

"Inventory management by definition is a very tactical view of the world. Trying to turn that and make that strategic really is a game changer for us. We're doing a lot more with a lot less."

Kerry Porter, Vice President of Inventory Management
Harvard Drug



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Inventory Optimization brings a healthy outlook to Harvard Drug

By most measures, Harvard Drug is a healthy company, distributing a deep catalog of brand and generic pharmaceuticals, over-the-counter medications and supplements to more than 15,000 wholesale and retail customers. The privately-held company's offerings grew through a series of acquisitions that began in 2006, and today includes more than 18,000 products over multiple divisions: Major Pharmaceuticals, Wholesaler & Distributor, Retail Pharmacy, Medical, Compounding and Veterinary Sales.

But maintaining that health wasn't easy. Despite the growth in catalog products, Harvard's buyers were still using Excel spreadsheets to manage inventory across the company's four warehouses. By early 2011, new CEO Terry Haas led a three-month evaluation of processes throughout the enterprise. Haas brought in Kerry Porter in May of 2011 to enable a new vision for Harvard Drug. "The turn on inventory is everything," says Porter, Vice President of Inventory Management. "He very quickly identified that we had the wrong vision driving the inventory management piece. We were more of a 'sourcing' organization than a replenishment organization." For Harvard, Inventory Optimization from Manhattan Associates proved to be just what the doctor ordered. Porter's goal was to bring continuity across all channels of the business from a buying perspective. "Inventory Optimization gives us that platform to be able to leverage that."

The big draw for Porter was Manhattan's 'fast track' implementation, which allowed Harvard Drug to see results at a much quicker pace than expected. Case in point: in 2012, Harvard's institutional division saw 6% growth just from having higher fill rates.

Inventory Optimization allows Harvard's buyers to forecast and replenish more strategically. "Even in the drug industry, you have cold and cough season, you have allergy season. Those types of things are very critical to us." Out-of-stocks can be costly. With Demand Forecasting, Harvard's buyers can plan the allergy season and make smarter purchasing decisions based on factors such as previous year's trends. "If nothing else," says Porter, "we have all the product that we need for that entire season, and so we don't experience out-of-stocks. Our sales team is confident that we have the product and they know our in-stock position is really strong." That confidence gives Harvard Drug a significant advantage in the marketplace, enabling them to service their independent pharmacy customers when other distributors come up short on stock.

Challenge:

Despite tremendous growth in catalog products, Harvard Drugs' buyers were still using Excel spreadsheets to manage inventory across the company's four warehouses. Silos across the organization created additional inefficiencies.

Solution:

Harvard Drug's goal was to bring continuity across all channels of the business from a buying perspective. The company selected Manhattan's Inventory Optimization solution to improve productivity throughout purchasing, and allow buyers to forecast and replenish more strategically.

Results:

Within one year, Harvard's institutional division saw 6% growth from higher fill rates, and fill rates have improved by 430 base points year over year. Obsolete inventory has reduced 35% as overall inventory has become more productive. Cash flow is strong, enabling the company to reduce debt and reinvest in the business.

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One of Porter’s goals was improving productivity throughout purchasing. Implementing Manhattan’s Inventory Optimization solution allowed Harvard Drug to ditch the spreadsheets and break down silos across the divisions. For the buyers, “with our old processes, it took probably 20% of their time formatting spreadsheets, dropping information out of the system, etc. Now, it’s point, click and we’re done.”

Inventory Optimization enabled Harvard Drug to reinvent the role of the buyer. “Having a system that is reacting appropriately based on trends gives the user the time and ability to focus on more than just placing purchase orders.” As a result, says Porter, “their job is really more about analytics, planning, what’s coming up.”

By standardizing most of the processes for buyers, Porter observes, “it allows us to be a lot more nimble with our staff. Now that we’ve created that continuity across the position, it’s been a very significant benefit for us.” A buyer from one division can be moved to another division when needed, and quickly get up to speed on that entity.

“I have one person today who buys for two separate divisions of the company. Her processes for about 80% of her job are identical. They don’t change. So now she’s only got to worry about the 20% that are nuances.” From a growth and development perspective, says Porter, “it gives them the opportunity to shine, and use their skills somewhere else” in the organization.

These days, Harvard Drug takes a proactive approach to inventory, offering the right product at the right time for the customer. Instead of being reactionary, Porter notes, “we use inventory to enable sales versus allowing sales to enable what kind of inventory we need.” With Inventory Optimization, Harvard can refine processes to target slow-moving and obsolescent inventory. The company has seen obsolete inventory reduced 35% as overall inventory has become more productive.

Since going live with Inventory Optimization in October 2011, Harvard Drug has seen a healthy improvement in inventory turns; fill rates are up 430 base points year over year, and cash flow is strong, enabling the company to reduce debt and reinvest in growing the business.

With Manhattan’s Inventory Optimization solution in place, Harvard Drug has seen unprecedented growth in sales and profitability. “Inventory management by definition is a very tactical view of the world. Trying to turn that and make that strategic really is a game changer for us,” concludes Porter. “We’re doing a lot more with a lot less.”