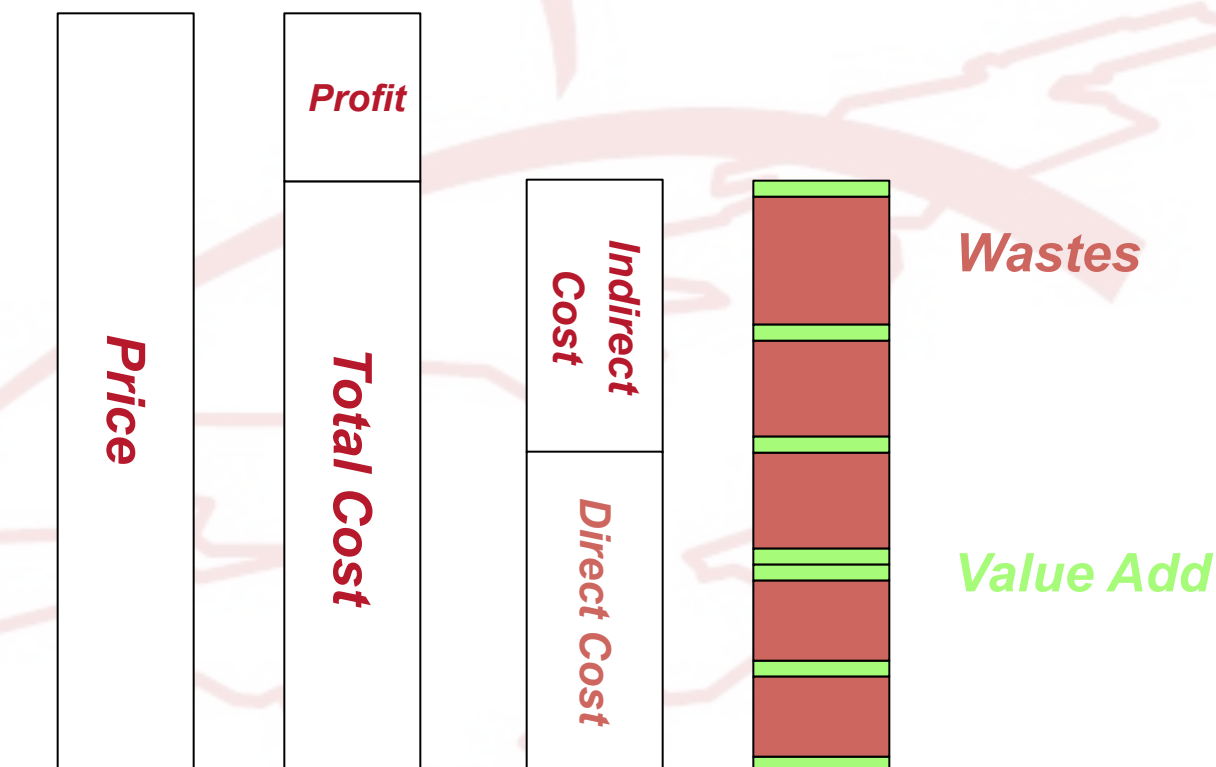


Unlocking the Healthcare Supply Chain Opportunities

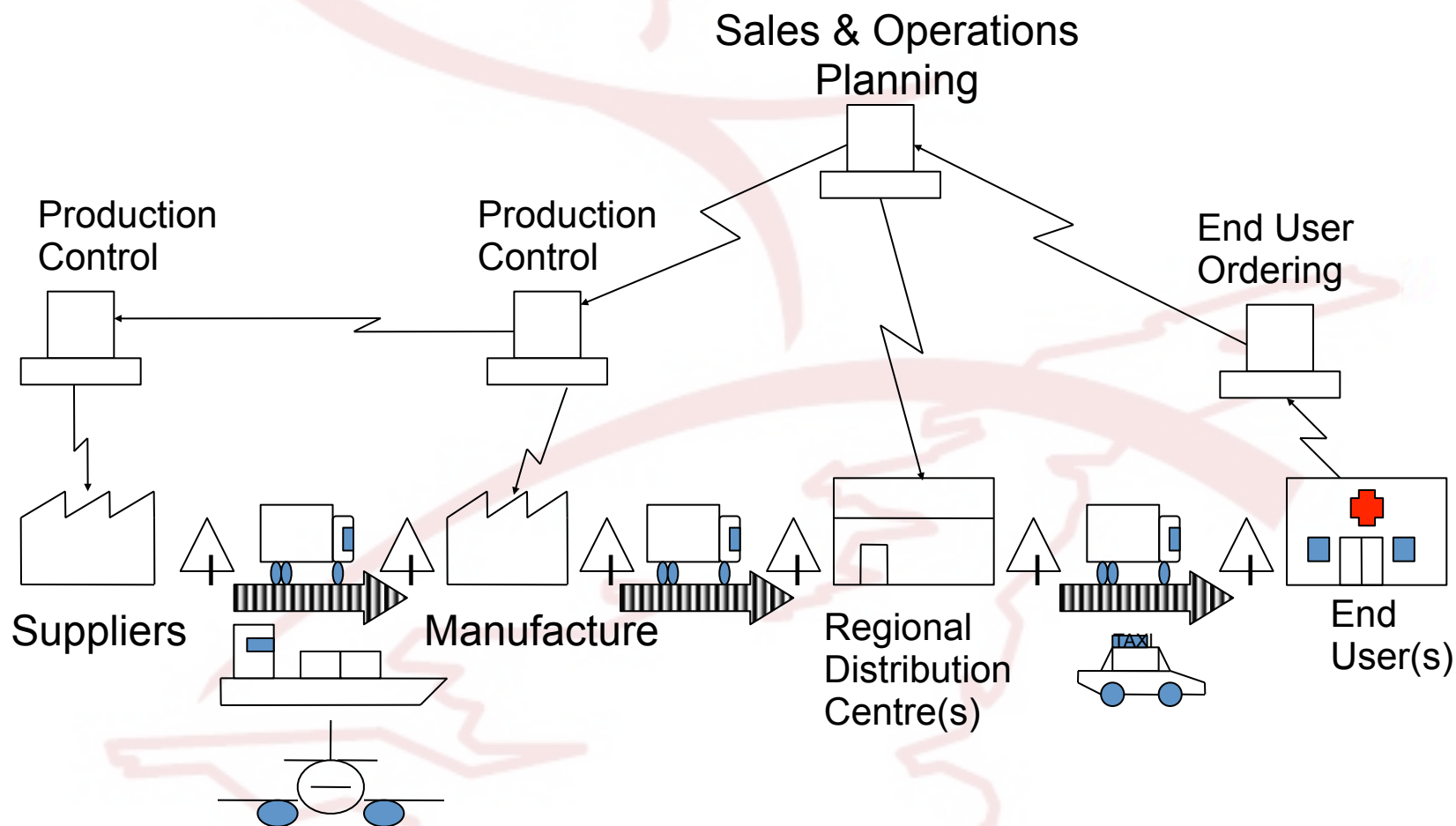
Value Stream Thinking: All activities from Raw material to
Finished goods in hands of final customer & order to
