

Case Study

Streamlining the Procurement for a Global Leader in Healthcare

Service(s) offered: **Strategic Sourcing, Process Improvement**

Sector/Industry: **Healthcare**



Reinventing a Supplier-Dependent Supply Chain through Direct Sourcing

Overview

The client, a global leader in the pharmaceutical industry, had been procuring key chemical raw materials from Supplier A, who acted as an intermediary between the manufacturer and the client. Over time, this approach revealed several inefficiencies, including elevated costs, quality issues related to packaging and shelf life, and delays in material delivery. These inefficiencies negatively impacted the supply chain and production schedules.

To address these challenges, a project was initiated to streamline procurement by establishing direct sourcing relationships with the manufacturers. The aim was to reduce costs, improve quality consistency, and enhance lead time reliability. The project was divided into two phases:

Phase 1 focused on materials that did not require repackaging

Phase 2 would address materials needing packaging modifications (future scope)

(The case study focuses on Phase 1 implementation.)

Challenge

Stakeholder Coordination: Needed cross-functional engagement and alignment for risk mitigation and process approval

Case Highlights

- **EUR 60,000 Cost Savings** achieved by eliminating intermediary sourcing
 - **~30% Reduction in Lead Times**, improving supply chain agility and production efficiency
 - **~23% of raw material costs were reduced** by eliminating intermediary markups
 - **Reduction in Packaging Quality issues** through direct alignment with manufacturer
 - Established a **Scalable Sourcing Framework** to support future phases and enterprise-wide adoption
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- **Specification Alignment:** Variations in technical and packaging specifications required quality approval
 - **Change Management:** Transitioning sourcing practices required robust documentation and formal change control governance
 - **Business Continuity During Transition:** The risk of production disruption during sourcing change required careful planning and phased execution

Maintaining Strategic Supplier Relationships:

Managing the relationship with the existing supplier was critical to preserve long-term collaboration and contractual obligations.

Solution**Spend and Volume Analysis**

Conducted end-to-end analysis for identification of materials with high annual spend and volume sourced via Supplier A

Stakeholder Engagement

Cross-functional collaboration with the Quality, Planning, Site, and Warehouse teams for risk evaluation, material identification, and approval

Implementation Plan

Structured change control process was initiated for transition of the material sourcing without disruption to operations

Material Segmentation

Segmented materials into repacked and non-repacked categories for phased execution

Manufacturer Engagement

Initiated direct discussion with the identified manufacturer to align pricing, specifications, delivery timelines, and compliance requirements, amongst other aspects

Specification Qualification

Aligned material specifications between the manufacturer and the organization, ensuring compliance

Material Transition

Initiated direct deliveries from the manufacturer, ensuring seamless onboarding into warehouse and planning systems.

Impact**Quality Improvements**

After the implementation of Phase 1, the solution has delivered tangible and intangible results:

Cost Savings

~23% of raw material costs were reduced by eliminating intermediary markups

Lead Time Improvement

Achieved up to 30% faster deliveries through direct manufacturer engagement

Quality Enhancement

Minimised packaging-related issues and extended shelf life through improved handling at source

Operational Efficiency

Enabled better planning accuracy and reduced production delays

Scalable Model

Set a proof of concept for Phase II, involving repacked materials and future strategic sourcing projects.

For more information on this case study, please write to us at:

ThinkNext@nexdigm.com

You can also visit our website to know how our services resulted in tangible business benefits:

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