

Serving the Community

As Australia's largest pharmacy-led network, Sigma Pharmaceuticals supplies vital medicines to community pharmacies across the country.

Images by Estelle
Judah Photography

"As an interim measure to lift our performance, we introduced some classic inventory management tools and policies to deliver the five R's of supply chain: right stock, right place, right time, right quantity, right price."

- Alan O'Hara

Sigma Pharmaceuticals is a leading national full-line community service obligation (CSO) distributor and wholesaler to community pharmacy. As the owner of the Amcal Max, Amcal, Guardian, and Pharmacy Advance brands, Sigma is also Australia's largest pharmacy-led network.

The CSO agreement between the Australian Government and full-line pharmaceutical wholesalers ensures Australians have affordable, reliable, and timely access to medicines irrespective of where they live.

As a CSO distributor, Sigma makes it possible to deliver more than 6,000 medicines listed on the Pharmaceutical Benefits Scheme across vast distances within 24 hours of order cut-off time. It is a critical part of the Australian healthcare landscape.

Sigma delivers right across Australia, including to customers in remote locations such as Christmas Island, Thursday Island, and Cape York.

General Manager of Supply Chain and Transformation for Sigma Pharmaceuticals Alan O'Hara joined the company in March 2012 and has implemented an ambitious overhaul of Sigma's supply chain. *The CEO Magazine* sat down with Alan to discuss this recent evolution in the company's 100-year history.

***The CEO Magazine:* What do you think have been your greatest achievements since joining Sigma?**

Alan: As a CSO distributor and a vital component of the health and welfare of all Australians, Sigma Pharmaceuticals' stock availability and delivery performance is critical. As an interim measure to lift our performance, we introduced some classic inventory management tools and policies to deliver the five R's of supply chain: right stock, right place, right time, right quantity, right price.

With this done, it enabled the team to concentrate on building a stable operating platform and getting the business match-fit. We commenced a program of works in the middle of 2012 to implement new supply-chain systems, re-engineer process and restructure the end-to-end supply-chain team. Early this year we went live with two key applications from the JDA Red Prairie suite of supply-chain software. JDA Red Prairie is one the world's leading software providers for end-to-end supply-chain systems.

JDA Demand enables the supply-chain team to take intelligence and insights from the market and industry in an automated, prescribed fashion and build a micro to macro logical forecast in tactical and strategic horizons.

Supply chain is all about demand—the more accuracy and predictability you have in your

demand, the more enabled you are to plan your network from a cost, resource, and capacity perspective.

A key component of the strategy was moving our business to a 'one supply chain' philosophy that embraced partnerships and the sharing of data. The JDA Collaborate tool enables this; Sigma now has the ability and is actively sharing demand signals over the web with several suppliers and customers to achieve a consensus view of demand.

From a process perspective we have introduced 'Takt', a term and methodology taken from the German automotive industry and derived from the German word Taktzeit, which means 'cycle time'. Takt is about synchronising demand and supply with capacity and resources through predictability and integrated business planning of the supply chain. This enables reduction of waste, optimisation of infrastructure and resources throughout the Sigma logistics network of 13 DCs [delivery centres] and 900 operators. As a result, costs are more predictable and our service offering is improved through greater velocity, inventory turns, and healthier inventory in the supply chain.

We are very proud of the supplier-engagement program we have rolled out over the year. We deal with many of the largest global pharmaceutical and FMCG [fast-moving consumer goods] ►