delivery to cash receipt

Price v Cost Structure

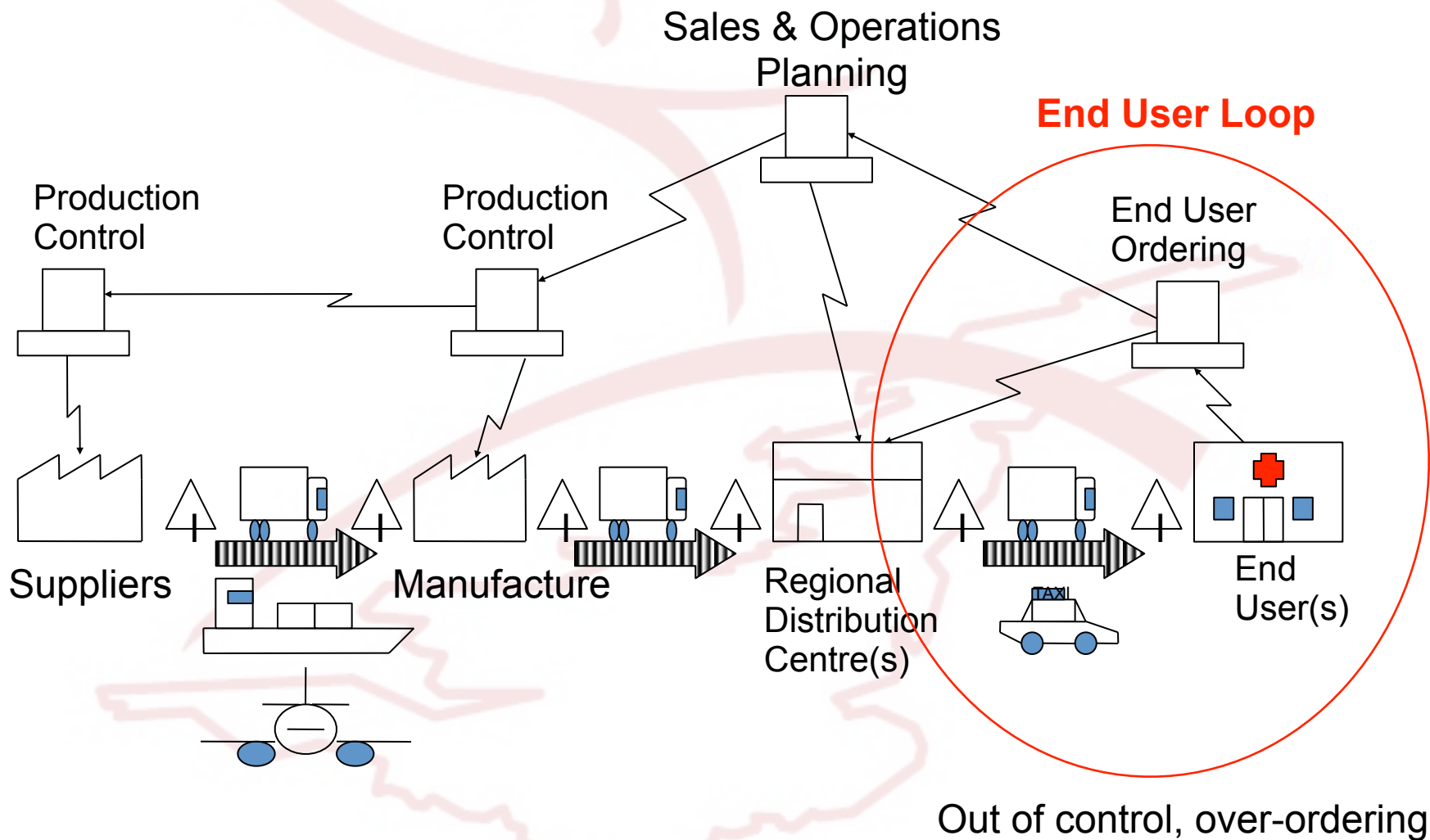
- In the UK alone the NHS must save £20 billion over next 4 years
- The NHS spend on stock is £14 –18 billion per year!



