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Connecting Cargo Professionals



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Publisher & Editor-in-Chief
Suresh Suni

Principal Correspondent
Bhaskar Bhatia

Special Correspondent / Sub-editor
Ajay Kumar

Correspondent
Sanku Kumar

Reporter
Kishor Chawan

Director
Ajay Kumar

Marketing Manager
Rohit Arora

Marketing Executive
Akash Gupta
Rohit Arora

Accounts & Administration
Lakshmi Thakur

Designer & Visualizer
Anshu Sharma

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NEW DELHI OFFICE
A-7, DSE-EE, Ghazi
New Delhi-110014
Tel: +91-11-26779415, 26779415
Mob: 97112 82615, 90199 52814
Email: cargoconnect@gmail.com
info@cargoconnect.com
Website: www.cargoconnect.com

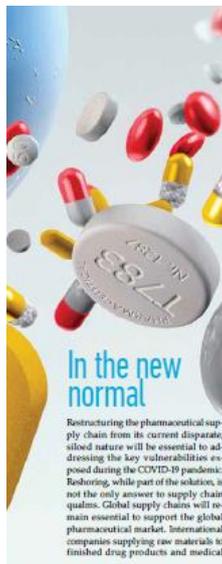


As the pharmaceutical industry continues to play an important role in the future, it's quite evident that the supply chain will evolve and play a crucial role in driving success. In such a scenario, identifying hidden opportunities for reducing costs, enhancing productivity, and improving customer satisfaction by identifying supply chain trends and envisioning upcoming changes in key supply chain areas including inventory, warehouse, distribution, transport, and logistics can have a profound effect on the overall business performance.

Upamanyu Barsh

PERFECTING THE PHARMA SUPPLY CHAIN

IN PURSUIT OF RESILIENCE
CHAPTER II



In the new normal

Restructuring the pharmaceutical supply chain from its current disparate, siloed nature will be essential to addressing the key vulnerabilities exposed during the COVID-19 pandemic. Reshoring, while part of the solution, is not the only answer to supply chain queries. Global supply chains will remain essential to support the global pharmaceutical market. International companies supplying raw materials to finished drug products and medical

devices will require multiple manufacturing sites to support the various markets they serve.

What is needed, however, is greater transparency and cooperation across the supply chain. Comprehensive and ongoing supply chain risk assessment and planning will be crucial. Adoption of advanced digital technologies that enable true networking and data sharing across the entire supply chain will also be essential.

Flexibility and agility are required across the entire pharmaceutical supply chain, from raw material, intermediate, drug substance, and drug product manufacturing, to the production of materials and components of manufacturing equipment, to the design and manufacture of packaging solutions, and on to warehousing and distribution of all of these important items. The risk of supply interruptions can only be avoided if the challenges faced by the industry are addressed comprehensively.

It is not only at the individual company level that changes have to be initiated, the entire ecosystem has to proactively catch up and start getting ahead with the executing focus initiatives. Government and industry-wide decisions also have to have an impact. At the industry level, a network approach that leverages a single platform for sharing data between all parties in the supply chain has to be implemented so that everyone learns of the issue immediately and take appropriate actions to avoid or at least mitigate any supply disruptions, regardless of where a problem occurs.

Trends impacting recovery

Product portfolio expansion

With new therapies and drugs being introduced, the pharma product portfolio is set to witness a massive expansion over the next few months. But, it's crucial to note that many of these new therapies and the devices used to deliver the drugs involve complex manufacturing and distribution processes that call for a complete revamp of the pharmaceutical supply chain.

Patient-centric supply chains

Regulatory agencies and drug developers alike have recognised the value of addressing patient preferences for drug delivery and packaging. With telehealth, telemedicine, and home-based healthcare services witnessing a rise in popularity, the pharmaceutical supply chain is expected to become more patient-centric with different endpoints of delivery and information sharing. Moreover, since the increased adoption of digital tools makes patient data easily accessible, patient-centric supply chains of the future must be designed to focus on addressing the dynamic demand.

