



Pfizer Freiburg



Benefits at a glance

- ▶ Demand variability decreased by more than 40%
- ▶ Inventory levels reduced by more than 15%
- ▶ Duplication of effort removed
- ▶ More controlled and structured processes
- ▶ Material management costs cut by 10%
- ▶ Service levels boosted to 99.5%
- ▶ Oliver Wight Class A certification for Integrated Business Management

Customer profile

Class A drugs

Even long-established, successful sites still have many opportunities for improvement – Pfizer Freiburg has just achieved Class A status in Integrated Business Management (S&OP) thanks to a 12-month programme to boost performance, and balance supply and demand.



Pfizer was founded by cousins Charles Pfizer and Charles Erhart in 1849, when they opened a fine-chemicals business in Brooklyn, New York. Since then, Pfizer has developed into one of the world's leading pharmaceuticals organisations. This is a truly global operation, with a multi-national workforce of 87,000 and sites in 180 countries.

Located in the south-western tip of Germany, Pfizer Freiburg is a major part of the worldwide organisation. Originally Goedecke AG, part of the US-owned Warner Lambert group, the site became part of Pfizer organisation when the two companies merged in 2000. The site has had a long and illustrious history, being one of the first to pioneer MRPII in the late 1970s.



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Dr. Michael Friedrich
Director of packaging operations.
Pfizer Freiburg

Pfizer Freiburg is a sophisticated pharmaceutical manufacturing plant and excellent customer service is a given. Many of Pfizer's bestselling products are manufactured and packaged at Freiburg, including the world-leading, cholesterol-reducing drug Lipitor, and the renowned Lyrica. Freiburg serves 80 markets worldwide, and more than 1,800 finished good lines result in 250 million packs of products leaving the plant each year.

Minimum service levels of 99% are essential in this type of business – these had been achieved at Pfizer Freiburg, but in doing so, a culture of fire-fighting had sprung up within the business. The result? An inefficient 'hero of the day' culture, in which unplanned changes were commonplace and people became accustomed to solving mini-crises just to make sure the right products were produced at the right time.

Clearly, the plant could work more efficiently if these behind-the-scenes problems were smoothed out. In fact this was

vital for the plant's continued success and to allow it to compete effectively against low-cost economies.

A look at changes experienced at the plant in recent years provides some insight into the challenges it faced. Manufacturing volume had grown significantly year on year, from 25 million packs in 1995 to more than 250 million by 2007. Capacity was continuously adapted to meet the ever-growing load, but the strain was beginning to show and during the past couple of years, there was frequently a backlog of between one and two weeks. What's more, an MPS/MRP system change in 2005/2006 was not as successful as Pfizer Freiburg's management team had hoped and it resulted in the fragmentation of several business processes due to lack of integrity and key functionality. In particular there was no rough-cut capacity planning tool; this had been a key part of the previous system and central to the company's demand and supply balancing process. With the missing functionality, staff started to work offline. This led to various teams within the

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organisation working to different priorities and KPIs and, with no integration or communication between the different functions, the ‘hero of the day’ culture developed. It is testament to the skill and energy of everyone working at the plant that, in recent years, Pfizer Freiburg still achieved a customer service level of more than 99%. But it was clear that process synchronisation would be essential for the plant’s future success.

In November 2007 Pfizer Freiburg embarked on an improvement programme for its business planning process. Right from the start, the workshops made it clear to everyone that although the ‘hero of the day’ culture had been the key enabler for the achievement of service levels, this couldn’t continue if the plant was to maintain its leading global position. “We were all doing our very best, however not knowing that the way we were working was causing a lot of noise in the business process and decreasing our efficiency,” says Dr. Michael Friedrich, director of packaging operations.

Joachim Bosse, director of materials management, recalls the goal was very clear: “Our target was clearly defined: we had to reduce this unnecessary noise by increasing efficiency throughout the operation and maintain a service level of 99% or higher. The project deadline was to achieve Class A accreditation by end of 2008.”