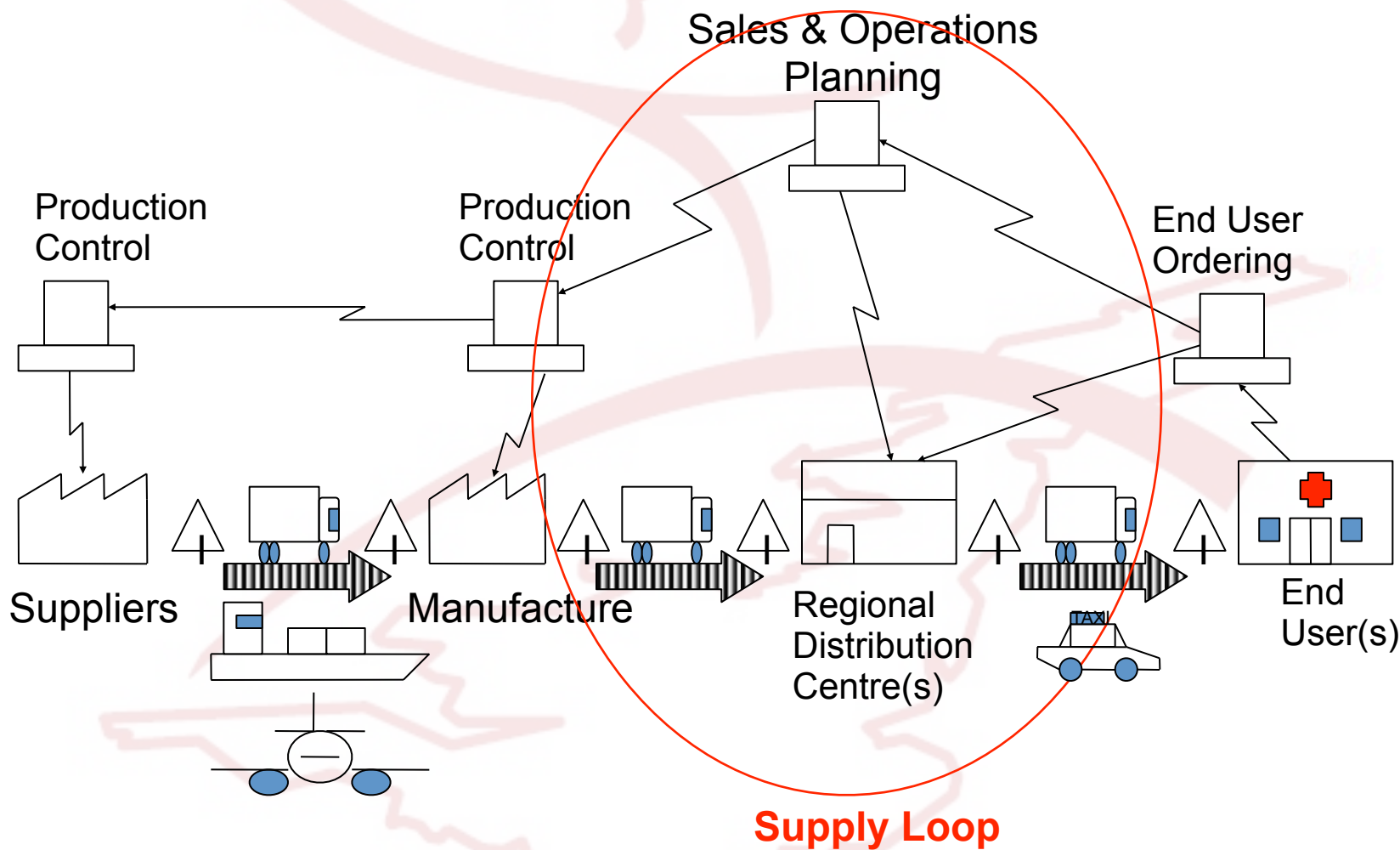
High Level View of Stock Ordering & Supply into Healthcare



