



GENERATING **LIFE SCIENCES** IMPACT

Pharmaceutical leader reimagines post-merger logistics network and operations to cut costs by 25%



Client

Global pharmaceutical company

Industry

Life sciences

Business need addressed

Integrating the parent and acquired companies' logistics and transportation operations to realize synergies, higher efficiency, and effectiveness

Genpact solution

- In-depth assessment of the transportation networks of both companies, including their supplier, plant, and hub locations
- Advanced analytics and logistics planning to model the future state transportation network
- Target operating model design in collaboration with the lead logistics service provider, to achieve identified opportunities

Business impact

- 25% reduction in transportation costs due to realized synergies
- Increased service level performance to 99% on-time pick-ups and deliveries

A global pharmaceutical company was looking to identify synergies in operations after a big-ticket acquisition. Although the companies began with disparate infrastructures, advanced modeling and logistics planning support from Genpact enabled the combined entity to identify a 25% reduction in transportation costs due to realized synergies and improved service level performance

Business challenge

After the merger, the parent pharmaceutical company and the newly acquired company had different logistics infrastructures. The parent company outsourced its logistics operations to a global third-party logistics service provider, while the acquired company managed its transportation planning in-house and ran its operations with common carriers. The companies had their own consolidation/de-consolidation hubs and warehouse, and their suppliers and end customers were in the same geographic regions. After the merger, significant synergies in the two companies' networks and cost reduction in transportation and logistics were identified, including the following:

- Optimizing the location and number of logistics hubs
- Identifying the right usage of transportation modes (dedicated fleet, common carriers) and transportation service types (truck loads, multi-stop truck loads, and less-than-truck loads)
- Consolidation, hub-consolidation, and zone pooling of equipment
- Optimizing the product mix during transport (temperature-controlled products mixed with non-temperature-controlled products)
- Scope of increase in pick-up time window to aid better consolidation

An in-depth study of the transportation networks of both companies, including their supplier, plant,

and hub locations, current flows (product types and volumes shipped across various lanes), and current service levels showed key problem areas and requirements.

The future state transportation network was modeled using optimization techniques that leveraged modeling tools (JDA T-Mod), what-if analyses were conducted on the baseline data, and various cost-savings opportunities were identified through simulations of multiple variables.

Multiple combinations of mode shifts, changes in service types, hub usage, product mix reconfiguration, shipment consolidations (multi-picks and drops and multi-stop truck loads), and time window relaxation (within permissible limits) were analyzed to identify the best possible combinations.

All identified opportunities were then analyzed further in collaboration with the lead logistics service provider. The proposed target model ensured that most critical requirements were addressed and the implementation blueprint was also practical.

The key recommendations included the following:

- **Centralization of logistics planning** across all the divisions of both companies to uncover potential opportunities across all divisions and flows and effectively apply best practices across all divisions
- **Relocation of hubs and reconfiguration of the product mixes** to enable better shipment consolidation, at optimal service levels

- Proposed **dedicated fleet** (without co-loading with other customers) instead of common carrier services **on lanes with stable volumes**, enough truck capacity utilization, and opportunities for round trips from residences to **cut transportation costs**
- Proposed **sophisticated less-than-truckload/truckload mode shifts** and hub utilization opportunities, including deconsolidation, consolidation multi-stop pick-ups and deliveries, and zone pooling to improve carrier utilization
- **Higher capacity utilization** by including non-temperature-controlled shipments with temperature-controlled shipments

Business impact

The integrated logistics network has reduced logistics costs by up to 25%, by enabling the following:

- Improved collaboration between the merged entity and the lead logistics service provider
- Improved network visibility and service level performance (99% on-time pick-ups and deliveries)

The improved network design and enhanced visibility has led to additional opportunities in adjacent areas, such as freight management, load planning, carrier sourcing, and invoice generation and billing.

About Genpact

Genpact (NYSE: G) stands for “**generating business impact.**” We architect the **Lean DigitalSM** enterprise through a unique approach based on our patented Smart Enterprise Processes (SEPSM) framework that reimagines our clients’ middle and back offices to generate growth, cost efficiency, and business agility. Our hundreds of long-term clients include more than one-fourth of the Fortune Global 500. We have grown to over 70,000 people in 25 countries, with key management and a corporate office in New York City. We believe we are able to generate impact quickly and power Intelligent OperationsSM for our clients because of our business domain expertise and experience running complex operations, driving our unbiased focus on what works and making technology-enabled transformation sustainable. Behind our passion for technology, process, and operational excellence is the heritage of a former General Electric division that has served GE businesses since 1998.

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