



# Optimizing **Payment Terms** In **Pharmaceutical Sector**

**Optimizing payment terms in the pharmaceutical sector**  
through AI-driven working capital insights

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# Introduction

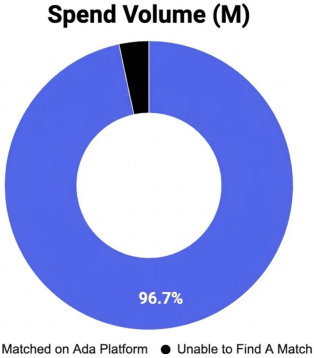
One of the largest pharmaceutical companies in the world contacted Calcium with the following requirements:

- 01 Compare themselves with their peers** to see where the company is standing in terms of payment terms versus their competitors.
- 02 Identify opportunities** to unlock free cash flow through payment terms optimization.
- 03 Provide procurement with data insights on each supplier** to negotiate better terms.
- 04 Plan the rollout** of the payment term optimization program with the ability to track the results



## Matching, Normalizing & Cleaning Data

- ✓ USD 2.2B spend and 5,844 suppliers analyzed
- ✓ Match Rate of 96.7% of total spend



To optimize payment terms and the overall Cash Conversion Cycle (C2C), Calcium analyzed over USD 2.2B of the client's spend across 5,844 of their suppliers. Leveraging the ADA Platform, Calcium performed comprehensive credit scoring and analyzed spend distribution by geography, industry, commodity, and existing payment terms.

Furthermore, the platform enabled the client to normalize and cleanse its data, providing enhanced visibility into trading partners' financial health and identifying high-impact areas - such as the top 100 suppliers - to prioritize payment term improvements.



# Insights on **Supply Chain Data Distribution**

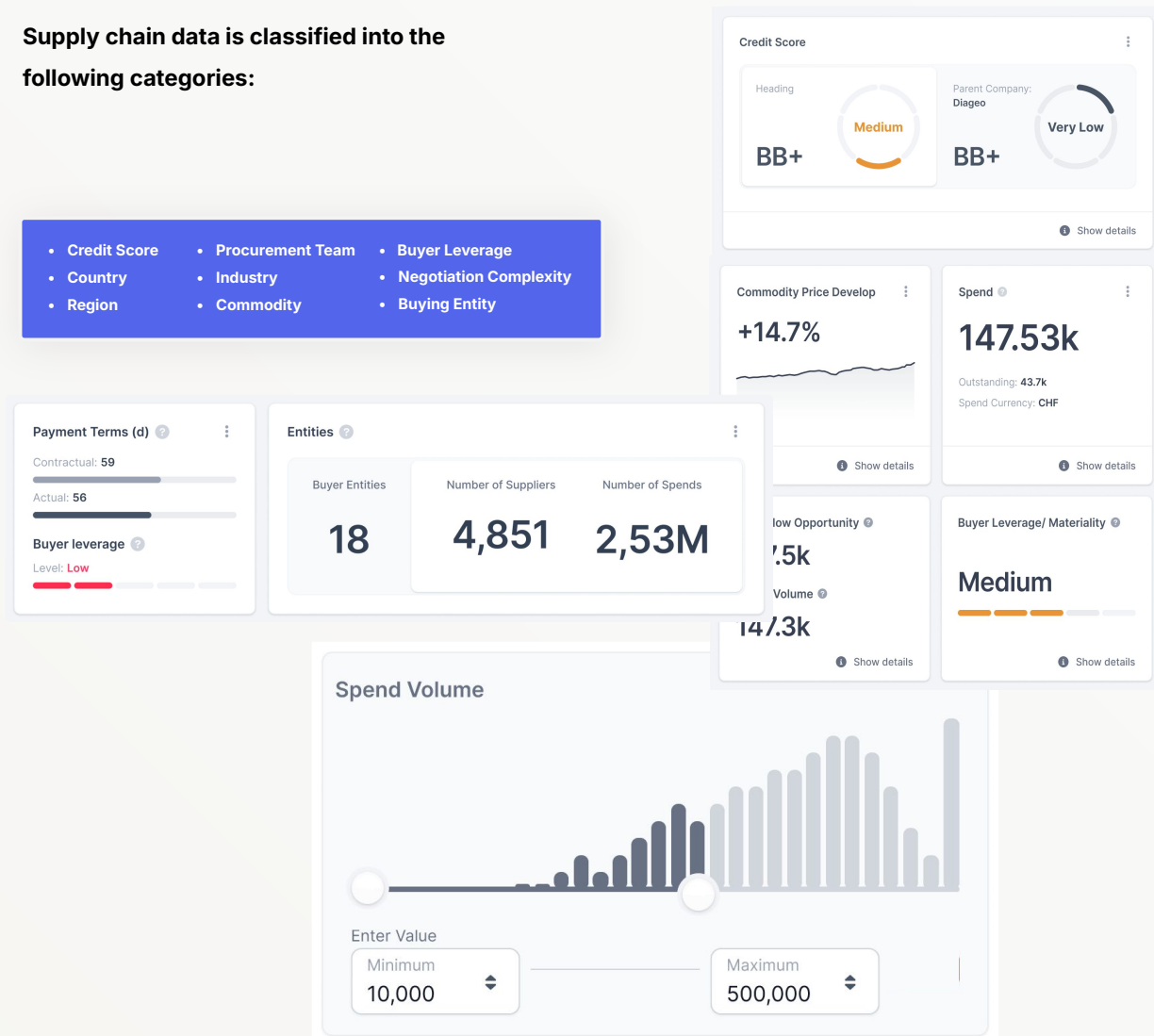
Calcium's ADA Platform allowed the corporate client to view all their suppliers and spend data from multiple different ERP (Enterprise Resource Planning) systems to gather insights about their entire supply chain.

