



Supply Chain Innovation

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Military and Industry Challenges

Responding to supply chain challenges



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- Connecting numerous suppliers with different capabilities creates co-ordination issues, complexities and inefficiencies.
- Cost optimization is a priority and sound business decisions are based on **timely information**. Visibility solutions are critical.
- Logistics capabilities must be made increasingly dynamic with greater interoperability, new ideas, and processes to support operational personnel.
- Government and industry share a mutual goal to find better solutions to meet the needs of customers, especially those in harm's way.
- Communication is the key to improving process – the military needs to spend learning industry best practices business, just like industry needs to spend time understanding the specific needs of military. **Sharing best practices is critical.**

Supply Chain Partnership Example:

President's Emergency Plan for AIDS Relief (PEPFAR)



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PEPFAR Program:

- The United States Agency for International Development (USAID) contracted with the Supply Chain Management System (SCMS); a consortium headed by humanitarian organizations John Snow Inc. and Management Sciences for Health and included 12 other commercial and humanitarian organizations including UPS.
- UPS is the project's lead logistics provider, producing an end to end solution for PEPFAR - procurement through delivery of vital drugs and supplies to over 32 countries; Global freight flows, both air and ocean. Major origins in India, US, and EU, and destinations across Africa, South East Asia, and Latin America.

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The Challenge:

- Two-thirds of the world population infected with HIV lives in Africa
- The continent lacks both good transportation infrastructure and accurate forecasting data
- Sporadic orders of drugs typically led to long processing delays, which in turn led to costly air freight shipments
- In most humanitarian aid programs of this type, 90% of the tonnage always went air freight, because they did not have time for ocean freight

Actions taken by the consortium:

- **Developed accurate demand forecasting methods** – to determine supply, the consortium assessed demand, including the number of patients, the best drug regimens and dropout rates.
- **Coordinating procurement** – the consortium worked to aggregate orders from multiple countries, synchronizing orders with drug manufacturers' production cycles, allowing for better access to medication and longer shelf-lives.
- **Managing inventory** – by establishing regional warehouses, the consortium was able to greatly reduce the need for air shipments. Now more than 75% of the tonnage shipped by the program goes via ocean freight with drugs in refrigerated containers. UPS consolidates multiple orders into ocean shipments that are broken down at regional distribution centers in Africa, and then trucked to their final destinations throughout Africa – saving both cost and sustaining lives.

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The Result of a Strong Industry and Government Partnership:

- Delivered more than \$1B worth of commodities including \$500M+ worth of AIDS drugs to more than 20 PEPFAR countries
- Achieved \$52 million in cost savings to the US Government by converting traditionally shipped air freight volumes to ocean freight
- More than 3.9 million people have received antiretroviral treatment

Summary



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- There is a continued need to share knowledge and information between military and industry to help provide better solutions across the international supply chain
- Leveraging best practices can lead to optimized process and cost efficiency
- Ongoing communication and collaboration is critical throughout the process



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Thank You