# Medtech Tendering:

## How Software is Taming Complexity and Driving Market Success

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# INTRODUCTION

Mastering the medtech tendering process is critical to succeeding in international markets. Tenders are the mechanism for procuring products for public healthcare providers, and if medtech manufacturers wish to do business outside the U.S., they must stay abreast of all new tender opportunities and determine if and how to respond to them.

Yet, the tools companies have traditionally used to manage the process are limited, exposing them to missed opportunities, unfavorable pricing and supply chain misalignment. Software programs can help streamline this process and provide competitive advantages for manufacturers that adopt them.

The potential of gaining competitive advantages reflects just how important tenders are to market access outside the U.S. In the U.S., medtech sales are primarily based on relationships between sales reps and buyers. Conversely, healthcare providers in international markets issue tenders to source products, requiring a different set of capabilities for success.

*Broadly speaking, hospitals, regions and entire countries publish requests to buy medtech products. Medtech companies then respond with bids, and the entity issuing the tender awards the business based on their selection criteria.*

A version of this process happens across international markets but varies considerably based on how healthcare is organized within a particular country. International markets feature a mix of single- and multi-payer systems, each of which is further subdivided based on whether the country buys medtech products at a national, regional or local level. The various systems produce different tendering models and consequently different challenges for medtech companies.

- **Single-payer systems – such as the U.K.** – issue relatively few tenders, but each one is large. In these systems, one tender can cover the supply of a product to an entire region or country for a year or more.

- **Markets that include both single- and private-payer systems – like in Poland** – issue more tenders with lower volumes. In this model, tenders typically cover a smaller geographic area. While the average request is less valuable than in the U.K., the tenders collectively add up to a big opportunity.

- **Switzerland, France, Italy, and other countries** fall on different parts of the spectrum between outliers such as the U.K. and Poland.

# THE PRESSURES CREATED BY TENDERING

The tendering and bidding process varies by country, creating additional nuances that medtech companies need to understand to succeed in each market. In France, for example, hospital groups, regions, and in some cases, the central healthcare payer manage the tendering, submission and awarding process.

Each system poses challenges to companies interested in bidding on tenders. In the U.K., it is relatively easy to keep track of opportunities because tenders are rare. However, each tender is large and long-lasting, meaning it is vital for medtech companies to identify and seize every opportunity. There is a high cost to losing even a single tender. Missed opportunities can lock companies out of markets for 12 to 35 months, making it critical for them to know what it will take to win each tender.

The tendering process in countries such as Spain poses a different, but equally challenging, problem. With Spain issuing numerous small tenders, individual losses are far less impactful than in the U.K. because each contract is less valuable and the wait between opportunities is much shorter. Here, the challenge is staying on top of the high volume of tenders.

With multiple organizations posting a stream of tenders, it is easy to miss opportunities. The challenge is particularly acute for devices with many names or indications as a single search term may fail to capture all applicable tenders. Even if a company sees all relevant opportunities, the act of sifting through, evaluating, and bidding on the tenders is time consuming and burdensome.

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# INTERNAL BARRIERS TO SUCCESSFUL TENDERING

These challenges are compounded by an organization's limited visibility into their internal tendering processes across countries and regions. Local offices often manage tenders within the country or region they cover, but their actions have consequences for the entire company. If two or more local offices simultaneously bid to supply the same device, a medtech company can commit to volumes that it will struggle to meet, creating capacity crunches. Additionally, local offices may price their bids too low just to win the tender, thereby putting pressure on company-wide margins.

Ideally, regional or corporate offices would have visibility into capacity and bids in every country, as well as the prices proposed by local outposts before they're submitted to the tendering organization. In practice, many regional and corporate offices lack the required visibility into internal operations.

An inefficient mix of email, spreadsheets, phone calls and meetings is often used to share information about local offices' bidding plans. Along with inefficiently using staff time, manual systems create the risk that bids will be submitted without approval.

Unapproved bids can lead to margin pressure, supply chain constraints, and even the failure to fulfill orders. Failing to fulfill an order can result in fines and reputational damage that makes it harder for a company to win future tenders.

