



AIT Business Processes Model for Procter & Gamble Forecasts Opportunities and ROI

The Procter & Gamble (P&G) logo, consisting of the letters "P&G" in a bold, blue, serif font.

The XIO STRATEGIES logo, with "XIO" in a large, purple, serif font and "STRATEGIES" in a smaller, blue, sans-serif font below it.

The EDActive COMPUTING, INC. logo, featuring a small globe icon to the left of the text "EDActive" in a bold, black, sans-serif font, with "COMPUTING, INC." in a smaller font below it.

CHALLENGE

Procter & Gamble (P&G) recognizes the importance of developments in the pharmaceutical industry establishing the electronic tracking of controlled prescription pharmaceutical products. What it needed to understand was the supply chain optimization cost benefits and investment required to implement Automatic Identification Technologies (AIT) ahead of these developments. Moreover, it looked to identify competitive strategic advantages from deploying Passive UHF Radio Frequency Identification (RFID) and 2D Barcode technologies across its pharmaceutical supply chain operations.

SOLUTION

Modeling a complex supply chain environment is no small undertaking, so P&G engaged a team of subject matter experts led by The RFID Solutions Center (RSC). Working with P&G stakeholders, the project team set out to develop a process and simulation model for a subset of the existing pharmaceutical supply chain, from packaging through warehouse/distribution.

The RFID Solution Center helps organizations in the evaluation and adoption of RFID through education, partner collaboration, and professional services. To address the unique challenges and opportunities offered by this project, the RSC called upon the supply chain expertise of XIO Strategies (XIO), and breakthrough technology offered by EDActive Computing Inc. (EDActive) - EDActive® Syscape™.

"Using EDActive® Syscape™", said Bob Weston, P&G Pharmaceutical Customer Service & Logistics, "we were able to incorporate historical company data into an accurate business process model resulting in a key baseline metrics for order cycle time, average process time, and overages, shortages, and damages (OSD)."

With a solid baseline model in place, various AIT implementation scenarios were tested for tagging at the item, case, and pallet levels. With extreme accuracy, these models were used to quantifiably analyze each scenario, including their related costs and benefits. The predictions provided tremendous insight.





Project Summary Report:

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RESULTS

Implementing AIT in the pharmaceutical supply chain would have tremendous benefit according to the process models, with the greatest results coming from process improvements. For example, when RFID was implemented labor was reduced by 26% and OSD was reduced by 67% after only a modest fixed capital investment. Even after factoring the ongoing costs of consumables and expenses, the model illustrated a simulated first year ROI of around 100%, with a low case cost.

The model was also used to evaluate alternative AIT technologies, such as 2D Barcode. By implementing 2D Barcode technology, for example, labor was reduced 8% and OSD again showed a 26% reduction. In the long run, RFID proved to be the most advantageous.

Beyond evaluating process improvements, the simulation model helped P&G and the project team identify other benefits derived from implanting AIT. Scrap count and inventory procedures were each enhanced through AIT. Additionally, increased asset visibility led to an improved returns process, recalls, and decreased cycle times which in turn reduced safety stock levels and holding costs. Each of these identified efficiencies allows P&G the ability to be more responsive to supply and demand alignment, more responsive to customer's needs, and to further evaluate opportunities for process improvement.

"Through modeling, simulation, and analysis of these AIT technologies," said Kim Zimmer, Associate Director, Global Operations for P&G, "it is clear that there are opportunities for benefit. Based on these state-of-the-art simulation modeling tools, RFID yields the most promise in the near term."

NEXT STEPS

P&G is now poised to leverage the quantitative analysis gained from the simulation models. It knows where to invest time and effort for the greatest return, and thanks to the EDActive Syscape models it understands the expected returns on its efforts. And as the pharmaceutical supply chain evolves, P&G will be prepared to implement a proven AIT model.



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