Precision medicine

A promising new perspective on drug manufacturing based on genomic data is paving its way into the pharma market to help deliver personalised care

- NO END IN SIGHT FOR GLOBAL TRADE INSTABILITIES
- MORE ATTENTION WILL FOCUS ON COMPLIANCE
- SUPPLY CHAINS ARE UNPACKING THE SPEED OF DEVELOPMENT
- SERIALIZATION GETS SERIOUS IN THE FIGHT AGAINST COUNTERFEIT DRUGS
- INCREASED OVER-TRACEABILITY DEMAND IS DRIVING DIGITAL TRANSFORMATION

TOP 2020 PHARMA SUPPLY CHAIN LOGISTICS TRENDS



based on individuals' genes, environment, and lifestyle. This approach will allow doctors and researchers to predict more accurately which treatment and prevention strategies for a particular disease will work in which groups of people—a contrast to one-size-fits-all approach.

Focus areas to accelerate recovery

Demand prediction and rapid response can increase market share

The inherent uncertainty in today's pharma marketplace plays a pivotal role in complicating the planning and coordination of essential business processes. In such a scenario, understanding the basic market drivers and their influence in shaping product demand and product launch success is integral to developing a good business and resource utilisation plan.

With most of today's pharma challenges arising from the increasing supply chain complexities and volatility of market dynamics, businesses have realised that predicting the future is not getting any easier. It is for this reason that leading pharma companies are now turning toward dynamic demand forecasting methodologies that can help enhance supply chain agility and product availability while cutting down inventory holding costs.

The pharma companies are driven by a combination of push and pull driven demand, changing regulatory requirements, and competitive pricing pressures. Unlike the other, point-of-sale data is not easily accessible in pharma resulting in issues around demand visibility and data management. However, businesses that have leveraged dynamic demand forecasting approaches have been able to achieve their set goals based on future predictions and market trends.

It's no surprise that pharma leaders are leveraging demand forecasting techniques to gain real-time insights into factors impact demand. Insights such as these can help drive rapid responses to

demand surges and enable businesses to make necessary adjustments to the production plan, which is one reason why market leaders are achieving improved product availability at lower inventory holding costs using dynamic demand forecasting models.

Logistics optimisation

The exponential growth in pharma supply chain complexities has forced leading pharmaceutical companies to rethink their current logistics and distribution processes, shedding light on the pressing need to revamp end-to-end supply chain operations. However, when it comes to revamping logistics operations in the pharma industry, the big question is: "Where should one invest to improve pharma logistics optimisation and drive change?"

Reducing costs without increasing logistics risk can only be achieved by skillfully merging industry-specific analytics frameworks, the right tools, and logistics processes engineered for driving operational effectiveness.

Though most pharma companies are quite optimistic about the current business climate, there seems to be a rising cognizance of the role pharma logistics

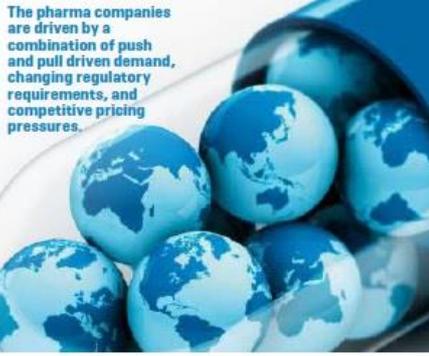
optimisation plays in tackling current and future challenges. Hence, leading pharma companies are now executing focus initiatives in various fields of logistics, including process planning, distribution, and route optimisation.

Considering the current business scenario, pharma companies can reduce logistics costs by 35 to 40 per cent with the help of logistics optimisation solutions. Notably, leading pharma companies have made tremendous strides in reducing costs by automating processes and driving innovation in logistics operations. While these innovations have brought in waves of transformations that have helped reduce costs, their greatest impact can be felt in the area of circular supply chains. Hence, it's quite evident that pharma logistics optimisation not just helps optimise supply chain and logistics processes but plays a key role in reducing costs and driving supply chain efficiency.

