

It's Time to Work Together

Thomas Halliday details how pharma makers could transform their supply chains.

The pharmaceutical industry is going through massive upheavals. With many drugs and products facing patent expiry, reducing costs to increase profits is putting pressure on companies. Furthermore, fresh licensing schemes and environmental pressures are initiating new modes of healthcare delivery. Global economic growth is creating demand for affordable, effective healthcare products from hundreds of millions of people living in emerging economies, which stretches the supply chain and puts pressure on companies to expand their portfolios in order to align to rapidly changing markets.

While companies are investing heavily to adapt to these market conditions, relatively little resources are being put into their supply chains. In an industry where the stakes are high, sometimes even life and death, on-time delivery and efficiency is critical. Despite these issues, supply chains in the pharma industry remain complex and underutilised, especially in Asia.

Many companies have turned to supply chain software to simplify and streamline supply chain management. However, this raises another set of problems. For example, we often find that

supply chain processes and rules are not set for specific product streams. Furthermore, the industry is characterised by secrecy, where leaks on product strategies and pipeline could affect business growth. This stems collaboration, an essential segment of a successful supply chain strategy. The industry's current supply chain model will not be able to match these challenges in the near future. Pharmaceutical companies will need to adapt out of necessity.

Get strategic

The supply chain should be viewed as a strategic business process rather than a means of getting products from A to B. Improved supply chain performance will give pharmaceutical companies a strategic long-term advantage as it helps solve the most challenging issues they face today:

1. Reducing costs
2. Improving access and distribution to new markets
3. Improved safety for products through automation
4. Improved security in the supply chain to avoid counterfeiting of products

In the past five years, we have seen supply chain transformation across industries, with companies who have focused on the supply chain developing a competitive advantage. They have benefitted from improved agility and delivery at a much lower cost. The pharmaceutical industry can take key lessons from other industries and adapt it to the supply chain. The volatile economy in the last five years has exposed weaknesses of having "legacy" supply chains. The pharmaceutical industry has been largely spared from economic volatility thanks to the high margins of its products and consistent demand. However, these trends are reversing today and



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poor supply chain performance will expose operations and profits to risk; highlighting the need for a more effective supply chain strategy.

These changes to the supply chains must be viewed as strategic. The payoff would be much larger than just a more robust business; it would be the ability to provide safer, more cost effective healthcare to millions of patients worldwide.

Step 1: Assessment

The first step towards supply chain excellence is to candidly assess your current supply chain model. Do you know where your products are? Do you know who your critical suppliers and partners are? Is risk management integrated into your supply chain management approach? Are your shipments accurate? What was the fill rate? These are the most basic questions that need to be answered accurately and used as a benchmark for improvement in the supply chain. They all come down to having visibility and the right processes in place for a functioning supply chain.

One of the largest problems faced by the industry is the lack of visibility. There is a glaring gap between the laboratory and the market place. Often, hospitals and clinics are unaware as to when their orders are coming in or even tracking where they have gone. For example, in the United States, the Food and Drug Administration averages around 19 recalls per week, forcing hospitals and pharmacies to scramble to alert the affected patients and get those products off the shelves. Many still rely on manual record-keeping, which is slow, costly and prone to errors. A lot of time and efforts can be saved by having the necessary visibility.

In addition, companies should do a complete qualitative risk assessment of their partners, as the supply chain is largely dependent on their success too. For example, are the suppliers' cash flows sufficient to repay or meet current commitments? Which suppliers have a history of default on payments or poor delivery? This would help eliminate 'bad apples' that could cause disruption in your supply chains.

Step 2: Driving Visibility and Automation

Having the right tailor-made solution for your supply chain is essential for getting total visibility. Many pharmaceutical companies still run a one-size-fits-all supply chain model. However, the reality is that demand variability, criticality, cost and service expectations vary considerably between products;

as do their production, inventory carrying and target markets. There are a number of news stories highlighting shortages of products in the industry are increasing year over year; a very worrying statistics when one considers the implications that medicines are not reaching patients.

With the right visibility tool in place, pharmaceutical companies will be able to better predict demand, identify weak points in the supply chain and have an acute understanding of how their supply chains run. This should lead to intelligently segmenting supply chains according to the specific product characteristics and customer requirements.

