segment
- Manual and error prone contract negotiation and renewal process using spreadsheets

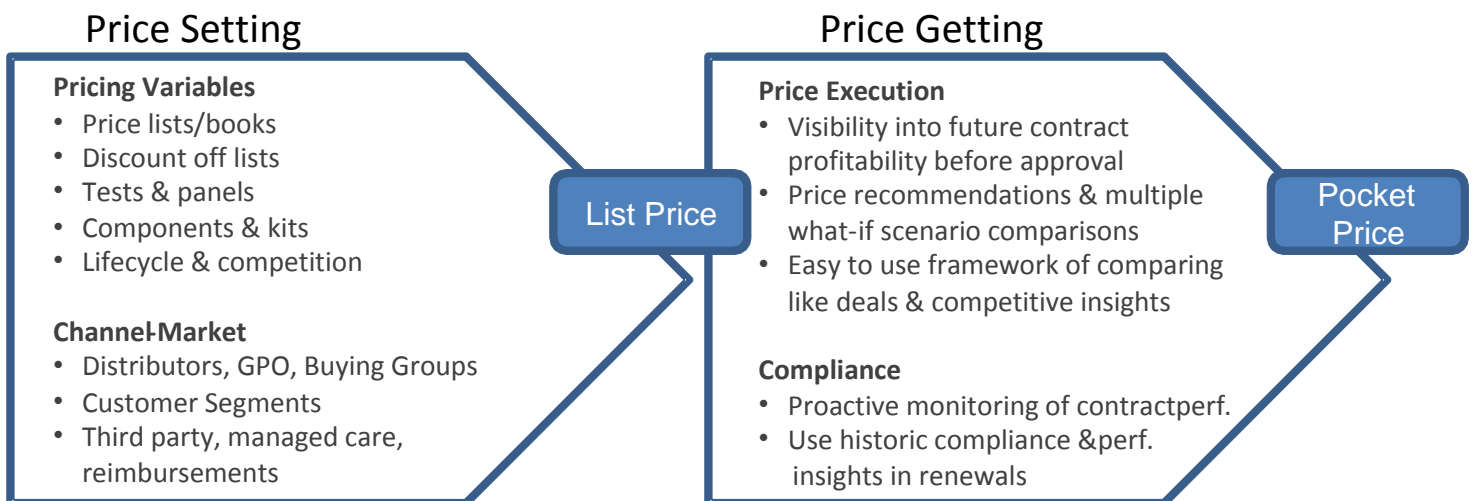
While operating margins have historically averaged over 20%, concerns over mounting competitive and regulatory pressures have clouded the visibility, if not dampened the outlook for many companies. Ongoing discussions of broad-based healthcare reforms both in the U.S. and abroad have only added to the uncertainty of the business environment in which these organizations operate.

Many companies are finding it increasingly difficult to establish (“set”) competitive prices in the market, and to negotiate or capture (“get”) appropriate prices from customers with any consistency. This is making it more difficult to maintain and improve average selling prices (ASPs) across product portfolios and to meet the financial objectives of the organization.

As a result, executives are increasingly looking for ways to transform their existing business model, cost structures and technology infrastructure to help cope with the changing market and regulatory environment.

It has become clear to many that bold and swift measures are required to produce the kind of financial growth that both analysts and shareholders have come to expect.

Price management has emerged as a key priority for companies in this industry as they strive to gain better visibility into the true financial drivers for their business. Typical organizations are realizing 1% to 3% bottom line improvement within the first year. The diagram below lists just a few of the issues companies must consider when establishing list prices during the price setting stage of the process. Also listed, are some of the challenges that inhibit companies from realizing acceptable pocket prices in the price getting stage:



Decisions made at each stage of the pricing process can have a direct impact downstream in areas such as contract pricing, renewals, rebates and compliance. Ultimately, these decisions affect price and margin realization in various ways across third-party and managed care businesses.

In response to the changing dynamics of the market, many companies have already started to escalate pricing as one of their top priorities. For example, some companies are creating cross-functional steering committees for pricing with ample representation from upper management. This helps ensure that organizational objectives remain the primary driver for pricing decisions, rather than the short-term interests of specific departments or individuals.

Adding to the complexity of price management in large companies is the sheer size and number of disparate data sources, which can house information ranging from price lists, invoices, orders, costs, rebates, contract terms, etc.

Today, most business users still manually extract data from these sources using Business Intelligence (BI) or other reporting tools for further manipulation and analysis in standalone spreadsheets.

