



"Building the Foundation for Future of Supply Chain of Biopharma:
The Business Imperative for Cost-Effective Quality Patient Care"

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Unlocking the Value of Distributors

Ed Borger, SVP of Operations

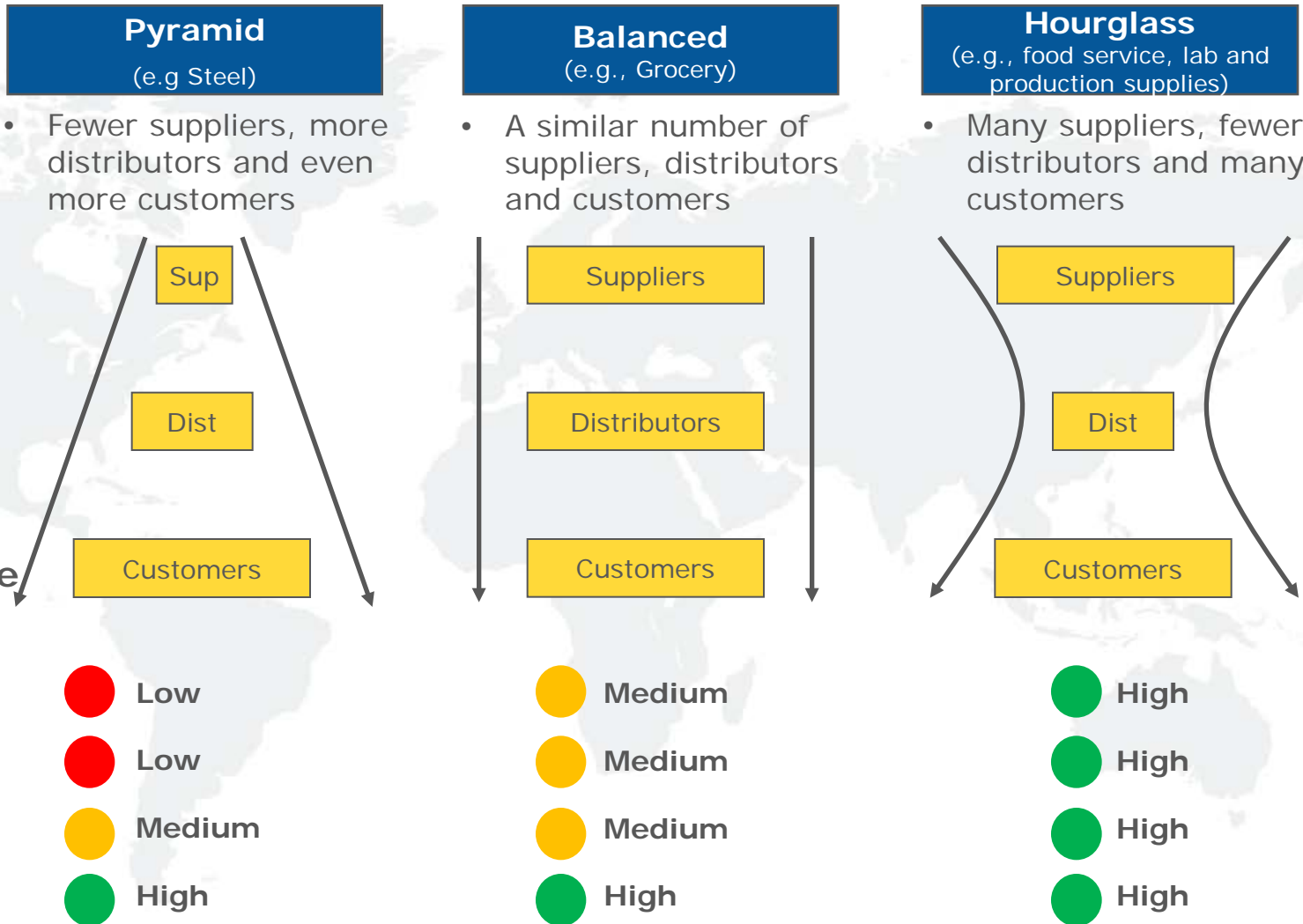
John Lunger, VP Operations Strategy

Bio Supply Chain Academy Conference

November 8th, 2011, Foster City, CA



Industry dynamics drive Distributor Value

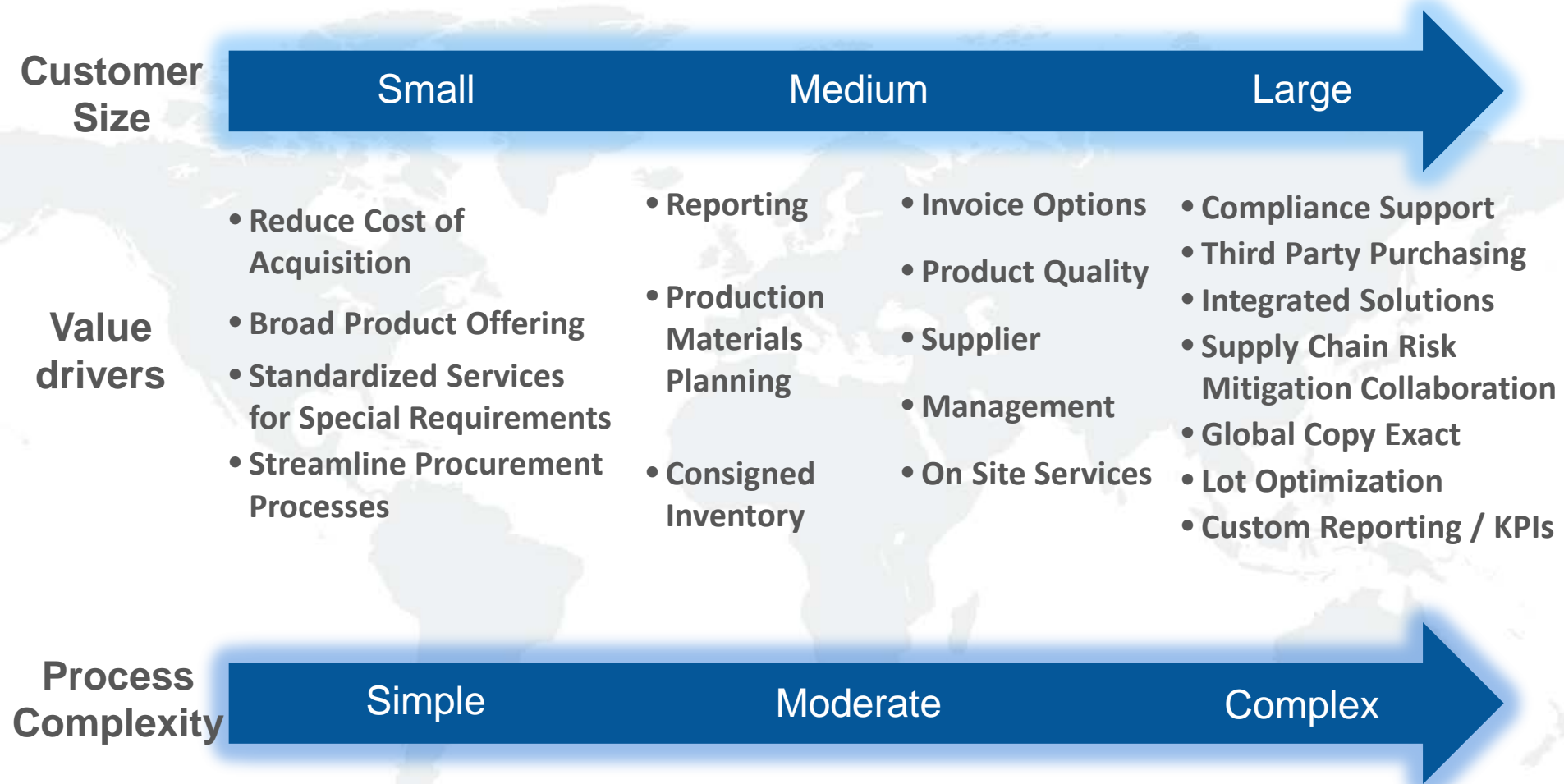


*Source: Bain and Company study of 90 wholesale distributors

Within Biotech, Distributor capability varies

		Regional distributor A	National distributor B	Specialty distributor C	Global distributor D
Sales	General sales support	●	●	●	●
	Specialist sales support	●	●	●	●
	Global Account coverage	●	●	●	●
Products	Breadth of portfolio	●	●	●	●
	Range of options within portfolio	●	●	●	●
	Product Pricing	●	●	●	●
Service	On site services	●	●	●	●
	Technical product support	●	●	●	●
	Supply Chain Integration	●	●	●	●
	Reporting and analysis	●	●	●	●

Value drivers and process complexity increase with the size of the customer.



