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∿ Nomeco

# Doctoring Up the Supply Chain

## Nomeco Drives Customer Satisfaction and Achieves Inventory Accuracy with JDA

**OBJECTIVE**

Improve collaboration with its vendors and customers in order to better operate in Denmark's tremendously complex business environment.

**SOLUTIONS**

- JDA® Advanced Store Replenishment
- JDA® Advanced Warehouse Replenishment

**REAL RESULTS**

- Increased customer satisfaction to 99.8 percent
- Decreased picking lines by 20 to 25 percent for every pharmacy that leverages the VMI program
- Achieved inventory accuracy levels of greater than 99 percent through partnership with Tårnby Pharmacy
- Significantly reduced customers' order costs
- Improved collaboration with customers and vendors
- Enhanced visibility and information-sharing capabilities

Pharmaceutical suppliers and retailers in Denmark operate in a tremendously complex environment. Every two weeks suppliers must submit product pricing to the government without having any knowledge of how their competitors will price similar pharmaceutical products. The government then selects among bids for the lowest-priced prescription drug, which serves as the only one that it will fully reimburse for a given two-week period. After those two weeks, the process starts all over again.

One company excelling in this highly competitive market is Nomeco A/S, Denmark's largest pharmaceutical wholesaler with a 70 percent market share. Specializing in health logistics, Nomeco is an international center of excellence for the Danish pharmaceutical industry and part of the wholly owned subsidiary of the Finnish company Tamro — the largest distributor of pharmaceuticals in Northern Europe, Poland and the Baltic countries.

With the support of JDA Software's advanced replenishment solutions, Nomeco has implemented an innovative vendor managed inventory (VMI) program that's delivering impressive results, including significantly reducing its customers' order costs, which has helped drive customer satisfaction to a near-perfect 99.8 percent.

"With greater than seven million SKUs in the master files, the positive impact that the JDA solutions have had on our business is remarkable. We have truly set the standard for the pharmaceutical industry in our country and we believe one of the reasons we have been able to capture 70 percent of the Danish retail pharmacy market is because of this successful VMI program," said Per Hansen, Nomeco's logistics director.

## Increasingly Complex Order Process

Nomeco has five distribution facilities that service more than 200 pharmacies throughout Denmark. Before selecting JDA, Nomeco was creating vendor orders weekly using its ERP system. These orders were based on historical data and the team's best estimates of what its pharmacy clients' needs would be. At the time, all of Nomeco's pharmacy customers were generating their own orders in their systems and communicating those orders to Nomeco through electronic data interchange (EDI), fax or phone.

According to Hansen, any changes that had to be made were entered manually in both Nomeco's system and its pharmacy customers' systems. As the number of prescription-drug manufacturers has continued to grow over the years, so too has the number of drugs that the Denmark government controls.

"All of these combined factors were making the pharmaceutical-distribution process increasingly difficult," said Hansen. "To remain the market leader in Denmark, we had to make some strategic changes that would enable us to better collaborate with our vendors and customers. That's when we decided to partner with JDA."

## Leveraging JDA to Support Better Collaboration

To gain better insight and control over this challenging business environment, the company turned to JDA Advanced Warehouse Replenishment and JDA Advanced Store Replenishment software. These solutions enabled the wholesaler to implement an innovative VMI program that easily integrated into its existing ERP system, as well as all of its pharmacy customers' systems.

"The JDA replenishment solutions offer a proven, scalable technology that gives us the visibility and information-sharing capabilities we need," said

Marianne Heger, VMI manager for Nomeco. "They enable us to offer a unique, cost-free service to Denmark's independent pharmacies, helping them to retain high levels of service."

With JDA's solutions in place, Nomeco is able to take the pricing-code information that the government provides one week before the pricing system changes, and enter that data into its ERP system. The wholesaler uses JDA Advanced Warehouse Replenishment to create purchase orders (POs) for products from its drug manufacturer vendors.

## Better Inventory Allocation at the Store Level

JDA Advanced Store Replenishment provides real-time insight for both Nomeco and the company's pharmacy customers involved in the wholesaler's VMI initiative. Nomeco is also obtaining pharmacy inventory data that can then be synched with its ERP system, allowing the company to create more accurate POs. Rather than simply waiting for each pharmacy to place an order, Nomeco is proactively generating individual orders for each of its customers.

"Through the use of the JDA solution, we gained greater insight, a better allocation of inventory and a more balanced warehouse workload. With visibility and control over the orders generated for each pharmacy customer, we can aggregate order requirements and spread the workload accordingly," Heger explained.

## Pharmacies Benefit from Improved Inventory Accuracy

The JDA-supported process also benefits Nomeco's pharmacies, which no longer have to worry about placing orders and monitoring inventory levels. Copenhagen-based Tårnby Pharmacy, for example, has leveraged Nomeco's VMI system since 2003.

Tårnby's daily orders with Nomeco account for more than 99 percent of its inventory, with the pharmacy's stock being turned over every 15 to 20 days.

"One of the reasons our partnership is so strong is because Nomeco has proven that it can continually meet our needs," said Peer Nørkjær, pharmacist and owner of Tårnby Pharmacy. "By using Nomeco's VMI program, our inventory accuracy levels are greater than 99 percent. Rarely do we face an out-of-stock or an overstock situation. We are confident that when our customers come into our store, we will have what they need on our shelves."

With the team at Nomeco managing the pricing regulations imposed by the government, Nørkjær said that he has freed up time and resources to focus on improving his pharmacy's customer service levels.

"Prior to the VMI program, we used at least one full-time person to manage our order system. Today it takes only two hours each day – a significant reduction in both time and cost," Nørkjær noted.

Since each of Nomeco's pharmacy clients has unique parameters that must be followed, Heger said that her team relies on JDA Advanced Store Replenishment's customization capabilities for each individual customer.

"We can meet the needs of larger pharmacies that have the space to stock more inventory, as well as those with smaller inventory capabilities thanks to the flexibility of JDA's solution," she said.

## Achieving Significant Results

Nomeco has realized significant improvements since implementing JDA's replenishment solutions to transform its business processes and offer innovative ordering programs to its pharmacy customers. The results reported by Nomeco include the following:

- Decreased Nomeco's picking lines by 20 to 25 percent for every pharmacy that uses the VMI program
- Significantly reduced its customers' order costs, driving customer satisfaction levels up to a near-perfect 99.8 percent
- Increased visibility into its customers' inventory requirements, resulting in the ability to carry fewer products and have a smaller, more balanced workforce

- Improved production planning capabilities, which has led to fewer order lines and a decreased cost per line
- Enabled its pharmacies to have more time to focus on their customers – something that is essential when medications are substituted every two weeks instead of worrying about keeping pace with constantly changing product prices
- Further established Nomeco as the Danish market leader since the company is the only pharmaceutical wholesaler to offer this type of VMI program in Denmark

## Looking Ahead

With more than 170 pharmacies utilizing Nomeco's VMI initiative, the company plans to continue to grow its program to include 90 percent of its wholesale turnover by 2011. Hansen explained that Nomeco's plans include upgrading to the latest version of JDA Advanced Store Replenishment for enhanced functionality. Additionally, the wholesaler will be implementing the Network Optimization (OPT) capability within JDA Advanced Warehouse Replenishment, which will ensure seamless integration among its warehouse and its customers' stores.

Hansen added, "Any changes to the forecasts that are generated for the pharmacies in JDA Advanced Store Replenishment will be simultaneously updated in the JDA Advanced Warehouse Replenishment system. We will be able to place our vendor orders with even more accuracy to further reduce inventory and to increase Nomeco's service levels."

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