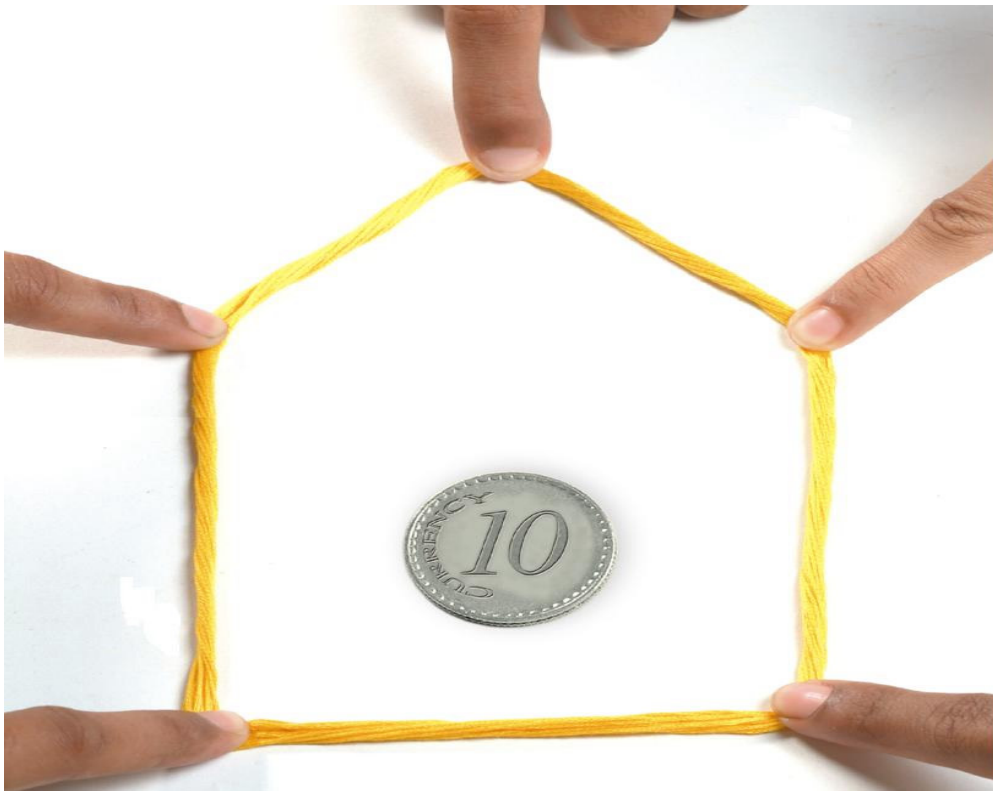


LEAN and AGILE Supply Chain For Pharmaceutical Sector

Management Consultants for Supply Chain Transformation



Growth | Profit | Customer Satisfaction

Enabling Clients Scale New Heights in Performance

Don't get constrained by your legacy Supply Chain ...



It is time to revisit and “Transform” it

Pharmaceutical companies are making their mark in the global space with a greater thrust on exports. Their high growth is accompanied by significant shifts in the patent regime, aggressive new product launches, expansion into newer markets and redefinition of the business model.

The challenges confronting many Indian pharma companies are:

- Managing products in different stages of [lifecycle](#), in the era of many new product launches
- Keeping supply chain flexible to align with [changes in demand](#) for new drugs, promotions and disease outbreaks
- Maintaining efficiency and effectiveness in growing supply, manufacturing and subcontractor base
- Reaching out to newer domestic and export markets without losing efficiency

Proactive players are breaking new ground using a series of Supply Chain Strategy initiatives to propel their Growth and Profitability by:

- Setting up a [Global Supply Chain Footprint](#) through [Network Design](#)
- Creating [Agility](#) through redesigning [Supply Chain Policies](#)
- Enhancing [Buying Effectiveness](#) through [Strategic Sourcing](#)



Changing market dynamics could expose supply chain inadequacies...

Market triggers which impact supply chain efficiency and effectiveness

The Pharmaceutical industry supply chain is in an un-enviable position of having to confront **excessive inventory** of some products on one hand, and **stock-outs** on the other owing to:

- Shortening product lifecycles
- Fluctuating demand in localized markets
- Higher product expiry than estimated

Possible inadequacies of supply chain configuration

- Identical **supply chain footprint** and policies irrespective of products lifecycle stages
- **Rigid** manufacturing and sourcing **capacities**
- Untapped **alternate sourcing** options
- Inefficiencies in **distribution networks**

Business implications of misaligned supply chain

- False start in launching new products
- Loss of sale and market share
- High logistics cost
- High cost for expired drugs



But synchronized Supply Chain unleashes potential

It is indeed the right time that Indian pharma companies re-look their supply chain philosophy and transform it to drive market growth and profitability.

