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HOW SUPPLY CHAIN LEADERS ARE IMPROVING COLLABORATION & VISIBILITY WITH SUPPLY CHAIN DIGITALIZATION

PHARMA INDUSTRY STUDY

EXECUTIVE BRIEF

DECEMBER 2022

PHARMA INDUSTRY STUDY: HOW SUPPLY CHAIN LEADERS ARE IMPROVING COLLABORATION AND VISIBILITY WITH SUPPLY CHAIN DIGITALIZATION

As supply chain leaders respond to global challenges, many organizations are looking to Industry 4.0 technologies and digital transformation initiatives to digitalize workflow processes and increase agility and resilience.

TraceLink and Elastic Solutions invited supply chain executives from pharmaceutical and life science companies across the globe to participate in a survey designed to examine the impact of digital transformation initiatives on global supply chains. The survey looked at the top challenges facing supply chain leaders today, processes and KPIs that are driving improvements, and the progress the life science industry has made in its digital transformation journey.
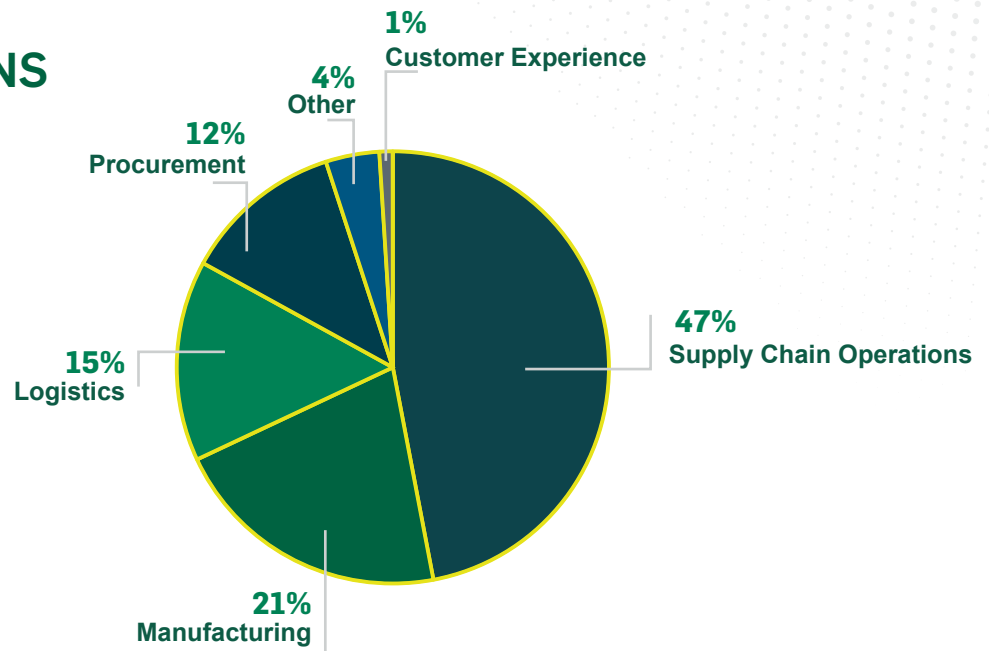
HERE ARE SOME DETAILS ABOUT THE SURVEY:

➜ Over 120 executives across supply chain, logistics, procurement, and other business functions participated in the survey to date.

➜ 100% of the survey respondents participated voluntarily.

➜ The survey was targeted at the pharmaceutical and life sciences industries.

➜ More than 80% of survey respondents have titles of director or above.
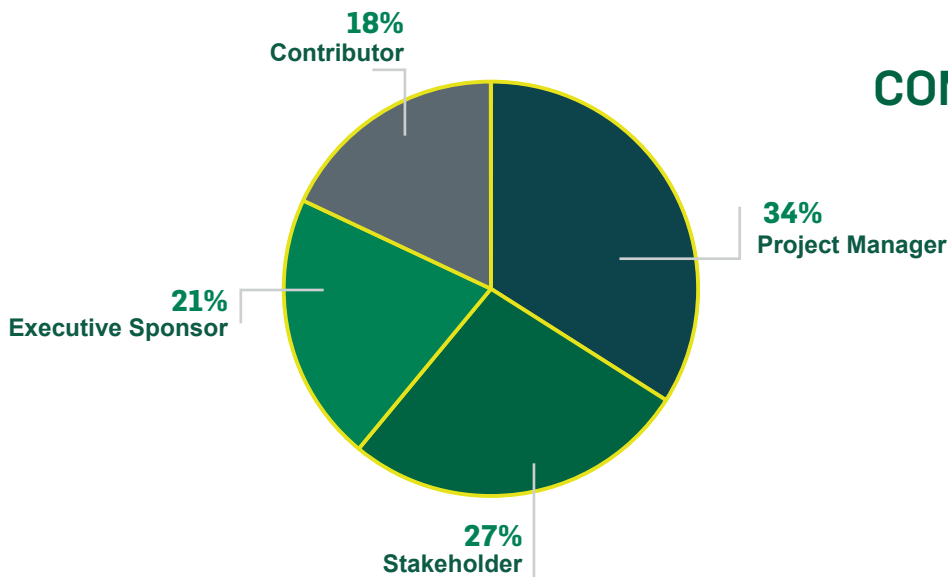

