



# MCKESSON CORPORATION

## Replaces legacy CLM with Pramata and recaptures millions in customer purchase commitments

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**Danielle Hannifin**

*Vice President, Accounting and Controllershship, McKesson Corp.*

*To capitalize on revenue opportunities generated by its vast, complex web of customer and supplier relationships, McKesson needed more insight than their original contract lifecycle management (CLM) solution could provide.*

As the biggest player in the U.S. healthcare distribution industry, McKesson has a long history of managing complicated commercial relationships with expert efficiency. Leaders in the highly competitive pharma distribution and services sector can't afford to let anything interfere with the quality of their interactions with health care providers, manufacturers, pharmacies, and other customers.

That means keeping eyes firmly fixed on the quality and usability of customer contract data. But McKesson found itself facing a challenge that's familiar to a growing number of digital-savvy businesses. The outdated CLM system it relied on to manage those agreements and maximize their value simply wasn't up to the task.

The CLM system was originally installed in part to help legal with drafting, version control, and identifying non-standard contracts and key terms. But the legal teams found it too rigid and limiting, thus it failed to gain traction. A bigger challenge surfaced when McKesson wanted to know whether customers' purchases matched their contract commitments.

## MCKESSON

McKesson (NYSE: MCK) is a global leader in healthcare supply chain management solutions, retail pharmacy, community oncology and specialty care, and healthcare information technology. Founded in 1833, the company provides distribution solutions and technology solutions to healthcare organizations, serving more than 50 percent of U.S. hospitals and 20 percent of physicians. Ranked fifth on the Fortune 500, McKesson has operations in more than fifteen countries.

**Industry:** Healthcare

**Annual Revenue:** \$198B

**Headquarters:** San Francisco

**Employees:** 76,000+

## CASE STUDY: MCKESSON CORPORATION

Lacking integration with other systems, the CLM system couldn't provide needed information. Hannifin shares the experience, "We couldn't do any measurement whatsoever against actuals. We had no hope of trying to match our contracts to our actual customer activity within our ERP tools."

When the time came to upgrade, and because of their experience, McKesson decided to bypass the entire CLM software category altogether. Traditional CLM systems can't decipher document hierarchies, do complex data extraction, interpret or normalize the data. "Even if there were some better products out there from a pre-signature perspective, choosing one of them honestly didn't make a whole lot of sense," says Hannifin. "Why even bother? It wasn't going to be much of a difference for our users' experience, and it wasn't going to help us reach our goals."

### The Solution

#### A single source of truth integrates crucial ERP data

After investigating dozens of solutions, McKesson chose Pramata. The Pramata solution is both a definitive system of record for contract data and a platform for managing that information and maximizing its value. It provides a single source of truth for McKesson's legal, finance, and sales ops teams, giving them instant access to the contract data they need to make the best decisions. Most importantly for McKesson, the Pramata platform can be queried to enable reporting to be compared to actual results from the company's ERP system to track performance against contract commitments.

Pramata centralized over 20,000 complex contracts and dozens of obligations, commitments, and other terms from each contract for their foundation. The transition from the CLM system to Pramata was "extremely fast," according to Hannifin.

### Business Value Realized

#### Recapturing millions of dollars in customer purchase commitments

One of McKesson's first wins with Pramata was developing the ability to report easily and quickly on what the company calls customer minimum value commitments. If a contract stipulates an annual minimum dollar amount for purchases, McKesson can check whether that commitment is on track to be met by the end of the year. **This improvement has enabled the company to recapture millions of dollars in revenue.** In addition, McKesson leverages Pramata to ensure that it's meeting pricing and rebate commitments to customers.

Delivering full insight into the contract templates the company is using, and how current contracts differ from those templates, is one of Pramata's key benefits. Hannifin explains, "Let's say I have a legal provision I believe should exist in every contract I write for my customers. Pramata offers a way to develop reporting that shows us all of the customer contracts that don't have language written in this way. That's very helpful."

Project leaders have received plenty of positive feedback on Pramata's keyword search and reporting features, which help users understand customer relationships across segments or businesses, Hannifin notes. "The key terms page easily pulls out the critical items in each customer agreement for us, so we don't have to analyze a 40-page document."

She adds, "What Pramata makes possible is a whole universe of reporting that we can use to understand our customer behavior better."

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"With Pramata, McKesson can check whether a customer's annual purchase commitment is on track to be met by the end of the year. This improvement alone has enabled the company to recapture millions of dollars in revenue."

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