Warehouse location optimisation

It has been quite clear that 'warehouse location optimisation' plays a key role in the success of pharma supply chains. Consolidation of warehouses and the

The pharma companies are driven by a combination of push and pull driven demand, changing regulatory requirements, and competitive pricing pressures.



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Identification of optimal warehouse locations help centralise stocking operations and actively cater to the demands from multiple regions. Warehouse location optimisation can help pharma companies to leverage real-time insights on warehouse operations to maximise savings and drive productivity. Moreover, moving a part of the last-mile operation to a hub near the destination can also help reduce costs and ensure OTIF deliveries. Hence, pharma companies must work towards optimising warehouse locations and devising effective strategies that support the key business objectives.

However, owing to the intense competition and market dynamism, warehouse location optimisation can become a balancing act, but when the right balance between supply and demand is achieved, the organisation can be assured that they are one step closer to meeting their long-term objectives.

Warehouse location optimisation enhances the efficiency of the warehouse and inventory operations, making supply chain management a simple



and much easier task. With real-time updates on warehouse processes, pharma companies can gain quick, accurate insights on inventory needs and devise strategies to respond faster to the demands of their customers across geographies.

While data governance is often overlooked, warehouse data governance could be one of the key levers for improving warehouse location management. Hence, when it comes to warehouse data governance, pharma com-

panies must consider setting new guidelines and establishing policies for controlling warehouse operations spread globally.

Further, advanced location analytics can play an important role in improving your warehouse location optimisation efforts. Leveraging predictive warehouse modeling solutions can also enable the assessment of inventory levels and stocking policies. Warehouse location analytics could also be used to develop an analytical model to forecast demand from various regions. This, in turn, could provide valuable insights that help reduce stock-outs and drive the better use and placement of existing stocks.

Planning and scheduling optimisation

In the current business setting, drug manufacturers and biomedical companies face several challenges that curtail the ability to ensure OTIF deliveries, manage inventories, and optimise resource utilisation. The real challenge, however, lies in responding to shorter

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202-B, Corporate Center, Andheri-Kurla Road, Marol Pipeli, Andheri-East, Mumbai-400 059, Maharashtra.
TEL: 91-22-67018600 | WWW.INFO@CCI-LOGISTICS.COM

TRANSPORTATION | FLEET MANAGEMENT
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load times and managing unexpected events like pandemic outbreaks, demand surges, and changes in customer priorities. At a time when pharma companies are witnessing major upheavals and growing pressure to reduce prices, production errors coupled with inefficiencies in advanced planning and scheduling optimisation can have a huge impact on drug manufacturing. Since drug discovery and development is a resource-heavy process, drug manufacturers must look for reliable ways to reduce costs while ensuring compliance and quality standards.

To optimise manufacturing processes and make the most of the deployed workforce and equipment, pharma today requires a data-driven advanced planning and scheduling optimisation system. Unlike traditional ERP systems, the use of advanced planning and scheduling optimisation platforms enable drug manufacturers to manage complex and interdependent processes and evaluate capacity quickly and easily. Moreover, with a holistic view of drug manufacturing and production processes, requirements can be monitored in real-time and raw materials can be ordered to arrive just-in-time, thereby reducing inventory holding costs, avoiding production delays, and improving cash flow.

A unique approach to planning and scheduling optimisation helps track resource availability and equipment utilisation rates to optimally allocate raw materials and streamline manufacturing processes. Adopting a data-led approach to optimising production schedules can enable better resource planning, shift alignment,

and capacity allocation based on the current availability of equipment to ensure that priority products are manufactured in adequate quantities to meet the market demand.

What's in PPSC series?

In the PPSC series, we try to assess the impact of the COVID-19 pandemic on the pharma supply chain and logistical operations through the analysis of short and long-term responses to disruption, as we question the supply chain leaders about how they are ensuring business stability and adopting holistic analytics-backed solutions to navigate through the crisis. We dive into significant industry trends within pharma and explore the strategies through which pharma leadership together with its value chain partners will look at how they could ensure, as an industry, an efficient global roll-out of a safe and affordable COVID-19 vaccine.