INDUSTRY 4.0

JOB FUNCTIONS & COMPANY ROLE

Several functional departments were well represented in this survey, with almost half (47%) of respondents coming from supply chain operations. All respondents say they are actively involved in supply chain digital transformation initiatives.
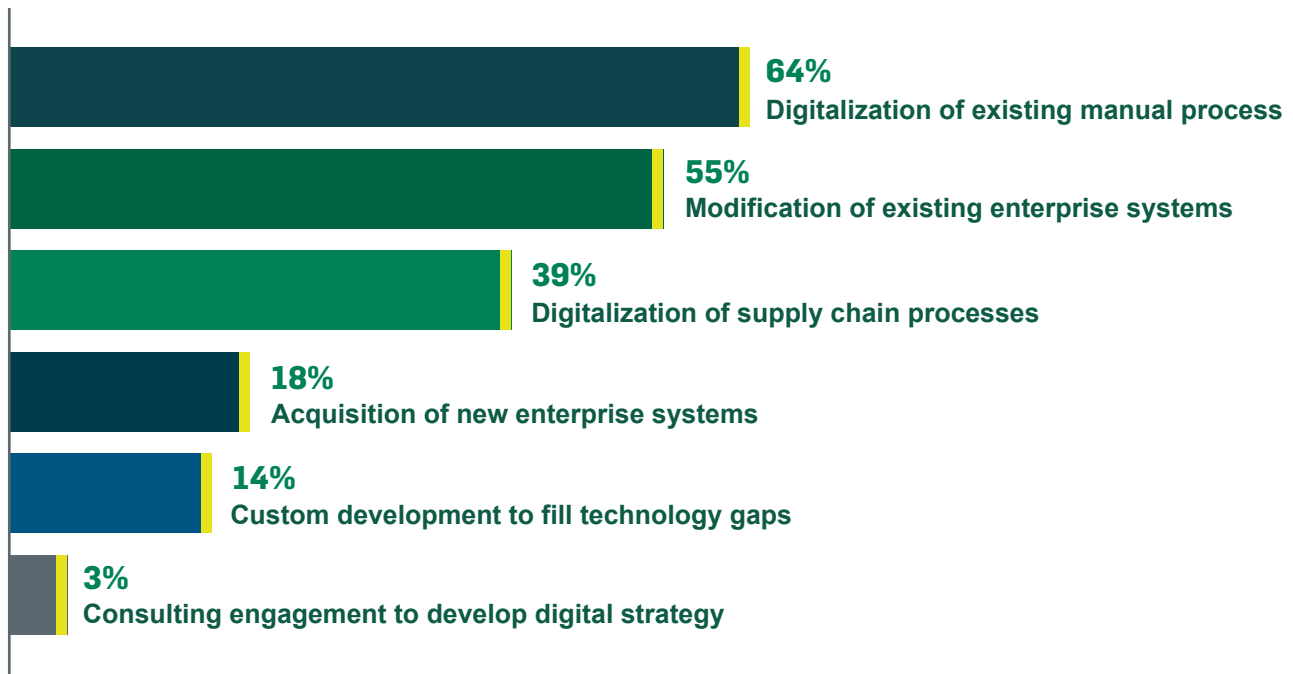
JOB FUNCTIONS

1%
Customer Experience

4%
Other

12%
Procurement

15%
Logistics

47%
Supply Chain Operations

21%
Manufacturing

COMPANY ROLE

18%
Contributor

21%
Executive Sponsor
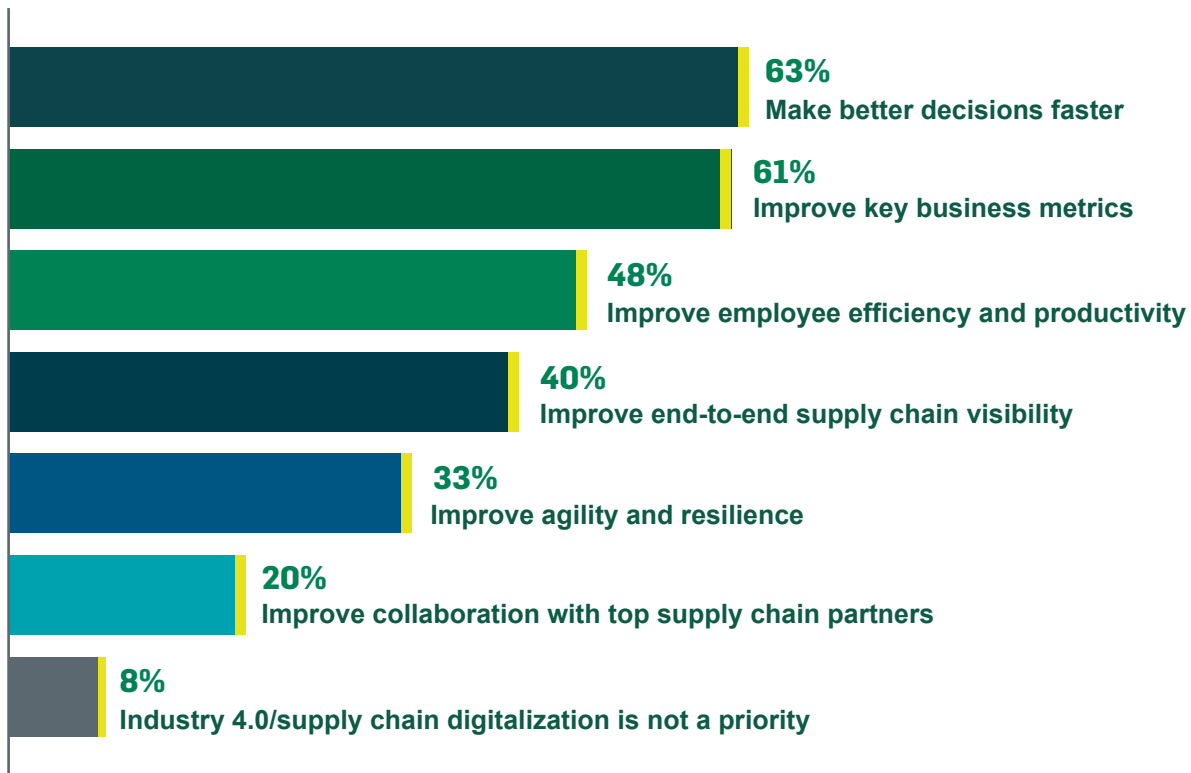
34%
Project Manager

