



Operations Strategy - Minimizing Product Expiries

March 2022





Contents

Diagnose the reasons for high expiry

Target industry benchmark expiry ratio of 1-1.5%

Define and implement “four levers” to minimize expiries

Diagnose the reasons for high expiry



SKU wise framework of analysis

- 1 Net sales value
- 2 Expiry value
- 3 Expiry ratio
- 4 Co-efficient of variation (CoV)
- 5 Total Inventory coverage (months)
- 6 Inventory coverage at CW and CFA
- 7 Inventory coverage at stockist
- 8 Batch offloading period (Own vs Traded)



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| SKU Classification | Inventory Coverage | Batch-Offloading time [#] | Expiry Ratio* (%) | Inventory coverage at stockists |
|-----------------------|--------------------|------------------------------------|-------------------|---------------------------------|
| Runner ¹ | 25 - 30 days | Within 30 days | 0% | ~30 days |
| Repeater ² | 45 - 60 days | Within 60 - 90 days | 1 - 2% | ~60 days |
| Stranger ³ | ~90 days | Within 90 - 120 days | 1 - 1.5% | ~90 days |

Note: ¹Runner SKU -SKUs which have average sale value of more than 1.5 cr. per annum based on last 3 FY and low demand variability i.e., CoV < 0.5,

²Repeater SKU-SKUs which do not classify as Runner or Stranger,

³Stranger SKU-SKUs which have average sale value less than 1.5 cr. based on last 3 FY and high demand variability i.e., CoV >1

[#] Batch Offloading Period, Time taken (in months) for a batch from the date of manufacturing till the date of primary sales of the entire batch. Batch offloading period is calculated on a net sale basis using weighted average with sales qty being assigned weights

^{*}Expiry Ratio = Expiry Value / Net Sales Value. Expiry Value is the net sales value of SKUs expired at the Stockists,

Inventory Coverage on Primary Sales. Measure of average number of months of inventory held in the system at CW and CFA.

Inventory coverage = Average Inventory Qty at CFA & CWH / Average Primary Net Sale Qty

Inventory Coverage on Secondary Sales Measure of average number of months of inventory held by Stockists.

Inventory coverage = Average Inventory Qty at Stockist / Average Secondary Net Sale Qty

Source: UC Primary Research



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Build Visibility

1

- Collaborate with solution provider to obtain the near expiry data



Synthesize and Act

2

- Define an internal process for sales team to collect the near expiry data from stockists
- Liquidation of non-moving/ near to expiry inventory
- Block primary sales of nonmoving SKUs to stockists