So, in December 2007, a cross-functional team with representatives from finance, quality, production and materials management began a gap analysis exercise, using the recognised industry benchmarking tool, Oliver Wight’s 6th edition Checklist. The analysis was in-depth: “It takes time to answer more than 1,000 questions. However, the time spent was invaluable,” says Gereon Schepers, team leader supply management. “The checklist is an excellent vehicle to identify gaps in our business processes.”

The results showed that of the Checklist’s nine chapters, Pfizer Freiburg scored the lowest rating for chapter 4 – ‘Integrated Business Planning’ – the very focus for Class



A. Gereon Schepers, says: “When we analysed chapter 4, it was interesting to see that most processes were already in place at Freiburg. However, the problem was that these processes were fragmented and not linked together.”

While most organisations refer to sales and operations planning, in Pfizer’s case this is more accurately termed ‘demand and operations planning’ (D&OP). As a manufacturing plant, Freiburg has no direct control over sales and marketing – this is co-ordinated at the company’s market organisations across the world – so unconstrained demand data is fed to the plant.

The team at Freiburg decided to introduce Oliver Wight’s five-step Sales and Operations Planning (S&OP) process. “Pfizer is best-in-class at demand management, which is part of the sales and marketing organisation,” explains Joachim Bosse. “However, the aggregated 24-month rolling forecast provided by our 80 customers worldwide - the company’s 80 sales and marketing operations – was

used poorly within our manufacturing processes. With this new D&OP process, we opened our horizon from 3 to 18 months and started to analyse demand on a monthly basis. Although sales forecasts for our main products were steady or showing only a gradual increase, we detected that variability was being caused by our replenishment system, which in turn causes noise in our MRP system.“ The site therefore introduced a pilot project (EPEX), to reduce demand variability by balancing supply with demand; replacing the existing minimum-quantity replenishment model with a more flexible dynamic model.

The implementation of the D&OP process at Freiburg in April 2008 was the first milestone to start lowering the noise level, says Joachim Bosse. “First results showed a decrease of demand variability by more than 40% and a reduction of inventory levels at market DC’s of more than 15%. A win-win for plant and markets.” Another major issue identified by the Oliver Wight Checklist was the overlap between demand and supply process at Pfizer Freiburg. Both processes



were not clearly 'cut' at the plant. As a result of the informal systems which had sprung up around the MPS/MRP system, people at the plant were second-guessing the forecast from the markets, leading to a negative impact on costs and efficiency.

So, a new concept was devised to provide a clear distinction between demand and supply processes. It is a core Oliver Wight philosophy that the supply planner should be at the heart of the supply chain - both internal and external - and now, the supply planner at Freiburg is fully integrated with all MRP/MPS processes, and is responsible from receipt of unconstrained demand to final release of finished goods. He hands over the finished goods to the customer service, who ships the product to the customer. This lean concept ensures that there are no overlapping activities, and duplication of effort is eliminated. In June 2008 Pfizer Freiburg held a two-day workshop for all employees within

the planning, customer service and scheduling departments. This workshop was essential for Freiburg's success: the process details for the Supply Planner concept were defined by all the people who would be part of this new process in future. Joachim Bosse, says the two-day event proved very motivational: "Our people were highly engaged by defining their new processes. At the end of the two days, all the details were worked out and people were convinced that these new processes would work."

Based on the new Class A processes, new roles and responsibilities were defined within materials management. This in turn, opened up career development opportunities for many employees, including new positions for team leaders. By September 2008, all team members had settled into their new roles. "We achieved much better visibility throughout our processes," confirms Dr. Michael Friedrich. "The new processes are more controlled and structured."



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The results have been staggering. By redesigning its processes for customer service, planning and scheduling, Pfizer Freiburg’s materials management division has been able to cut costs by 10% and boost service levels to 99.5%.

“It was a long journey from identifying the gaps to establishing the new lean processes,” says Gereon Schepers. “One year later, I still see that we are not at the end of the journey, however it is great to see that all employees are still highly engaged to keep going forward on this path. They all see the benefit of creating this Class A business environment.”





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