With visibility, key bottlenecks can be identified and eliminated systematically. Moreover, visibility will uncover processes that are inefficient and slow, a common issue in the pharmaceutical industry, and management needs to be decisive in improving production speeds. These could even include drastic changes to processes such as shifting production to different locations based on the type of product being developed.

Another essential aspect of visibility is to have better supply chain security overall. Being able to trace the origin and ownership of products will help prevent counterfeit drugs from reaching consumer markets. It will also prevent diversion, where corruption within the supply chain can distort profits and revenue distribution.

Also, and equally important, a lot of manual supply chain process such as checking orders and tracking down errors in financial transactions. will now be automated. It is estimated that businesses save 1 – 3% of their supply chain costs just by automating manual processes and eliminating human errors.

Step 3: Collaboration is Key to Alignment

The mantra 'collaboration is key' has been around for years. Still, it has remained a key challenge for many companies in the pharmaceutical industry, leading to gross inefficiencies in the supply chain. One of the key issues has been the sharing of information which could give away closely guarded business strategies away to competitors. Many suppliers and stakeholders in the supply chain also perform services for multiple pharmaceutical companies, hence the lack of collaboration. However, in our experience, when collaboration between suppliers is successfully enforced, it has led to discovering new opportunities to reduce costs and joint

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inventories which positively impacted their bottom lines. With software-as-a-service (SaaS) deployments becoming mainstream, sharing information and visibility is becoming easier.

Imagine a scenario where a pharmaceutical company can have visibility on patient demand changes in real-time. They would be able to adapt their supply chain to cater to the changing demand almost immediately. This would open up many new opportunities for business growth and revenue. It will also provide insights on the types of illnesses and problems faced by the industry. Pharmaceutical companies would be able to better align their business and stakeholders to meet industry demand. It also provides an opportunity for pharmaceutical companies to better market the right products as per consumer demand. Additionally, from an industry perspective, this could give key organisations important information on the medical and health issues faced by a country.

This is the type of visibility that pharmaceutical companies must strive for – from the laboratory to the supplier. When an order is placed, there should be no time lag in procuring the spare parts and beginning production. Many stakeholders in the pharmaceutical supply chain already have some form of IT solution in place. However, they often perform in silo of other departments so it is possible to get a situation where optimising one part leads to a poorer performance in another part of the supply chain. Proper integration must be done to ensure information is shared across relevant stakeholders.

It is essential that the collaboration extends to implementing a continuous improvement process (CIP) with all suppliers and stakeholders in the supply chain. Have monthly reviews to benchmark performance levels and set new targets and goals to get the best out of their service. There should be full alignment between a pharmaceutical company and its suppliers.

Supply chain transformation

Enforcing supply chain transformation cannot be done overnight. It must be done through a well thought out, strategic approach. Many companies have failed because they lack the know-how to make sense of the information they receive. In fact, often the issue lies in not having the correct information required to make logical decisions. Generally, this is due to silos in the company operating separately. We find that often, collaboration with suppliers and stakeholders is successful but internal collaboration has not been done, therefore information is incomplete and the transformation process encounters setbacks.

A best practice approach is to take a holistic approach to supply chain management by setting up a control tower, where a select group of individuals analyse the supply chain and enforce changes throughout the organisation.

In many situations, it makes sense for pharmaceutical companies to turn to their logistics software providers for help in making sense of the data. In this shared competencies approach, the pharmaceutical company focuses on their competencies, which is producing and marketing their products, while the software provider focuses on making sense of the data and also training and empowering the pharmaceutical company to understand the data.

Key to successful implementation

Change in the pharmaceutical industry is inevitable. It is only a matter of time before existing supply chain models won't be able to support the industry. Cracks in the pipeline are already beginning to show. The pharmaceutical industry is a critical industry that addresses our basic need for physiological well-being. It is essential that supply chains are viewed with higher importance, especially given the time-sensitive nature of the industry and the potential to reach out to millions of customers in need of healthcare in developing countries. Their transformation needs to match those of the wider industry.

Visibility and collaboration are the key ingredients for a successful implementation. The processes and technology needs to be in place to be able to take decisive decisions, not only to reduce costs and increase revenue, but also simply to provide better healthcare to those who need it. **PA**

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