

Transformation in Healthcare:

Building The Outcomes-Focused Value Chain

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Research VP

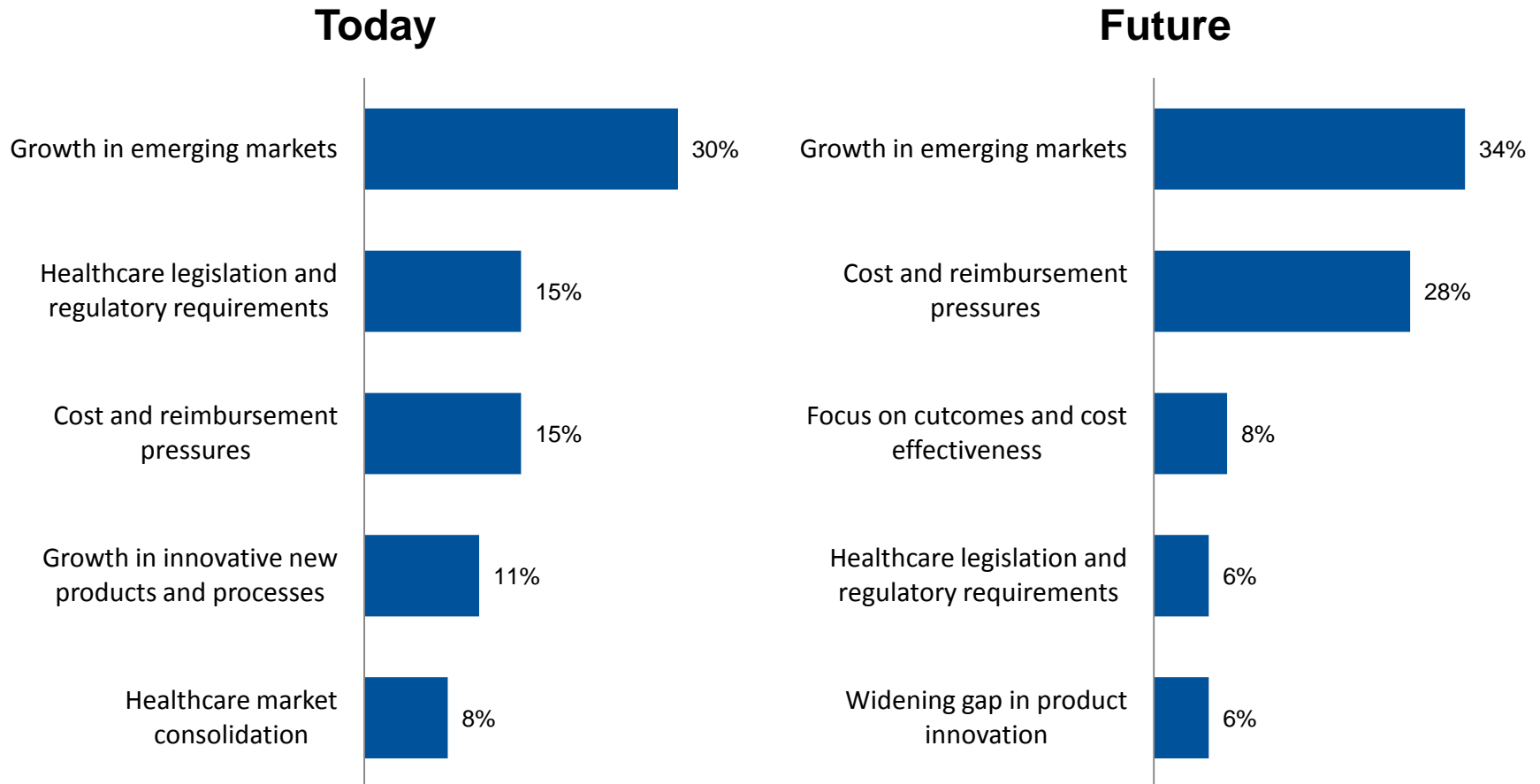
Healthcare and Life Sciences
Supply Chain

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Topics for Today

- Today's Key Challenges
- Demand-Driven Strategies
- The Challenge Ahead

Impact of Industry Trends on Medical Device Companies' Supply Chains



Q: In your opinion, what industry trend currently has the most significant impact on the overall healthcare and life sciences value chain? 24 months from now?
N=53