27%
Stakeholder

64% OF SURVEY RESPONDENTS SAID THAT DIGITALIZATION OF EXISTING MANUAL PROCESSES IS PART OF THEIR DIGITAL TRANSFORMATION INITIATIVES.

Organizations are taking a multipronged approach to digital transformation initiatives. In addition to digitizing manual processes, respondents are modifying existing enterprise systems (55%) and digitalizing supply chain processes (39%). Only 18% of respondents said their organization is implementing new enterprise systems, and a miniscule 3% are bringing in outside consultants to help them develop a digital transformation strategy.

64%
Digitalization of existing manual process

55%
Modification of existing enterprise systems

39%
Digitalization of supply chain processes

18%
Acquisition of new enterprise systems

14%
Custom development to fill technology gaps

3%
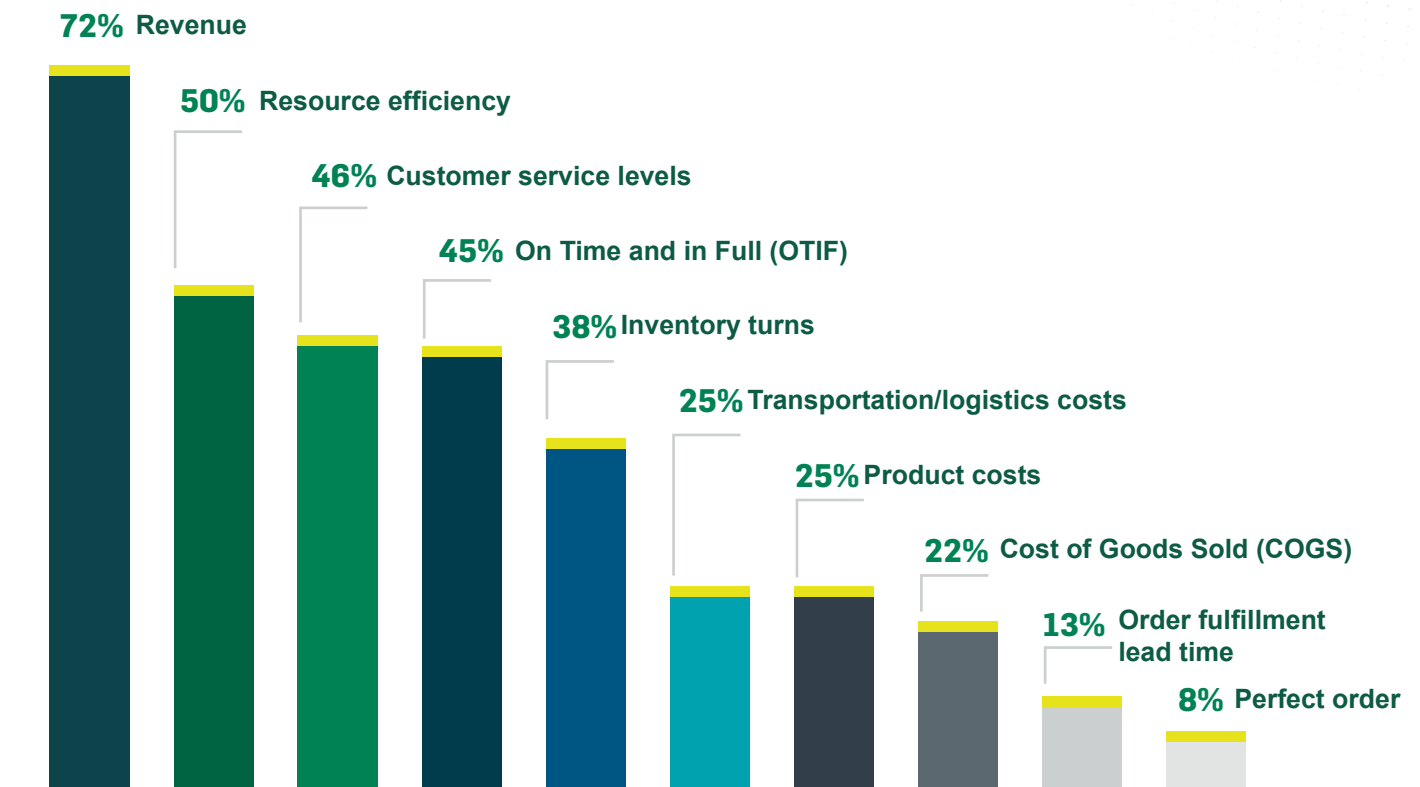Consulting engagement to develop digital strategy

