

Revenue management software operates in the background in life science IT environments, but the benefits of such software systems are well known to industry CFOs. Cloud computing and software as a service (SaaS) have been accelerators of innovation for revenue management in life sciences.

## Revenue Management in Life Sciences: The Benefits of a Cloud Computing and SaaS Approach

September 2019

**Questions posed by:** Model N

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*Modern revenue management software can save companies costs equal to several percent of overall revenues by detecting and correcting incorrect transaction and contract information up front while ensuring regulatory compliance and automating contract renewals and extensions. Revenue management software increases profits by helping reduce revenue leakage from sources such as chargeback and rebate discrepancies, incorrect and outdated pricing, rebate claim discrepancies, misguided international reference price changes, value-based pricing, and many other issues related to revenue, pricing, and contracts.*

*In the life science industry, supply chain networks and compliance constraints are complex and may include manufacturers, wholesalers, pharmacy benefit managers, and hospital and pharmacy chains operating in multiple pricing scenarios. Revenue management software helps manufacturers make sense of the players in the supply chain as well as related public and private payer formularies, government entities, 340B covered entities, and other stakeholders. Revenue management software speeds rebate processing by helping users match and reconcile transactions, contracts, and entities automatically. Cloud-based revenue management solutions foster interoperability with other software, including cloud-based enterprise systems. These systems, when offered as a SaaS configuration, provide life science companies with consistent and up-to-date revisions and features, allowing them to take advantage of the most current technology consistently across divisions and locations, without costly infrastructure capital investments. Additionally, SaaS-based implementations can offer rapid-start quick implementation options, which give biopharma and medtech companies with new product launches the ability to automate contracting from the get-go while providing established brands with rapid access to new functionality. Collaboration with supply chain partners and customers becomes easier and practically agnostic to platform configuration.*

### **Q. What are some best practices for optimizing revenue management and regulatory change?**

**A.** Revenue management systems do not and should not look to replace what ERP and CRM are good at. Revenue management should enhance ERP and CRM by performing tasks such as ensuring that the right price is always given the first time during the order-to-cash process or by giving full visibility into the past and current contract performance of an account as well as across

the supply chain. For example, how are prices tracking against volume, share, or revenue commitments? Revenue management functionality integrated with CRM and ERP workflows can drive visibility into contract performance and profitability and lead to better decision making for subsequent contracts and renewals.

Additionally, as mission-critical enterprise applications such as ERP and CRM begin to take advantage of 3rd Platform technologies such as cloud computing and analytics, it makes sense for revenue management and other applications that must interact with them to be integrated with these tools, providing further visibility into contract performance at the point in the workflow where it is needed.

## **Q. Why should life science manufacturers seek to achieve a SaaS experience across a disparate landscape of products meant to maximize revenues globally?**

**A.** IT is changing rapidly in the life science industry, along with the industry itself. Almost every week we seem to hear about another large merger or acquisition in the biopharma or medtech world, and more and more manufacturers are offering hybrid product lines and contracting accordingly. Even smaller acquisitions introduce the prospect of multiple divisions and locations, often running different enterprise systems or applications. These acquisitions also increase the complexity of the compliance requirements facing these companies. Cloud-based revenue management helps eliminate the issue of multiple locations running different on-premise applications, automates compliance activities, and lessens the associated support complexities. Companies moving to the cloud also save on the costs of managing multiple servers and the associated hardware and software maintenance.

In addition, companies that move to the cloud can communicate and collaborate with supply chain partners and customers more quickly and easily. As requirements for serialization and track and trace of pharmaceutical products become universal in large markets such as the United States and Europe, SaaS becomes a natural choice for supply chain visibility aids such as revenue management. Revenue management software, provided as SaaS, will offer internal revenue and pricing transparency into the transactional details driving gross-to-net calculations. Such software can also foster an understanding of the impacts on price change and ensure global compliance with pricing regulations, thus bringing end-to-end visibility across all channels through the full revenue life cycle.

## **Q. Traditionally, disparate products served siloed functions across a disjointed revenue cycle. What inefficiencies occur with this approach, and how can the advantages of a SaaS system affect a company moving forward?**

**A.** In legacy systems, data often existed (or still exists) in multiple locations, formats, and software revisions. Large amounts of customization were common. These structures meant that duplicate support teams were required in various locations and departments, and compliance was cumbersome. It was a challenge to track licenses and to maintain consistent revisions of software. Companies often were forced to make decisions without the benefit of visibility into all relevant

data points and sources, resulting in lost revenue and lost business. It was not uncommon to find that pricing and contract data had to be tracked manually by spreadsheet.

Eventually the efficiencies of SaaS, including revenue management, will become so compelling that every company will migrate to the cloud. It's really a question of when, not if. Certainly, it's easier for a start-up operation or greenfield installation to start in the cloud. Installed infrastructure and the sunk capital investment are serious sources of inertia for many companies.

However, many IT and line-of-business decision makers are coming to view SaaS as a strategic advantage rather than a cost. Companies are also starting to realize that security is actually superior in cloud installations, including for proprietary data storage.

Some vendors even offer services to outsource the bulk of upgrading, testing, and verification so that these customers can come onto the cloud at their own pace. In this way, they are not left behind on outdated versions of software and forced to make another large capital expenditure on upgrades every three or four years.

## Q. What can life science companies do to get up to speed fast on new implementations of SaaS-based revenue management solutions?

**A.** Some revenue management solution providers have built preconfigured implementation approaches for their cloud solutions. These implementations are based on industry best practices, with templates and menus designed to allow end users to configure SaaS implementations on their own. This can be particularly valuable for midmarket and smaller companies that may be experiencing rapid growth. Some of these users are moving directly from spreadsheet-based systems or "canned" revenue management contained in ERP or accounting software, which may have limited functionality compared with dedicated vertical solutions used by larger life science companies. These rapid-start modules allow companies to quickly realize the benefits of SaaS and life science-specific solutions simultaneously while avoiding major investments in IT infrastructure. They also automate compliance with vetted tools to perform calculations and do regulatory reporting automatically.

In some cases, it may be advisable to employ service providers to help implement new SaaS solutions, particularly providers with experience in the life science industry and with previous SaaS experience with revenue management.

## Q. What can we learn from customers that have migrated successfully to the cloud?

**A.** While the transition can take some work (and it's not as effortless as many vendors portray), most companies regard the agility added to their business with SaaS and ease of upgrades extremely positively in hindsight. SaaS implementers have many options. Some choose a rapid-start or express methodology, which streamlines implementation by forgoing customization, so companies rely on best practice-based approaches recommended by the vendor and reengineer workflows to fit the software. More custom SaaS approaches require manufacturers to map out all business processes first, whether they are automated or not, prior to designing the exact process flows and functions to be configured in the SaaS environment.

Training on the software — as well as on the processes that have been reconfigured — is critical. Buyers selecting SaaS should make sure the system is easy to use, especially for those already familiar with the existing process. Select vendors and consultants carefully, making sure that they have sufficient technical expertise and life science industry experience. Get multiple customer references and speak to those companies — they can be a great resource for vetting vendors and for understanding the challenges of migration to cloud-based revenue management.

## About the Analyst



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Michael Townsend is a Research Director for IDC Health Insights responsible for Commercial Life Sciences and Life Sciences Commercial Strategies. He provides research-based advisory and consulting services as well as market analysis on key topics within the commercial life science industry. Mr. Townsend's research expertise includes sales and marketing, supply chain, manufacturing systems, and emerging technologies and market trends.

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