Implementing GS1 Systems

An Australian Wholesaler Perspective

Hong Kong October 2009

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Introduction

- This is a story about a journey. One that has seen a transformation in a business and its industry

- The three main themes for today are:
  - Enterprise Resource Planning (ERP) and its role in getting a company back into the market
  - A journey about making good use of Packaged software combined with a standards based approach
  - The necessary emergence of Collaborative Commerce in Healthcare

- It is also my story, for the last 3 ½ years

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CH2 SustralAustralia

Melbourne

About CH2

- Clifford Hallam Healthcare (CH2) is today Australia's largest Pharmaceutical and Medical Healthcare service provider.
- Formed in 2005 as a result of the merger between Hospital Supplies Australia (HSA) and Clifford Hallam Pharmaceuticals (CHP)
- Servicing the Hospital and primary care market since mid 70's
- CH2 pioneered the 'Wardbox'™ *(Pictured left)* model of direct ordering and delivery to hospital wards using data capture scanners
- We have the premier self service ordering system in the industry Simple Ordering System (SOS) which has 1100 users
- Nearly 300 employees Australia wide
- Recently acquired Cottman Australia

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CH2 Transaction Profile

More than 11,000 customers
- ➢ 739 Public Hospitals
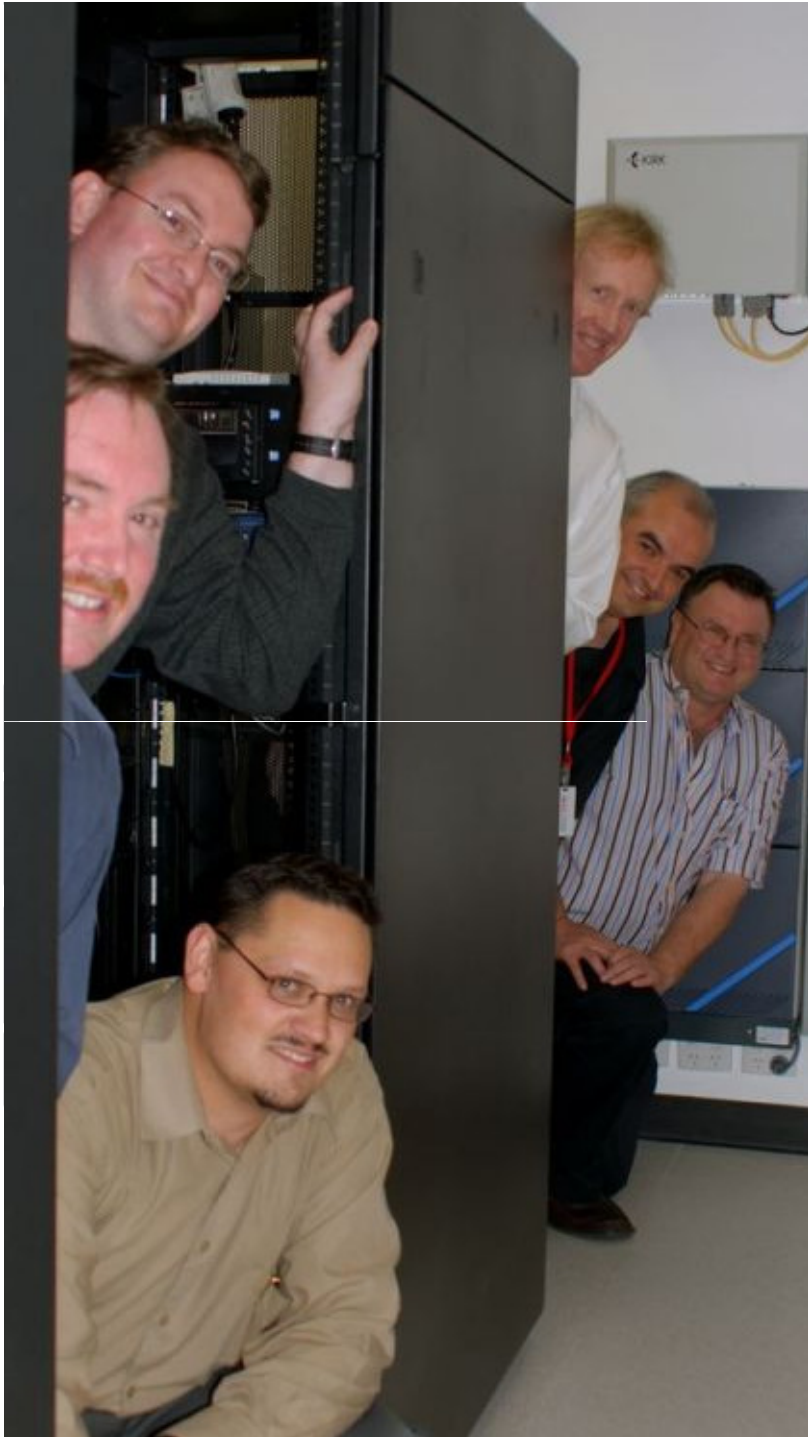- ➢ 289 Private Hospitals
- ➢ 268 Day Surgeries

