

Case Study

Demand Planning, Supply Planning
and Replenishment



McKesson Canada Optimizes Demand and Supply Planning

Results

- Operating cash flow improved by millions of dollars
- Significant reduction in inventory
- Reduction of over 10% in inbound lines to DCs

Millions of dollars in operating cash flow improvements:

“Blue Yonder solutions help McKesson Canada rationalize demand and supply planning for over 50,000 products across 13 distribution centers. We can segregate our forecasts and replenishment plans based on product turnover rates, seasonality and other factors. We can define profitable safety stock levels and other inventory policies. As a result, we’ve made our inventory more efficient, reduced overall inventory levels and improved operating cash flow by millions.” – **Kareen Habib, Senior Director of Supply Planning**

Challenges:

- With annual revenues in the billions, McKesson Canada serves millions of customers every day, delivering more than one-third of all prescription drugs in Canada. The company’s global supply chain manages over 250,000 distinct product SKUs.
- McKesson Canada was challenged to optimize its inbound products, and the inventory in its 13 distribution centers (DCs), via an outdated legacy system. New technology was needed to meet growing customer requirements, support revenue gains, manage supply-side disruptions, and increase accuracy and efficiency.
- McKesson Canada partnered with Blue Yonder to manage product flow into its DCs, as well as inventory levels. The stakes are high: billions of dollars in product acquisitions and over \$1 billion of inventory are managed through Blue Yonder.



Increased customer service and fill rates via improved forecast accuracy:

“Now that our forecasts have increased in accuracy, McKesson Canada can deliver higher levels of customer service. Our fill rates exceed our targets by 0.1% on average, and by 1% for new products. The overall value to customers also includes increased product availability and fewer lost sales.”

Improved inbound efficiency in distribution centers:

“Because we can order products better and more accurately, Blue Yonder has enabled McKesson Canada to improve its receiving throughput by 10%, resulting in a more efficient use of labor, logistics and administrative resources.”

Productivity gains thanks to process automation:

“Blue Yonder software streamlines and accelerates our everyday processes for managing inbound shipments and making inventory decisions. For example, an auto-approval feature enables McKesson Canada to generate automated approvals of Blue Yonder’s recommended supply plans for about 45% of our product portfolio, leading to significant gains in efficiency and productivity.”

Solution benefits:

- Blue Yonder’s combination of industry-standard and specialized, patented demand forecasting algorithms cover every type of sales pattern, including slow-moving SKUs, highly seasonal products and lumpy demand. This capability helps McKesson Canada achieve maximum forecast accuracy, with minimal time and effort from planners.
- Blue Yonder’s supply planning and replenishment capabilities help McKesson stage the right inventory throughout its distribution network, minimizing stock-outs while maximizing inventory turns. The result is increased service, at a lower inventory investment.

- Automation enables Blue Yonder to handle much of the heavy lifting and decision making, leaving planners to focus on strategic priorities. In addition, Blue Yonder’s advanced analytics help maintain and even improve performance over time.

Blue Yonder’s expertise

“McKesson Canada selected Blue Yonder because of its advanced statistical models and the strength of its reputation in the industry. Blue Yonder has proven to be a valuable strategic partner with amazing, robust solutions that work for the scale of our operations. Blue Yonder capabilities make our organization more strategic, more flexible, more accurate and more efficient.” -

Senior Director of Supply Planning

 Luminate Planning

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