



Reader ROI

- Because Channel Commerce Management (CCM) focused on managing wholesaler inventory levels, manufacturers saw its primary value in their trade departments. However, CCM data can have tremendous value in additional business areas.
- Four steps should be taken to leverage CCM across an organization: 1) perform a data integrity assessment; 2) understand the benefits of CCM data and identify beneficiaries; 3) educate beneficiaries on CCM data; and 4) define prerequisites and a roadmap for provisioning data to beneficiaries.

Maximizing the Value of Channel Commerce Data

Overview

While the concept of Channel Commerce Management (CCM) is not new to life sciences manufacturers, most companies are not using CCM data in ways that benefit the entire organization. This paper discusses the current environment and the opportunities for improving the integrity and leveraging the value of channel commerce data.

At this point, most manufacturers have established operational environments that automate the receipt of wholesaler inventory (EDI 852) and sales (EDI 867) data on a regular basis. This may be through a combination of EDI and legacy systems, CCM package solutions, and third-party or hosted services.

Originally, the primary value proposition associated with CCM centered on the management of wholesaler inventory levels—or more specifically, their compliance with Days on Hand (DOH) parameters—to eliminate speculative buying and channel stuffing. Accordingly, manufacturers placed top priority for CCM on their trade department's effective management of the inventory.

However, CCM data can benefit additional areas of the business. Manufacturers must broaden the scope to include establishing an operational environment that allows business areas across the organization to effectively leverage CCM data for business insight and decision making.

Current environment

Trade departments typically focus on the following:

- A formal CCM solution is in place—custom or package, in-house or hosted
- The manufacturer and wholesaler share a single interpretation of the inventory data elements and calculations
- Inventory and sales data is received by the manufacturer on a daily basis and is validated for basic accuracy and completeness
- Monitoring of the wholesaler's DOH compliance level is automated
- The trade group has basic reporting and analysis capability

The manufacturer benefits by:

- Minimizing wholesaler speculative buying
- Preventing overstock and stock-out occurrences
- Evaluating wholesaler compliance levels
- Gaining visibility into pre-launch stocking levels

Leveraging CCM data across an organization

Manufacturers should develop plans to leverage CCM data across their organizations. The four requisite steps for establishing an expanded CCM operational environment are as follows.

Step 1

Perform a “data integrity assessment” to determine the requirements for ensuring full confidence in the CCM data.

While integrity issues may arise regarding specific inventory data elements, manufacturers and wholesalers should collaborate to identify and resolve them as they are encountered. Some of the more common issues concern the handling of inventory data in the following situations:

- Distribution centers that are consolidated, newly opened, or closed
- Wholesalers utilizing centralized warehousing and logistics operations
- Wholesalers' use of repackaging facilities
- Including or excluding certain transaction types, i.e., brokerage, transfers, and drop-shipments
- Including or excluding certain inventory classifications, i.e., in-transit, committed, and reserved

In addition, it is imperative to verify that data mappings and conversions accurately standardize the inventory data across wholesalers, thereby enabling “apples-to-apples” comparisons.

Primary Benefits

- Speculation control
- Stock-out prevention
- Revenue predictability
- Channel integrity
- Wholesaler compliance evaluation
- Tactical Forecast
- Pharmacy buy tracking
- Channel inventory validation
- Chargeback verification
- Product movement tracking for new/short supply products
- Downstream customer purchase details
- Downstream customer tracking across wholesalers
- Pedigree/product tracking capability
- Returns verification and analysis
- Downstream speculation control
- Diversion monitoring and lateral product movement
- Secondary market activity
- Revenue recognition

Figure 1: Primary benefits attainable through CCM data

On the sales side, significant data issues need to be understood and addressed. For certain customer types—notably large retail chains, mail-order facilities, and certain other downstream customers—sales data may either be “blocked” (no sale generated) or “blinded” (no specific customer identified in the sale).

It is important for manufacturers to define what data is blocked and/or blinded and also to determine what means of remediation are available.

Even if a manufacturer gets sales data for a chain, that data may be pertinent to only a few regional warehousing sites that will further distribute merchandise down to individual retail stores. For blocked, blinded, and chain data, manufacturers should determine the value that they place on the data and try to work directly with the downstream customers to make it available.

In addition, vital customer classification components, namely class of trade and hierarchy, are not inherent within the sales transaction set. Therefore, in order to gain the benefit of all of this detailed sales data, it is essential to define and incorporate these classifications into the CCM data.

Finally, it is recommended that manufacturers work with wholesalers to establish a short- and long-term plan for including any additional data elements that are desired, such as lot and contract number.

Step 2

Understand the complete set of benefits attainable through CCM data, and identify potential beneficiaries.

A list of primary benefits is shown in Figure 1. It is essential to understand each of these benefits and its importance to the company and to individual functions such as:

- Finance
- Trade relations
- Commercial operations
- Contract/chargeback management
- Customer service
- Brand marketing
- Sales
- Materials management
- Production planning and manufacturing
- Product security

Step 3

Educate beneficiaries on CCM data to determine their needs and requirements for deriving maximum value.

Few of the above functional groups understand CCM and its implications. Workshops can help representatives of these functional areas understand the data and define:

- The respective value of the CCM data to each group
- The required data elements, level of detail/summarization, format, and frequency of reports
- Prioritization for the provisioning of the CCM data

Step 4

Define prerequisites and a roadmap for provisioning CCM data to beneficiaries.

The most important activity in this step is to execute all data remediation efforts required to ensure data integrity. Be certain that any issues that cannot be resolved in the short term are fully understood and that an accurate reconciliation methodology is incorporated where applicable.

Then, using the requirements gathered during the workshops, the business sponsor and the IT group can work together to define the appropriate technical architecture to support the extended CCM operational environment. They should consider:

- Where the provisioned CCM data will reside—i.e., in the CCM solution, an analytics module, a third-party reporting tool, or a data warehouse
- How CCM solution performance may be impacted
- How the CCM data will be staged, summarized, and validated
- How the functions will access the CCM data

Finally, CCM data management, including data ownership, data governance, and data provisioning methods must be established and testing, training, and support systems put in place.

CCM at a higher level

With proper foresight, planning, and execution, an organization can successfully leverage all the benefits of CCM data. Manufacturers are already beginning to see some of the following benefits materialize:

- Early indication of IMS Rx data for new products and line extensions
- More accurate and timely revenue recognition
- Ability to monitor the success of marketing and promotional activities
- Verification of chargebacks, negative chargebacks, and returns
- Improved forecasts for materials management and production planning
- Ability to monitor alerts related to supply chain integrity and product security
- Identification of speculative buying by downstream customers
- Sales order monitoring for impact on DOH compliance
- Sophisticated reporting, analysis, scorecards, dashboards, and forecast models

Summary

When considering the purchase of a CCM solution or the enhancement of CCM operations, it is important that manufacturers understand the potential benefits of CCM and approach it in a way that enables them to achieve maximum benefit. By executing the required processes to ensure data integrity, and implementing the appropriate technical environment to support the provisioning of CCM data across the organization, your company will be well on the road to maximizing the value of CCM data.

Don't just manage CCM data—leverage it.



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