



#### CUSTOMER STORY

# Pharmaceutical Company

Saving Lives through Improved Supply Chain Planning

## Challenges

Over a nine-year period of rapid growth, this pharmaceutical company found it increasingly difficult to maintain forecasting accuracy as its needs outpaced its systems. The Executive Director Supply Chain was initially apprehensive about investing in new planning software due to the 'grief cycle' he had experienced in the past with IT projects that came with long, expensive implementations and unmet expectations.

## Industry

- Manufacturing – Pharmaceutical

## Solution

- Demand Forecasting & Planning
- Inventory Optimization

## Results

- Stockouts now less than 1%; able to identify potential problems up to 4 months ahead
- Achieved 'autonomous supply chain planning', ending reliance on manual overrides
- Fully operational in just 30 days

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## Company Overview

This subsidiary of a global pharmaceutical company produces world-class medicines at affordable prices. They are one of the largest pharmaceutical providers in South Africa by volume and third largest by value. The company is famous for lowering the cost of Triple Antiretroviral (ARV) Therapy to less than \$1 per day in developing countries. It has played a similarly prominent role in expanding access

to drugs to fight influenza, respiratory disease and cancer. It also makes drugs to treat cardiovascular disease, arthritis, diabetes, weight control, depression and many other health conditions. Its products are distributed in more than 160 countries.

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## Project & Objectives

The company provides South Africans and the neighboring countries with superior-quality, yet affordable medicines that improve citizen's health and lives. To do this, it must cut as much waste and inefficiency from its supply chain as possible while meeting service and compliance obligations. Long lead times for imported products, wild currency fluctuations and demand spikes caused by government contract tenders all conspire to make planning difficult.

"The cardinal sin in our business is running out of stock and not being able to fulfill an order," says the Executive Director of Supply Chain. Most suppliers 'insure' against this by holding

excessive levels of safety stocks, but this inevitably leads to waste and obsolescence and ultimately, higher costs. So striking the optimal balance is a difficult process, but one that can make a huge difference in the price and availability of medicines.

After considering several supply chain planning software solutions, the company turned to ToolsGroup to outsource its forecasting, inventory and replenishment planning.



**Thanks to the continuous improvement program with ToolsGroup, we're now at the point where we can confidently switch off our own manual overrides and put complete trust in the forecasts."**

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## Day to Day

Implementing ToolsGroup's software was extremely easy and within 30 days the solution was fully operational, with all of its data sets integrated. The new system provided some unique capabilities. "Before we could only forecast at the product level. Today we can forecast right down to the customer level anytime, at the press of a button. That really opened a whole new world to us because now we forecast demand from our most important customers by product."

Having met initial objectives to ensure stock availability and no longer fearing stock-outs, the company has turned its attention to freeing up working capital by optimizing inventory levels. "We now have a 'recipe' for success that we run through every week. After ticking off every ingredient on our list, the end result is a very lean, smooth supply chain. We now have a forecast model for 12 months in advance, which tells us what we're going to order, when we're going to order it and what our inventory will look like at any given point in the future."

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## Results & Benefits

Before the company started with ToolsGroup slightly more than three percent of its inventory was out of stock at any given time. Stock-outs lead to revenue losses that can never be recovered, which is especially severe when high-value items come into the equation. "Today stock-outs are less than one percent of our total inventory and this is purely due to situations beyond our control. Crucially, we now have the intelligence to proactively identify potential stock-outs up to four months in advance. This gives us enough time to respond, ensuring we supply customers where the needs are most urgent."

The company is now approaching the holy grail of planning - what some industry watchers call 'driverless supply chain planning'. The statistical forecast provided by SO99+ is consistently proving to be up to 20 percent higher than its own market intelligence system. As the Executive Director of Supply Chain elaborates, "Thanks to the continuous improvement program with ToolsGroup, we're now at the point where we can confidently switch off our own manual overrides and put complete trust in the forecasts."

The company's automated and reliable supply chain also frees up its small planning team to balance work with the most important things in life. "About a year back, both of my senior planners went on maternity leave at the same time. I was concerned that I wouldn't be able to cope. However, because of SO99+ operating so autonomously and ToolsGroup's knowledge of our business, we easily bridged that six-month period without any major problems. That was when I really knew we truly had a 'worry-free' supply chain."

### + About ToolsGroup

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