- 15,000 active SKU's
- 320,000 lines delivered per month
- Pick, pack and ship over 3 million units per month
- Order fill rates consistently above 96%.
- DIFOT target is 95%
- Over 40,000 orders per month of which 70% customer orders via an EDI Channel

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CH2 IT Platform

- JD Edwards Enterprise One 8.11
- IBM X series
- DSI's DC Link for Radio Frequency (RF)
- Datalogic Hand terminals Falcon 4413
- Business Objects for Business Intelligence
- Microsoft SQL Server 2000 database
- Create!Form and Create!Archive
- IBM's Optim for archiving
- Pacific Commerce's Boulevard for Product Information Management

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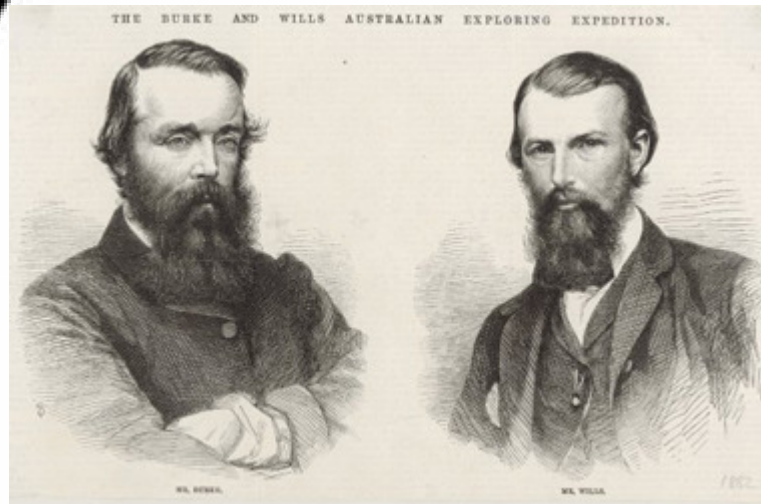
A bit about me

- Melbourne based

- Chief Information Officer at CH2

- Bachelor of Economics (Background in Accounting)

- 20 years working with JD Edwards 12 as a consultant

- Wide variety of industries including
  - Petro Chemical   Healthcare Professional Services
  - Pharmaceutical   Media
  - Food Processing   Medical Device
  - Automotive   Wholesaling

- Inaugural Chairman of the Australasian Healthcare User Group (HUG)

- Member of the Monash Medical pharmaceutical project leadership team

- Representing Healthcare on GS1Net leadership forum

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Inspiration

The Journey

THE BURKE AND WILLS AUSTRALIAN EXPLORING EXPEDITION.

The CH2 Journey

The Merger (A good start)

The Integration (Problems emerge)

An ERP Upgrade (Problems exposed)

The Fallout (Not what we wanted)

The Solutions (Where a system based approach emerges)

The Recovery

Our next Journey - Quest for supply chain optimization

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The Merger

Late 2005

- Orchestrated by private capital firm ABN Ambro and API a merging of two of the three major players in the market.

- Initially the market reception was very positive, at least accepting, and the business culture integration appeared smooth.