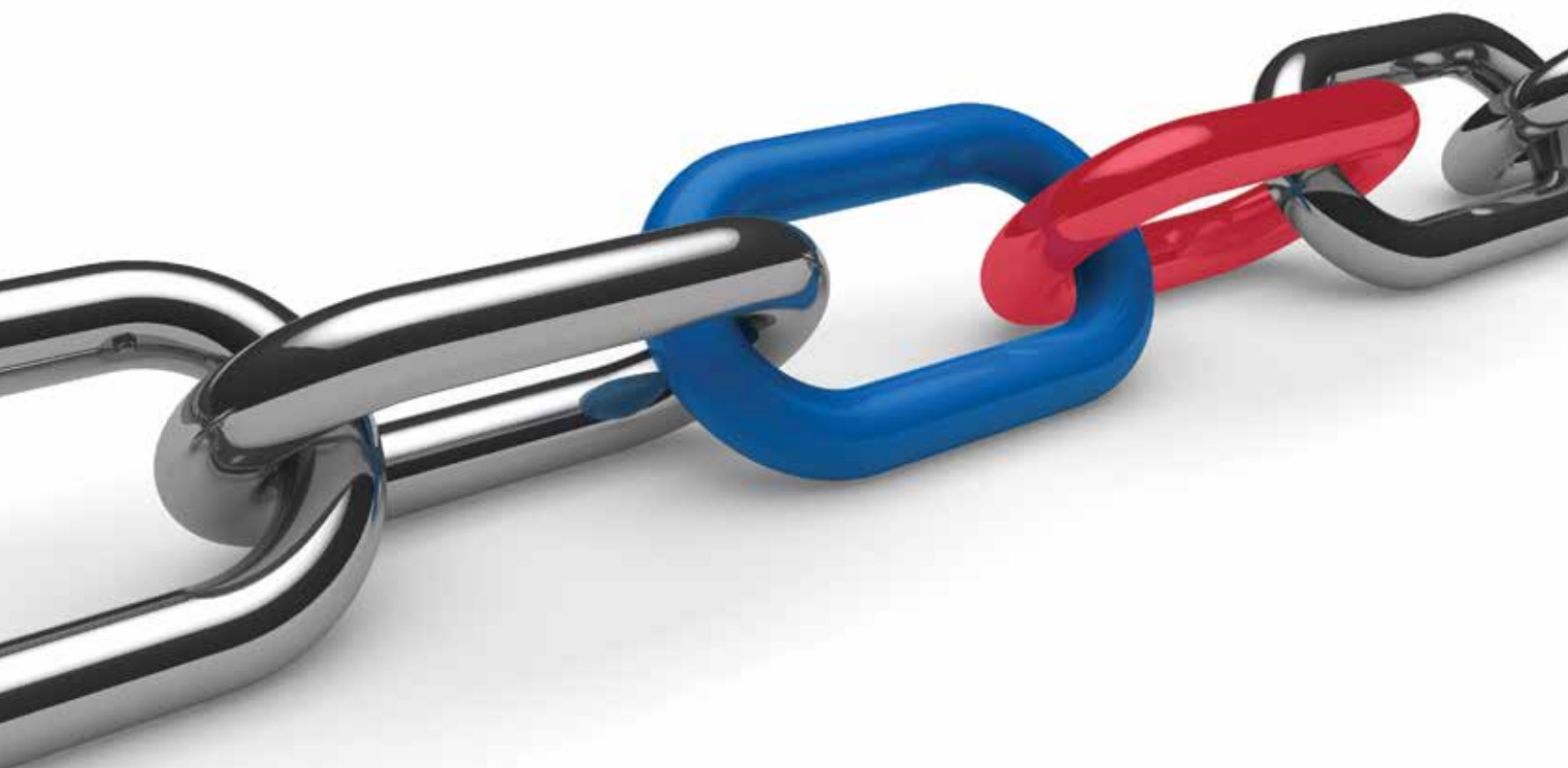


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manufacturers, and suppliers. Historically, our relationships were more transactionally driven. Over the past year, we have moved those to partnerships framed with joint business plans—a ‘one supply chain’ philosophy and strategic outcomes.

How do you work with strategic partners to ensure success?

My view is that the more information that is shared upstream and downstream, the more enabled and capable our suppliers are of delivering our requirements and ultimately satisfying our customer demand.

We’ve significantly invested in developing strategic partnerships with our suppliers and have a supplier engagement program which is now well established. We have a three-tier strategic approach to supplier engagement: collaborative monthly meetings, senior executive on a quarterly basis, and a top-to-top at least once a year.

It’s all about sharing data and creating an open, honest trading relationship with our suppliers, and strategically aligning our goals.

As you mentioned earlier, you introduced JDA software to Sigma. What does this involve and how does it help the Sigma business and supply chain?

When I arrived at Sigma I completed a deep dive into systems and process. The business had a basic, ageing supply-chain tool from the JDA suite of software called E3. The tool provided an ability to transactionally manage the supply chain and suppliers but fell well short of being an end-to-end supply-chain solution, which was needed at Sigma to manage some 15,000 SKUs [stock-keeping units] from 450 suppliers across 13 DCs, highly promotional and seasonally driven.

“Sigma Pharmaceuticals has a great vision: They put their customers first, understand their demand, and align operations accordingly. This is aligned with JDA’s vision of consumer-centric retailing. We developed a great partnership with Sigma and are proud of their success.” - David Bray, Vice President, Retail Industry, Asia-Pacific, JDA Software



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- Alan O’Hara

We engaged the team from JDA and workshopped what was required to bring Sigma to a match-fit state and build an end-to-end supply-chain systems competency. What was clearly non-negotiable given our status as a CSO distributor was non-supply or business interruption. We agreed upon a scope of works to upgrade the transactional tool to current release and introduce two new pieces of software from the JDA portfolio: Demand Manager and Collaborate. These tools would enable Sigma to transform and move to an integrated business management methodology and platform.

With a combined team of JDA specialists and subject matter experts from within Sigma, the project commenced in May 2012. The first component the upgrade of E3 was seamlessly introduced into the business in October 2012. The two new pieces of software went live successfully and seamlessly in March 2013. Sigma is now sharing meaningful forecast and sales data securely over the web on a weekly and monthly basis with several suppliers and customers to arrive at a consensus view of demand and to realise our ‘one supply chain’ philosophy.

You’ve been analysing data on trends in the marketplace. What have you found?

One of the more significant trends in the marketplace is just-in-time. Everybody wants just-in-time delivery; nobody wants to be

sitting on inventory that’s superfluous in the supply chain, so it’s all about waste management and cost of capital.

It is clear that it’s all about just-in-time delivery, not just between the supplier and Sigma, but the whole way through the supply chain. All the systems and processes that we’re incorporating into our business are designed to create velocity to enable us to deliver a just-in-time, dependable, predictable service.

We’re also seeing the rise of discount models in pharmacies, so there’s a lot more promotional activity running through pharmacies than we’ve previously seen. Sigma is now well placed with its new demand management and collaborate tools to model and map promotional activity so the opportunities are fully optimised.

As a leader, what is your vision for supply chain at Sigma Pharmaceuticals?

I want us to be seen as the distributor and partner of choice for our pharmacists and suppliers. I want us to be seen as a leader and in some cases an evangelist in supply-chain systems and processes that delivers a dependable, predictable, high level of service to our customers and enhanced outcomes for our partners and shareholders. I want Sigma to be seen as attractive for key talent and a breeding ground for supply-chain leaders of the future. •