

ANALYTICS-DRIVEN INVENTORY MODELING DELIVERS SIGNIFICANT COST BENEFITS

This is our story of co-creating a solution with a leading bio-technology company



WNS



AS WE KNOW...

Procurement costs account for up to 50 percent of revenue for bio-pharmaceutical companies. Inventory levels are dependent on variables such as contractual agreements with suppliers, shipping locations and schedules, and manufacturers' requirements. However, controlling the inventory holding cost is essential to delivering sustainable profit margins. By leveraging analytics, pharmaceutical companies can strike the fine balance between meeting manufacturing demands and maintaining the optimal level of inventory.

THE CHALLENGE FOR A BIO-TECHNOLOGY COMPANY WAS...

Its inventory of Active Pharma Ingredient (API) was ~1200 kilograms, with a shelf life of three years, while its annual usage was ~300 kilograms. Contractual obligations required the company to procure specific agreed upon amounts annually, in addition to the existing inventory. This led to increased holding cost, as well as carrying cost for the API and vials. Due to the absence of a procurement planning model, the company was unable to optimize its supply chain costs while maintaining the required inventory and meeting manufacturing demand.

HERE'S WHAT WE CO-CREATED AS A SOLUTION...

WNS designed a procurement model that could predict the total cost-to-client for a period of five years. Various data sets were factored into the modeling such as:

- Five-year demand data
- Shelf life of API and finished goods
- Price categories of APIs
- Contractual terms with suppliers and manufacturers

Further, assumptions on parameters such as cost, safety stock and obsolescence were agreed upon with the client. A quarterly inventory planning model was generated specific to the U.S., Europe and Japan regions.

THE OUTCOMES FROM THE PROCESS OF CO-CREATION ARE...

Improved inventory planning helped reduce obsolescence leading to significant cost savings. The benefits delivered include:

- More than USD 16 Million estimated savings in API holding costs over five years
- Ability to predict and optimize procurement schedule for suppliers and manufacturers on a quarterly basis

CUTTING-EDGE INVENTORY PLANNING MODEL HELPS SAVE MILLIONS IN HOLDING COSTS



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**CO-CREATE TO
OUTPERFORM**

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