Network Optimization calls for addressing typical challenges

- Designing **Supply Chain Footprint** meeting requirements of both **matured and new products**
- Improving **responsiveness** without significantly increasing **Stocking points** in the network?
- **Rationalizing** Supply Chain Infrastructure, in terms of **stocking and supply points**
- Leverage the **Fiscal Footprint** for creating **efficiency**
- Increasing **agility** of the supply chain to **reduce expiry** of batches
- Deciding the most appropriate **ownership pattern** of Supply Chain **Infrastructure**

Our Value Proposition

ECS has helped clients in unlocking significant value on dimensions of responsiveness and cost through Network Optimization. The salient feature of the same are:

Designing a differentiated 'supply chain footprint' for multiple products

Setting up a footprint for sourcing commodities and outsourcing

Assessing risk from outsourcing and it's implication on business

Designing an efficient supply chain for reducing costs due to expired products

Developing a tax efficient supply chain

Benefits

- **20% - 30% improvement** in Customer Service Levels for new products
- **15% - 20% reduction** in Network Cost for mature products
- **Improved visibility** of near expiry products at warehouse and stockist level

Outdated policies impede Supply Chain velocity

Market triggers that impact supply chain policies

If the policies do not keep pace with changing business requirement, then it may impact both top-line and bottom-line performance of the company

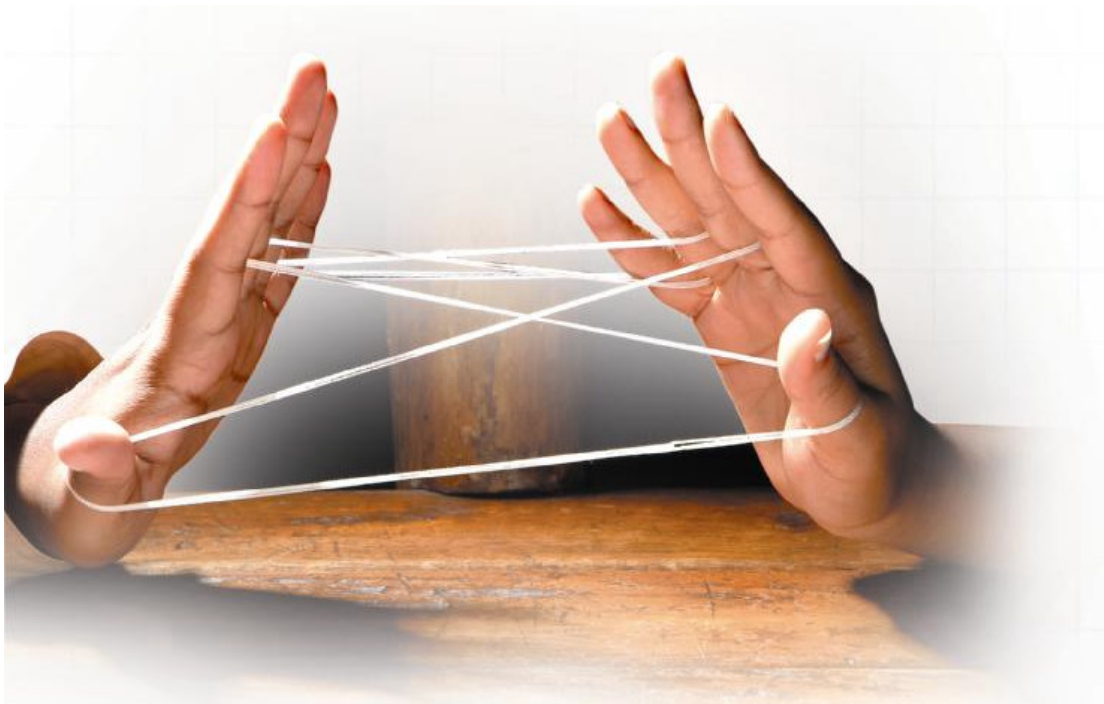
- Need for shorter planning cycles to meet changing market demand
- Flexibility to change schedules

Work practices that could contribute further include

- Aggregate Planning time cycle as against granular level
- Forecasting based on intuition than scientific model
- Product promotion decision not in synch with Supply chain movement / pipeline inventory
- Push to targets leading to disconnects between stockiest' replenishment and their sales

Business implications of inappropriate policies

- Excess inventory at various points in the supply chain
- Excess expiry and un liquidated pipeline inventory
- Continued expenses on value addition of imminent obsolete goods



While policies with right trade off enhance the speed

Trade offs between [Promotion](#), [Availability](#) and [Cost](#) are seen as the variables that would govern the Pharma Supply Chain Policies.

