

Case Study

Cardinal Health

Service(s) Offered: **Commercial and Operational Evaluation of 4PL Arrangement**

Sector/Industry: **Healthcare (Medical Devices)**



Commercial and Operational Evaluation of 4PL Arrangement for Cardinal Health Australia

33%

Annual LSP cost savings

60%

Inventory space cost savings

89%

Order receiving cost savings



Nexdigm (SKP)'s Strategy & Operations Practice has been exceptional in helping us reduce Logistics Service Provider costs for our Australian operations. Via a root cause analysis to ascertain key cost drivers, Nexdigm (SKP) identified savings and optimization efficiencies and recommended more efficient operating models. Nexdigm (SKP) designed dashboards to help us with ongoing management and control of costs.



Shawn McBride

Vice President, APAC Supply Chain and Commercial Operations, Integration Management Office

Context

Cardinal Health, Inc. is a global, integrated healthcare services and products company, providing customized solutions for hospitals, health systems, pharmacies, ambulatory surgery centers, clinical laboratories and physician offices worldwide.

Cardinal Health Australia 401 Pty Ltd (CHA) is Cardinal Health's Australian subsidiary. CHA services cover its customers across the continent through an elaborate omnichannel distribution network comprising of hospitals, health systems, pharmacies, laboratories, and physicians' offices.

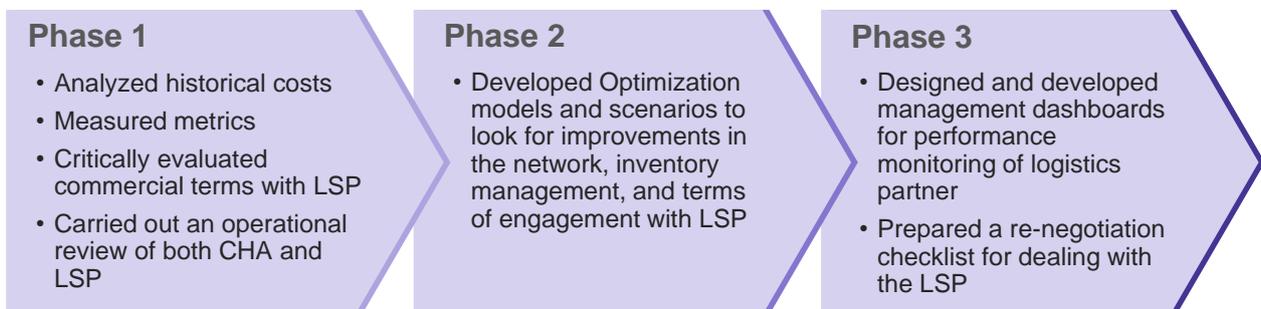
CHA has engaged a leading logistics service provider (LSP) to handle all supply chain operations from port to customer (receiving, stocking, transportation, returns, local compliances, order to cash, etc.).

The Challenge

- LSP costs to CHA exceeded the original estimates and were significantly higher than comparable markets.
- Additionally, the recent acquisition of Medtronic's patient care business posed concerns to CHA's management on the potential for increased supply chain costs as scale increased.
- Nexdigm (SKP) undertook an exercise to review logistics operations and costs for its Australian operations to help identify savings/optimization/efficiency opportunities.

The Solution

- A capable project team was quickly assembled to review logistics operations and costs for Cardinal's Australian operations.
- A multi-phased approach was designed to understand root causes, identify cost drivers, unearth optimization opportunities, develop more efficient operating models, identify levers, and design dashboards for Cardinal to manage and control costs.
- The project was executed with minimal face time in Sydney, since the consulting team in India did most of the analytical and background work.



Impact

Nexdigm (SKP)'s Strategy and Operations team made the following recommendations with immediate tangible benefits:

- An online ordering platform to replace manual order receipt activity. This would (potentially) reduce order receiving costs by 89% and provide customer convenience.
- Two additional satellite stocking locations to improve service levels and reduce 80% of the delivery cost to customers in that location
- Smarter palletization model coupled with inventory pruning of low-value slow movers for 60% potential cost savings
- A checklist for areas of re-negotiation with the LSP to make it a win-win for both parties
- Nexdigm (SKP) recommendations offered Cardinal potential cost savings of over AUD 0.8 million in annual costs. Nexdigm (SKP) designed KPIs and dashboards for ongoing visibility, and to help CHA monitor any potential service/cost issues.

For more information on this case study, please contact:

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