High Level View of Stock Ordering & Supply into Healthcare

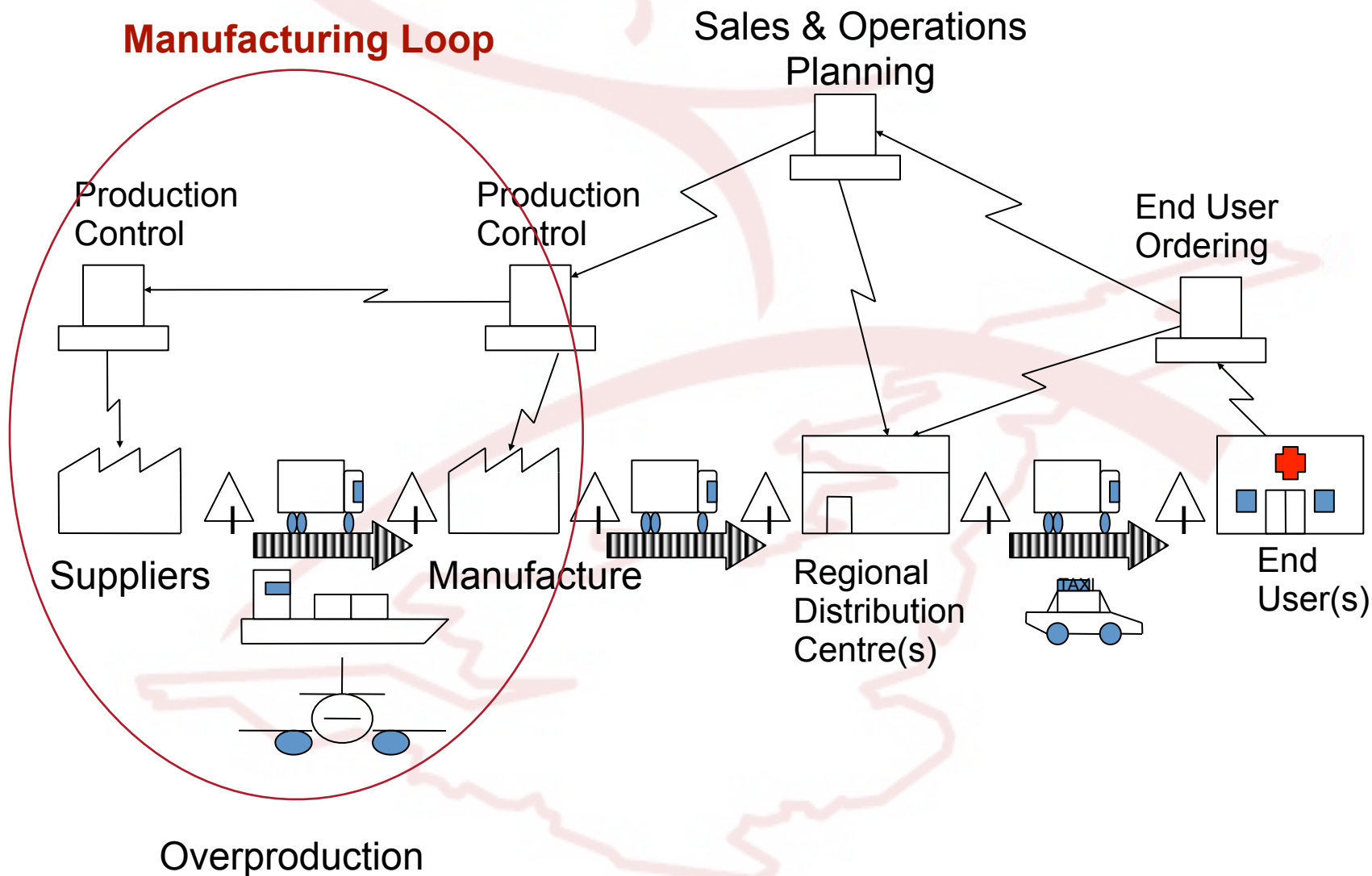


High Level View of Stock Ordering & Supply into Healthcare



Forecasting & Demand Amplification

High Level View of Stock Ordering & Supply into Healthcare



Introducing Ian Elliott



Exercise

What's in it for me?

Suppliers V's Customers



Exercise

Do they fit?



Example - The Glove



Current State Summary : Gloves

Distance Travelled = 314.55 km

Time Taken (TT) = 6 days 2hrs 40 min

Cycle Time (CT) = 323 mins