WHAT BUSINESS OBJECTIVES ARE DRIVING TODAY'S SUPPLY CHAIN DIGITALIZATION AND TRANSFORMATION PROGRAMS?

The key business drivers for digitalization and transformation programs include the ability to make better decisions faster (63%); improve key business metrics (61%); improve employee efficiency and productivity (48%); and improve end-to-end supply chain visibility (40%). Only 8% said that Industry 4.0 supply chain digitalization is not a priority for their business right now.

63%
Make better decisions faster

61%
Improve key business metrics

48%
Improve employee efficiency and productivity

40%
Improve end-to-end supply chain visibility

33%
Improve agility and resilience

20%
Improve collaboration with top supply chain partners

8%
Industry 4.0/supply chain digitalization is not a priority
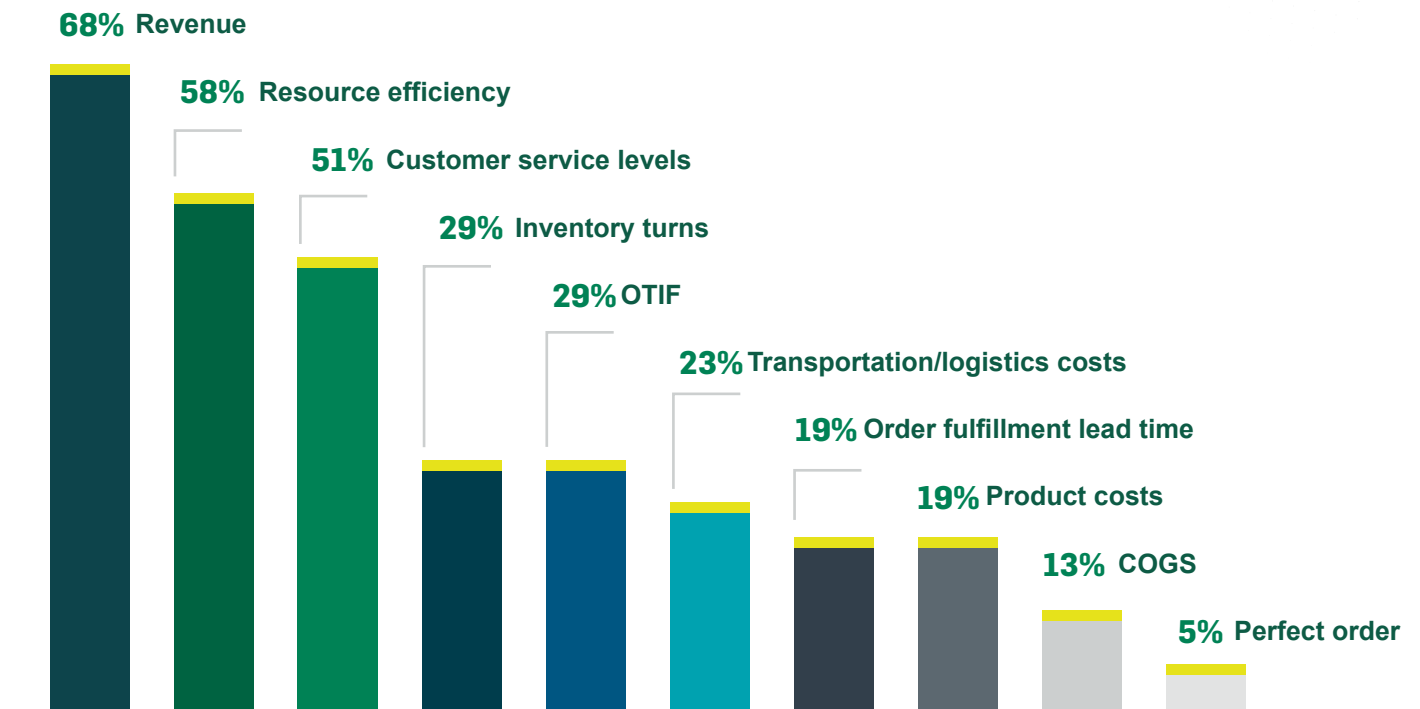
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REVENUE REALLY MATTERS TO TODAY'S SUPPLY CHAIN EXECUTIVES.

