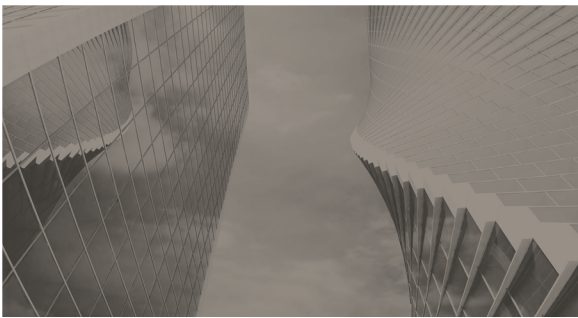


Ranbaxy Laboratories Limited (RLL)

Ranbaxy Laboratories Limited, India's largest pharmaceutical company, is an integrated, research-based, international pharmaceutical company producing a wide range of quality, affordable generic medicines, trusted by healthcare professionals and patients across geographies.



“Investing in spend management solutions has not only helped us realize significant cost savings, but also allowed us to drive best-practice processes across our organization. With Ariba, we have the tools we need to build on our success and expand our spend management initiatives to several overseas locations including U.S., Nigeria, and Romania.”

Govind Jaju
Vice President
Global Material Sourcing and API Business

The Challenges

The generic pharmaceutical industry is one of the most competitive industries worldwide. Quality is quintessential in the industry and its biggest challenge is to be cost effective while sourcing a wide variety of categories in a highly regulated environment. At a high level, Ranbaxy's major spend consists of Raw Materials, Packaging Material, Intermediates and Freight. Other spends include Stores & Spares, IT, Capital Expenditure, Marketing and SG&A.

Ranbaxy adopted a global centralized sourcing structure as a first step towards consolidation of spend because the challenge was to ensure consistency in sourcing the same categories repeatedly. Like any generics pharmaceutical company, Ranbaxy's spend profile is skewed heavily towards direct materials as compared to indirect spend. There are multiple challenges in being able to add new vendors for direct materials. The complexity of sourcing these categories in a volatile environment is even higher. The situation warrants short-term contracts and even spot buying in some cases. Hence the total number of projects to be executed by a particular team increases and causes delay in completing each sourcing project.

Ranbaxy has one of the most complex supply chains, with its manufacturing presence in seven countries spread across India, the U.S., Africa, Asia Pacific and Europe. Its consumer base is spread across over 125 countries and its supply base is spread across the globe servicing its diverse product portfolio. Therefore, freight presented its own set of unique challenges.

Transportation of furnace oil and solvents required contamination-free delivery. This required careful evaluation and final selection of service providers from a limited available pool as any deviation from expected service level is undesirable.

In order to sustain the aggressive growth plans and meet its challenges, Ranbaxy worked closely with Ariba to evolve its Sourcing game plan.

The Solutions

Ranbaxy's journey of cost reduction started in 2002 with the formation of team “CRUSOE” — Creatively Releasing and Unleashing Substantial Operating Efficiencies. The team had a charter to drive cost reduction in the organization.

After a complete due diligence, the CRUSOE team decided to leverage Ariba's On-Demand Sourcing platform and Sourcing Services as the first step in 2004. Ariba's technology platform, category knowledge and sourcing expertise were used to implement best-in-class category specific templates and processes, create effective market making and evolve right negotiation strategies to drive cost reduction.

The teams worked together to identify e-Sourceable spend, aggregate spend across various plants, standardize RFQs, recommend vendors for indirect spend and evolve sourcing solutions for strategic items sharing industry best practices and contract terms.

Ranbaxy appointed a champion to lead the e-Sourcing initiative within the company, and also established adoption of e-Sourcing as a performance metric for its buyers. It established a reward program to recognize the best e-Sourcing users within Ranbaxy on a monthly basis.



Ranbaxy believed that the methodology of e-Sourcing should be in the DNA of the overall sourcing function. In order to drive e-Sourcing adoption among buyers, the e-Sourcing team conducted extensive training programs, knowledge sharing sessions, and category-specific idea generation.

The sourcing team bought from multiple suppliers on the e-Sourcing platform, adopting many different strategies so that there was minimal resistance to the adoption of e-Sourcing process/methodology. Strategies include transparency in every event, clearly spelt out RFQ, extensive communication, regular steering committee meetings and senior management mandate over the standard sourcing practices.