Value added Time = 7 mins

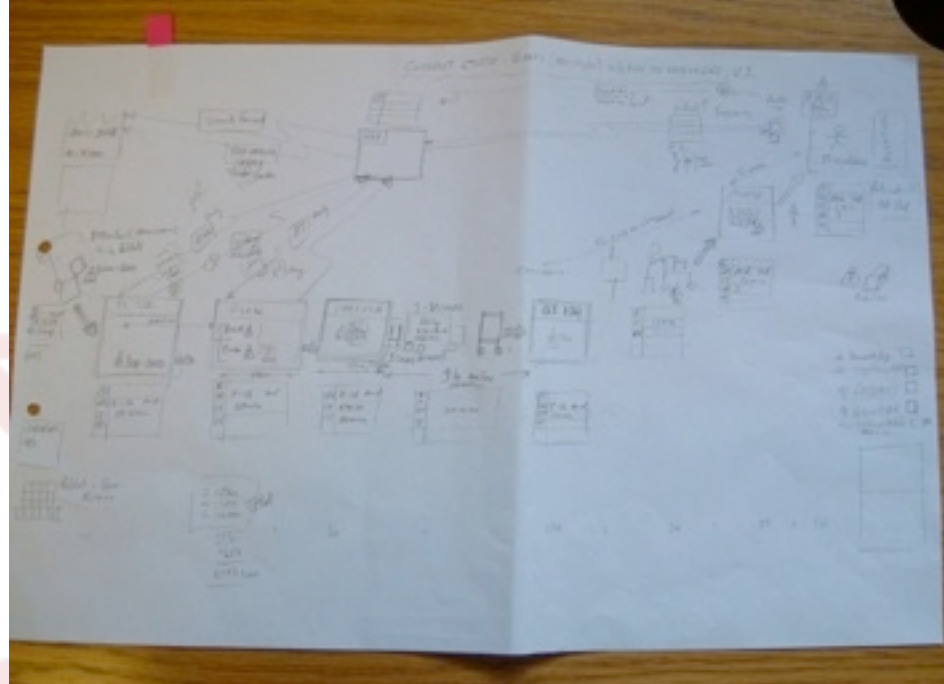
Number of people = 24 -26

Change in form = 5 types

Different Transport= 9 types

Ratio of Value added time to non-value added time:

$$\frac{= 7 \text{ mins}}{323 \text{ mins}} = 2.2\%$$



REPLENISHMENT PROJECT - CURRENT STATE MAPPING










	Supplier	Store's	Transport	Warehouse	Final User
1	17 Cables (100 km)	3m	10m	12m	25m
2	(3 m) 100	2m	2m	2m	4m
3	4 days/week	4m	22h	2m	10m
4	-	5	4-5	3-4	2
5	-	-	1-2	-	30
6	-	-	-	-	-
7	-	-	-	-	-
8	-	-	-	-	-
9	-	-	-	-	-