Streamline S&OP

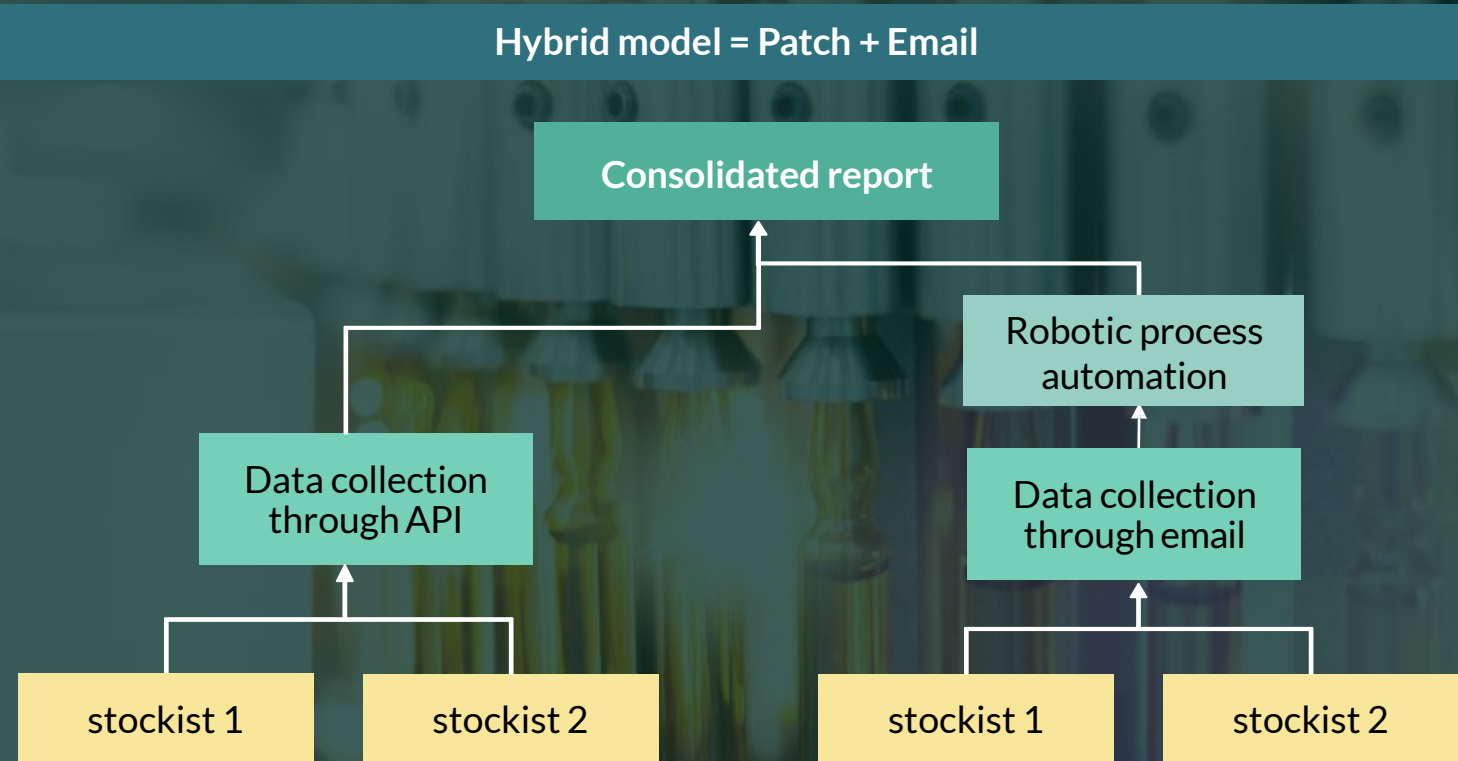
3

- Optimize demand forecasting
- Optimize batch size
- Optimize production and logistics plans
- Identify and bridge gaps in S&OP process

4 Implement

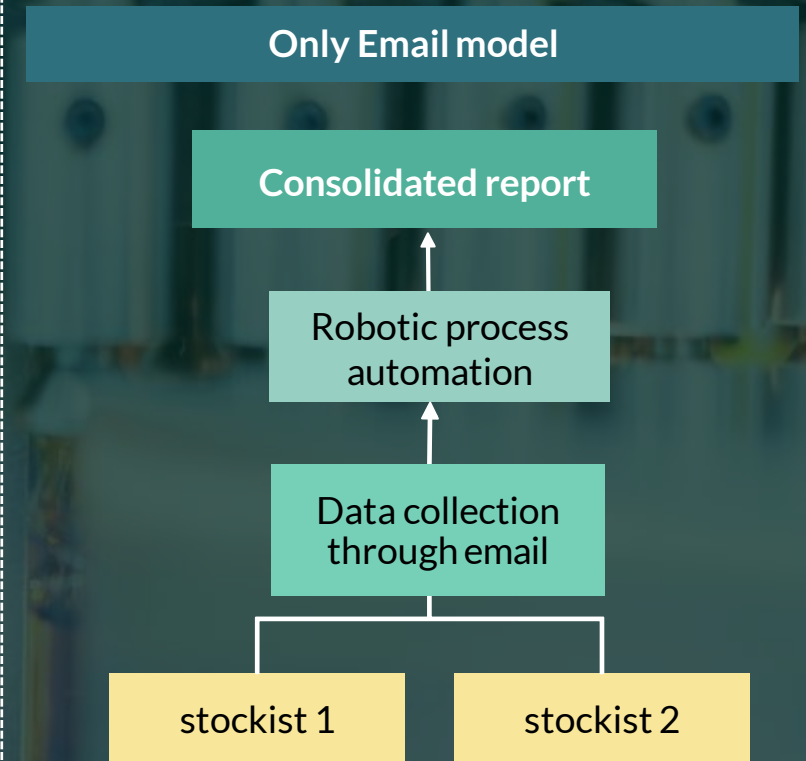


Build visibility by implementing a hybrid model



In case of hybrid model, data would be collected from two sources:

- o Installing API patch at the stockist's ERP and data would be flown automatically to HO
- o Periodic email from stockists of report and performing robotic process automation (RPA) for standardizing and processing the data



In case of email model, data would be collected through periodic email from stockist's ERP and then RPA for would be performed for standardizing and processing the data