Ranbaxy approached its goal of driving spend management across the organization in a phased manner. In the initial years, it focused on addressing categories such as logistics, packaging, and indirect spend for its India operations and subsequently expanded its focus to direct materials, MRO, Capital Expenditure, Marketing (promotion and advertising spend, etc.), General Administration (miscellaneous services, travel, etc.).

Building on the success achieved in India, Ranbaxy has extended the spend management initiatives to several key global locations in the U.S., Nigeria, and Romania.

Results

Apart from achieving significant cost reduction, the key benefits realized by Ranbaxy have been increased operational efficiency, knowledge management, audit proof methodology and better reporting systems.

The standardization of sourcing-related templates across all locations and departments provides clarity on data requirements at each stage of a sourcing project. This prevents delays due to lack of relevant information thereby increasing the productivity of the sourcing function.

Leveraging Ariba's Sourcing technology, Ranbaxy has eSourced a diverse set of categories including raw materials, MRO, packaging, logistics, projects/capex, and administrative spend, etc. Ranbaxy has been successful in institutionalizing eSourcing for significant portion of its Intermediates' spend, including metals and solvents. Ranbaxy has achieved cost reduction even in items with limited supplier base by leveraging Ariba's unique Dutch auction technology.

In indirect spend areas (MRO), Ranbaxy has institutionalized an "e-disposal drive" for selling non-reusable recovered solvents by conducting forward auctions. These solvents are recovered at various stages of manufacturing and can be used in other applications within the chemical industry. Sale of these solvents through forward auctions to qualified traders has resulted in significant benefits to Ranbaxy.

In logistics, Ranbaxy was able to address major challenges in areas such as surface transportation, air and sea freight. Ranbaxy rationalized its vendor base and qualified a pool of vendors (including new vendors) keeping in view the service level requirements and negotiated long-term contracts with these vendors. Ranbaxy was able to derive significant savings across its entire portfolio of logistics spend categories through this exercise.

Ranbaxy's global buying team is now equipped to conduct online sourcing events. Ranbaxy's eSourcing program has significantly grown over the last six years. In 2009, Ranbaxy conducted almost 500 online events, thereby sourcing good part of its total spend online.

Lessons Learnt

Very early in its journey towards Spend Management Excellence, Ranbaxy realized that it is critical to focus on each category to optimize cost. Ranbaxy learned that the important question to ask is "why not eSource" rather than "why eSource".

A phased sourcing plan should be prepared and followed. Supply-side competitiveness, business impact and ease of implementation are key factors to assess while prioritizing the categories to address. Adopting the right sourcing strategy for different categories is critical and at the same time, maintaining a structured approach is also important.

Finally, at Ranbaxy, the path to spend management excellence continues to evolve even today!!

About Ranbaxy Laboratories Limited

Ranbaxy Laboratories Limited, India's largest pharmaceutical company, is an integrated, research-based, international pharmaceutical company producing a wide range of quality, affordable generic medicines, trusted by healthcare professionals and patients across geographies. Ranbaxy's continued focus on R&D has resulted in several approvals in developed markets and significant progress in New Drug Discovery Research. The Company's foray into Novel Drug Delivery Systems has led to proprietary "platform technologies," resulting in a number of products under development. The Company is serving its customers in over 125 countries and has an expanding international portfolio of affiliates, joint ventures and alliances, ground operations in 46 countries and manufacturing operations in 7 countries. Ranbaxy is a member of the Daiichi Sankyo Group. Daiichi Sankyo is a leading global pharma innovator, headquartered in Tokyo, Japan.

About Ariba

Ariba, Inc. is the leading provider of collaborative business commerce solutions. Ariba combines industry-leading software as a service (SaaS) technology to optimize the complete commerce lifecycle with the world's largest web-based community to discover, connect and collaborate with a global network of trading partners and expert capabilities to augment internal resources and skills, delivering everything needed to control costs, minimize risk, improve profits and enhance cash flow and operations – all in a cloud-based environment. Whether you're buying, selling or managing cash, you can do it more efficiently and effectively in the Ariba® Commerce Cloud. Over 300,000 companies, including more than 80 percent of the Fortune 500, use Ariba's solutions to drive more efficient inter-enterprise commerce. Why not join them? For more information on Ariba commerce solutions and the results they deliver, visit www.ariba.com