In the current recovery phase, experts say many new ways and methods of functioning are expected to bring in waves of transformations in the pharma industry. Taking advantage of the prevailing trends can help pharma companies to deliver new products and services to meet the changing market requirements. Besides, when combined with the right tools, digital transformation strategies, and advanced supply chain analytics, these modes and methods can help drive a major change in pharma. Moreover, by deploying integrated B2B platforms that enhance communication, security, and data transfers, the pharmaceutical supply chain can stay resilient and drive better outcomes in a dynamic environment.

Our recent interactions are a classic example of how the effective prioritisation and utilisation of channel partners and data can help pharma companies increase market share following demand surge.

Experts believe, the right collaboration and partnership with upstream and downstream partners can help companies make the most of the evolving pharmaceutical supply chain processes and systems and develop resilient, error-free processes with integrated workflows that deliver the best result. Together, the industry can accelerate decision-making and enhance visibility into key aspects to respond proactively to thrive in a fast-changing dynamic world and adequately serve customer requirements.

In this context, we also examine the role of a handful of specialised logistics service providers, freight forwarders and airline operators as they ramp up their transportation and distribution capabilities, closely following the situation and working on different scenarios limiting to the minimum the impact on their customers' healthcare supply chain. Here, we try to understand and gauge their role as they gear up for the rapid delivery of millions of doses of potential coronavirus vaccines around the world, given the constraints, through their expertise and ingenuity.

But fully unlocking their potential in the economies they operate, service providers are investing in the right tools and solutions and man force to develop and implement a holistic logistics network strategy. **E**

Considering the current business scenario, pharma companies can reduce logistics costs by 35 to 40 per cent with the help of logistics optimisation solutions.

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PERFECTING THE PHARMA SUPPLY CHAIN

Pharmaceutical companies are undergoing rapid scale changes in an effort to improve operational efficiency and productivity. And striking the right balance with carefully chosen vendors through well-structured deals can help pharma companies expand capacity and gain access to cutting-edge technologies, which will lead to increased market share. To analyse future volume, pharma companies can also review its long-range plans, estimated future pipeline volume, product demand, and the likelihood that new products will be approved by regulators—all of which the vendor partner will need to be flexible enough to handle. **SUBHASH TALWAR, VCS MANAGER & SUPPLY CHAIN & DISTRIBUTION at LSPM**, in an interaction with *Source*, outlines their ingenuity in service levels mitigating risks and strengthening the combined supply chain, through a systematic approach to buyer-supplier partnership and deployment of sophisticated technology all with the objective to accelerate the drug discovery process, control developmental costs, explore profitable niche markets, and minimise time to market.



We are developing long-term partnerships with vendors for better engagement

How has the COVID-19 situation affected Lupin's supply chain and logistics operations? How did operations reach their stability point over time?

After the COVID-19 outbreak in mid-March this year and the accompanying lockdown from the midnight of March 24, it was a chaotic situation for both trade and commerce. Some of the major challenges we faced in the wake of coronavirus pandemic were:

- Scarcity of workers at factories as well as warehouses
- Shortage of raw material and intermediates due to import restrictions from China
- Packing material shortage due to shutting down of manufacturing units
- Lack of clarity on regulations by local administrators in their respective regions.
- Disruption of logistics—non-availability of proper transportation networks
- Disruptions in air movements coupled with high freight rates
- Distributors/retailers not operating at their full capacity

From the end of April onwards, most operations gradually stabilised with workers staff resuming work at manufacturing sites/warehouses, packaging material availability after manufacturing units started operations, bulk drugs being made available from China, although, Lupin has

low dependency on Chinese imports, and, resumption of transportation with air movements stabilising and rates slowly rationalising.

Distributors/retailers also started operating from their establishments as they began returning to normalcy.

What were some of the main challenges you faced talking on this

mission-critical role in the midst of a global pandemic? How would you rate Lupin's leadership behaviour?