Today's Challenges

2 Races

Cost and Reimbursement Pressure

- A Race Against Competition

Growth in Emerging Markets

- A Race To New Markets

Today's Challenges

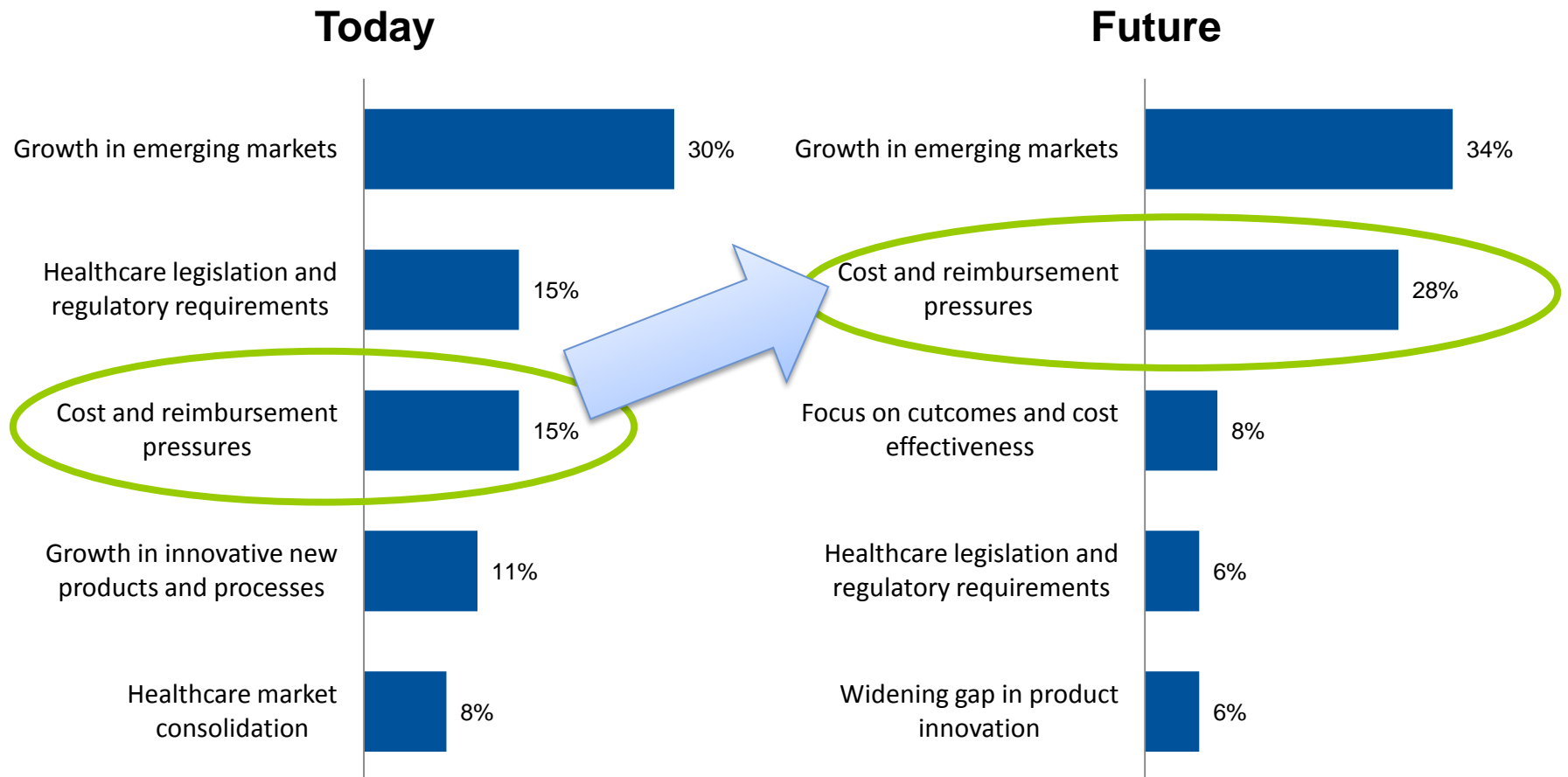
