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Better Business Decisions, Lower Costs, Greater Agility: Inside Santen's Journey to Supply Chain Transformation

For Santen Pharmaceuticals, the journey to supply chain transformation is about more than just reducing inventory and lead times—it's about improving agility and making better business decisions, according to Frank Binder, the company's Global Head of Supply Chain Management.

In this interview, Binder talks with Bharath Sundararaman, General Manager of Supply Network Orchestration at TraceLink, about the business impact of real-time information exchange with all supply chain partners and the importance of digitalizing external manufacturing relationships. He also discusses some of the top challenges facing Santen today, and the critical role TraceLink is playing in its supply chain transformation efforts. Watch the video now!

Video Highlights:

- **02:25** - What are today's top pharmaceutical industry challenges?
- **03:45** - What is Santen's vision for supply chain transformation?
- **05:30** - How is supply chain transformation being rolled out at Santen?
- **07:18** - How important is the digital exchange of information with supply

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chain partners?

- **09:00** - How important is the digital transformation of external manufacturing?
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- **13:57** - How is TraceLink helping Santen achieve digitalization with all of its partners?
- **14:58** - What is Santen's end goal for supply chain transformation?

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TRANSCRIPT

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Bharath Sundararaman: Hi, Frank. Welcome. Really glad to talk to you today about supply chain transformation.

Frank Binder: Hi, Bharath. Thanks for having me here. I'm really looking forward to our conversation.

Bharath: Frank, please tell us about your role as Global Head of Supply Chain Management at Santen.

Frank: Yeah, at Santen, together with a great team of professionals around the globe, I'm responsible for the end-to-end planning of our finished products for all markets globally. Sourced from both from our own manufacturing sites in Japan

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and China, as well as from our contract manufacturers.

We're also responsible for logistics, warehousing, transportation, and in-country distribution, so the whole execution. We are responsible for new product introduction in the markets, for artwork management, for serialization and also for the direct material procurement for our own manufacturing plants in Japan and China. It never gets boring.

Bharath: Frank, you've been with several really large manufacturers in your career. Do you see big differences between working at a really large manufacturer versus a fast-growing, mid-tier pharmaceutical companies such as Santen?

Frank: Yeah, my experience is that there are really differences in the work being done and how the work is being done between mid-sized pharma companies and the big ones. The challenges are not different, but the way how a big company can react to them is different.

There is a much higher degree of functional specialization because the there's many more resources available. Whereas in a smaller company, we have to rely on people being more versatile and also going at issues that are not necessarily directly part of their job descriptions, or there is.

We need more versatility, and I would also say a bit more entrepreneurial spirits to tackle things because they are not these relatively large and specialized functions and resources available.

Bharath: Makes sense. Speaking of challenges, Frank, what do you see as the top challenges facing the pharmaceutical industry today?

Frank: Yeah, I think on one hand, the challenges we have is that we are under cost pressure like we haven't been, as a whole industry, necessarily under this pressure before. Maybe a couple of years ago, I would have said that the big challenge is the evolution of the regulatory environment.

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Nowadays, I think the challenges for the pharma industry are rather in the risk and in the constant external changes that we witness in the supply chain. We have the, a bit, the aggravating factor that many of the things that we do are regulatory fixed and cannot be simply changed.

We might have to source some intermediaries from one specific provider. If there's any issue, be it transportation routes being blocked or something else, we can't as easily substitute as it is possible in other industries. We need to be more alert and have much more risk management in place these days.

Bharath: You speak a lot about the need for pharmaceutical supply chains to be digitally transformed. Can you describe your vision for what a digitally transformed supply chain would look like?

Frank: For me, the digitally transformed supply chain is really a situation where we have flows of information between companies, between all partners in the entire supply chain. Flows of information going seamlessly in both directions, where we have the transparency across the boundaries, where we can see each other's inventory, where we can see each other's plan along the entire supply chain.

We should not stop. We are a bit manufacturing centric as an industry. For me, it's easy to say because I'm not responsible for manufacturing, but still, I think we need to look much more downstream to the customers, to all the sales channels that we have, and they should also be included in the digital supply chain so that we really have this smooth and seamless flow of information.

This transparency that allows us when something goes wrong to really act, to analyze the situation, and take the right measures. I also think that automation plays a very important role there. We have to, for many routine items, routine issues, we have to achieve a much higher degree of automation that we have today. That is for me also an integral part of a digital transformation in a supply

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chain.

Bharath: This is a great segue to the next question. How is supply chain transformation being rolled out at Santen?

Frank: Supply chain transformation is something that we have been doing now since seven years. If you want to achieve a transformation, this is going to take years and years. The important thing is that you have a clear vision on where do you start and where are you going?

The key tool for us was to have a roadmap. We have built a roadmap where we defined which capabilities we want to build over time and therefore also which are the key projects, the key processes that we want to address, for example, end to end planning or global transportation.

Really going step by step and building capabilities one on top of the other. We talk specifically about digital transformation. We have digitized a couple of key processes. For example, we implemented an advanced planning system globally. Or we implemented a global workflow for our artwork development.

The big-ticket item is now an SAP HANA rollout that we have started. Where we go region by region. We are in the middle of it. It is a fantastic business transformation project, but this will also serve as a key basis, or a cornerstone of our digital end to end vision.

Bharath: Now, Frank, when we spoke earlier about your vision for digitally transformed supply chains, you mentioned the importance of seamlessly exchanging information with your suppliers and partners. How important is it for Santen and its partners and suppliers to start exchanging information digitally?