Operating principles which influence Trade Offs

- At what level of product and location granularity should one [aggregate the demand](#) for better forecasting
- What is the right combination of Capacity / Inventory / Information [De-couplers](#)?
- What is the scale and scope of [Push – Pull boundaries](#)?
- What should be the right planning cycle for various stages of [Upstream Supply Chain](#)?
- What part of Supply Chain configuration should be [Product based](#) / [Function based](#)?

Our Value Proposition

ECS has delivered significant value by helping them firm up and deploy the appropriate Supply Chain Policies. The salient feature of the same are:

Optimize Supply Chain performance through Point of Commit

Operations planning by setting appropriate inventory norms and push-pull policies

Improvement in demand communication and supply synchronization

Design of Supply Chain Performance Metrics Dashboard

Alignment of Supply Chain Organization Structure with business

Benefits

- [20% - 25% Cash Liberation](#) from Working Capital
- [2% - 5% reduction](#) in expiry of product

“Strategic sourcing” is becoming a compulsion in making upstream Supply Chain robust

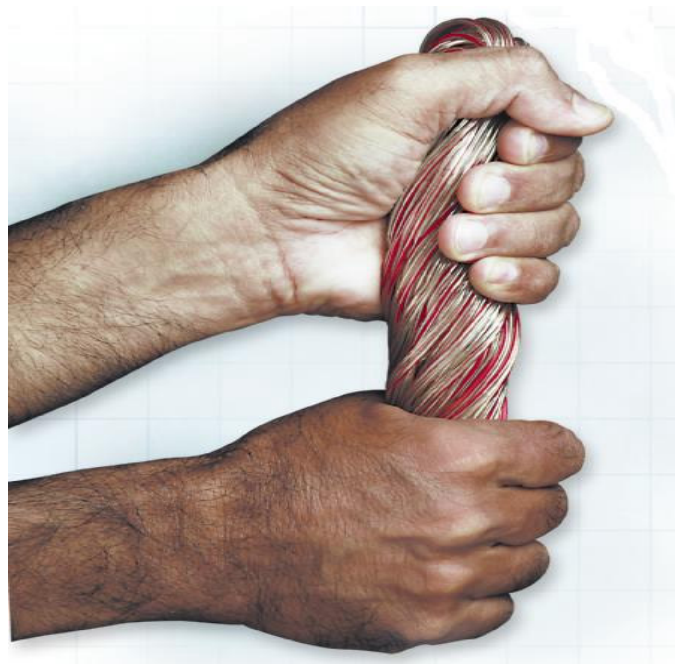
With all-round growth and opportunity comes intensive competition. Winners are those who not only meet the market requirement with competitive price but also those who manage their sourcing requirements well.

Strategic challenges of sourcing

- Creating a sourcing strategy with a distinctive **competitive advantage**
- Arriving at the **Total Cost of Ownership** for various products and channels
- Fixing the right **demand flex fence** for efficient delivery of products to changing market demands
- Identifying sources of **risks** in supply and contract manufacturing base and their mitigation plans

Operational challenges of Sourcing

- Developing a **framework for costing** based on first principles
- Institutionalizing sourcing systems and processes to minimize the **value leakages**
- Managing **Demand-supply fluctuations, Price volatilities and Duty structures**
- Creating alignment through **Performance measures, Structure and Technology**



New Mindset is a “must” if Sourcing is to become a lever for achieving and sustaining cost efficiency

To succeed in cost efficiency, organizations need to move from the vicious cycle of disbelief to arrive at the virtuous cycle of cost leadership.