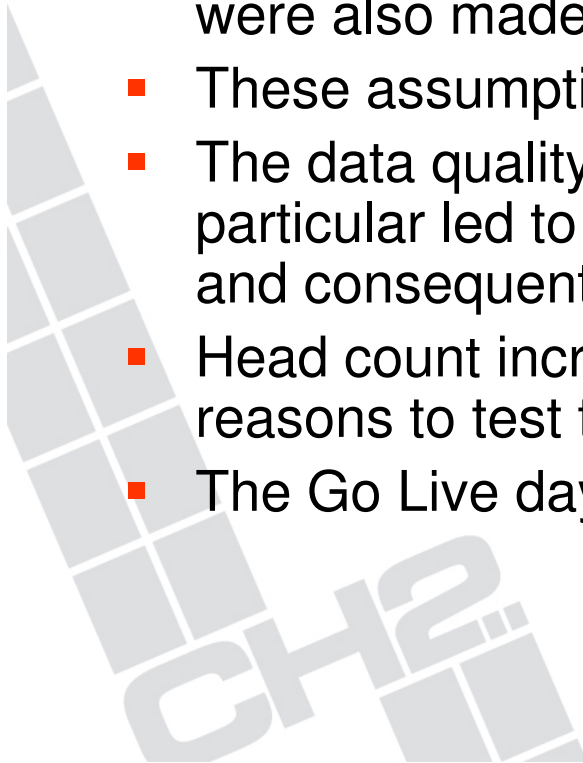- Unfortunately the Systems integration still lied ahead

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Systems Integration

Early 2006

- CH2 embarked on both an upgrade and integrating the two entities at the same time.

- Many False assumptions were made about data quality, and pricing practices. No GTIN's or GLN's in use.

- Many false assessments of infrastructure and technical expertise were also made.

- These assumptions were to have devastating consequences

- The data quality issues around Units Of Measure, and pricing in particular led to a severe spike in picking errors, pricing errors and consequently raising thousands of credits

- Head count increased dramatically and customers were given reasons to test the waters beyond CH2

- The Go Live day is infamously known as J23 (January 23rd)

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The Fallout

Early 2006

- The new JDE version (E 8.11) became very unstable as a consequence of unfamiliar users trying to understand the new system.
- The system became a patchwork of workarounds
- The spike in untrained users meant the small IT team was under duress. There were resignations and instability.
- Customers dissatisfaction became very clear, day to day issue management was overbearing… something had to give.

What do they say about adversity:

o *The mother of Invention*
o *If you're going through hell, keep going.* ~Winston Churchill   or

Time for Change!

In the words of modern philosophers
Bob The Builder… Can we fix it?
and Barack Obama… Yes we Can!

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Solutions

Mid 2006

- Stabilize the ERP system and 'right fitting' the WAN
- Get customer pricing right
- Build a new data centre
- Rationalize Distribution centers
- A national phone system and new WAN provider was implemented
- Major emphasis in making Business Intelligence work for the business

GS1 systems are 'discovered' as a result of our involvement with the Monash Medical project.

- Advanced Warehousing v's an RF System was debated and thankfully …

- Green light to implement DC Link, under a governance plan to make certain that ROI was achieved

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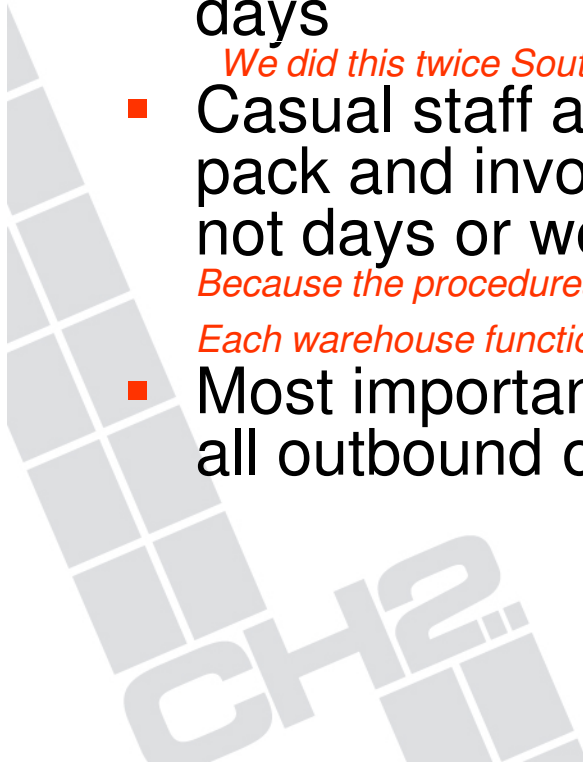Clifford Hallam Healthcare

