

Case Study

The Co-operative Pharmacy



“The overall target was to improve profitability by £12m per annum - this meant investing in a new state of the art NDC in Stoke On Trent, new working practices and, of course, a new Warehouse Management System. We had used AWARDS at our previous Warehouse and knew what Brentech Data Systems could deliver - and after investigation of the marketplace, we implemented it in our new Warehouse.” Grant Sharman, Head of IS Operations - The Co-operative Pharmacy



The Co-operative Pharmacy is the third largest retail pharmacy in the UK and its National Distribution Centre (NDC) manages the supply chain for nearly 800 Pharmacy branches in Scotland, England, Wales and Northern Ireland from its depot in Stoke-on-Trent.

AWARDS Benefits to The Co-operative Pharmacy:

- ▶ **Agility** allowing modelling of system to meet current and future strategic objectives.
- ▶ **Automation** of the 80% of the business running in line with the strategic objectives.
- ▶ **Alerts** regarding the 20% of the business that needs attention enabling action.
- ▶ **Full Product Traceability** leading to easier product recall and improved relationships with manufacturers.
- ▶ **Cost Per SKU reduced by 36%** increasing margins.
- ▶ **Reduced Stock Holding Requirement**
- ▶ **Reduced Distribution Costs and CO² Emissions** - shared vehicles, once-a-day deliveries.
- ▶ **Single NDC Using the Same Processes** to service the whole estate.
- ▶ **Capacity for a Five-Year Expansion Plan of 50%.**
- ▶ **Streamlined Automated Processes** that reduce errors and remove paper.
- ▶ **Intelligent Control Over Processes and Workforce** with role-based responsibilities.
- ▶ **Full visibility of the delivery process** from the NDC through to the branch.

AWARDS Benefits to the Pharmacists:

- ▶ **Single, Guaranteed Morning Delivery** allowing branches to better manage staff rotas and duties.
- ▶ **Guaranteed Higher Margin** on all products ordered through the AWARDS Order System.
- ▶ **All Orders Placed Through One System** which automatically allocates to relevant supplier.
- ▶ **Stock and Margins Managed by the NDC system.** Pharmacists can focus on managing their branch and more importantly their patients.

Background

In 2007 the United Co-operative and The Co-operative Group merged to become the world's largest consumer co-operative.

As part of the merger between the two businesses, the two pharmacy divisions came together. Each had different processes for the management of the pharmacy supply chain - The Co-operative Group (servicing 500 Pharmacies nationwide) had outsourced the entire supply and fulfilment operation to AAH, whilst United Co-operatives (servicing 300 branches in the North-West of England) had developed and run its own supply chain operation for the most common products required by their branches, with other products outsourced to third parties.

After 12 months a review was undertaken of the benefits and constraints of the different operations. This review led to a revised business model that would bring improved commercial benefits and advantages to customers and members.

The Project Objective

The new business model aimed to save £12m per annum in the handling, storage, supply and delivery of medicines, supplements and healthcare products to its network of pharmacies.

Key Facts:

- ▶ **130,000 Order Lines Delivered Everyday**

Weekly Averages:

- ▶ **1.7 million SKUs**
- ▶ **28,000 Tote Boxes**
- ▶ **£4 million in Sales Value**
- ▶ **97% Service Levels**

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The **co-operative**
pharmacy

Preparation - Needs Analysis

The business decided to build a 180,000 sq ft, fully automated, batch-controlled NDC in Stoke-on-Trent. The NDC would store the best performing products for 'in-house' delivery to 800 existing branches, with room to expand to 1,200 branches over a five year period. It is one of the largest and most technologically advanced distribution warehouses in Europe.

To accommodate this change in the business model, The Co-operative Pharmacy needed a warehouse and distribution management system that would provide the depth of functionality required for the Pharmaceutical Wholesale Industry and also a business partner who understood this highly complex, dynamic and legislative marketplace.

As the existing supplier to what had been the United Co-operative's pharmacy business, Brentech Data Systems was invited to submit a proposal for the provision of the system for the new enlarged business.

After a competitive process Brentech Data Systems was selected due to their proven ability to deliver a solution to meet the new requirements. In addition, the business had unrivalled knowledge of the Pharmaceutical supply chain and worked with a range of relevant customers including Mawdsley-Brookes, DM Wood and United Drug.

The Agile & Scalable Solution: AWARDS

A full process review was undertaken by The Co-operative Pharmacy and Brentech Data Systems. This covered every aspect of the supply chain model - from Supplier Rating, Goods-In, Automated Product Routing to Put-Away, Replenishment, Optimisation of Order Assembly and Automated Invoice Inclusion with Goods and Despatch Segregation management.

Changes To The Business Model Included:

- ▶ The move from 'twice daily deliveries' to a single 'next day' morning delivery for all orders received prior to 7pm. This has reduced workload on the branch network, and has had a significant impact on The Co-Operative Pharmacy's carbon footprint by cutting mileage by 678,240 miles as a result of the new logistics strategy.



- ▶ The introduction of the 'AWARDS CENTRAL ORDERING SYSTEM' - a single portal for all of the Pharmacists requirements - whether stocked at the NDC or not. It acts as an order management system fulfilling what items it can from the NDC stock and ordering the remaining products from other partners. This allows The Co-operative Pharmacy to guarantee pharmacists both the highest margins and complete customer satisfaction.
- ▶ Fully automated BATCH control ensuring the integrity of the supply from the manufacturer, through the NDC and on to the branch. Not only does this automated functionality ease any product recall or quarantine requirements, this unique facility within Europe has convinced several manufacturers, who were operating their own 'Direct to Pharmacy' policies, to include The Co-operative Pharmacy within their supply chain models.

Fast & Efficient Implementation

The target go-live for the pilot system was January 2010 giving a project implementation period of 18 months. During the implementation, due to the extensive preparation and research carried out prior to implementation, and to the level of efficiency of the overall project, the go-live date was brought forward by 6 months. The system went live in July 2009 in line with the revised timeframe.

Project Success

The success of the project enabled the NDC to move to a fully serviced operation across an estate of 800 branches in just six weeks. It also enabled the NDC to achieve 97% service levels and to process over 130,000 sales order lines per day - a figure which continues to grow on a daily basis.

"The system has been designed around users and managers to meet the needs of different roles within the business. Everyone involved signed off the system at specification stage. The new system has been instrumental in improving the efficiency of our business where we can now serve all of our branches with the same processes and have the capacity to expand in the future", concludes Grant Sharman.