When asked which supply chain metrics are most important to their organization, respondents stated that revenue (72%) trumps everything else. Other high priorities include improving resource efficiency (50%); the customer experience (46%); and on-time, in-full (OTIF) delivery performance (45%). The perfect order metric is not as high a priority, with only 8% saying it is most important to supply chain leaders at their organization.

72% Revenue

50% Resource efficiency

46% Customer service levels

45% On Time and in Full (OTIF)

38% Inventory turns

25% Transportation/logistics costs

25% Product costs

22% Cost of Goods Sold (COGS)

13% Order fulfillment lead time

8% Perfect order
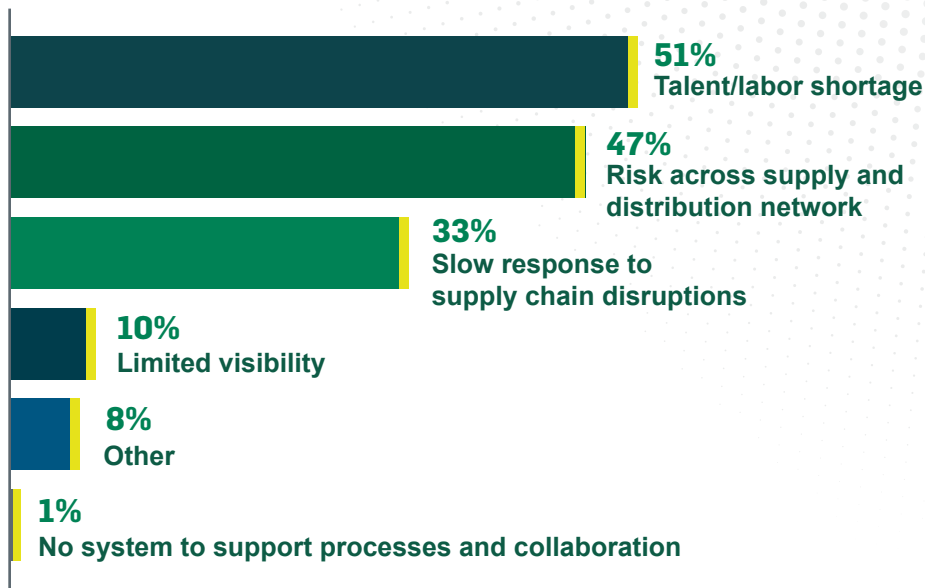
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MORE THAN ANY OTHER METRIC, 68% OF RESPONDENTS SAID THAT REVENUE IS TIED TO THEIR DIGITAL TRANSFORMATION INITIATIVES AND IMPROVEMENT EFFORTS.

Revenue is once again top of mind for today's supply chain leaders. Respondents said that other supply chain metrics tied to transformation initiatives include improving resource efficiency (58%) and customer service levels (51%). Perfect order again comes in at the bottom, with only 5% of respondents saying it's critical to their transformation and improvement efforts.

68% Revenue
58% Resource efficiency
51% Customer service levels
29% Inventory turns
29% OTIF
23% Transportation/logistics costs
19% Order fulfillment lead time
19% Product costs
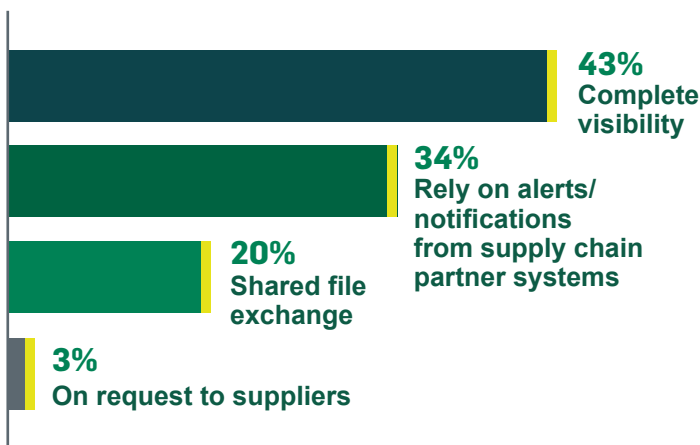**13%** COGS
5% Perfect order

SURVEY RESPONDENTS SAID THAT A LACK OF TALENT/LABOR SHORTAGE (51%) IS THE BIGGEST CHALLENGE ACROSS THEIR END-TO-END SUPPLY CHAIN.