The road to recovery

2007

- A project team is formed and commences the RF rollout across our 7 sheds.

- Barcodes and GTINS are stored on JDE

- Scanning locations and product becomes a double confirmation that right product is being picked.

- Scripts are written to manage receiving, put-away, picking, confirmation and invoicing.

- Inventory adjustments and cycle counting scripts come later

- Transportation and order consolidation scripts implemented after the bedding in stage.

- Key performance indicator reports are compiled and reviewed daily

- Information management becomes a key component of warehouse life

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How do you know if you got it Right ?

2008

- In 2008 CH2 completed an acquisition of Cottman Australia and completed the systems integration 3 months early

    Those synergy savings paid for the entire cost of the project

- Physically move the warehouse, reclassify the inventory (barcode and GTINs), place under Lot Control inside 2 days

    We did this twice South Australia and West Australia to prove it was not a fluke

- Casual staff and permanents are trained in hours to pick pack and invoice with CH2's ways of working in hours not days or weeks

    Because the procedures are standards based and the RF practices are clear and non ambiguous.

    Each warehouse function is 'dual' confirmed by scanning bar coded locations and items

- Most importantly customers suffered no downtime and all outbound orders were delivered on time on Day One
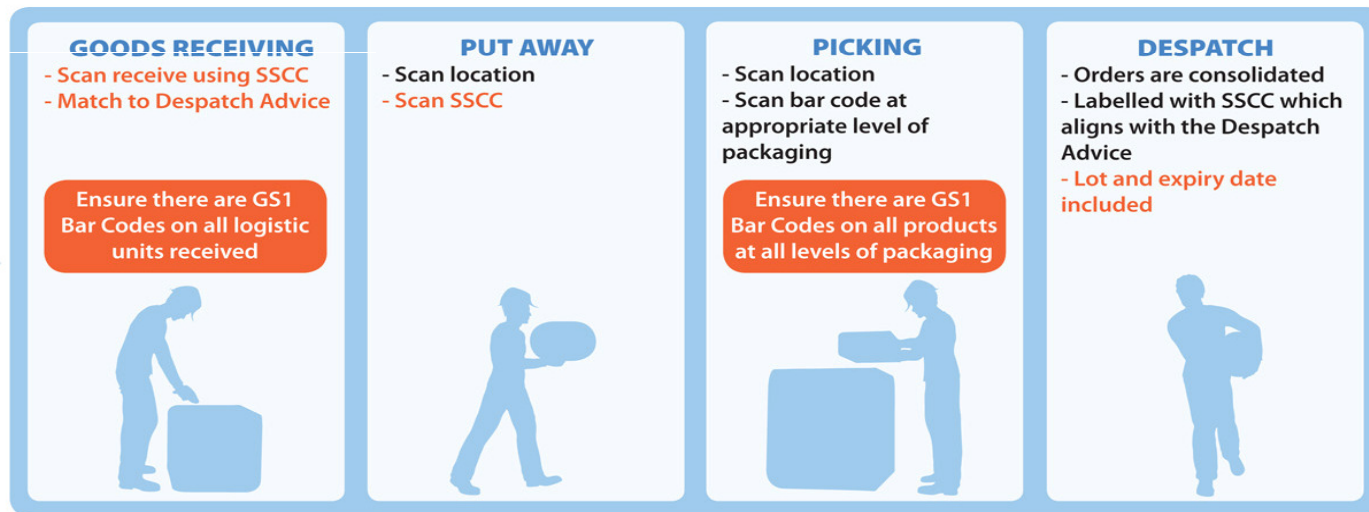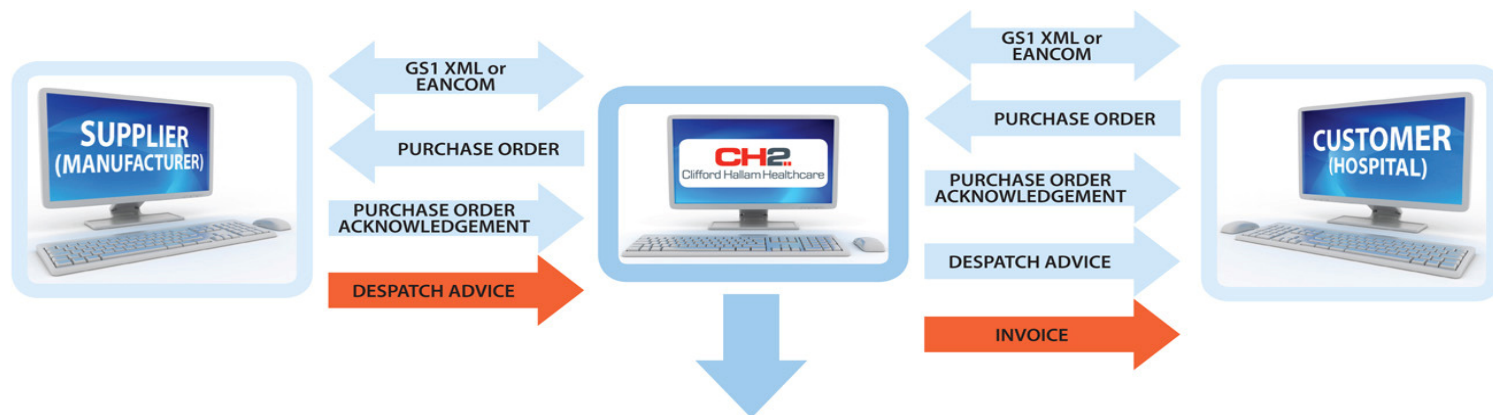
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You order several hundred of these sweaters… before you go live !!!