Cost and Reimbursement Pressure

- A Race Against Competition

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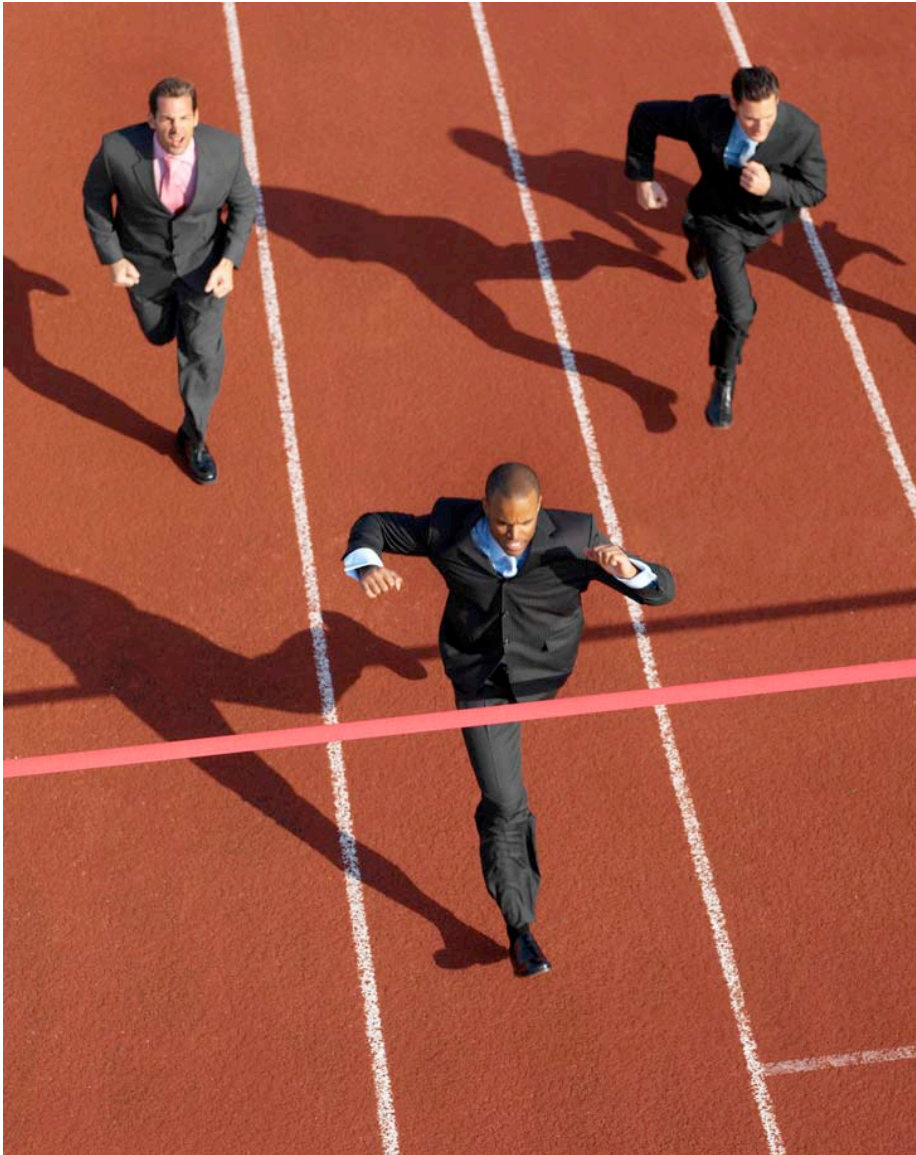
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A Race Against Competition