INFORMATION

2/1/2016

REPLENISHMENT PROJECT - CURRENT STATE MAPPING

MATERIAL

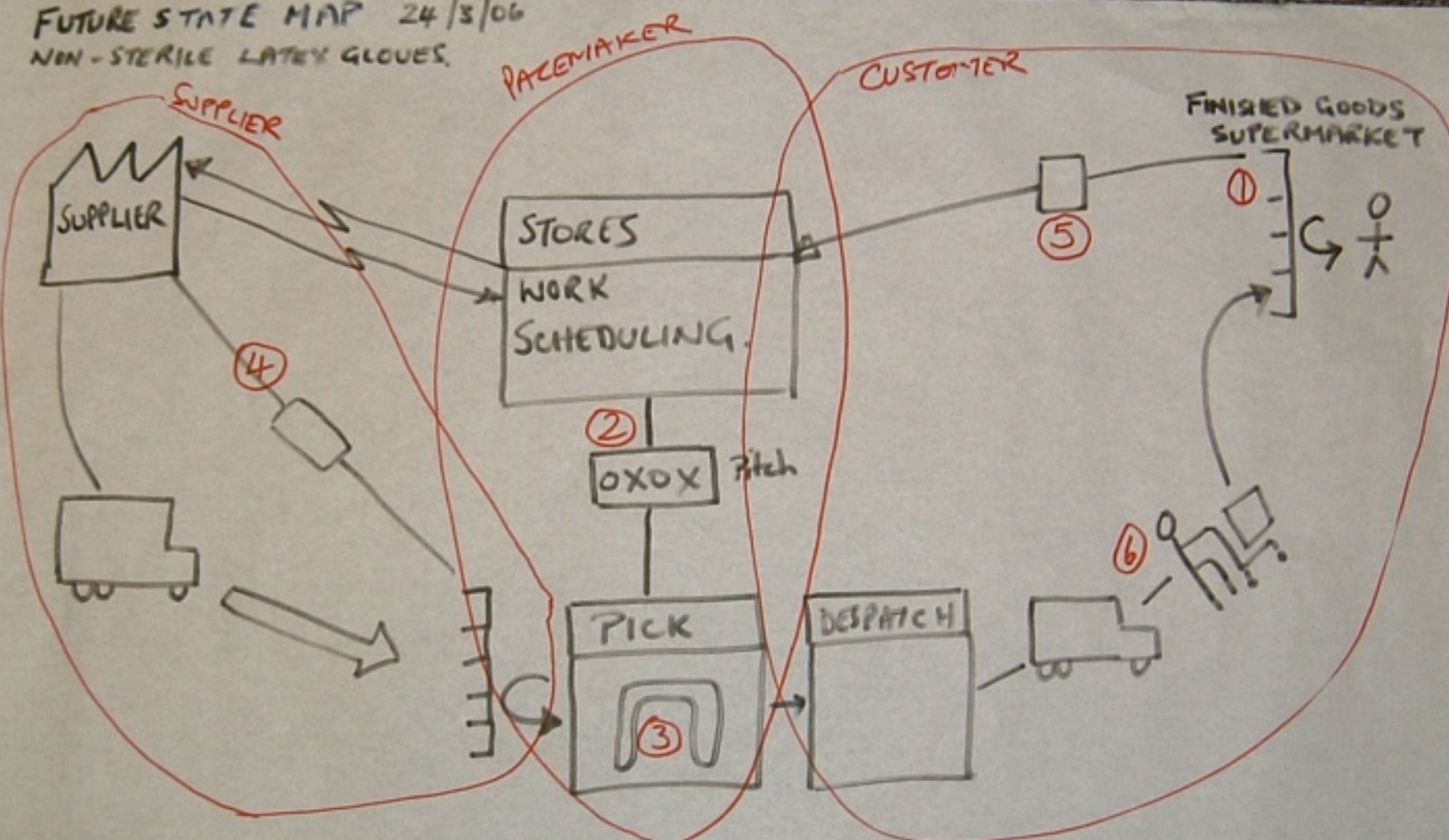
	SUPPLIER	STORES			TRANSPORT	Neville Hall		WASH 4/4	
	△ →	GI → △	PK ○	DEP. →	→	GI → ○	WAT HANDS →	STOR ○	USE ○
Dist	175 miles. (280 km)	← 3m	685m	→	← 16 miles 25.5km.	← 310m	→	← 25m	→
CT	(3.45h) fr.	25 min	6m	5 min	30 min 1 st drop.	3 min	12 min	16 min	1 min
TT	4 day (working) 0 to del.		40 min	22 h.	30 min.	30 min 3 (92)	150 min 700	20h	?
Touch	-	5	4-5	3-4		3	3	4	2
VA/NUA	-	3490			170 →		30	-59-	
TRANS	→ 								
Demmo	→								

INFORMATION (Add)

500
144
356

21/3/06

FUTURE STATE MAP 24/3/06
NON-STERILE LATEX GLOVES.



TRANSITION PLAN:
PLAN ACTIVITIES FOR ① — ⑥ above.

The New Terrain



There can easily be up to 2 years worth of inventory in the pipeline.

Why?

Because suppliers have over produced

Why?