In addition to a lack of talent/labor shortage, risk across supply and distribution networks (47%) and slow response times to supply chain disruptions (33%) are top challenges for respondents.
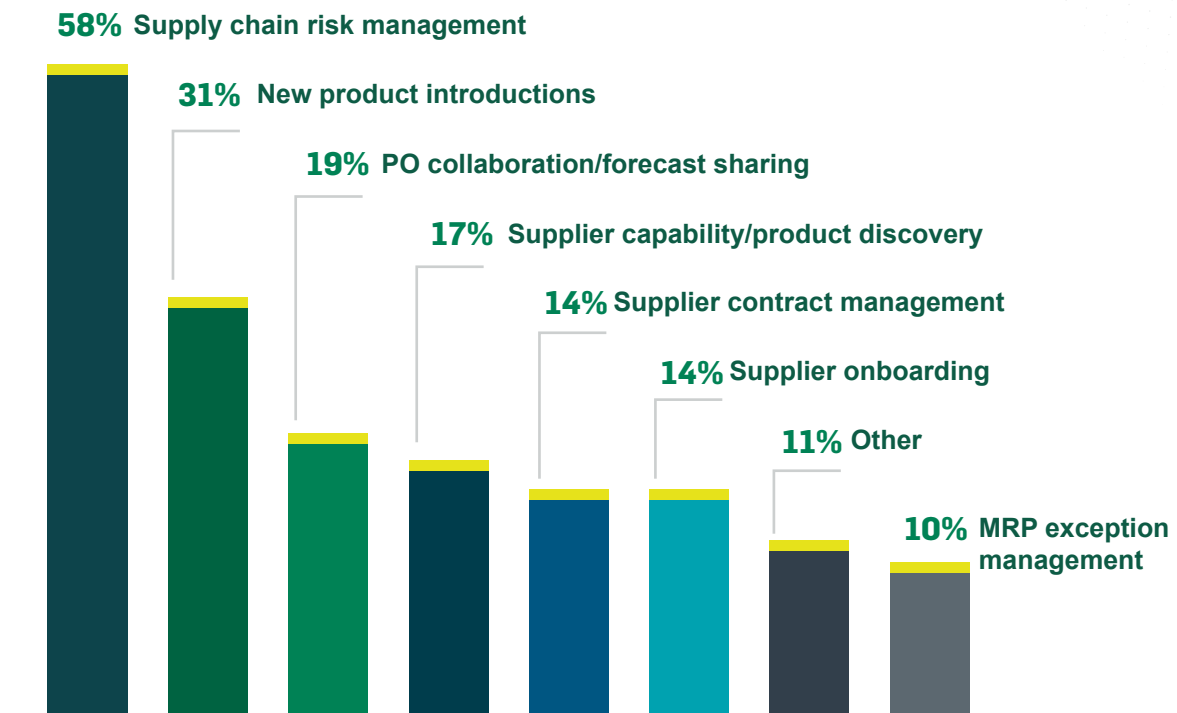
51%
Talent/labor shortage

47%
Risk across supply and distribution network

33%
Slow response to supply chain disruptions

10%
Limited visibility

8%
Other

1%
No system to support processes and collaboration

57% OF SURVEY RESPONDENTS DON'T HAVE COMPLETE VISIBILITY INTO THE STATUS OF OPEN PURCHASE ORDERS (PO).

43%
Complete visibility

34%
Rely on alerts/ notifications from supply chain partner systems

20%
Shared file exchange

3%
On request to suppliers

Fewer than half of respondents (43%) have complete visibility into open PO status through direct system integration and real-time collaboration across their upstream supply chain network. 34% rely on alerts and notifications from supply chain partner systems, and another 20% leverage shared file exchange systems such as SharePoint. All respondents said they have at least some visibility into real-time PO information for a majority of their orders.

WHICH SUPPLY CHAIN PROCESSES ARE UNDERGOING DIGITAL TRANSFORMATION RIGHT NOW?

Managing risk across supply and distribution networks is the second biggest challenge facing respondents. As a result, supply chain risk management is the top priority for digital transformation (58%). Almost a third of respondents (31%) say new product launch processes are currently targeted for digital transformation.

58% Supply chain risk management

31% New product introductions

19% PO collaboration/forecast sharing

17% Supplier capability/product discovery

14% Supplier contract management

14% Supplier onboarding

11% Other

10% MRP exception management
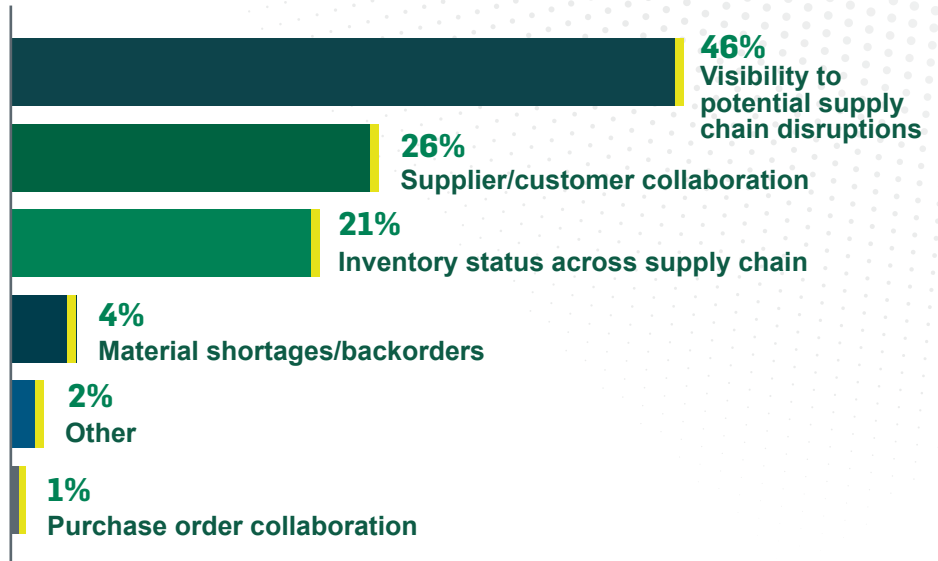
89% OF ORGANIZATIONS LACK DIGITAL MATURITY.

