



Your North American multi-modal connection

DC operator expedited product launch for drug manufacturer

Orders turned around same day, delivered next

By Peter A. Buxbaum, AJOT

When Hoffman-LaRoche Pharmaceuticals launched a flu remedy called Tamiflu in November of 1999, time was of the essence. The company had just received approval for the product from the US Food and Drug Administration, and, with the winter flu season approaching, it had to get Tamiflu on store shelves as soon as possible.

"As with all product launches, the idea is to get it out as quickly as possible after approval to our distribution points," says Jim Dowden, director of distribution services at Hoffman-LaRoche Pharmaceuticals in Nutley, NJ. In this case, the distribution points included 350 retail and wholesale establishments.

But in the case of Tamiflu, there were even more variables than usual. "What was unique about Tamiflu, is that it is a very seasonal product and demand is extremely volatile," says Dowden. To help it organize the logistics of the product launch, Hoffman-LaRoche turned to USCO Logistics, a Connecticut-based company that runs Hoffman-LaRoche's distribution center near Baltimore.

USCO provides Hoffman-LaRoche with third party logistics services for the distribution of product and promotional literature throughout the United States and Puerto Rico. Hoffman-LaRoche manages its own transportation, which includes truckload, less-than-truckload and parcel delivery modes.

In the case of the Tamiflu launch, Hoffman-LaRoche looked to USCO to help develop a demand driven system that would respond to surges in product demand. "We decided that we would develop a system with same-day order turnaround," says Dowden. "The seasonality and demand volatility of the product, and the quick response we required for distribution were all big challenges." Demand would also vary geographically, as breakouts of influenza are often regional in scope.

Same-day order turnaround meant getting orders out the door the same day that they were received. The companies also decided to distribute orders with next-day transportation services, thus expediting the distribution of the product.

"We had a high order volume that all had to be out the same day," says Dowden. "It had to be 100% the same day and it went all by next day service. We usually don't do that."

Hoffman-LaRoche recognized that the next-day delivery approach would increase its costs of the operation. "We accepted that the increased costs were part of doing this business," says Dowden. "Our business model said that when the flu hit, there would be a surge in demand and we had to get our product to where it was needed. The business case accepted that as a requirement. We had to do the speed thing."

Essentially the way Hoffman-LaRoche and USCO Logistics handled the unique distribution requirements for Tamiflu was to set up a distribution operation separate from the rest of the distribution center. "The orders were also handled separately," says Dowden. "But they could also be channeled through the general

pick-and-pack operation."

When Hoffman-LaRoche received approval for Tamiflu late one Friday, the launch operation was mobilized immediately. "We worked all weekend so that everything was shipped on Tuesday," says Dowden. "Packaging of shipments and presenting freight were done within two working days. We actually managed to complete the launch a day ahead of schedule."

USCO helped Hoffman-LaRoche by providing the overall materials management solution, and by helping with the project management and with distribution. "We consulted with USCO on the workflow, package handling requirements, and on the infrastructure necessary for the rapid turnaround we wanted," says Dowden.

Dowden terms the project a complete success. "It turned out great," he says. "We launched a day ahead of our commitment and never did an order not get out on the same day. It turned out that it wasn't a killer flu season but 100% fulfillment with a new product and a new infrastructure was not bad."

Pharmaceuticals has been one of USCO's historical lines of work, according to company CEO Bob Auray, along with electronics and retail. "We also have a long history working with industrial and hazardous chemicals," he says. "We continue to push along those lines. With our experience, there is a consistency of how the product is handled throughout the system."

For Auray, the third party logistics message is, "It's the information, stupid. What differentiates the company is its capabilities in taking information from a multitude of sources and turning it into insight for the benefit of the customer," he says. "Increasingly, we are

selling integrated services in terms of shared and dedicated warehousing plus transportation management."

Auray says that USCO leverages sophisticated information capabilities--including data warehousing and business intelligence analysis--integrated service offerings, and a growing global network to the benefit of its customers. Only a portion of these capabilities were actually utilized in the case of the Tamiflu launch for Hoffman-LaRoche.

Dowden attributes the success of that launch in large measure to USCO's commitment to excellent performance. "There are a lot of third party logistics companies out there," he says. "USCO took our project seriously and were committed to doing a good job. What USCO does better than anyone else is that they have an incredible commitment to Hoffman-LaRoche's business. That sounds largely intangible but I see it in tangible actions every day. We put great operational demands on them as we did with the product launch."

Hoffman-LaRoche and USCO include jointly agreed upon metrics measurements in their relationship. "We review them annually and track them monthly," says Dowden. "It certainly drives the performance of the relationship. It is important to both of us."



Robert Auray - CEO USCO