Flow of data

Define responsibilities metrics

| | 1 Data Receipt | 2 Data Analysis | 3 Data Distribution* | 4 On-field Action | 5 Monitoring & Review |
|----------------|---|---|--|---|---|
| Process | <ul style="list-style-type: none"> Receive near expiry data from relevant source (email + patch) by 08th of every month. Data to include: <ol style="list-style-type: none"> Name of Stockist Batch no of SKU Volume expiring in the next 12 months Value of inventory | <ul style="list-style-type: none"> Validate quality & accuracy of data Add additional internal data fields to data: <ol style="list-style-type: none"> Sales Hierarchy Product Class HQ Division Simplify data for ease of analysis | <ul style="list-style-type: none"> Sales Admin team will share the data with NSM Each Sales manager in the hierarchy to extract relevant data and share data over mails with their reportees | <ul style="list-style-type: none"> Carry liquidation basis discussions with: <ol style="list-style-type: none"> Stockists Retailers Doctors Take approvals to offer incentives on non-promoted products ABMs to upload liquidation update in system application by 25th of every month | <ul style="list-style-type: none"> Sales Team to discuss liquidation progress with their reportees as follows: <ol style="list-style-type: none"> NSM: Once/ week DSM & SM: Twice/ week RBM: Thrice/ week ABM: Daily Near expiry progress will |
| Responsibility | Sales Admin | Sales Admin | <ul style="list-style-type: none"> Sales Admin Sales Team | <ul style="list-style-type: none"> Sales Admin Sales Team | <ul style="list-style-type: none"> Sales Admin Sales Team |
| Time | 08 th of every month | 09 th of every month | 09-12 th of every month | 13 th - end of month | Periodic reviews and 10 th of every month |

Note: Data distribution process will be simplified post introduction of app-based automation, where data will be made available to field teams directly in the System Application. Discussions have been initiated with the vendor & the app is under development.

Responsibilities definition for expiry management

| Parameter | Activities | Sales Admin | NSM | DSM | SM | RBM | ABM | BE |
|---------------------|--|-------------|-----|-----|----|-----|-----|----|
| Data Analysis | • Monitor quality & accuracy of data | √ | | | | | | |
| | • Mapping of additional fields in the base data & sharing of data with National Sales Manager | √ | | | | | | |
| Data Distribution | • Extract relevant data & share with direct reportees (Template 1) | | √ | | | √ | | |
| On-field action | • Conduct discussions with cluster heads for introduction of additional scheme/ incentive structure for liquidation | | √ | | | | | |
| | • Provide approval (in discussions with Marketing Heads) to offer incentives for non-promoted products on a case-to-case basis | | | | √ | | | |
| | • Escalate requests from direct reportees for incentives on non-promoted products | | | | | √ | √ | √ |
| | • Conduct discussions with retailers, doctors & stockists for liquidation | | | | | | √ | √ |
| | • Conduct liquidation of near expiry inventory | | | | | | √ | √ |
| Monitoring & Review | • Upload liquidation update (Template 2) in the system software | | | | | | √ | √ |
| | • Ensure liquidation updates are filled & uploaded by ABM & BE | √ | | | | √ | | |
| | • Conduct periodic discussions with direct reportees to discuss liquidation progress & challenges faced | | √ | √ | √ | √ | √ | |
| | • Prepare liquidation progress trackers (Template 3) & share with National Sales Managers | √ | | | | | | |

Note: Designations are indicative.

