



McKesson Corp.

Simulation modeling makes supply chain decisions that cut inventory by USD1 billion

San Francisco, California, United States
www.mckesson.com

Solution Components

- IBM® Cognos® Business Intelligence V8.4
 - IBM DB2® 9.5
 - IBM WebSphere® Application Server 6.1
 - IBM Research
 - IBM Global Business Services®
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Based in San Francisco, McKesson Corp. is the world's largest healthcare services company, with annual revenues of more than USD120 billion. The Pharmaceutical Supply Division, McKesson's largest, with revenues of more than USD97 billion a year, is at the center of the pharmaceutical supply chain, serving all pharmaceutical manufacturers and more than 25,000 pharmacies, hospitals and clinics.

The Opportunity

If McKesson could reconfigure key aspects of its distribution strategy, such as transport modes, scheduling and the placement of inventory, it stood to dramatically reduce working capital requirements. But without a granular, end-to-end view of the supply chain, managers had no way of gauging the upstream and downstream profit impacts of individual decisions.

What Makes It Smarter

McKesson's First-of-a-Kind supply chain scenario-modeling solution relies on interlocking algorithms to optimize the distribution network, inventory policies, supply flows and vehicle routes, along with analytical engines to calculate key financial, operational and sustainability metrics.

Real Business Results

The solution reduced working capital requirements by USD1 billion by improving inventory management and supply chain efficiency. By rearranging supply chain parameters based on product-specific and customer-specific requirements, the solution also significantly reduced transportation costs. Moreover, because the solution enables decision makers to assess upstream and downstream profit impacts of supply chain decisions in near-real time, they can more easily formulate and assess out-of-the-box solutions.



For More Information

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To learn more about McKesson Corp., visit www.mckesson.com.

“By utilizing the work that we did with the IBM team, we were able to dig down through billions of pieces of data to get a P/L level view by item. We actually developed an entirely new supply chain as a result of the work that was done.”

— Don Walker, senior vice president of distribution operations



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