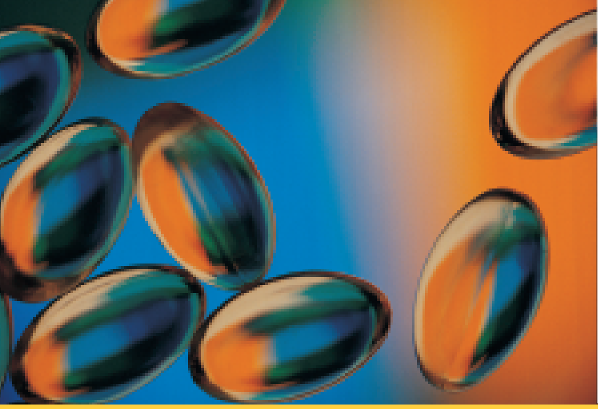

UPS Supply Chain Solutions℠

case study

Pharmaceuticals

Drug Company Plans Ahead to Keep Supply Chain Healthy

A mid-sized, U.S. pharmaceutical company is rapidly emerging as a major player due to its innovative business model for the development and licensing of branded and generic drugs. The company brought in the UPS Supply Chain Solutions' consulting services team to assess the long-term health of its supply chain as the company prepares to meet continued growth forecasts.

Client Challenge

The company works with European firms that developed promising new medicines undergoing final testing and evaluation. The company acquires the licenses for these drugs and moves them through the final validation process and manufacturing. The finished products are sent in bulk to the company's facilities in the United States, where they undergo specialty packaging and distributed to approximately 100 wholesalers and regional distributors throughout the country.

The company's business model enabled it to quickly tap select branded drugs and grow rapidly into a potential market leader. As the patents near expiration on these branded products, the company is developing generic equivalents. Meanwhile, the company plans to launch more branded drugs that are expected to become market leaders.

In the past, the company's focus on a select number of branded drugs made management of the supply chain relatively easy without advanced automation. As it positions itself to become a major player, with a more complex line of products, the company asked UPS Supply Chain Solutions to assess immediate ways to upgrade the supply chain and smooth the way for accelerated growth.

Our Solution

UPS Supply Chain Solutions interviewed personnel throughout the company's supply chain and reviewed shipping, receiving and procurement data, as well as the methods used to document the data. We also compared the processes between the company's packaging and distribution facilities in the Northeast and the Midwest. We found that it takes 39 weeks to move a product from the raw material stage to distribution. Visibility is lacking at

GEOGRAPHIC AREA SERVED

United States and Europe

CHALLENGE

Sustain optimal service in the distribution of generic and branded pharmaceuticals as the company gears for continued growth.

SOLUTION

A more fluid, flexible supply chain that uses savings generated by immediate improvements to fund a long-term strategy for streamlining operations and phasing in technology.

RESULTS

- **Targeted immediate ways to improve invoice and warehouse operations**
- **Highlighted need for strategic sourcing**
- **Developed plan to reduce days on hand inventory by 10 percent**
- **Identified improvements could generate up to $32 million in savings**
- **Focused attention on key aspects of supply chain for long-term planning**
- **Introduced possibility of new network distribution model**

key stages of the process, so tracking inventory is cumbersome. The company maintains more than 330 days of inventory while its competition typically carries less than 250 days. The fast pace of the company's development had also led to some tactical problems in invoicing and sourcing.

Our preliminary review identified significant opportunities for immediate operational improvements. Addressing the root cause for billing errors would result in immediate annual efficiency savings. Minor adjustments in warehouse operations—such as bringing order time frames in line with labor schedules, improving space utilization, and implementing a bar code system—would create a more fluid environment and a significant savings. Finally, by aggregating the purchase of office supplies and packaging materials in the Northeast facilities, we determined that the company could further streamline operations while generating an estimated $8 million in savings.

We also advised the company to tighten inventory control by analyzing supply and demand variability and identifying target stock levels. We developed a step-by-step plan to help the company achieve a 10 percent reduction in days-on-hand inventory, worth $24 million, within the current fiscal year.

Looking to the long term, we advised the company to consider adopting a regional distribution model. Currently, the company organizes its distribution network by product categories, with some facilities specializing in branded drugs and others in generic ones. A regional model with technological upgrades could eliminate unnecessary transportation legs. We recommended that the company postpone costly technological improvements until it undergoes a more in-depth analysis of its network and supply chain.

By tapping the expertise of UPS Supply Chain Solutions, the company gained critical insights on how to respond more quickly to market changes with much lower inventories. Choosing the right supply chain prescription will help the company remain a robust performer in the increasingly competitive pharmaceutical industry.

By tapping the expertise of UPS Supply Chain Solutions, the company gained critical insights on how to respond more quickly to market changes with much lower inventories.

For more information please contact us
1.800.742.5727 U.S.
1.678.746.4365 International
Visit us at ups-scs.com

CS.SCS.HC.620 6/05

UPS Supply Chain Solutions℠