Frank: The digital exchange of information for me, this is really a crucial step. What happens in practice today is the company has a nice ERP, or more or less well implemented. Let's say it works well. Very often it stops at the boundary of the

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company.

That is often also the situation we find ourselves in. When we communicate with external partners, we find ourselves sending Excel sheets back and forth with email, and that is not a digital transformation I'm talking about. Is really far away from it.

We really need with our key partners as to start with, we really need to go ahead and integrate those key information that we see as most relevant in operations. This is something where we are as an industry, we are lagging behind.

Others, like fast moving consumer goods have achieved a much higher integration with their suppliers and with their logistics service providers. For me, this is very high on the agenda. We really need to drive that. We also expect, from our partners in the supply chain to fully participate because these are joint projects.

Bharath: Now, so far, Frank, we've been speaking a bit broadly about suppliers and partners and wanting to digitally connect and exchange information. If you were to zoom in a little bit into external manufacturing, for example, contract manufacturers, how important is digital transformation in external manufacturing?

Frank: Digital transformation with external manufacturing partners is really a key driver of our operational excellence and operational efficiency. We are really spending a lot of time creating these Excel sheets, sending them back, sending them, receiving them back, discussing the changes and so on.

Placing orders in a semi manual way, tracking the status of orders, and this is something where we expect to be performing much better in the future, where we expect to have Much faster, but basically real time exchange of information of the status of an order, being able to have the full transparency, but also cutting down on the cycle times.

All this receiving, uploading in a system, downloading from a system, sending to

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the partner, that takes a lot of time. We really expect to be able to cut the planning cycle with a third party also significantly by speeding things up.

For me, this is an essential element, at least with our strategic partners. We really expect to be able to make fast progress there.

Bharath: How many contract manufacturers or CMOs are sent and using, and how is your relationship with these contract manufacturers being transformed?

Frank: We work with well over 20 contract manufacturers worldwide. Of course they're not all equal. Some of them we consider as strategic. Some are really making maybe one or two specialty products for us. We are now focusing on those that are strategic, where we have high business value and where we also know that we are important to them.

There we have started, we have built a couple of interfaces from our SAP system, but we are looking also for novel and easier ways to connect. We believe that there is a constant change that we...Today we work with a certain set of contract manufacturers, in the future we will have some new ones coming in. You will have some being phased out.

The same the same we have a downstream with the logistics service providers. There's a constant change. What we find is that building interfaces from ERP system to ERP system is a quite heavy and relatively long process.

We are also looking for ways to speed that up to become more agile. This, I think the transformation of relationship has to go via also a deeper exchange and a more agile way of building these connections.

Bharath: Makes sense. Do you see the real time exchange of business transactions such as purchase orders, purchase order acknowledgements, advanced shipping notices, or ASNs with your CMOs as part of the digital transformation?

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Frank: Yeah, for me, the digital exchange of transactions is really at the core of the digital transformation. These are really business processes that we conduct with our contract manufacturers. It's all about the product and the product is everything.

These transactions must be digitalized, and we need to be able to exchange all that in a much more seamless manner. I would also think that having information on planning status of a certain order could be extremely valuable, so that we can look down into the future and see everything is on track.

Even before we start executing then the actual shipping transaction, the ASN, or even before we go into the process of having the QA release which I also hope will be supported by digital tools. That we can look into the future and see if everything is on track. For me, this these elements are really at the core of the digital processes with our contract manufacturers.

Bharath: Santen has been executing its serialization processes on TraceLink. How important is the TraceLink network in achieving connectivity with 100 percent of your partners and suppliers?

Frank: The TraceLink serialization network has been really the cornerstone of what we have done in the global serialization. It has allowed us to with a really small team, great people, but it is a small team, to really set up the global serialization program to connect with all our many contract manufacturers.

Also to be able to do the reporting for all the multiple regions and geographies where we are active, and where the authorities expect to receive our serialization data. I would say it was essential for us to work with TraceLink to achieve that.

Bharath: Tell us about the end goal for supply chain transformation. Meaning what is the business impact of real time information exchange with all of your suppliers and partners.

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Frank: The end goal of digital transformation, I think the Merck head of supply chain and now CIO has talked about a self-driving supply chain. That sounds very nice. For me, it's a bit less ambitious. I would be more than happy that if we had a system where we really have the digital integration of information from our contract manufacturers to their critical material suppliers, down to our logistic service providers, to our distributors and wholesalers.

That would allow us to, by having transparency on the status, reduce the inventory because we wouldn't have double inventories that everybody on each side of the boundary keeps just in case. We would certainly have a faster cycle time. The whole planning cycle would go much quicker. That would reduce also our overall lead times.

It would also make us much more able to react to unforeseen situations. Let's say major trade routes become unusable from one day to the other, which we have seen, and we are going to see in the future as well. Or a major supplier being unable to deliver.

If we have all the information available across the supply chain, which spans multiple companies, then we are able to run a control tower to assess the status off the different of inventory, the status of shipments and to make decisions much more quickly.

It's not only about reducing inventory and speeding up the lead times, but it's also about making better business decisions, especially in a crisis situation, and it will certainly also help us to reduce costs. There's still a lot of work to be done on all, by all partners in the supply chain. The tools are now there. We're starting to be there finally. Now it's up to us to build all that.

Bharath: Frank, thank you so much for joining us today. It was a great conversation.

Frank: Thank you, Bharath. I really enjoyed it.

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