

Delivered additional revenue of US\$ 3.5 million per annum by enhancing capacity

BUSINESS CASE

Market Trends

- The organization identified a target market of an average 122 mn tablets per month for a specific product

Organizational Trends

- The sales team was able to generate sales orders of an average of 52 mn tablets per month
- However, the production was limited to an average of 45 mn tablets per month

Customer Trends

- A $\pm 50\%$ variation in customer demand month-on-month across various geographical markets was a reality
- This led to a short supply of the product for some customers during certain months

CHALLENGE

What is the challenge and how much

- Lower forecasting accuracy leading to:
 - Delayed ordering of raw materials
 - Higher inventory of raw materials
 - Higher lead time (from order to delivery) of the product
- Higher production cycle time of 25 days
- Higher QC waiting time of 11 days

Where and when is the challenge

- Product management of a hypertension drug, since FY 2015

IMPACT

What is the impact

- Loss of revenue due to
 - Inability to meet customer demand within the time frames prescribed
 - Customers preferring other flexible competitors who are able to align with their varying demands
- Increased customer complaints on
 - Inadequate supply of products when needed
 - Higher minimum order quantity
- Because of high cycle time of production and higher variation in customer demand, products were shipped through air instead of sea. The cost of shipment through air is 3 times that of sea shipment

TARGET

What is the Target

- In scope**
 - Produce more tablets without adding more lines or equipment i.e. increased capacity without additional CAPEX
 - Decrease air shipment by 50%
 - Increase market share by meeting customer demand on time and in full
- Out of scope**
 - Increase in sales
 - Improvement in sales forecasting accuracy

OUTCOMES

Improved Profit

- Overall cost of production reduced by US\$ 1.7 million

Increased Revenues

- Additional revenue of US\$ 3.5 million per annum by meeting customer demand

Customer Centricity

- Decrease in variation between market demand and production by 52%

Operational Outcomes

- Increase in capacity from 45 mn tablets to 71 mn tablets per month
- Product lead time decreased from 25 days to 18 days
- Decrease in air shipment by 39%
- Non-value added time decreased from 45% to 23%
- QC waiting time decreased from 11 days to 6 days

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