New principles which govern sourcing efficiency

- Develop **solutions based** on deep understanding of **supplier economics** and business dynamics
- Employ **diverse strategies** for managing **different categories of spend**
- There is more to **spend** than price and therefore it is critical to arrive at **total cost of ownership**
- **Cost efficiency** is best extracted at **granular level** using first principle costing
- Addressing **Maverick spend** enables quick wins to the extent of **2 to 4% of cost**

Our Value Proposition

ECS has helped clients across industries in implementing a Full Value Spend management program successfully. The salient feature of the same are:

Developing a differentiated sourcing strategy for all categories of spend

Construct first principle costing framework and TCO based procurement decision models

Evaluation of decisions of making in-house Vs buying from contract manufacturers

Addressing all maverick spends to eliminate potential value leakages

Establishing a system to control material usage and reduce material wastages

Benefits

- **15 to 25 % reduction** in overall spend
- **50% reduction** in maverick purchases
- **Organizational Capability** to manage cost efficiently

Supply Chain is only as good as the Last Mile Delivery

Not enough attention is given to wastages which occur in logistics operations. Some of the major causes contributing to wastage are [Month end skew](#), [Geographically Dispersed Logistics](#) operations and [Sub-optimal Contracts](#) with service providers.

Opportunities in Logistics Operations

- Exploiting the [Mode mix options](#) in primary and secondary freight
- Reduce secondary freight costs through [Dynamic routing](#) based on order flow patterns
- Minimize total payout through judicious mix of [Variable and Fixed costs](#) contracts
- Leverage principles of operational excellence to improve [Warehouse Productivity & Reach](#)

Our Value Proposition

Our structured approach has helped our clients to realize significant tangible and intangible benefits in logistics operations.

Establishing the KPI's of Logistics & Warehouse Operations

Building Primary and Secondary Routing Model

Redesigning the Logistics Contracts based on First Principles

Designing a Program on Logistics Excellence

Pilot Implementation & Change Management

Benefits

- [10-15% cost reduction](#) on Primary Logistics
- [20-30% reduction](#) in Secondary Logistics costs
- [Improved work practices](#) in warehouses
- [Enhanced reach](#) to new customers

Our Pharma Credentials

ECS has helped Pharma clients across the value chain. Some of the exemplary assignments are:

Redesign Supply Chain Footprint in a large Pharmaceutical MNC

- Engagement Objective – Reduce expiry of goods in the Supply Chain
- Consulting deliverables – Redesign of Supply Chain Footprint and Network Optimization
- Benefits achieved – 2% reduction in expiry in 6 months

Design and implementation of Strategic Sourcing for a large Pharmaceutical MNC

- Engagement Objective – Calibrate the price to be paid to contract manufacturers
- Consulting deliverables – Design and implementation of strategic sourcing
- Benefits achieved – 15%-30% reduction in cost for different products

Design and implementation of NPD process for a large Pharmaceutical major

- Engagement Objective – Increase speed to market
- Consulting deliverables – Design and implementation of NPD process
- Benefits achieved – 50 % reduction in cycle time

Enhancing Operating Performance of a Mid sized Formulations company

- Engagement Objective – Reduce Conversion costs
- Consulting deliverables – Measure opportunity available in throughput & Energy Costs
- Benefits achieved – 15% increase in throughput, 10% saving in energy costs

Implementation of CRM process for a Domestic Formulation company

- Engagement Objective – To improve ROI of promotional spend
 - Consulting deliverables – Design and implement a CRM process
 - Benefits achieved – Enhanced ROI
-



Our Clients

Select Pharmaceuticals clients : Dr Reddy's Lab, Glenmark Pharmaceuticals, Nicholas Piramal, Pfizer, Neuland Labs, Intas Pharmaceuticals to name a few.

Our clientele in other industries : Amul, AV Birla Group, Cadbury, ITC, HLL, Larsen & Toubro, Marico, Goodlass Nerolac Paints, ICICI Bank, Rallis, EID Parry, Reckitt & Benckiser, Pidilite etc

Our Offices

Mumbai

2A, Wing A, 8th Floor, Prism Towers, Mindspace, Goregaon (West), Mumbai - 400062

Tel: 91-22-40074600, 40033400 / 1, Fax: 91-22-40074700

Gurgaon

804 Signature Towers, Tower A, South City, Gurgaon -122001, Haryana

Tel: 91-124-2383301 / 02, 2382409, Fax: 91-124-2383295

Chennai

1st Floor, Mootha Centre, # 23, Kodambakkam High Road, Nungambakkam, Chennai - 600034

Tel: 91-44-42123471, 42123481, Fax: 91-44-42122190

Bangalore

Tel: 91-80-40794128

Visit us at

www.ecs-limited.com

Write to us

S.V.Sukumar , Vice President (s_v_sukumar@ecs-limited.com)