AstraZeneca Uses CombineNet as Prescription to Drive Greater Supply Chain Savings and Efficiencies

Overview:

AstraZeneca is a global biopharmaceutical company that discovers, develops, manufactures and markets prescription medicines for six important areas of healthcare, which include some of the world's most serious illnesses: cancer, cardiovascular, gastrointestinal, infection, neuroscience, and respiratory and inflammation.

The organization's extensive supply chain connects 23 manufacturing and packing sites in 16 countries to thousands of suppliers and millions of customers across the globe. With worldwide sales of more than $33 billion, the safe, efficient and cost effective distribution of AstraZeneca medicines is of strategic value to the company and its customers.

"Our global freight and logistics strategy requires a complete understanding of many cost elements and the impact of the options on our business. In the past, the time necessary for suppliers to provide the pricing information, and the analysis we required, made large scale projects difficult to manage."

James Shaw, Global Lead, Freight & Logistics, AstraZeneca

The Challenge:

AstraZeneca's products are shipped globally by a combination of air and ocean freight carriage. Some characteristics of AstraZeneca's global transportation network include:

- More than 1,000 transportation lanes
- 95% of total global shipping volume is conducted on just 250 of those 1,000 lanes
- Managed by freight forwarders, which contract with carriers and logistics providers to support the entire shipping process
- Special handling requirements, including temperature control for nearly all medicines

To improve its supply chain operations and reduce costs, AstraZeneca has undertaken a multi-year strategy to transition more product from air freight to ocean carriage. This mode-switching strategy introduces additional challenges to an already demanding sourcing activity, including:

- Multiple cost elements for each mode, from initial pickup to final delivery
- Total Cost of Ownership model that includes 15 different parameters
- Inconsistent capabilities of freight forwarders across modes and regions
- Preferences of internal stakeholders for mode and service providers

The AstraZeneca supply chain team had been successful in the past at transferring some of its air freight transportation to ocean freight, but had yet to undertake a large scale transformation because of the large amount of data collection and analysis required to fully understand the impact. Using Excel spreadsheets, even limited exercises in support of this strategy had required 3-4 months of extensive analysis time to understand the total cost impact of mode-switching on a small portion of their network.

(more)

The CombineNet/AstraZeneca Solution:

AstraZeneca turned to CombineNet ASAP®, the Advanced Sourcing Application Platform, as the technology solution for supporting their air and ocean freight sourcing strategy.

Leveraging the Expressive Bidding® capabilities of CombineNet ASAP, the freight forwarders that AstraZeneca invited to the sourcing event were able to submit a wider range of price and non-price bid information to help AstraZeneca make more informed decisions on the best possible award decisions. In this case, the suppliers provided extensive cost information for each stage in the shipment of AstraZeneca's products, from initial pickup to final delivery, using both air and ocean carriage. As this detailed cost information was collected through the online CombineNet ASAP event, it was automatically included in the TCO models that AstraZeneca established, along with 15 other bid parameters, including transit time, transshipment, inventory carrying costs, and product shrinkage ratios by mode.

Using the industry-leading analysis capabilities provided by CombineNet ASAP, AstraZeneca was able to quickly create and run "What if?" scenarios in ASAP. This scenario feature also allowed the team to easily see the impact of applying different business preferences from various stakeholders across AstraZeneca's global business units, and evaluate those scenarios alongside costs and risk variables to create a shortlist of forwarders for final negotiations.

"Supported with CombineNet ASAP, the overall cost savings and mode optimization of moving more spend from air freight to ocean carriage will help assist in the further success for the project. And the additional insight we were able to capture and use in negotiations thanks to CombineNet ASAP would not have been possible before with other solutions, especially in the accelerated timeframe and global scale of this spend category."

James Shaw, Global Lead, Freight & Logistics, AstraZeneca

Results:

CombineNet ASAP provided the ability to collect and analyze an extensive amount of data from freight forwarders, **enabling AstraZeneca to quickly make decisions about transportation mode and provider across its entire global shipping network**, with the following benefits:

- More than 12% in contracted savings
- Significant time savings – reduced the entire process by nearly 70%
    - Analysis time reduced from 3-4 months to 4-6 weeks on this global project using CombineNet
- Immediate mode-switching of 10% of freight from air to ocean carriage, with an additional 10% targeted by the end of the year

AstraZeneca achieved significant cost savings while supporting their multi-year strategy for supply chain transportation mode-switching. The power of CombineNet ASAP not only helped with data collection and analysis, but the additional information made available to AstraZeneca assisted in their negotiations with freight forwarders, generating three-year contracts and long-term commitments to assist with the company's overall strategy for this spend area.

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