Because suppliers made to stock based on forecast and because it made their productivity metrics look good. All of which resulted in lengthening of the supply chain.

Why?

Because they knew that there was always demand for their products (**seller's market**) PLUS their metrics drove the wrong behaviour.

Why?

Because it was a successful model

Why?

Because the customer tolerated this.

Now the customer has a lot less money to spend & will no longer tolerate all this

As a result the suppliers model will cease to be successful because there is no longer a guaranteed demand (**buyers market**)

As a result metrics now need to drive the right behaviour.

Suppliers will need to make to order based on real demand as opposed to forecast.

They will need to reduce their costs to make their productivity look good. Which will result in shortening the supply chain.

Question - What's stopping suppliers only making product when they've been paid for it up front????

In the good old days suppliers took their costs added their margin and sold at the price they commanded.

Now they will need to sell at the price that the customer demands (which will be less) which means that

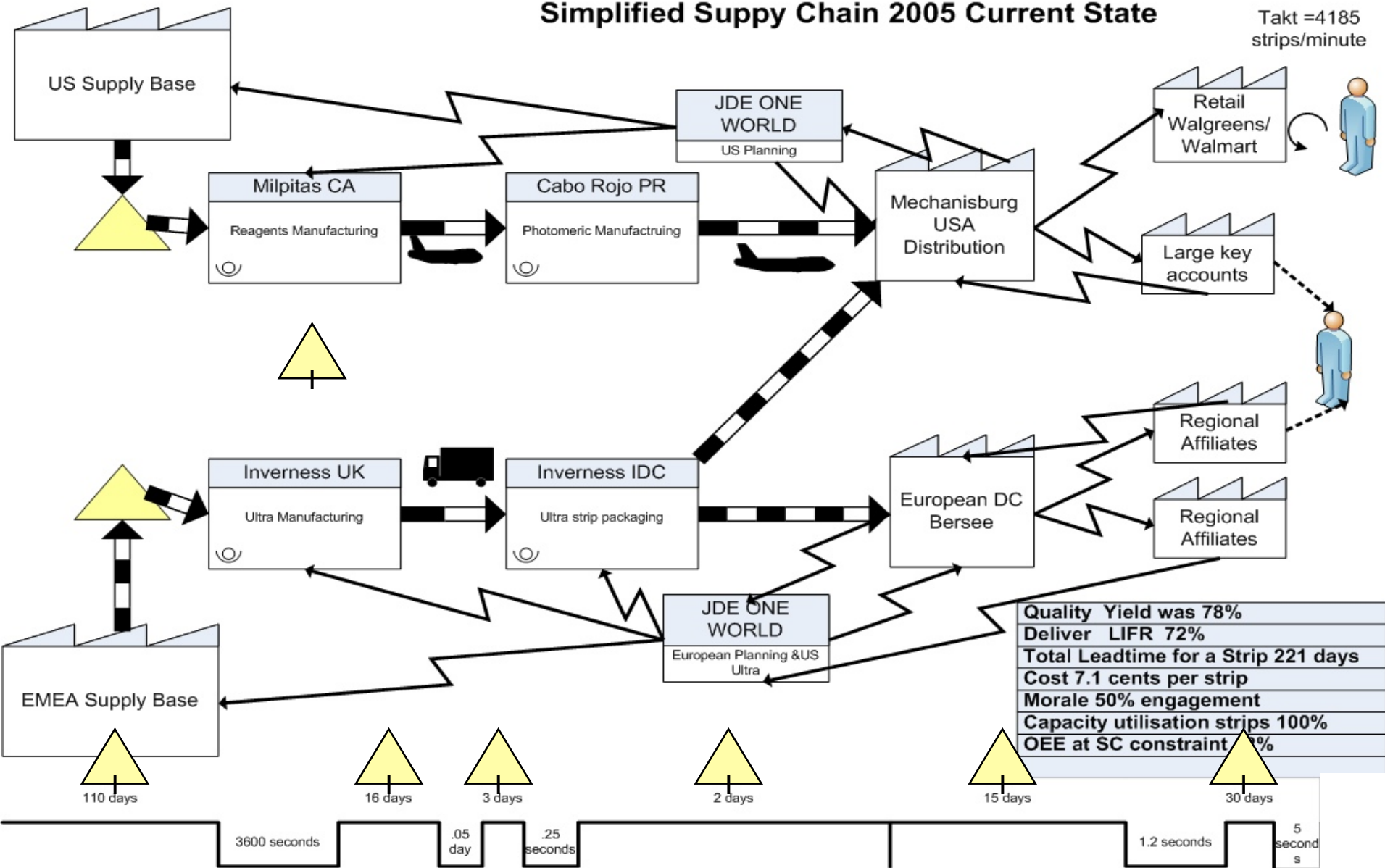
They must either keep their costs the same and reduce their margin or reduce their costs in an attempt to maintain their margin.