Cost and Reimbursement Pressure

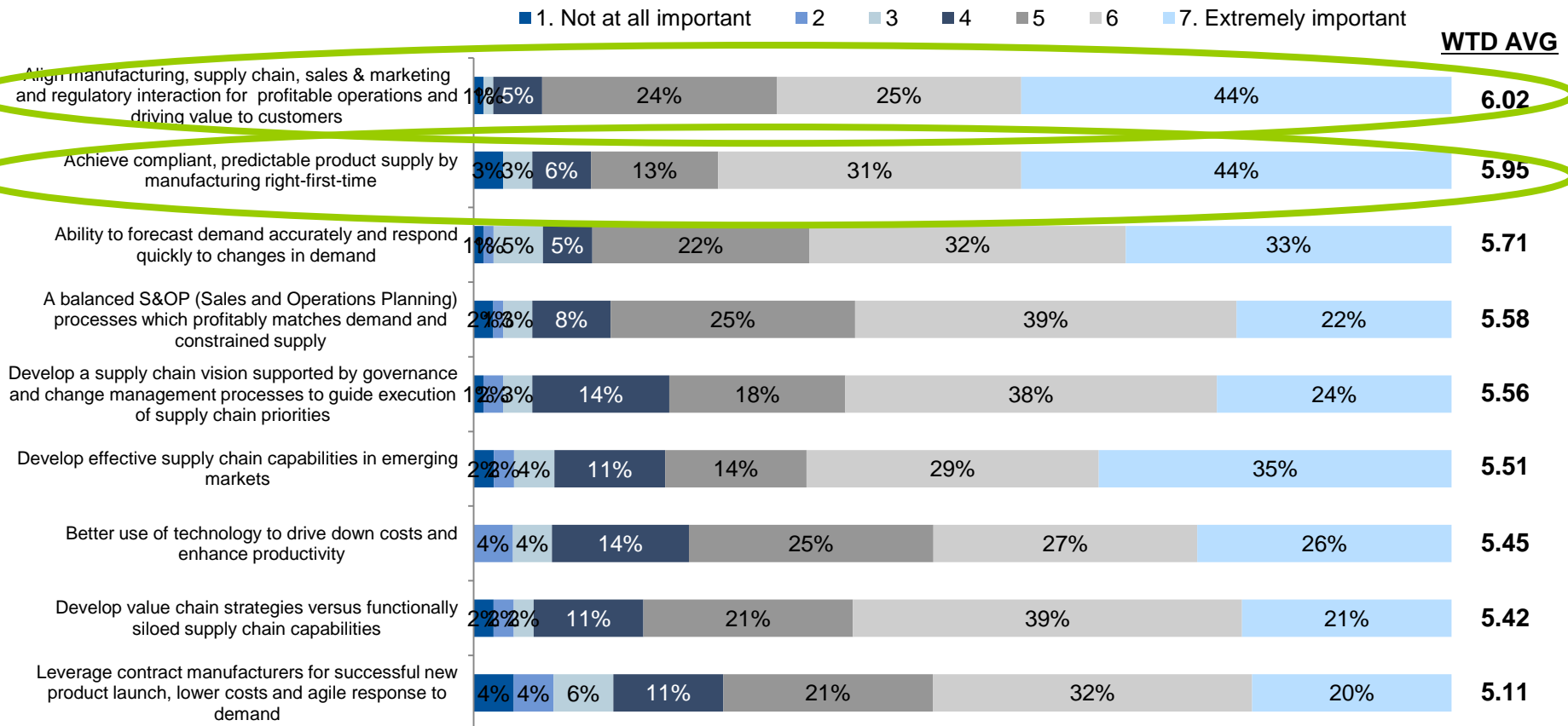


How Can We Stay Profitable?

- Slowing Growth in Mature Markets
- Comparative Effectiveness
- Pressures to bring down the cost of healthcare

Reliable Supply and Profitability are Key Capabilities for Supply Chain Success

Alignment for profitability and reliability of supply are the key capabilities...

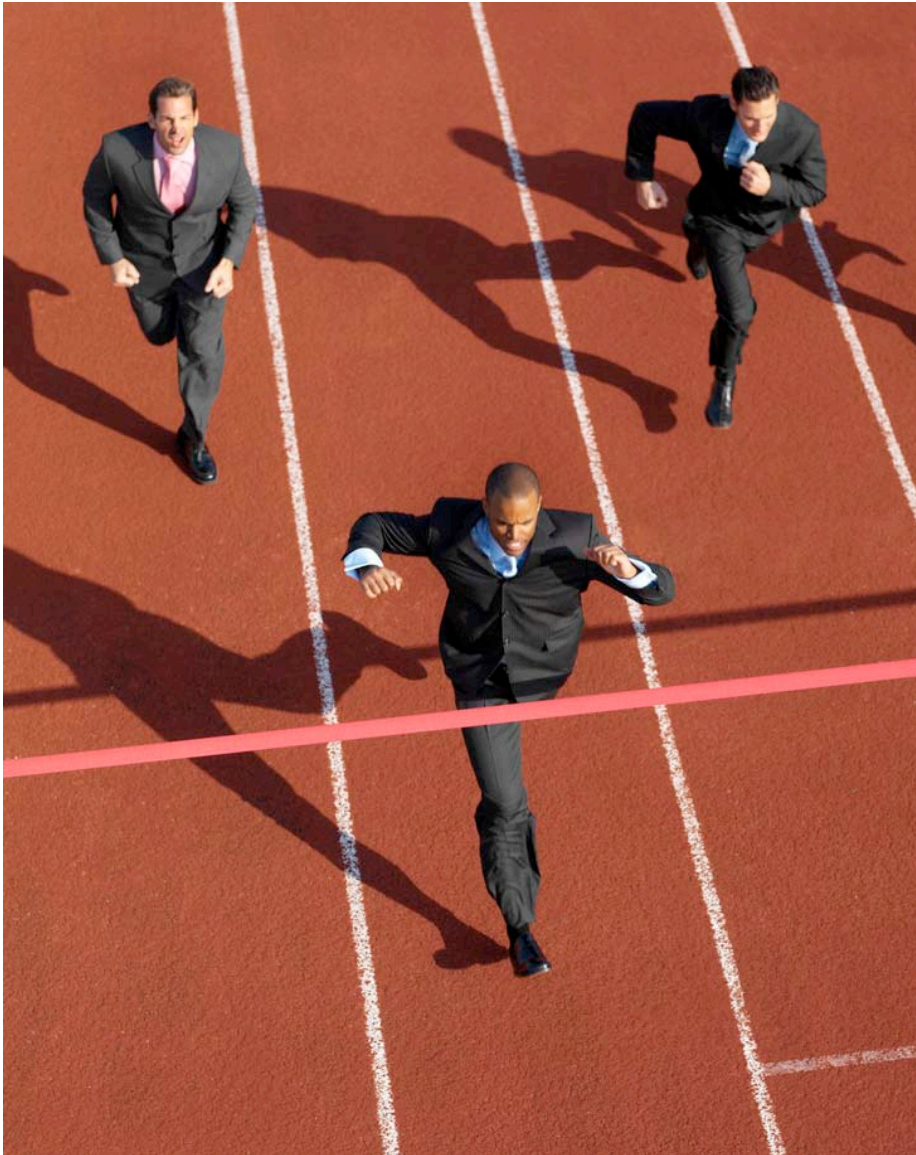


Q07. Please rate how important each of the following capabilities are to the success of your company's supply chain strategies today.

N=114

A Race Against Competition

Cost and Reimbursement Pressure



How Can We Stay Profitable?

