



Healthcare

Pharmaceutical Leader Leverages Long-Term Partnership to Reduce Costs, Increase Service

Kuehne + Nagel's flexibility, reliability innovation turns distribution network into competitive advantage in consolidating healthcare market

SITUATION

In 1982, a large, fast-growing pharmaceutical company decided to leverage the North American warehouse network of a Kuehne + Nagel subsidiary, USCO Logistics. During the next 20 years, a relationship that began with two pallets of product in a Chicago distribution center grew so that eventually Kuehne + Nagel was responsible for nearly 100% of the drug company's North American finished goods distribution. In addition, the company asked Kuehne + Nagel to take responsibility for distribution of samples, promotional goods, contract labor for office services, and hazardous-materials handling.

The drug company saw continuous improvement in its distribution and logistics network as a key factor in reducing its distribution cost per unit, specifically through inventory accuracy, minimal shipping errors and on-time delivery. Kuehne + Nagel and the company worked as a team to identify and initiate improvements in distribution to maximize the drug company's margins and improve its competitiveness in a changing healthcare market.

SOLUTION

Kuehne + Nagel established two central distribution centers in Raleigh-Durham, N.C., and five regional distribution centers. The hub-and-spoke approach allowed the drug company to maintain high customer service levels by having local inventory in each region.

The key to the drug company's distribution strategy was the high-trust partnership established with Kuehne + Nagel. This allowed it to focus on its core competencies - pioneering research and development of quality pharmaceuticals – while maintaining an unyielding commitment to continuous improvement in distribution.

RESULTS

Through the course of two major mergers on the part of the drug company, Kuehne + Nagel delivered high-quality results: Inventory accuracy, on-time delivery and shipping accuracy consistently above 99.9 percent.

Kuehne + Nagel 's flexibility, reliability and innovative solutions helped turn the company's distribution network into a real competitive advantage in the rapidly consolidating healthcare market.