Who knows if they do the latter they may even increase their market share at the expense of their competition.

So where do these costs reside?

Simplified Supply Chain 2005 Current State

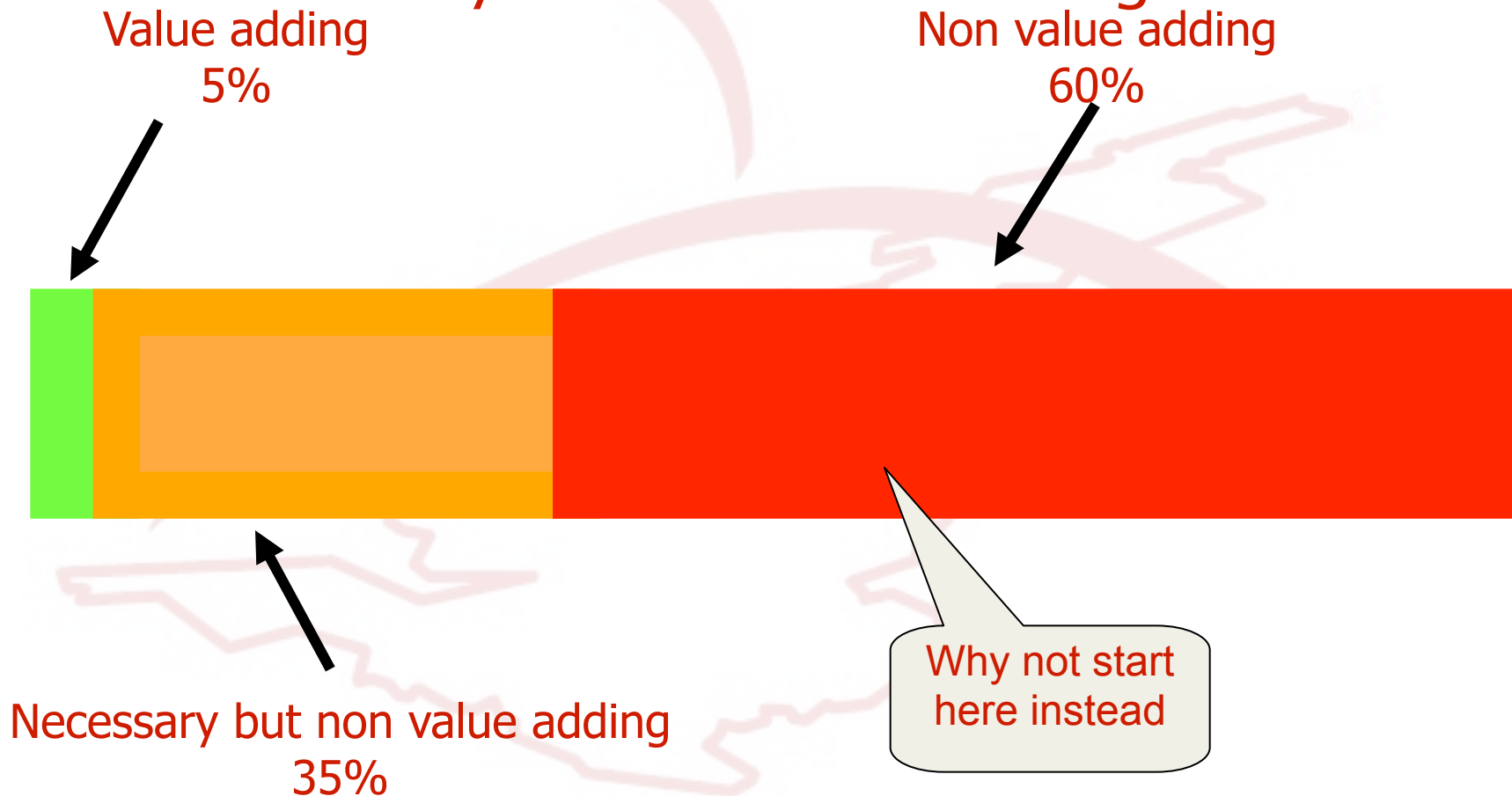
Takt = 4185 strips/minute



Triangles amount to 176 days of sales tied up in inventory

Typical Cost Reduction Approach – Squeeze the Boxes

Why – Because they can't see the Triangles



Call to Action

A small group comprising of End Users,
Supply Chain organisations and
Manufacturers to work with us on this