Best-in-class Operations and Execution ...

- Operational excellence addicts
- Reliable, robust business processes
- High-Quality and compliance
- Visibility and profitable trade-off decisions
- Collaborate and align internally

What does good look like?
Cut Field Inventories by 25-30%
Cut Cycle Times 50%
Cut Costs 50%

Today's Challenges

Cost and Reimbursement Pressure

- A Race Against Competition

Growth in Emerging Markets

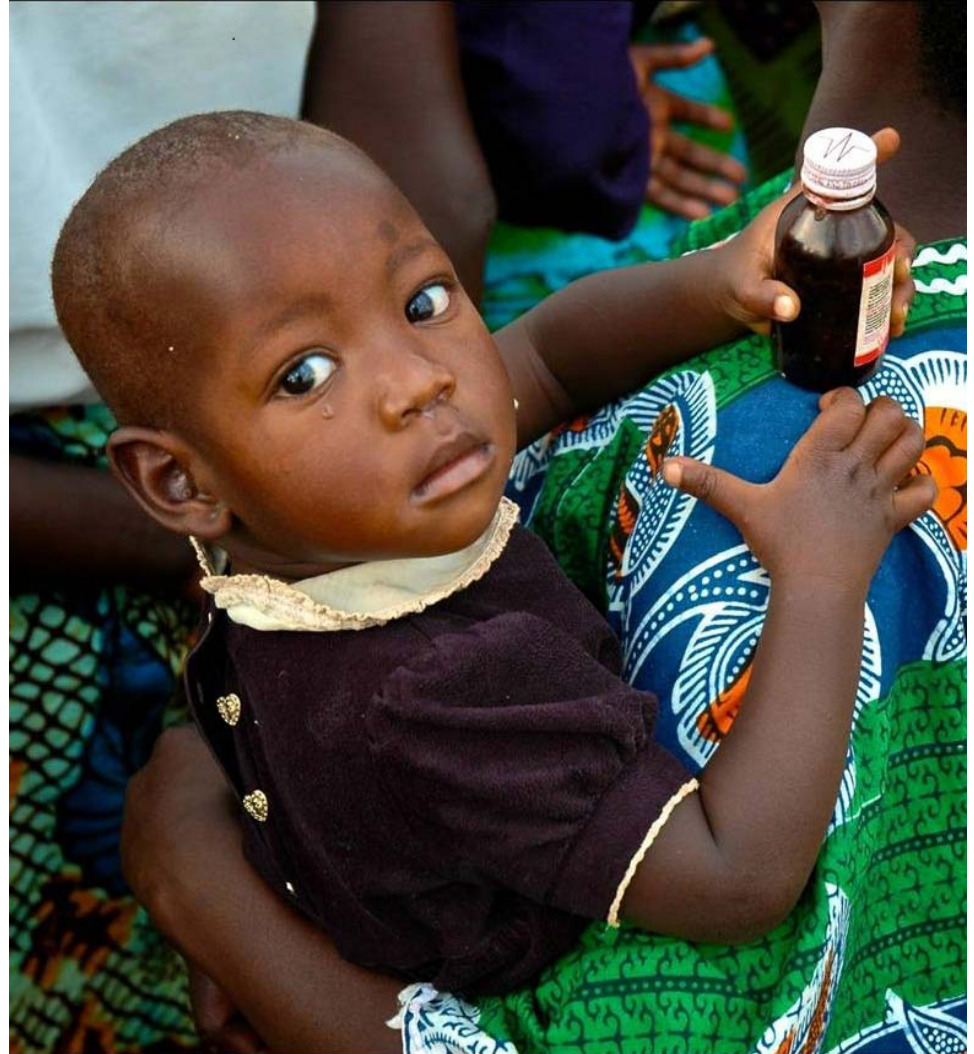
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A Race To new Markets