However, in large organizations this methodology is inadequate, as the input data is often incomplete or out-of-date and the calculations applied are inaccurate or inconsistent. The problem is compounded by the limitations of “rearview mirror” analysis. Today’s reporting and spreadsheet tools simply don’t support the advanced capability required to determine the forward impact of pricing decisions before implementing them. As a result, business managers are left to base critical decisions on “gut feel”. This leads to lost opportunities and suboptimal pricing that is costing companies tens of millions of dollars every year.

Vistaar’s analytical and planning software for price management and price optimization is designed to address the unique issues facing medical devices and diagnostics companies. Some of the largest companies in the world have selected Vistaar to turn their pricing operations into a strategic advantage. Please read on and we’ll share a little bit about how we do it.

## The Vistaar Solution

Vistaar’s pricing solution is uniquely equipped to help medical devices and diagnostic companies get a complete 360° view of pricing. Not only do we provide robust tools to analyze past performance, but we also deliver the only solution that enables business users with visibility into the future impact of their pricing decisions. The solution is built to enable companies with complex pricing environments and fast clock-speed businesses to respond to market dynamics with agility and accuracy. Our data-driven approach and easy-to-use interface empowers managers and executives to uncover new opportunities, as well as take proactive steps to maximize margins on a continuous basis.

The Vistaar solution is a single integrated environment that leverages existing data in the organization that is spread across multiple systems (e.g. Contract, Billing, CRM, Finance etc) along with market and competitive data, to deliver consistent role-based information to business users through dashboards and advanced analytical templates. Vistaar’s proven analytics and pricing best practices have enabled leading medical device and diagnostic companies to capture the attributes and assumptions that drive pricing, all in a single consistent model that business users can leverage across different functional areas.

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Vistaar also provides unique and differentiated forward-looking scenario planning capabilities that allow users to see the impact of pricing decisions across the business. This enables business users to make more quantitative pricing decisions by empowering them to analyze the future impact on the business, before implementing price changes in the market. Vistaar’s capabilities are enabling its customers to improve margins by 1–3 percentage points on a sustainable basis.

Following are a few of the typical challenges that we help companies in the medical devices & diagnostic industries with:

- Bringing silo and disconnected data sources as well as assumptions together in one integrated model
- Increased visibility into contract/account performance as well as contract compliance
- Promote proactive management of ASP variances
- Improved understanding of the true impact of deals (e.g. with a GPO) on future business
- Managing “Cap” pricing for contracts
- Analysis of volume, revenue and mix across regions, customers, distributors and products
- Determining true customer profitability and “cost to serve”
- Understanding customer buying behavior and creating optimum prices by segment
- Managing list prices with the forward looking impact of list price changes
- Setting pricing for new product introductions and managing impact across the portfolio
- Ability to analyze and improve overall product portfolio performance

# Holistic Approach Accelerates Time-to-Value

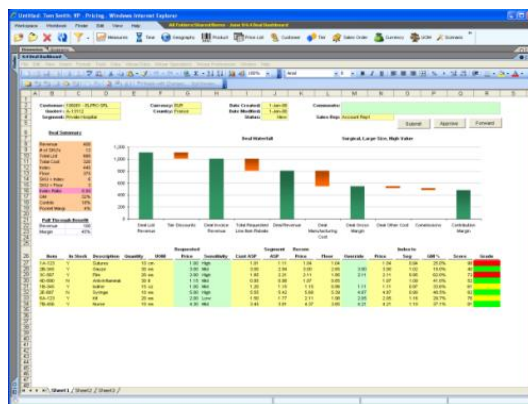
The Vistaar Solution takes a holistic approach to improving end-to-end pricing processes for product management, marketing, finance and sales operations groups. We're helping some of the largest companies in the world improve pricing practices in areas such as new product introductions, performance management, contract pricing, contract management, compliance, price setting and portfolio management.

Vistaar provides a single integrated environment, but companies have the flexibility to configure and deploy the solution ways that best suit their business priorities. This approach facilitates 'quick wins' that foster user adoption and executive support. Vistaar customers typically start in one of the areas and use a phased approach to extend the scope over time.

