

SUCCESS STORIES



INDUSTRY CASE STUDY

Manufacture and distributor of
Veterinary Pharmaceuticals

CLIENT PROFILE:

The client is a division of a large European developer and distributor of pharmaceuticals.

The client's division distributes animal treatments for veterinarians, farmers and pet owners. The division has operations in nearly 40 countries and a worldwide work force of 2,600.

CHALLENGE:

While the client's delivery times were within an acceptable industry range, the company recognized constraints in the system that resulted in excess inventories and increased inventory related costs such as cross-shipping and expedited freight charges.

The company expressed a desire to establish a simple and reliable mechanism to maintain correct inventory levels in order to increase sustainable delivery performance while minimizing their inventory investment and eliminating the unnecessary costs.

Pharmaceutical company increased fill rates and slashed inventory dollars by partnering with Athena SWC

A pilot project was launched that involved the US unit comprised of five (5) warehouses and four (4) product lines. The drugs were sourced from a multiple of suppliers. The goal was to show quick improvement in the distribution system and then launch a similar worldwide effort.

The pilot project scope included domestically originated drugs sent directly to each of the warehouses in full pallet quantities. The products that originated overseas were brought into one FDA approved warehouse and then immediately shipped after FDA approval to each of the individual warehouses.

If a regional warehouse stocked-out of a product, they would cross ship the product from another location until the monthly resupply order was delivered. If an emergency occurred, the product would be expedited directly to the customer. Quarterly there was an attempt to redistribute the inventory.

Athena SWC's solution was based upon using the standard Theory of Constraints Demand Replenishment methodology. Each of the regional warehouses were stocked with two (2) weeks of inventory based upon historical demand. The excess was brought back to a newly established central warehouse.

Weekly replenishment orders were sent out based upon consumption of the products at each individual warehouse. The amount of inventory in the entire system was controlled by a Buffer Management process, designed to adjust the inventory levels to actual demand factored by expected seasonality.

After moving the inventory and establishing the replenishment procedures, individual warehouse stock-outs dropped to near zero. Cross shipping and expedited orders were almost eliminated. The company recognized the capability to reduce the overall inventory including the new central warehouse by 25% from prior levels. This freed about four (\$4) million dollars of inventory during the pilot project.

Customer benefits achieved:

- Supplied all customer orders from the appropriate regional warehouse reducing cross shipments and expediting costs
- First order fill rates were in the high ninety percentile
- Significant cross shipping and expedited freight costs were reduced and eventually eliminated
- Overall Inventory in the supply system was reduced 25% which represents about 4 million dollars
- Losses due to expired shelf life were decreased

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