

Galexis optimizes replenishment with IBS Pharma

Leading Swiss Pharmaceutical wholesaler gains significant improvements in stock management and procurement efficiency – Stock reduced by 25% while maintaining high service levels.

As the distribution wing of Switzerland's leading pharmaceutical group, Galexis has a long history in the pharmaceutical industry. The company keeps local healthcare providers stocked with over 40,000 products ranging from medicines and surgical supplies, to cosmetics and daily hygiene products from more than 1,000 different suppliers. Thousands of hospitals, pharmacies, drug stores and doctors rely on Galexis' daily deliveries and it is not uncommon for a single client to place up to six orders on any given day. The company is pressed to typically process 200,000 order lines per day, and sometimes as much as an incredible 70,000 per hour. It is therefore essential to eliminate order-processing errors as much as possible.

In order to fulfil the stringent demands of quality and reliability of service Galexis uses IBS Pharma - industry-specific software which covers all supply chain processes in pharmaceutical wholesale, from order processing to delivering products to pharmacies. IBS Pharma provides complete support for fast order entry with phonetically, fuzzy and approximated item searching, customer call plans, optimized picking and interfaces to automatic pickers, high transaction volumes, fast customer deliveries, traceability, security and product availability.

Warehouse based on optimum stock levels

The initial implementation of IBS Pharma successfully consolidated eleven distribution centres into just three as well as considerable

cost savings in excess of EUR 8.1million.

A second optimization project has achieved further tangible cost savings in procurement and goods reception, allowing the company to reduce its stock levels by another 25 percent while maintaining the same high availability rate. The optimization of Galexis' processes was made possible by continuously monitoring and adapting the potential of the IBS standard inventory management module on the basis of business experience and the sales development of the products.

"The goals we set for ourselves were sustainable with reasonable stock reduction and increased automation of the replenishment processes," says Niklaus Sägesser, Procurement Manager at Galexis and responsible for the optimization project. "These goals have been accurately achieved. Meanwhile all of the 40,000 items stocked in our three distribution centers have been integrated into the new system, and a warehouse concept based on optimum stock levels has replaced the one based on minimum stock levels. As a result we have reduced stock levels by 25 percent and increased stock turnover from 12 to 17 for common products and even up to 22 for specialty Pharma products – without influencing availability which has always been considerably high. The proportion of fully automated procurement has risen from 38 percent to a current 50 percent," explains Sägesser.

Tangible increase of efficiencies

After thoroughly evaluating the utilization

COMPANY PROFILE

Name: Galexis AG

Region: Switzerland

Operation: Distribution

Products: Medicine, surgical equipment, cosmetics, daily hygiene products

Employees: 1,200

Revenue: EUR 1,083 million

Website: www.galexis.ch





We have reduced stock levels by 25 percent and increased stock turnover from 12 up to 22 for specialty Pharma products – without influencing availability.

Niklaus Sägesser, Procurement Manager, Galexis

rate of the IBS procurement solution IBS and Galexis set up a precise roadmap for optimizing procurement planning. This was rapidly put into practice and was successfully concluded by integrating all products in the three distribution centers. A key factor was the introduction of an item segmentation system which profitably enabled a proactive assortment control.

At the center of this is a matrix with a volume value code (which quantifies the revenue ratio of each product based on traditional ABC classification) and a movability code (which defines the throughput time from slow-movers to non-movers). This is also a stable basis for sophisticated parameterization, for example to lower stock levels for some product categories and to minimize procurement and reception processes for others. This two-dimensional matrix not only provides an accurate segmentation of the 40,000 items, but it also supports precise purchase suggestions, for example to lift stock levels for medium- or fast-moving items and therefore, on average, reduce procurement efforts. How big the efficiency potential and the speed of profitability increases became evident after a very short time – add to that the fact that all distribution processes multiply over all three distribution centers. “In the reception area, too, the reduction of reception lines by 20 percent will lead to a tangible increase of efficiencies,” adds Sägesser.

A large potential in automation

A system-generated purchase suggestion

based on past orders as well as current and future stock data is much more efficient than any manual intervention by procurement coordinators who are always the main customer contacts with regard to item availability. Against this background, Galexis defines a purchase suggestion as “automatic” when the quantity suggested by the system is transferred to a purchase order without further review. In the optimization process the automation rate has been increased from 38 percent to 50 percent. In the next step, seasonal profile control and trend analysis are planned to refine forecasts and hence to improve the quality of purchase suggestions. Moreover, aspects concerning product life cycles will play a more important role in the calculations.

Convincing results

Investment in the optimization of existing standard solutions (which until then had not been fully made due to time restrictions) has paid off for Galexis in various ways. For a comparatively small effort Galexis now has a specific control instrument which significantly improves critical processes in stock and procurement management. The IBS solution also comprises a tool to verify which items have been ordered according to the system’s suggestions. This opens up the opportunity to quantify the automation rate in processing purchase suggestions, and procurement planners always have a reliable tool to check the relation between system parameterization and procurement behavior.

ISSUES

- Over 40,000 products
- Product integration requirement
- High transaction volumes
- Need to eliminate order processing errors
- Need to optimize stock levels
- Need to increase stock turnover
- Need to optimize procurement planning.

SOLUTION

Integrated IT solution for pharmaceutical distribution with modules for:

- e-business
- Sales order management
- Pharmaceutical distribution
- Procurement
- Inventory management
- Warehouse management
- Business intelligence.

CAPABILITIES

- Warehouse based on optimum stock levels
- Item segmentation
- Proactive assortment control
- System generated purchase suggestions
- Sophisticated parameterization
- Two-dimensional matrix
- Supply chain visibility.

VALUE

- Consolidated 11 distribution centers into 3
- Saving of EUR 8.1 million
- Stock levels reduced by 25%
- Stock turnover increased by 5%
- Automated procurement increased by 12%
- Receipt lines reduced by 20%.



IBS is a world leading provider of supply chain management solutions for distribution, demand-driven manufacturing, financials and business intelligence. IBS delivers measurable value through software solutions, services, hardware, outsourcing and financing. IBS offers industry solutions for pharmaceuticals, healthcare products and medical equipment with Alloga, Fisher Scientific, Galexis, Medeco, Oriola and PlanDent among its 5,000 customers in 40 countries.



IBS corporate headquarters: +46-8-627 2300 • info@ibs.net • www.ibspharma.com

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