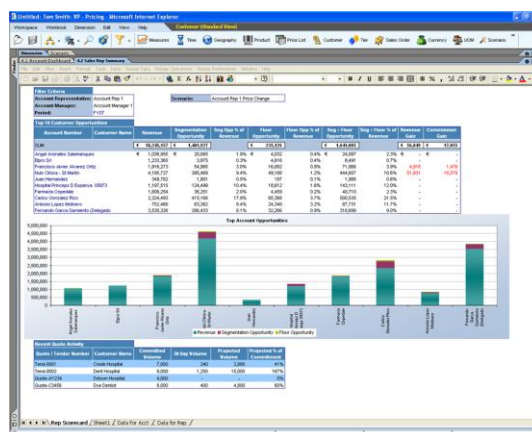
## Deal and Contract Management

Sales and sales operations users gain insight into customer and contract performance that can be leveraged during renewals as well as new negotiations. This information is also useful in developing plans to improve contract compliance and renewal terms.

- Track price, volume and mix for contracts
- Proactively analyze and manage contract life-cycles whether existing, new or renewal
- Get optimized price recommendations for reference along with peer group comparison
- Forward-looking impact analysis (e.g. Cap pricing or component pricing change impact)



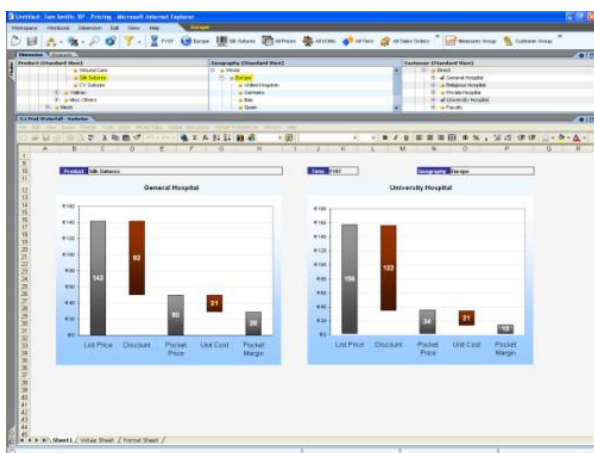
Deal Dashboard for Field



Sales Manager Dashboard

## Price Performance Management

- Give analytical insights and system recommendations to monitor and manage performance by contracts, distributors, regions, products and customers. Data model syncs with underlying systems to enable an integrated cross-functional view
- Causal analytics, e.g. ASP variances, margin mix and waterfall, to drill down to the root cause and take corrective actions
- On-demand monitoring of plan vs. actual performance



Customer Profitability Waterfall

## Price Setting

Vistaar enables users to manage list prices that are optimized using techniques that leverage historical data and attributes like product lifecycle, product differentiation, win loss and competitive position.

- Dashboards to help various stakeholders in the process like marketing, sales operations and pricing get visibility on price performance and opportunities
- Product- and situation-based use of pricing techniques to optimize list prices
- Forward looking scenarios to analyze the impact on business, using contracts and constraints

## Why Vistaar?

### Vistaar Value Proposition

- Improved profitability due to best practice adherence
- Better productivity due to streamlined processes
- Smarter decisions through multi-dimensional customer, product, deal analytics
- Mitigation of customer and partner revenue leakages with proactive analysis
- More effective promotions and price changes
- Improved deal negotiations with dynamic data and in-line analytics
- More control with automated review and approval process
- More effective deployment of strategies due to better business alignment
- Improved “field” empowerment with appropriate governance

## Portfolio Management

Vistaar’s advanced planning technology enables comprehensive portfolio analysis and management through the use of advanced analytics and price science capabilities.

- Scorecards and analytical templates to monitor overall portfolio performance
- Ability to identify products and services that are positively and negatively contributing to the organization goals
- Visibility into true profitability of contracts, customers and distributors
- Model the impact of product introductions and understand the future impact of pricing as well as portfolio changes

### Vistaar Price Performance Management Solution

- **Flexibility:** Enables modeling of highly complex organizations, products, market segments, etc.
- **Integrated Simulation Capabilities:** Scenario planning for any function or level; integration between planning and execution
- **Business-driven User Interface:** Versatile UI which facilitates user adoption while retaining full solution capabilities at the back-end
- **Extensible Architecture:** Enables integration of other functions, organizations, capabilities into a single unified data model and pricing platform



Vistaar is a leading provider of price performance management solutions. Vistaar’s pricing software enables companies to achieve pricing best practices through price analytics, price optimization, price list management, and deal management. Vistaar is working with some of the world’s largest manufacturers, distributors and service providers to transform pricing operations into a strategic advantage. For these companies, Vistaar pricing solutions drive measurable price and margin improvements that deliver profitable growth and maximum shareholder value. Vistaar’s operations include six offices across North America, Europe and Asia.

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