Using the IDC MaturityScape model, we wanted to understand where organizations are in their digital transformation journey. All respondents have started their digital transformation journey. Only 4% said they are resistant and still evaluating transformation opportunities.

➔ 15% are reactive and have adopted digital tools, but they are siloed and not linked to key business processes.

➔ 32% of respondents are responsive, meaning they have a range of digital tools, but capabilities and disruption response capabilities are modest.

➔ Another 38% are predictive, with digital tools that are well established and effectively connected to key processes, resulting in the ability to identify, anticipate, and manage disruptions proactively.

➔ Only 11% are considered prescient, meaning that they are a fully digital supply chain with the capability to anticipate and mitigate disruptions.

38% Predictive

32% Responsive

15% Reactive

11% Prescient

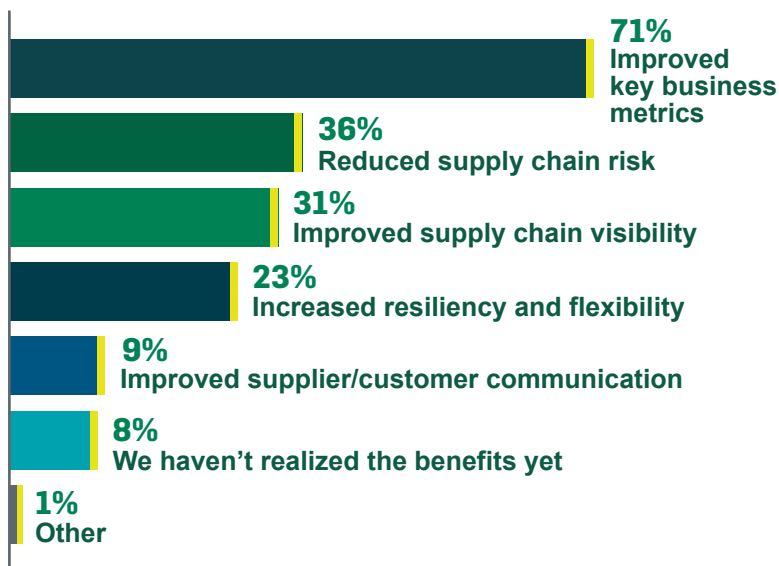4% Resistant

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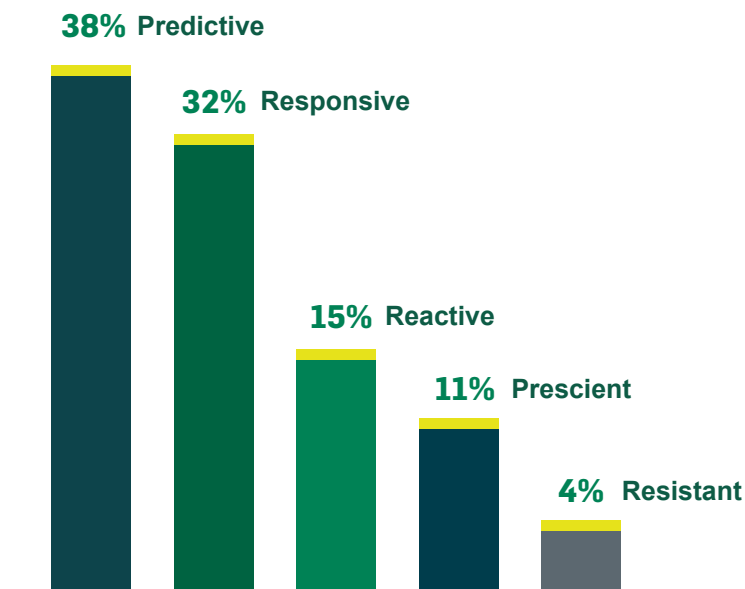
NEARLY HALF OF RESPONDENTS (46%) WANT BETTER VISIBILITY INTO POTENTIAL DISRUPTIONS.

Respondents are looking for greater visibility into potential supply chain disruptions. Previously in the survey, 40% of respondents said that improving end-to-end supply chain visibility was a key business driver for digitalization and transformation programs. Also, 26% of respondents said a lack of supplier and customer collaboration and communication is a key supply chain issue they would like to resolve.

46%
Visibility to potential supply chain disruptions

26%
Supplier/customer collaboration

21%
Inventory status across supply chain

4%
Material shortages/backorders

2%
Other

1%
Purchase order collaboration

DIGITAL TRANSFORMATION PROGRAMS – WHAT ARE THE RESULTS?