Distributors add value and reduce complexity across a range of customers





Unrealized Value of a Distributor

- Enable scientists to stay “at the bench”
 - Supply room stocking
 - Stocking at the bench
 - Automated re-ordering
 - Best practice lab operations
- Services that help you with production
 - ERP/MRP integration
 - Traceability of supply chain
 - Risk mitigation—sequestered inventory/dual source capabilities
 - Reduced inbound testing (testing and sampling)
 - Production specific kitting
 - Optimized information and product flow
- A Partner from R&D bench to production

Understanding your “total cost of ownership” uncovers savings opportunities.

Opportunity: Distributor Onsite Inventory Management Services

Savings




Staffing Savings – Associate Re-deployed to Core	\$\$
Management, Administration, Backup, etc.	\$
Blanket vs STD P.O. Process mgmt costs	\$\$
Researcher Productivity and Improved Inv. Utilization	\$\$\$
Space Recovered and Re-deployed to Core Activity	\$\$

Costs



Cost of Distributor Services	\$\$
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Total Annual Savings	\$\$\$
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Plus One Time Cash Flow/Inventory Improvement	\$\$\$
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Case Study #1 : Transactional to Strategic Relationship

Situation

- Growing Biotech Production Campus
- Expenses are increasing without a clear strategy for control
- Biotech company staff performing administrative tasks (e.g. on campus delivery to stockrooms and drop zones, shelf stocking, etc.)
- Distributor's sales rep doing non-strategic work (inventory counts and placing orders)

Action

- Distributor's on site services assume administrative tasks
- Biotech engages distributor Business Process Consultants to lean out the process

Results

- Biotech staff focused on higher value added tasks
- Distributor sales rep focused on strategic sourcing, value added services
- "Operations to Operations" interaction executes on process improvement plans, delivering value to the bottom line

Case Study # 2 : On Site Services

Situation

- Growing R&D facility needs to eliminate stockroom to gain productive space
- Mgmt is looking for researcher productivity improvements and reduced total cost of ownership

Action

- Distributor's Process Consultant develops Lean replenishment model
- Distributor's site services team to manage inventory at point of use in the lab
- Distributor's on site buyers do non-catalog requisition reviews and "spot buy" sourcing

Results

- Productive lab space gained with reduced renovation costs
- Reduced working capital in lab supply inventory
- Researcher productivity increased
- Procurement able to focus on more value added activities

Degree of engagement with your distributor depends on your organization's willingness to collaborate.

Opportunity	Phase	Level of Change Mgmt Required	Ability to Execute	\$ Value	Strategic Value
Critical Materials Collaboration (Supply Chain to Supply Chain)	1	L	H	H	H
Distributor Onsite – VMI Inventory Management	1	M	H	M	M
Distributor Onsite – CMS Chemical Management	2	M	M	H	H
Distributor Onsite Glasswash / Non-core Facilities Services	3	L	H	M	M
Procurement Solutions (3P Purchasing)	2	M	L	L	M
Distributor Equipment Services (Validation & Calibration)	3	M	M	M	M
Information Technology (B2B)	Ongoing	M	M	H	H

Transparency builds Trust, increase collaboration to drive higher and bigger returns

How to unlock the value of your distributor partner.

- Choose the right partner
- Choose the right activity to start on (ease of implementation and value delivered)
- Make collaborative planning and working joint opportunities a priority like managing price & performance.
- Align your objectives with those of your distributor.
 - A. Efficient transaction streams
 1. B2B / e-commerce for productivity
 2. Efficient Order Size & Frequency
 3. LEAN view on special requirements
 - B. Concentrate on Preferred Value / Best Sellers
 - C. Manage and optimize Consigned/Special Inventory Commitments.
- Commit to measuring and continuous improvement of total cost of ownership

Coach and train front line buyers on collaboration with outside partners



Key takeaway

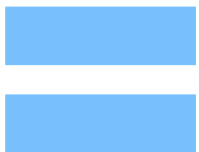
Aggregation of Products

- Market Knowledge
- Market Access
- Product Knowledge
- Leveraged Sourcing
- Supplier Partner Reduction



Value Added Services

- On Site Services
- B2B Integration
- Supply Chain Process Consulting



Reduction in Complexity
And
Lower Total Cost of Ownership



Thank You!

Questions?