Iter Consulting
From thought to action

GE Healthcare

What Iter did for GE Healthcare

Introduction

GE Healthcare is a market leader in the manufacture of diagnostic pharmaceutical products. The Core imaging contrast media business, with a turnover of approximately $1.0bn, has an Active Pharmaceutical Ingredient (API) manufacturing site in Lindesnes, Norway which feeds secondary manufacturing sites in Shanghai and Cork.

The three main APIs manufactured at Lindesnes cascade to approximately 1200 SKUs sold across 68 markets. Alternate pack sizes, concentrations and differing regulatory labelling requirements during secondary manufacture create this SKU diversity. From a broader perspective, market volumes are growing at the same time as global prices are dropping, thereby creating pressure on internal profit expectations – a trend set to continue.

We were appointed by GE Healthcare to build a "cost to serve" model that could strategically optimise the use of inventory and drive operational efficiency across the supply chain.

The Challenge

The ongoing drive to reduce working capital within the business had started to impact customer service, and, with good improvements in manufacturing cycle times, short-term decisions were starting to have a long-term impact on supply chain capability and cost.

It was clear to the Global Supply Chain team that they had achieved as much as they could with tactical changes alone. However, with no integrated global operating model, it was difficult to get a strategic view of the overall supply chain in terms of operational cost, working capital and service deliverable.

As Ian Dale, Global Supply Chain Leader, explains: "The lack of a clear operational strategy was impacting our ability to communicate internally. Tim and his team were able to bring the right mix of analytics, capability, experience and practical guidance to build a model for the Core Imaging global supply chain."

We were also tasked with modelling a range of agreed scenarios to compare:

- **FGI and WIP required from FGI at primary manufacture to in market stock**
- **Manufacturing and logistics cost**
- **Service deliverable**

> **The lack of a clear operational strategy was impacting our ability to communicate internally**
>
> *Ian Dale, Global Supply Chain Leader*

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The Solution

Tim and the Team built a cost to serve model based around its globally deployed inventory model that:

- **Statistically profiled the effectiveness of stock at all locations in the supply chain from primary manufacture to in-market distribution centres**
- **Defined distribution costing by route and mode**
- **Compared manufacturing cost per SKU at Cork and Shanghai**

This was accompanied by a physical mapping of the processes at Cork and Lindesnes, from demand management to manufacturing planning, and a visit to Shanghai to determine whether approaches proposed for Cork were applicable elsewhere. Key staff were interviewed to ensure all perspectives were understood.

With this modelling in place, it rapidly emerged that Cork's existing systems could be optimised to enhance competitiveness and responsiveness. Tim recommended a fundamental re-design to Cork's operations by decoupling the two stages of production, establishing a profiled stock between stages and dedicating the customer order at the second stage. By developing more responsive packaging and labelling processes based on actual customer orders, GE Healthcare created a more responsive service, whilst at the same time reducing overall supply chain stock levels.

Additional recommendations include changes to the tactical inventory development to global sales companies and shipping processes between Lindesnes and Shanghai.

> **Tim and his team quickly got under the skin of our global business and this helped to establish credibility in the team. By building the new model they helped us appreciate what the changes meant in terms of real business.**
>
> *Ian Dale, Global Supply Chain Leader*

> **The clear benefit for us is we now have a single agreed view of the supply chain and a clear development strategy. The solution is game-changing for the Cork site.**
>
> *Ian Dale, Global Supply Chain Leader*

The Benefits

The recommendations provided both tactical and strategic benefits. At a tactical level, changes in the freight mode to Shanghai, localised optimisation of distribution centre stock holdings and transfer of production between Cork and Shanghai were able to enhance ways of working. Strategically, decoupling manufacturing processes at Cork and late point configuration in packing and labelling drove forward deeper efficiencies, creating a lower cost to serve and more robust service delivery.

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