Growth in Emerging Markets

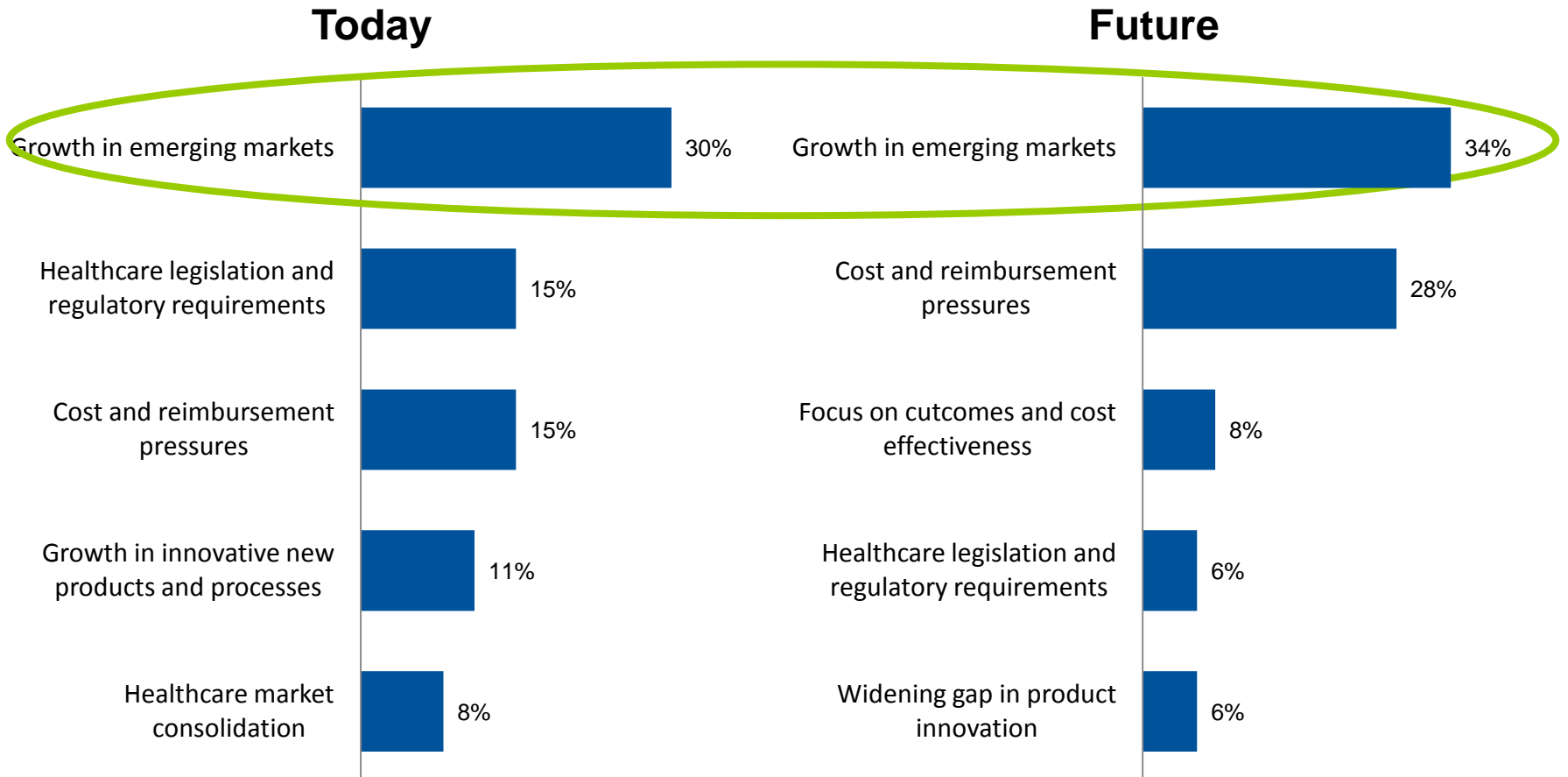
Where to Capture Growth?

- Innovative products and technologies
- Combination products
- Global demographic shifts
- The next billion customers/patients



Impact of Emerging Trends on Medical Device Companies' Supply Chains

Of the major industry trends impacting medical device manufacturers, growth in emerging markets is having the greatest impact...

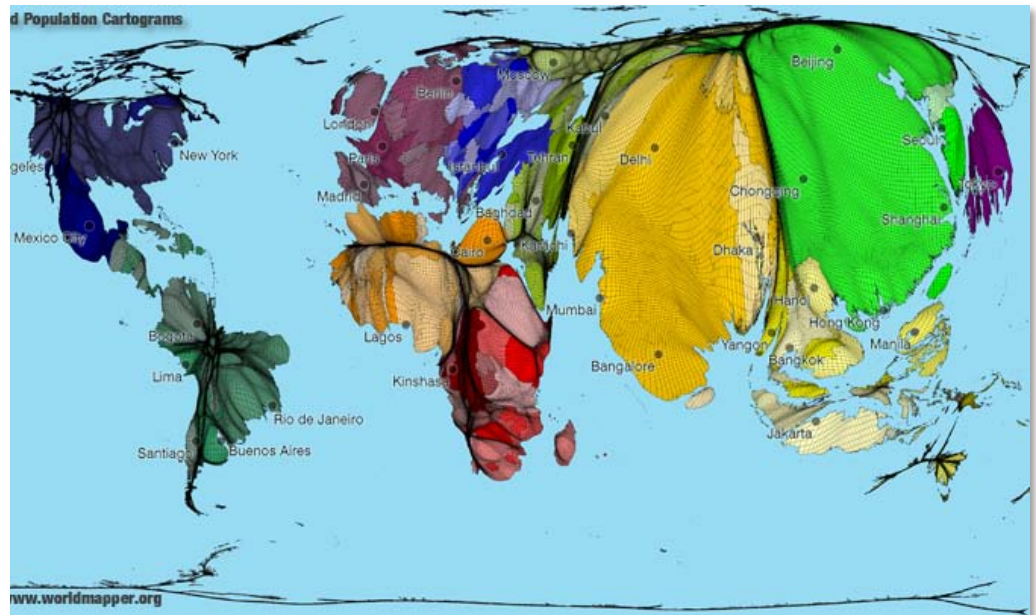


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The Next Billion Patients

Growth in under-developed countries brings great opportunity for Healthcare and Life Sciences...