The supply chain metrics listed below were measured according to average payment terms, spend volume, number of suppliers, and supplier's cost of debt.

- ✓ Full-scope overview of the client's supply chain
- ✓ Break down of supply chain data into 40+ metrics
- ✓ Calcium credit rating of every supplier
- ✓ Geographically map out the client's supply chain

**Supply chain data is classified into the following categories:**

- Credit Score
- Country
- Region
- Procurement Team
- Industry
- Commodity
- Buyer Leverage
- Negotiation Complexity
- Buying Entity





# Identifying Free Cash Flow Opportunities

As a next step, the ADA Platform allowed the corporate client to create specific programs to organize their suppliers based on their strategic spend, tail suppliers, and vendors based on their cost of debt to identify opportunities to introduce them to the client's Supply Chain Finance program.

The client created a Supply Chain Finance program focussing on their US-based and Asian suppliers with 1,256 suppliers responsible for 70% of their direct spend, totalling over USD 1.5B.

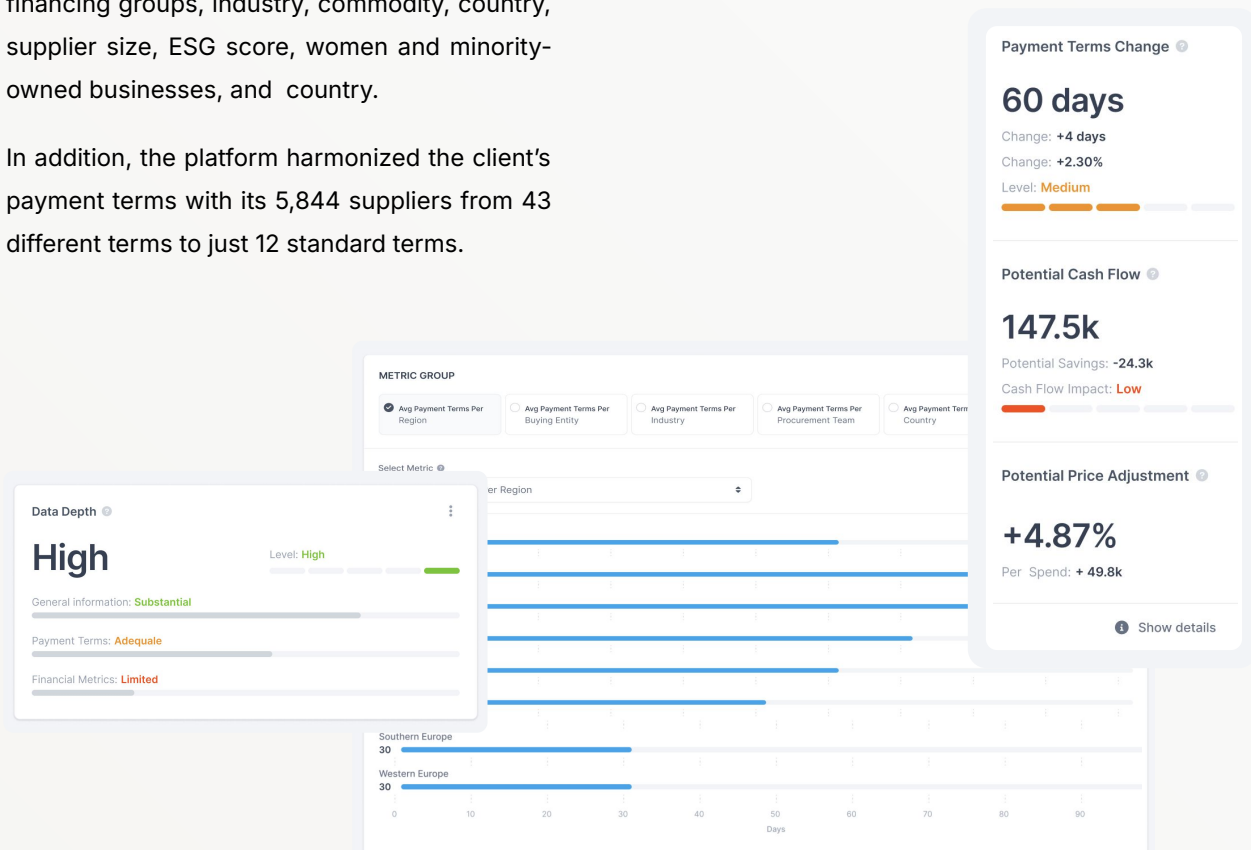
The optimization program for payment terms was broken down by procurement category manager, harmonized payment terms groups, financing groups, industry, commodity, country, supplier size, ESG score, women and minority-owned businesses, and country.

