Transitioning 3PL Partners

Four questions to shift thinking before switching.

Four questions to shift thinking before switching.

The decision to outsource warehousing, logistics, transportation and order-to-cash management is in itself not easy for many pharmaceutical manufacturers. But the process of selecting the right third-party logistics partner (3PL) to help manage all those efforts can be even more taxing. The procedure to thoroughly vet a 3PL partner typically takes six- to eight-months and requires a significant investment of time and energy from internal resources. After all the extensive research, meetings and intense discussions, almost all manufacturers identify the right 3PL for the company — at the time. But times change, bringing growth, new products and complex regulations. For many far too quickly, what once was the right 3PL becomes the 3PL that doesn't have the space, capacity, capabilities or technologies. Unfortunately, when service issues become apparent and the need to transition unavoidable, many manufacturers begin to question their ability to choose a long-term partner. Instead, they might consider pondering the four questions below — the answers to which may hold the keys to ensuring the next 3PL partner holds a more permanent position.

1) How did we get here?

Maybe three years ago your company's leadership was gathered in the same way it is now, evaluating 3PL providers to identify the best fit. Back then, the team did its due diligence and thought it had selected the right partner. So why the replay? Looking back, most manufacturers will admit the misstep was failing to look forward.

Globalization and the rising number of mergers and acquisitions can drastically change the structure and size of distribution, adding complex drug therapies and muddying accounts receivables. While it may be difficult for drug makers to predict how the company might grow or evolve, it's not difficult to predict whether a 3PL will be able to keep up.

Whether needed at the time of the initial evaluation or not, manufacturers should seek a 3PL offering an expanse of support services, from detailed reporting and analytics to enhanced distribution services like Title Model. Equally important to the 3PL's service options is its investment in continuous quality improvement. For example, in 2016 ICS invested over $20 million in infrastructure improvements, increasing storage capacity, upgrading IT to drive efficiencies and implementing quality management software to reduce risk for clients. ICS also modified its process to make it easier for manufacturers to send product to its national distribution centers. It's this commitment to always improving, to continually adding services to its core offerings that enables a 3PL to keep in front of industry trends and ahead of clients' needs. Maybe your company doesn't need the temperature-controlled space offered. Maybe it's keeping its financial operations in-house. But what if it needs them later? The right 3PL is preparing today for the company you might be running years from now.

ICS AmerisourceBergen

2) What's the difference between a launch and a transition?

The shortest answer: Quite a bit. As you might imagine, transitioning ownership of distribution while those products are in transition themselves can be tricky. Your 3PL should not only know this, they should be able to back up their answers with extensive experience. At the time of this article's publishing, ICS had successfully transitioned fifteen clients from competitor 3PLs. Those experiences helped inform a collaborative query process with our clients, the answers from which are used to create an exacting transition guide designed to thwart any possible disruptions to operations. This requires thinking through a number of if/then scenarios such as:

- If the current 3PL compromises the timeline, what can be expedited to shorten timeframes and/or transition in phases?
- If the inventory is not clean, how will reconciliation be handled?
- If notification doesn't go out in time, how do we ensure customers switch ordering and payment processes?

Of course there remain some scenarios hidden from even the most experienced 3PLs. In one instance ICS was called in to help transition a manufacturer from a 3PL they were currently in the middle of transitioning over to. Contract negotiations had not gone as expected and the quality audit had raised a number of red flags. Our acute understanding of the difference between launching and transitioning clients enabled ICS to step into the middle of an implementation and, in half the time it would normally take, smoothly transition the client without any disruptions to their operations.

3) When is the plan?

Understanding the questions to ask and the subsequent actions to take are merely half the battle in planning a successful transition. It's identifying when those actions should be taken that can make or break a strategy. For example, when to send notifications to customers, when to switch ordering and payment or when the previous IT solution can be deactivated. All these time-sensitive tasks help answer the ultimate question: When can we be ready to transition?

And while every transition is unique, the sheer depth of detail that's required in the planning phase — not to mention its many variables — do allow for some standardization. ICS starts with a transaction project plan broken down by program segments such as customer service, distribution, accounts receivables and chargebacks. Within each segment are prompts to address every need, possible challenge and the tasks necessary to ensure an ideal outcome.

4) Where can we glean more value?

In the myriad of concerns and tasks that switching 3PL providers can demand, it may be difficult for manufacturers to think about anything outside of fixing what's broken and ensuring a seamless transition. But that's just what ICS encourages its clients to do. Transitioning to a new 3PL can be an opportunity to trade weak solutions established by the previous 3PL for stronger solutions that better fit the company.

In the fifteen transitions ICS has managed we have always been able to identify areas to improve upon for our clients. During one recent transition, ICS was able to significantly simplify a client's financial operations, reducing four cost centers to two, as well as streamline a previously unregulated returns process, enabling the manufacturer to save $2.4 million just 8 months after transitioning. In another example, ICS was able to provide high-level custom reporting the manufacturer was unable to get from its previous 3PL, which ultimately helped the company evaluate loss from programs that weren't being managed to contract. The financial control ICS was able to give back to the client made an immediate positive impact to the manufacturer's cash flow, decreasing its past due accounts receivables balance by two percent.

For those pharmaceutical companies considering switching 3PL providers, these questions may help to frame evaluating and identifying a partner that will be the ideal fit over the long-term — no matter how its supply chain changes or grows. But for those who have yet to identify their first 3PL, the question lacking in this line up may represent the most powerful lesson: What's the cost? Because the cost of selecting a 3PL based on price can be higher than any perceived savings manufacturers might incur in the short-term. And it's important to point out that outside of the damage that may be done to reputation and product while partnering with the wrong 3PL, the expense of having to transition to a new 3PL is not limited to hard costs. Pulling resources tasked with running the business to focus on the evaluation of and transition to a new 3PL — typically a six- to eight-month process — can cost the organization plenty. Yet another reason to make sure the next 3PL will be the 3PL you can grow old with (or at least grow with).

About ICS

ICS, a business unit of AmerisourceBergen, partners with pharmaceutical manufacturers to deliver third-party logistics services that improve the quality and efficiency of their supply chains. As the pioneer in the specialty logistics market, ICS has helped bring hundreds of specialty pharmaceutical products to market and served as an integral component in their growth.

ICS was founded in 1997 and since then, has organically grown to become the industry leader in outsourced logistics and distribution services for pharmaceutical manufacturers. From strategic program design to enhanced 3PL and performance analytics, ICS goes the extra mile to ensure increased supply chain efficiency, maximum return on investment and enhanced patient care. ICS is the model of excellence in global healthcare logistics.

icsconnect.com
linkedin.com/company/icsconnect
twitter.com/ICSConnect

ICS AmerisourceBergen

AmerisourceBergen®