Pharma being an essential sector, our primary focus was on customer service, i.e. to ensure availability of our products to patients across geographies. Shortage of manpower and disruption of logistics were the biggest challenges. However, to combat these

We had our S&OP process more digitalised; more advanced real-time visibility across stakeholders, use of AI and robotics, applications using IoT along with blockchain technology have been implemented and integrated into our ERP system.

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challenges, Lupin's leadership team introduced short-term measures which set the foundation for proactive resilience.

The 3 areas of focus were- protect the workforce, manage risks to ensure business continuity and drive productivity. We implemented safety measures as per WHO and other regulatory authority's guidelines at all our manufacturing sites and warehouses. We engaged with all vendors to ensure minimal impact caused by the pandemic-led disruptions. It is noteworthy to mention here that keeping the value of 'Customer Focus' in mind, our management took a judicious call to incur extra cost so as to maintain the service level.

Could you elaborate more on the different elements of Lupin's holistic supply chain and logistics development strategy? How are you raising awareness of the importance of compliance within the sector?

Lupin has a robust Sales and Operations Planning (S&OP) process which is highly collaborative and participative and involves all the stakeholders and senior management team. In the S&OP process, all key supply chain parameters are reviewed on a regular basis and corrective measures, if any, are taken on a war footing.

Our systems are relatively agile and responsiveness is very high. We have a compliance committee in place that ensures synchronisation among all functions of the organisation and this helps us to maintain compliance guidelines/standard operating procedures (SOP) as per industry benchmarks.

Drug shortages were an area of concern even before the pandemic. What has been the impact of the crisis on supply?

There has been heavy reliance on China for APIs and intermediates for generic drug products. Drug shortages were already on the rise and the situation just got exacerbated by the COVID-19 pandemic. Many of the pharma production plants in China were shut as per the pollution control directives. By early April, most were operating at 50-80% capacity with shortages of workers and raw materials, which prevented fully fledged operations.

For Lupin, the impact was relatively less since we have minimal dependency on Chinese imports. We monitored our product supply and availability in different geographies and found less impact on our requirements from China.

Plant managers have told us how they are adapting to the rising trends in supply network such as AI, robotics and the integration of monitoring, tracking, and analytics technologies to improve operational efficiency. How are you implementing these technologies in your supply chain operations?

Lupin has a holistic approach towards the idea of 'Think Innovation', for which we have embraced technology and automation across all our sites. It has been our continuous endeavour to introduce latest tools into our supply chain system. During the early phase of the lockdown, our leadership and management team strived to think 'out of the box' and many

new innovative and digital initiatives were rolled out to drive processes across different levels and functions within the organisation.

We had our S&OP process more digitalised; more advanced real-time visibility

corporate quality assurance professionals spread across all manufacturing locations and engaged in developing and implementing policies that ensure quality and compliance with global regulatory standards.

We have a compliance committee in place that ensures synchronisation among all functions of the organisation and this helps us to maintain compliance guidelines/SOPs as per industry benchmarks.

across stakeholders, use of AI and robotics, applications using IoT along with blockchain technology have been implemented and integrated into our ERP system. These integrated systems have helped us to capture real-time data and analytics and greatly improved our operational efficiency. Also, we are well equipped with Distributor Relationship Management System (DRMS) on digital platforms which have helped us in fostering long-term relations, presenting a win-win situation for both us and our customers.

In your search for global innovations and partners, where do you stand when it comes to the levels of quality in different regions?

'Quality First' is the watchword for Lupin. We are highly conscious and serious about our product quality and have robust SOPs and processes to maintain quality compliance. Lupin has over 700 global

What will be the most immediate and important concrete steps for Lupin in achieving the leadership vision in the healthcare supply chain ecosystem?

Although we have lesser dependency on China for imports, we have initiated the process of import substitution and currently our focus is on Alternate Vendor Development (AVD) strategy to further reduce our dependency on China for imports.

Besides, we are also emphasising on the 'Indiansation' concept. We are developing long-term partnerships with vendors for better engagement, since Lupin is always committed to delivering quality products as also maintain excellent levels of healthcare customer service.

As our founder and former Chairman Dr D B Gupta Sir says, "Commit to strengthening yourself such that the universe bends to your will."