In addition, the platform harmonized the client's payment terms with its 5,844 suppliers from 43 different terms to just 12 standard terms.

Calculum's ADA Platform identified an opportunity to optimize the current weighted-average payment terms from average 63 days with 1,256 suppliers to 84 days.

The increase of 21 days represented an alignment of the terms for each individual suppliers to the market standard, based on the commodity, country, and industry, as well as taking into account the buyer leverage, resulting in over USD 127M of additional Free Cash Flow for the corporate client.

- ✓ Break down the client's suppliers into programs
- ✓ Invite users to collaborate with procurement managers and setup the program
- ✓ Specify term harmonization groups
- ✓ Allocate financing rates to suppliers





# Taking Action & Creating Project Plan

The client used the 9-Box model developed by Calculum in the ADA Platform, allowing to focus on the suppliers with the highest probability of success - accepting the new payment terms, as well as the ones generating the biggest cash flow impact for the client.

Based on the analysis, the team developed and shared access to deployment plans in the ADA Platform with their procurement managers. These managers began the negotiation process by contacting each supplier via email outlined in these plans.

The client was successful in negotiating with 1189 out of the 1,256 suppliers representing a 94% success rate. This resulted in the client unlocking an additional USD 86.3M in Free Cash Flow.

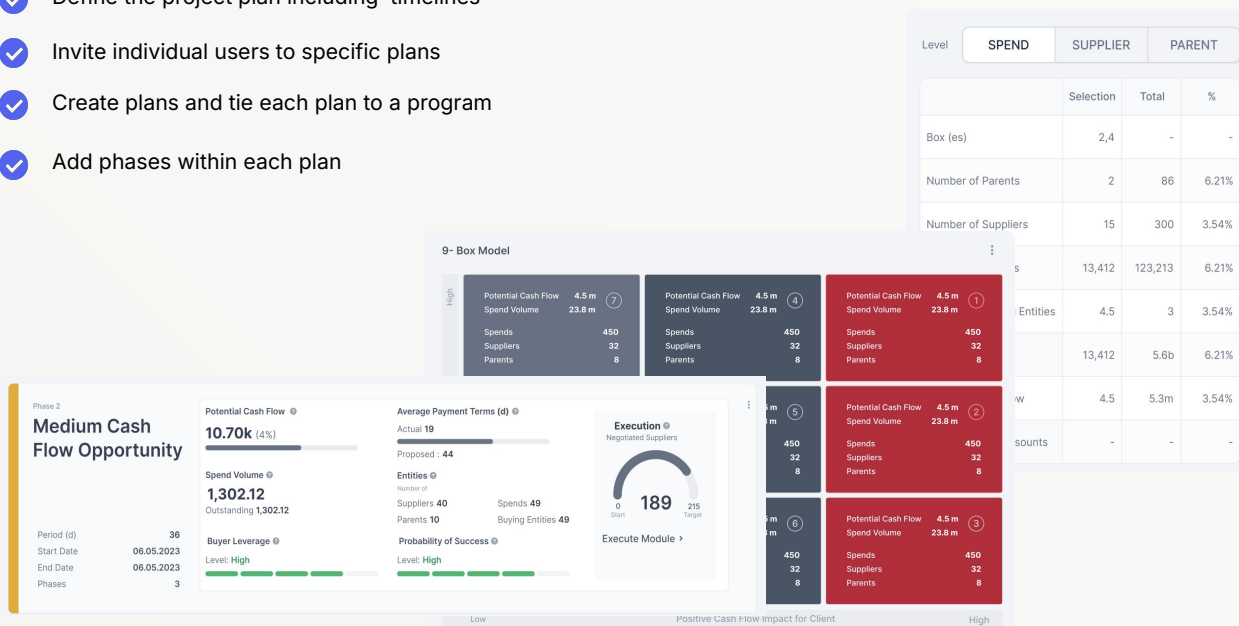
Calculum's ADA Platform allowed the corporate client to create a plan to define the rollout of the payment terms optimization project.