71%
Improved key business metrics

36%
Reduced supply chain risk

31%
Improved supply chain visibility

23%
Increased resiliency and flexibility

9%
Improved supplier/customer communication

8%
We haven't realized the benefits yet
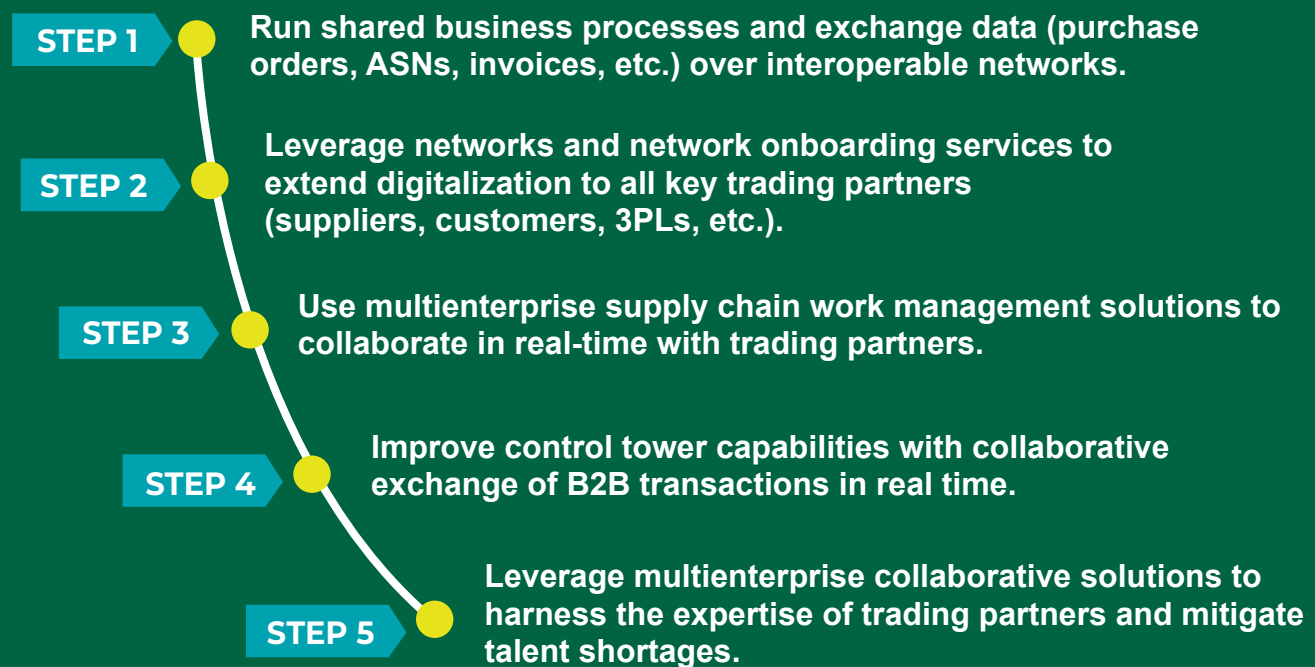
1%
Other

An impressive 92% of respondents are seeing benefits of digital transformation initiatives. Improved key business metrics such as OTIF and customer service (71%), reduced supply chain risk (36%), and improved supply chain visibility (31%) are the top three benefits reported. Only 8% of respondents said they haven't seen benefits from their transformation programs.

IN SUMMARY

This research revealed that supply chain digital transformation is a priority for the more than 120 pharmaceutical companies that responded to the survey. Increasing revenue ranked as the top performance indicator for digital transformation initiatives and has replaced secondary metrics such as perfect order. Companies are striving to increase efficiency and improve supply chain visibility to reduce risk from disruptions. While organizations are headed in the right direction, almost 90% are still working towards full digitalization and are primarily investing in updates to existing enterprise systems to digitalize manual processes. These companies are not realizing the potential benefits of newer and more innovative supply chain solutions that deliver a higher level of interoperability across the end-to-end supply chain.

To drive process improvements through digital transformation, we recommend companies take the following steps:

STEP 1 Run shared business processes and exchange data (purchase orders, ASNs, invoices, etc.) over interoperable networks.

STEP 2 Leverage networks and network onboarding services to extend digitalization to all key trading partners (suppliers, customers, 3PLs, etc.).

STEP 3 Use multienterprise supply chain work management solutions to collaborate in real-time with trading partners.

STEP 4 Improve control tower capabilities with collaborative exchange of B2B transactions in real time.

STEP 5 Leverage multienterprise collaborative solutions to harness the expertise of trading partners and mitigate talent shortages.

TraceLink delivers these benefits with the Internet of Supply Chains Application and Solution Suite, which provides to create business partner networks. With expanded interoperability, companies can execute multienterprise processes to better plan, source, manufacture, and deliver products. Not only will collaborative, network-wide supply chain processes help organizations address talent shortages, but it would provide end-to-end product orchestration for traceability, compliance, supply chain collaboration, and collective intelligence.

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About TraceLink

TraceLink is the only business network creation platform for the Internet of Supply Chains™, which links people, processes, systems, and enterprises into a collective information network for intelligent business execution. Developed and deployed on the TraceLink Opus platform, the IoSC is the foundation of an end-to-end supply chain digitalization strategy that delivers customer-centric serialization, traceability, visibility, and collaboration solutions in a no-code/low-code environment that leverages the collective intelligence of an industry.

For more information on TraceLink and our solutions, visit www.tracelink.com.

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About Elastic Solutions

Elastic Solutions is a leader in targeted marketing and demand generation programs for the B2B high-tech community. They were responsible for generating the data for this report.

For more information, please visit www.elasticroi.com.