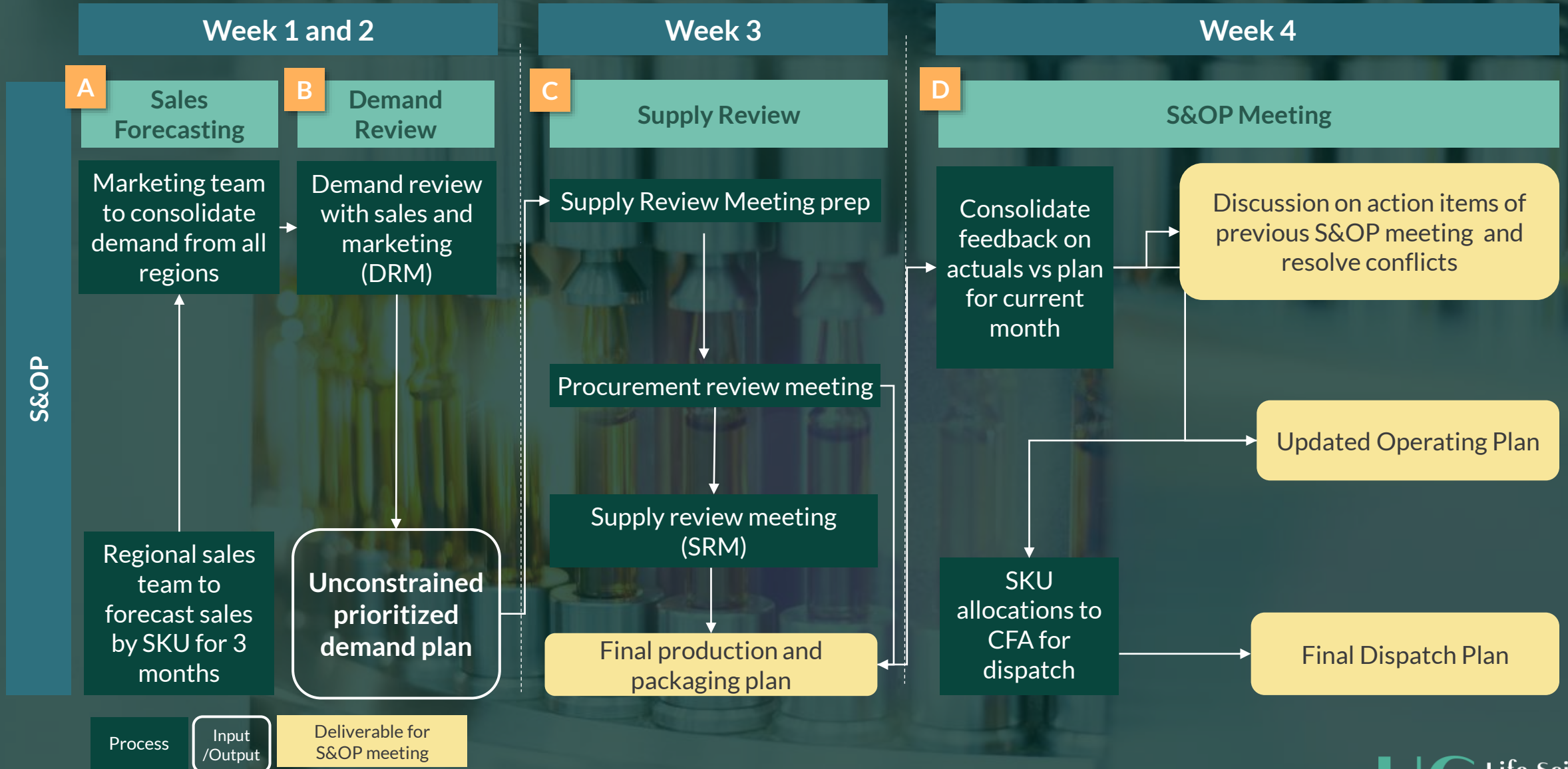
NSM – National Sales Manager; DSM – Divisional Sales Manager; SM – Sales Manager; RBM – Regional Sales Manager; ABM – Area Sales Manager; BE – Business Executive

Define and implement on-field actions to minimise expiries



Post receipt of near expiry data, ABMs and BEs need to conduct discussions with stockists, retailers and doctors and liquidate near-expiry batches; Liquidation update to be uploaded by ABMs in system software

Streamline the existing S&OP process



Source: UC Knowledge Ark

Design and implement initiatives to minimize expiries

| Design for Implementation | | | Implementation |
|---------------------------------------|--------------------------------|---|---|
| Establish PMO and Workstreams | | Manage Reporting Framework and Cadence | Institutionalize PMO Process |
| Define steering committee | Initiate and drive workstreams | | Build PMO capabilities |
| Identify PMO team | W1 | Manufacturing | |
| Identify workstreams and sub projects | W2 | Logistics/ Dispatch | Ensure knowledge transfer |
| Assign PMs to workstreams | W3 | Sales | |
| Develop project charters | W4 | S&OP | Run pilot |
| | | | |
| | | Develop review and monitoring mechanism | Full handover of projects to client team to maintain sustained momentum |
| | | Define traffic light system to track progress | |
| | | Monitor progress across work streams | |
| | | Highlight bottlenecks and mitigate risks | |
| | | Schedule review meetings | |
| | | Escalate strategic and high level issues | |

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