Pricing is particularly challenging for large tenders spanning multiple products. Some tenders cover all the equipment needed for an operating room, such as screens, beds, tables, and even robotics. Medtech companies use configure, price, quote (CPQ)

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applications to manage such complex tenders. CPQ enables companies to configure an offer and factor in discounts to propose a price.

However, pricing in CPQ, extracting data, and loading it into the tendering system are onerous tasks. Adding further complexity, the process must be repeated when the customer requests a change to the bid.

Medtech companies face further challenges once a tender is awarded, regardless of whether they win or lose. To increase their chances of future success, companies should analyze the outcome and learn from the experience. With current processes, it can be hard to collate and analyze the data required to evaluate why a bid was successful or unsuccessful.

For successful bids, the final challenge continues long after the business is won. Companies need to track order fulfillment to ensure contract conditions are met. Tracking orders for capital equipment such as X-ray machines is relatively straightforward, but other tenders cover hundreds of different items. One tender may include stents, guide wires and other products necessary to implant the devices. In this scenario, it's much harder to keep track of progress toward order fulfillment and identify when the pace of supply needs to increase to ensure contract compliance.

# A BETTER WAY TO MANAGE TENDERS

Many internal barriers to successful tendering stem from limitations of the systems used in the process. Traditionally, companies manage tenders with manual processes and spreadsheets, which can lead to inaccurate projections that undermine the chance of success. Companies tolerated these shortcomings because they lacked alternatives.

Fortunately, companies no longer need to endure subpar systems. Dedicated software now enables them to overcome tendering challenges, including the core question of how to ensure visibility into tendering opportunities. Software systems provide a centralized tender repository that equips corporate offices to monitor the situation. The systems integrate with national systems, for example in France, freeing companies from the task of extracting information and submitting it separately.

**Software improves the evaluation of opportunities, too:**

- Medtech companies can use tendering software to run what-if analyses to understand what volumes and prices are possible.

- As a local office prepares to submit a bid, the software automatically notifies people who need to approve the offer. Keeping regional and corporate offices in the loop throughout the process ensures company rules for pricing and volume are always followed.

- Software also integrates with CPQ to streamline the creation of complex pricing scenarios.

After making a bid, medtech companies can use software to perform retrospective analyses of why their offers were successful or unsuccessful. Analyses are informed by competitive information that is pulled into the system. In the case of successful bids, software also facilitates the tracking of progress toward the fulfillment of orders won by tender.

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# THE AI-ENABLED FUTURE OF TENDERING SOFTWARE

Model N Global Tender Management offers the capabilities to address the critical challenges in successful tendering. Using this solution, medtech companies can more efficiently and effectively identify, evaluate, and manage tenders – increasing their chance of success in international markets.

That's just the start:

**Software developers are ushering in a new era of global tender management solutions built on artificial intelligence and machine learning (AI/ML).** Applying AI/ML to the process will unlock opportunities to automate the analysis of open tenders. Rather than making educated guesses about their chances for success, medtech companies can generate the probability of winning based on their bids and history of prior tenders. Using the predictive power of AI/ML to evaluate opportunities will enable companies to focus their time on tenders that offer higher likelihood of success.

**The emerging technology could also help medtech companies optimize their pricing.** Again, rather than relying solely on the experience of their staff, companies that adopt AI/ML-enabled systems will be able to factor in knowledge of competitors and other variables to quantify the best-price proposal for each tender.

**Medtech companies that embrace tendering software today will position themselves to be among the first adopters of new features enabled by AI/ML,** while gaining an immediate competitive advantage through existing capabilities that make it easier to identify and seize opportunities. Through software, medtech companies stand to tame the complexity of the tendering process and ensure they have what it takes to succeed in international markets.

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Model N enables life sciences and high-tech companies to drive growth and market share, minimizing revenue leakage throughout the revenue lifecycle. With deep industry expertise, solutions and business services purpose-built for these industries, Model N delivers comprehensive visibility, insight and control over the complexities of commercial operations and compliance. Model N's integrated cloud solution is proven to automate pricing, incentive and contract decisions to scale business profitably and grow revenue. Model N is trusted across more than 120 countries by the world's leading medical technology, pharmaceutical, semiconductor, and high-tech companies. For more information, visit www.modeln.com.

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