

## Cipla Medpro Pharmaceutical



- Outgrew their existing forecasting and inventory planning systems
- Started with Business Process Outsourcing (BPO) planning service
- Significantly improved forecast, stock out and inventory KPIs

### Project and Objectives

Cipla Medpro had been growing at a rapid pace for nine years and by 2011 it became increasingly difficult to maintain forecasting accuracy as their business scaled up and their needs outstripped existing systems. Joseph Ludorf, Managing Director of Cipla Medpro's Distribution Centre, 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. But he was faced with a challenge he couldn't ignore.

Cipla Medpro provides South Africans and the neighboring countries with superior-quality, yet affordable medicines that improve citizen's health and lives. To do this, they seek to eliminate as much waste and inefficiency from their supply chain as possible while meeting their service and compliance obligations. Contributing to the challenge are long lead times for imported products, plus demand spikes caused by government contract tenders.

In addition, the pharmaceutical sector is highly regulated. The company must comply with World Health Organization standards, the South African Medicines Control Council, plus their own local pharmaceutical and manufacturing standards. On top of all the various forms of regulation, pharmaceutical supply chain logistics are relatively complicated and unpredictable and contribute significantly to the price of medicine.

"The cardinal sin in our business is running out of stock and not being able to fulfill an order," says Ludorf. 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 on the price and availability of medicines.

Cipla Medpro is a joint venture between Cipla International and Medpro Pharmaceutica. Cipla is a prominent Indian pharmaceutical company, best-known for manufacturing low-cost anti-AIDS drugs for HIV-positive patients in developing countries. It has played a similarly prominent role in expanding access to drugs to fight influenza, respiratory disease and cancer. Cipla makes drugs to treat cardiovascular disease, arthritis, diabetes, weight control, depression and many other health conditions. Its products are distributed in virtually every country of the world.

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- Joseph Ludorf,  
Managing Director,  
Cipla Medpro



Despite his misgivings over implementing a new IT solution, Ludorf decided to make addressing his forecasting issue a top priority. Explained Ludorf, “Every link in the supply chain is dependent upon the forecast, so getting it right is vital to the health of the business.”

In January 2012, after considering several supply chain planning software solutions, Cipla Medpro turned to ToolsGroup to outsource its forecasting, inventory and replenishment planning. Not only did the solution meet the functional requirements, but the SaaS ‘rental’ option was less expensive and lowered the risk.

#### ....Day to Day

Initially, the service was managed twice weekly via ToolsGroup’s local office using a Business Process Outsourced (BPO) service integrated to Cipla’s ERP system, Pastel Evolution. “The software implementation was extremely easy and within 30 days we were fully operational, with all of our data sets integrated. That was extremely valuable to us,” said Ludorf.

The new system also provided Medpro 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,” comments Ludorf.

It also delivered long range cash projections instantaneously. Says Ludorf, “Now with the press of a button, we can see cash flow projections based on anticipated orders for the next five years. This means we can build ‘what if’ scenarios, taking anticipated growth into consideration.”

#### Results and Benefits

“Before we started with ToolsGroup, we were out of stock with just above three percent of our inventory 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.”

Inventory turns have already started to improve and Cipla Medpro sees the opportunity to significantly reduce stock while improving its current very high service levels. Originally targeting a 25+% inventory improvement, the company now believes final results could be higher. Cipla also reduced obsolete or “about to expire” stock by eliminating some batch sizes that were not viable given the time period available to sell products before they expired.

A final benefit was that the new system significantly increased Medpro’s confidence in their forecasts. “We are finally starting to trust our forecasts. In the Excel days we weren’t as confident with our forecasting, always double-checking our calculations to make sure we were going to be able to fulfill our customer orders. The new system removes all that doubt and gives us a final figure that we can trust.”

Joseph Ludorf’s full account of improving forecasting at Cipla Medpro, as told to Industry Week magazine, is available at: <http://www.industryweek.com/planning-amp-forecasting/improve-your-supply-chain-forecasting>

#### About ToolsGroup

ToolsGroup is an innovation partner for companies who want to achieve highly accurate forecasts, outstanding customer-service levels and less global inventory. An expert in “Powerfully Simple” supply chain planning, we offer software that analyzes demand history across multiple dimensions so you can achieve the most reliable forecast and inventory targets for mastering demand volatility and delivering service level excellence.

Our innovative and advanced technologies enable you to improve and automate your planning processes. Our solutions span key supply chain planning areas such as Demand Planning, Demand Sensing, Promotion Forecasting and Inventory Optimization.

We have more than 250 customers worldwide and one of the highest customer retention rates in our industry. Our experience includes manufacturers, wholesale distributors and retailers in a wide range of demand and inventory driven industries.

Please visit our website at [www.toolsgroup.com](http://www.toolsgroup.com) and click on “About Us” for a list of our offices throughout the world.