- Rapid growth of the middle class
- Rising standards of living extend lives
- Increasing prevalence of chronic diseases
- Emergence of more sophisticated private healthcare plans



A Race To New Markets

Growth in Emerging Markets

Where to Capture Growth?

Global Reach...

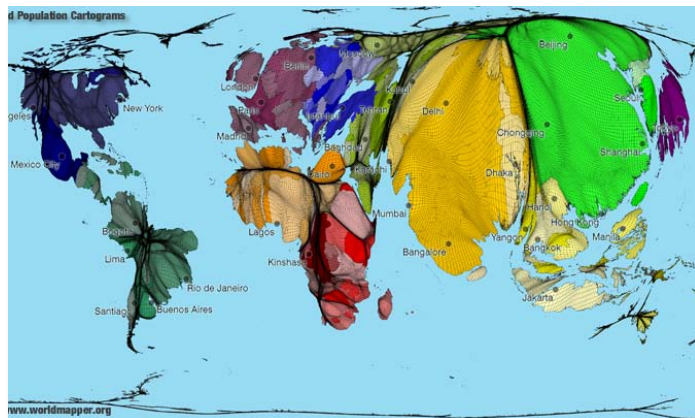
- Distributed assets and organization

Increasing complexity...

- Varied product and market requirements

New Capabilities and Models...

- Cold Chain, Combinations, CDx
- Direct to Pharmacy/Hospital



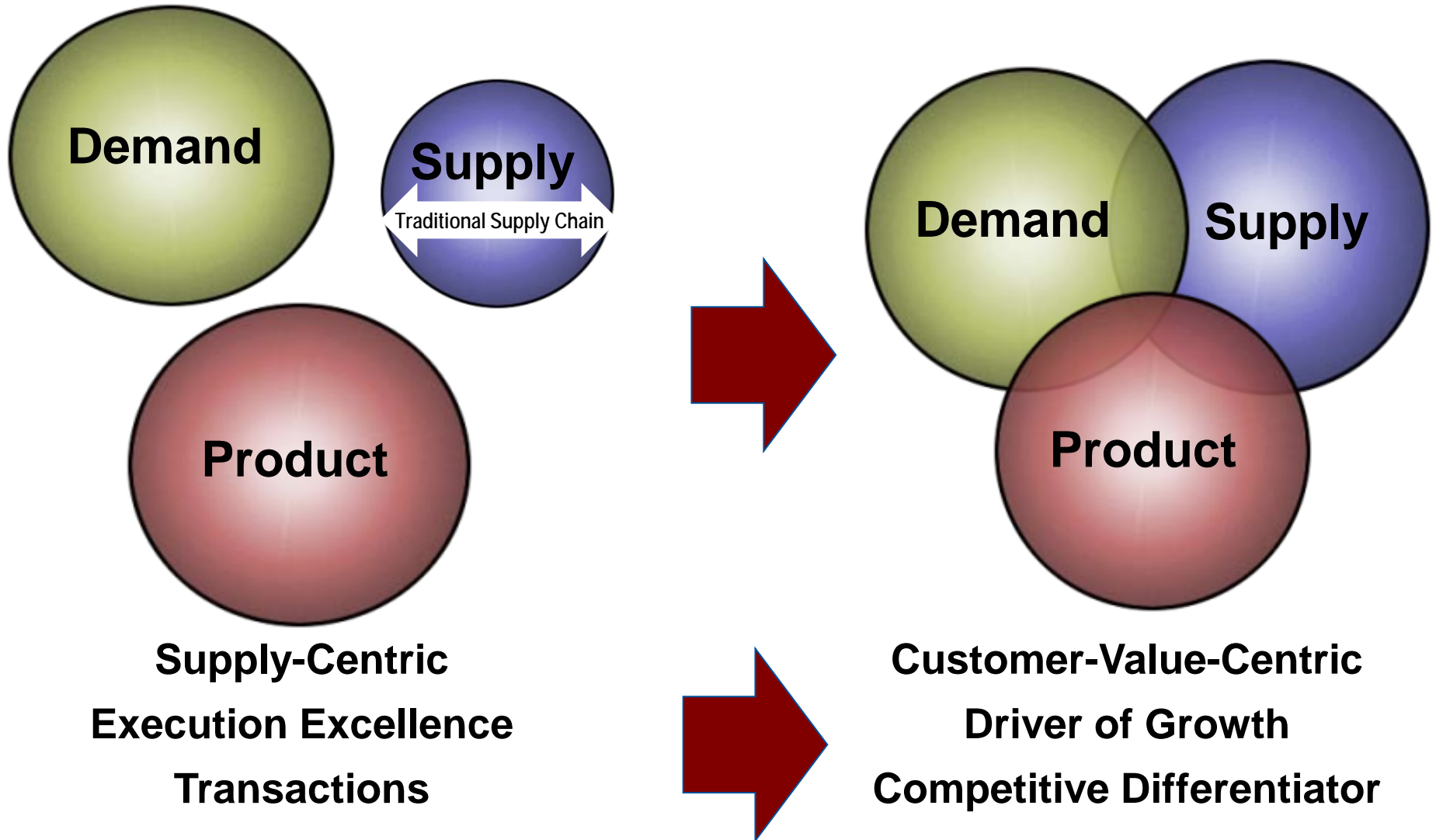
What does good look like?