How else do you know if you got it Right?

Now to get it right with others

How to collaborate with repetition

How to collaborate with repetition

Our answer has been

Partnerships with Value Added Networks

And Standards and …
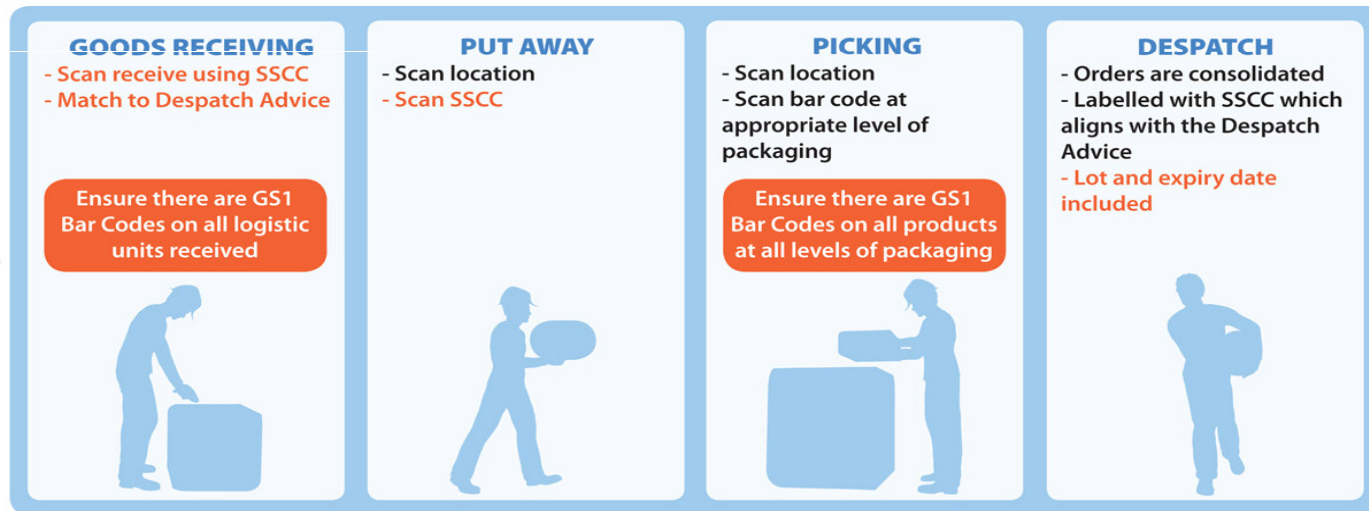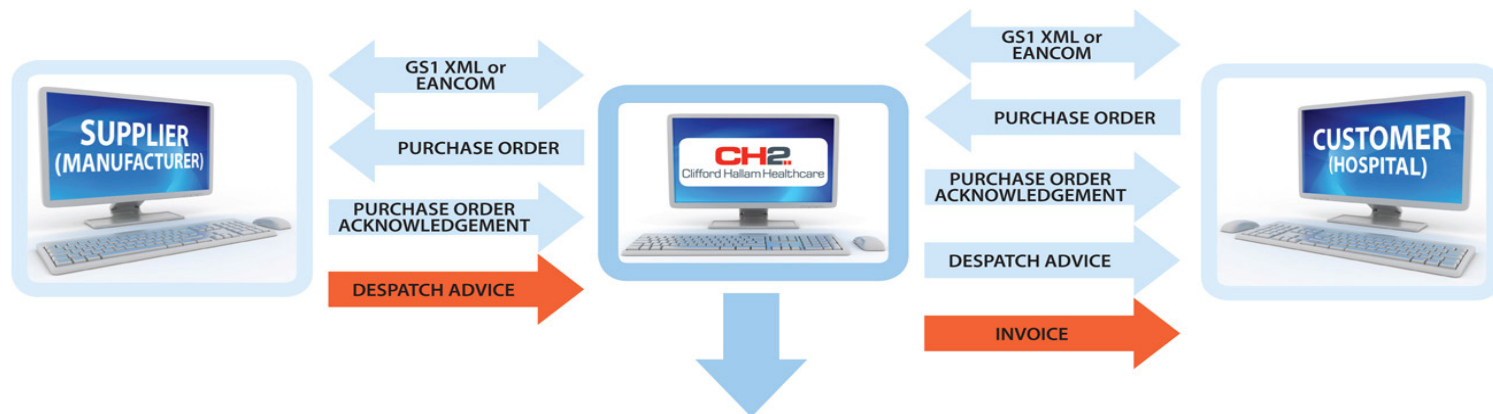
VAN

Global Data Synchronisation Network or as we call it in Australia the NPC

Where is our focus right now?

Where is our focus right now?

Providing pack level Serialized Shipping Container Code labels for our customers

DESPATCH
- Orders are consolidated
- Labelled with SSCC which aligns with the Despatch Advice
- Lot and expiry date included

PHYSICAL GOODS

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What has Changed at CH2

Before

- Inaccurate inventory
- Uncertain Pick rates
- Pricing Errors
- Little KPI Measurement
- High labor costs FTE's peaked around 480
- No suppliers engaged in EDI trading
- No order consolidation or transportation management

Now

- Better than 95%
- Fill Rates close to 97%
- 99.98% accuracy
- Measure everything
- Contained. FTE's closer to 295 (Includes the merger)
- Now have 13 live suppliers on EDI and 20 in progress
- Order consolidation and systemized transportation management

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Summary

- Get Started

- Get Passionate

- Get To It

Thank you

- **Special Thanks to Tania Snioch of GS1 Australia**

- **Hong Kong Hospitals Board for hosting the event**

- **Ulrike for the tireless efforts in making GS1 Healthcare happen across the globe**

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Questions

If there are none … here is some food for thought…

- How many stars are on the Australian flag?
- What is another name for Ayers Rock?
- How many states does Australia have?
- What is Australia's capital city?
- Which animals are on the Australian Coat of Arms?
- What date is Australia day?
- Who lives at Kirribilli House?
- What does AFL stand for?
- What is the MCG?

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