



CHOOOLS CONSULTING SERVICES DISTRIBUTION NETWORK OPTIMIZATION

Distribution Network
Optimization for a Large
Pharmaceutical
Conglomerate with Many
Division Companies

Short-Term Tactical Plans And A Long-Term Strategic Plan

One of the largest pharmaceutical conglomerates on the planet, an organization that has grown organically and through acquisitions, presented **Chools** with a complex distribution network design challenge. The challenge was to develop:

- Short-term tactical plans to individually optimize the U.S. finished goods distribution networks for each of conglomerate's eight independent division companies.
- A long-term strategic plan to incorporate the individual networks of the independent division companies into an optimized corporate finished goods distribution network.

The conglomerate's eight division companies produce and market products that run the spectrum of the trade. Each also has its own logistics organization that manages a finished goods distribution network that can contain a varying combination of plant, in-house and third party distribution operations. One division's network, for example, contains seven distribution operations. Typically, none of a division's operations are shared with other divisions.

In addition, while all the division companies run on SAP software, they run on differing modified versions that inhibit their connectivity at the corporate level. Consequently, the task of gathering the required data for the project was greatly compounded.

With the ultimate objective of optimizing the corporate network for the long term, our work began in each division company at the product group level and progressed through the optimization of each division company's network before undertaking work on the corporate network. Followed a uniform stepped approach for achieving the project objectives that included the use of a network-

modeling tool to evaluate the network alternatives at the product group level and facilitate the roll up of those findings to the division level and then on to corporate level.

As supply chain consultants, we had the option of using several modeling tools.

since it was particularly suitable for this task and since it was expandable from a country or regional level to a global level, should our client elect to do so in the future.

The Uniform Stepped Approach

The uniform stepped approach for optimizing the individual company's networks were methodical and the first step included understanding division's organizational structure, its product categories, related product characteristics and production locations, its customer base and related service requirements and its existing network. Subsequent steps included gathering current and forecast cost, storage and transaction volumes; loading and validating the network modeling tool; selecting location alternatives by product group and running the model; and, then evaluating the findings to identify the optimum modeled network. After that, and based on the optimum *modeled network*, the optimum *practical network* was identified. The factors evaluated in identifying the practical network included transportation availability and reliability, availability of a qualified third party provider, labor availability and stability, various risk concerns, governmental incentives, etc.

Millions Of Dollars In Cost Reduction Opportunities

In the end, millions of dollars in achievable short-term cost reductions were identified at the division company level and when the division company's networks are rolled together in the long-term strategic plan; millions of dollars in additional achievable cost reduction opportunities were identified. The implementation phases of the project are now beginning in many of the divisions.

Perhaps some or all of the supply chain related work described in this case study is applicable to your situation. Give us a call and we'll gladly discuss it with you. There's no obligation.

Chools is a supply chain consulting firm focusing on supply chain strategy ([/transportation-consulting-services-2](#)), transportation consulting services ([/transportation-consulting-services](#)), warehouse design & improvements ([/warehouse-improvements](#)) and supply chain audits & analytics ([/supply-chain-audits-analytics](#)).