

EXECUTIVE REPORT

the structural margin risk in medical device manufacturing

why pricing governance
now demands board attention

the structural shift: margin risk is increasing in complex device portfolios

market reality

PPI at 2025
record high.

Cost volatility is
no longer episodic.

It is structural.

Medical device manufacturers are no strangers to cost pressure. Supply chain instability, tariff adjustments, distributor leverage, and competitive pricing dynamics are now constant operating conditions.

The Producer Price Index for medical equipment and supplies manufacturing reached a record high in late 2025, reflecting sustained upward pressure on input costs across the sector. Cost volatility is no longer episodic — it is structural.

Yet cost volatility, while visible, is not the most significant source of margin exposure. The larger threat is structural — embedded in how pricing decisions are executed and governed across complexity.

Over the past decade, medical device portfolios have grown more complex. SKU counts have expanded through innovation and customization. Global operations now span multiple regulatory environments. Pricing models increasingly layer list prices, distributor agreements, GPO contracts, IDN structures, and localized adjustments.

In most complex device organizations, pricing control systems were not designed for today's portfolio scale, channel structure, and regulatory scrutiny.

→ **Structural margin risk is not a strategy problem.
It is an execution governance problem at scale.**

**pricing
execution
must be
governed
at scale**

Margin erosion is often attributed to market conditions or pricing strategy. In reality, margin loss stems from governance gaps. Pricing logic, approvals, and updates live in manual tools and fragmented workflows that were never built for enterprise scale.

The issue is no longer whether pricing strategy is sound.

This report explores key insights around pricing power, process gaps, current technology usage, future investment plans, barriers to adoption, and more.



where pricing execution breaks at scale

In complex device portfolios, pricing rarely fails dramatically. It drifts.

01

contract vs. executed price drift

List prices, distributor agreements, GPO arrangements, and IDN contracts often evolve independently. Chargeback processes introduce additional variability between negotiated and transacted prices. Over time, small discrepancies compound, creating misalignment that is difficult to detect until margins tighten or disputes surface.

02

exception normalization

Pricing exceptions are often introduced to preserve flexibility. At scale, they become structural. Field inventory arrangements, consignment models, and localized overrides introduce variation that sits outside formal pricing logic. As exception volume grows, governance shifts from proactive to reactive, and executives inherit risk embedded in “special cases.”

03

cost update lag

Component and compliance costs shift continuously. Pricing updates often occur periodically. When execution systems rely on manual updates, timing gaps emerge between input cost changes and price realization. These gaps embed margin erosion into the operating baseline. Because the impact disperses across SKUs and time, it rarely appears as a single event — making it harder to isolate and correct.

04

auditability and traceability gaps

In regulated environments, pricing decisions must be explainable — not just accurate. When pricing logic resides in spreadsheets, email approvals, and regional workarounds, reconstructing decision lineage becomes manual and time-consuming. Even defensible pricing outcomes can appear fragile under scrutiny if the path to those outcomes cannot be clearly demonstrated.

⚠ In complex medical device organizations, these patterns are not anomalies.

This exposure is predictable when pricing governance fails to scale with portfolio and channel growth. It is rarely the result of poor intent. It reflects structural strain within the pricing model.

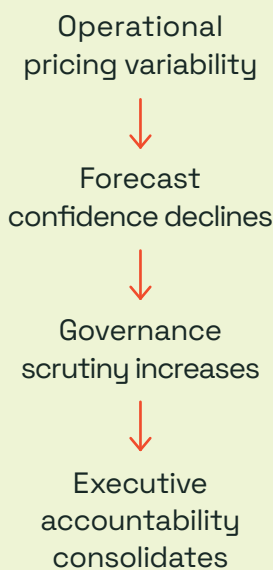
the cfo implication: from operational friction to financial risk

Operational pricing friction becomes financial exposure when it affects predictability, defensibility, and executive confidence.

01

margin predictability risk

When pricing execution is inconsistent, margin variability is not always tied directly to market shifts. Forecast confidence declines. Finance teams spend more time isolating unexplained variances. True performance becomes harder to distinguish from execution noise.



02

governance and compliance exposure

Inconsistent pricing logic increases scrutiny risk — internally and externally. Weak audit trails shift routine review into executive-level scrutiny. Even defensible pricing outcomes become difficult to stand behind if the path to those outcomes cannot be demonstrated. In highly regulated markets, the inability to demonstrate structured pricing control can elevate routine review into governance concern.

03

executive confidence erosion

when
governance
is diffuse,
accountability
moves up

Pricing that cannot be clearly explained shifts board conversations away from strategy and toward volatility management. Leaders become accountable for decisions made across decentralized systems. Exposure becomes personal rather than operational. When pricing governance is diffuse, accountability consolidates at the top.

Leading manufacturers are responding to this structural pressure by evolving their pricing environments. They are moving toward governed price structures, structured approval workflows, and continuous oversight models that centralize control while preserving regional flexibility.

→ This shift is not about optimization.

It is about containing structural exposure before it becomes performance volatility.

executive reflection: control system or patchwork?

In complex, multi-channel medical device organizations, pricing should function as part of financial control infrastructure — not as a periodic operational task. If pricing governance cannot be demonstrated quickly and consistently, the organization is operating on assumed control.

consider:

- | | |
|--|--|
| <ul style="list-style-type: none">→ Can pricing logic be explained consistently across channels without manual reconstruction?→ How quickly are cost changes reflected across the portfolio?→ Are exceptions structured and governed, or normalized and reactive? | <ul style="list-style-type: none">→ Is pricing traceable and defensible under audit scrutiny?→ Can execution-driven margin variability be isolated in real time?→ Would leadership be confident presenting pricing governance to the board? |
|--|--|

If these questions are difficult to answer quickly, the issue may not be pricing strategy.

It may be structural control.

In regulated, multi-channel manufacturing environments, pricing governance is no longer an operational detail. It is a component of financial control infrastructure.

Organizations that treat pricing as a governed system — rather than a periodic task — are better positioned to protect margin integrity as complexity continues to increase.



about zilliant

Zilliant delivers AI-driven pricing that gives B2B companies greater clarity, control, and profitability. By replacing spreadsheets with governed workflows and real-time intelligence, Zilliant helps organizations protect margin, accelerate decisions, and scale pricing maturity. From core price management to advanced optimization, Zilliant enables faster, smarter pricing that drives sustainable growth. Learn more at zilliant.com.