



## Healthcare

### Pharmaceutical Company Partners with Kuehne + Nagel, Reduces Order Cycle Time 50%

*Moving from large number of DC to fewer, strategically placed public warehouses allowed division to satisfy customer needs faster*

#### SITUATION

Consumer demand is the driving force behind the over-the-counter (OTC) product industry. When stocking top shelves or designing sales flyers, drug, food and mass merchandisers give preference to quick-selling items delivered on time.

One major pharmaceutical company understands the link between first-rate product distribution and retailer support. It's the main reason why the company's consumer care division chose Kuehne + Nagel to manage distribution of its health and consumer products. The division initially used eight public warehouses and one private facility to handle domestic distribution, but decided to consolidate when its customer base expanded.

The division's warehouses simply couldn't deliver products quickly enough due to their locations. In addition, using multiple facilities kept inventory levels high due to the need for safety stock, and unionized labor made the one private warehouse an expensive option.

The division's goal was to set up a network of three multi-client warehouses in strategic areas that could provide faster delivery to customers nationwide. With a consultant's help, the division chose three distribution points to support customers throughout the country. Kuehne + Nagel's Memphis location served customers in the South and Midwest, while the Kuehne + Nagel facility in Cerritos, Calif., supported West Coast customers.

#### SOLUTION

Kuehne + Nagel managed 60 percent of the division's nationwide product distribution as part of leaner and more efficient strategy. Together, the Kuehne + Nagel multi-client warehouses stored approximately 400 SKUs of OTC products, palletized, picked and packed by expiration date. Kuehne + Nagel received orders throughout the day, and shipped 95 percent of all requests to retail distribution centers same day of receipt.

Kuehne + Nagel also offered a variable-cost structure in both warehouses. The division was able to adjust manpower and space when needed to cost-effectively respond to business changes when new products were added or to customer demand during special promotions and peak winter months.

#### RESULTS

Prior to working with Kuehne + Nagel, the division's average cycle time from order request to delivery was 10 days. Kuehne + Nagel reduced the order cycle time to fewer than five days.

Moving from a large number of facilities to a smaller number of strategically placed multi-client warehouses allowed the division to satisfy customer needs faster and more cost-effectively.

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