The client used the ADA Platform to draft a strategy to negotiate their payment terms with their 1,256 suppliers by creating two plans for their US-based and European suppliers.

The corporate client decided to break down their plan with their US-based suppliers into four phases based on the suppliers' credit score. The client broke down the project plan with their European-based suppliers into four phases based on the supplier's country. Each phase lasted three months in both respective plans.

ADA outlined the two plans and their four phases for the corporate client allowing the company to negotiate the new payment terms with all of their 1,256 suppliers.

- ✓ Transition of programs into actionable steps
- ✓ Define the project plan including timelines
- ✓ Invite individual users to specific plans
- ✓ Create plans and tie each plan to a program
- ✓ Add phases within each plan





# Negotiations & Tracking Results

The corporate client negotiated with each of their 1,256 suppliers using the plans which were created in collaboration between treasury and procurement. To help facilitate this process the client used the ADA Platform's Entity Card, which allowed the client to dive into each individual supplier with detailed information.

For example, the corporate client decided to optimize the payment terms with one of their suppliers, a mid-market manufacturing firm located in Central China. The client was able to see a potential increase in free cash flow of USD 122K by successfully negotiating the new payment terms suggested by the ADA Platform.

In addition, the client was able to gather important insights about this supplier such as the supplier's industry and country risk profile, their supplier's funding costs, credit score, and other key financial ratios such Days Sales Outstanding (DSO).

The ADA Platform identified six possible negotiation strategies and arguments allowing the client to convince the supplier to accept the adjusted payment terms. One of the key strategy was the Supplier Standard, indicating what payment terms (average and third quartile) the vendor accepts from other customers, which was very helpful in the negotiation. After successful negotiation, the procurement manager entered the results into the ADA Platform along with the date of agreement and the date of the next payment terms review. With the new terms saved into the platform, treasury got notified and was able to record the Free Cash Flow.



- ✓ Analyze terms at individual supplier level
- ✓ Credit Rating, ESG Scoring and Cost of Debt
- ✓ See who is the ultimate parent and sister companies with different payment terms
- ✓ Choosing between multiple different term negotiation argumentations
- ✓ Record and track negotiation results
- ✓ Customized negotiation script for each supplier, including what payment terms the supplier is offering to competitors



## About **Calculum**

Calculum is a Data-as-a-Service (DaaS) company that helps organizations benchmark themselves against peers, analyze supplier performance, optimize spending, and negotiate better terms.

Leveraging machine learning and predictive analytics, Calculum's mission is to revolutionize payment term negotiation, supplier risk assessment, working capital optimization, and Supply Chain Finance.

Headquartered in Miami, the company empowers procurement teams to unlock free cash flow, mitigate supply chain disruptions for corporations, and strengthen relationships with trading partners.

### Our Data empowering your Organization

**USD 3.3 trillion**

Global Spend  
Volume Analyzed

**7.5 million**

Suppliers analyzed  
in 90 Industries

**8-11% Working Capital**

Opportunity for every dollar  
spent analyzed





# How Can Calculum help **Pharmaceutical firms to unlock working capital**

Over the past years, Calculum has worked closely with several industry -leading companies in the pharmaceutical industry helping them with their focused approach to cash leadership.

With its Calculum's ADA Platform, leveraging AI and data analytics, clients can ensure maximization of shareholder value and gain competitive advantage by optimizing and negotiating better payment terms with their suppliers.

The ADA Platform identifies and improves over 10% in working capital for every dollar spend analyzed.

## Contact us

We are ready to provide you with insights on payment terms that will help improve your working capital structure and performance.

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