Global Visibility

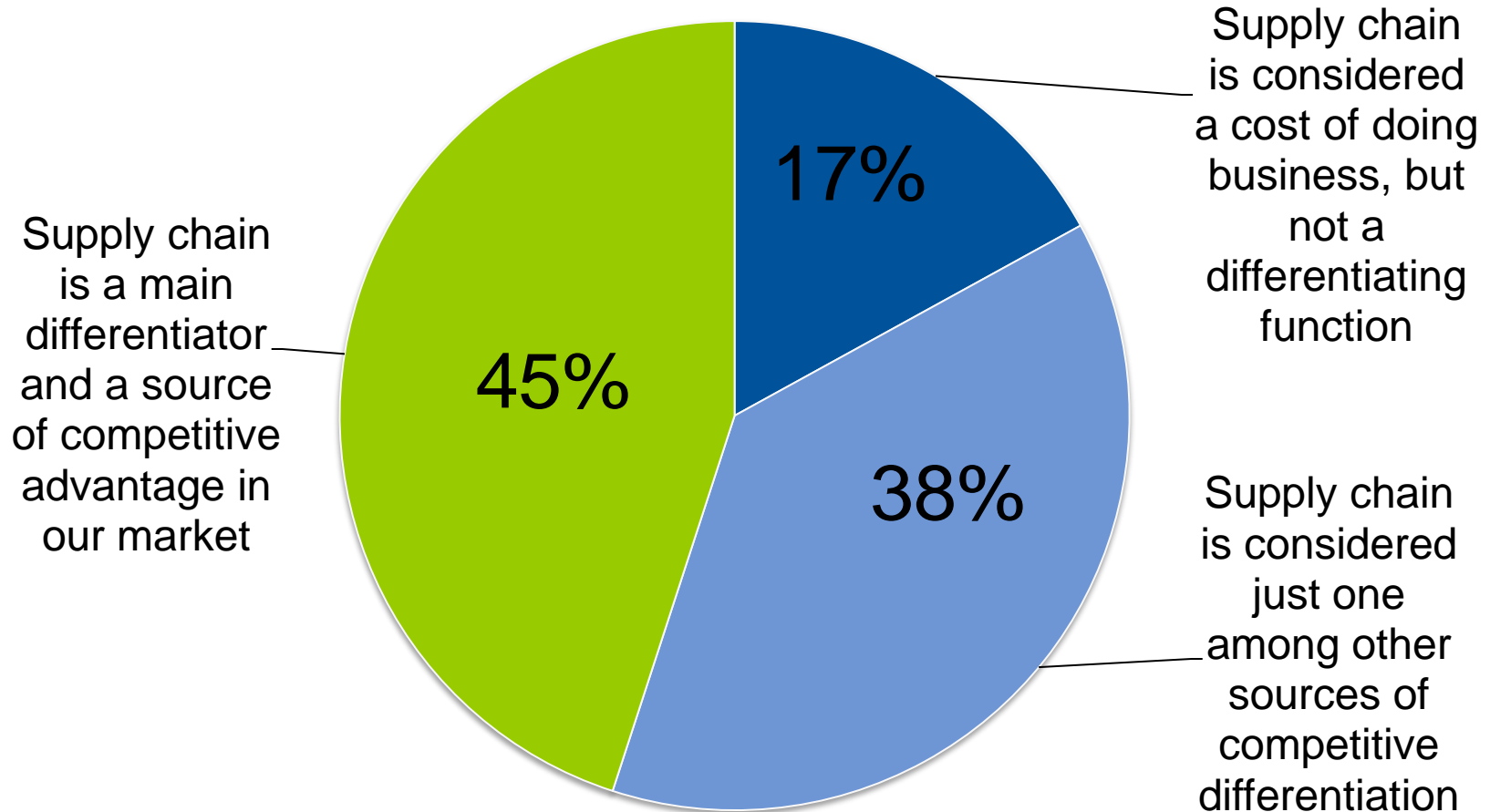
Orchestration through S&OP

Flexible and adaptive network

Traditional Supply Chains Cannot Compete...



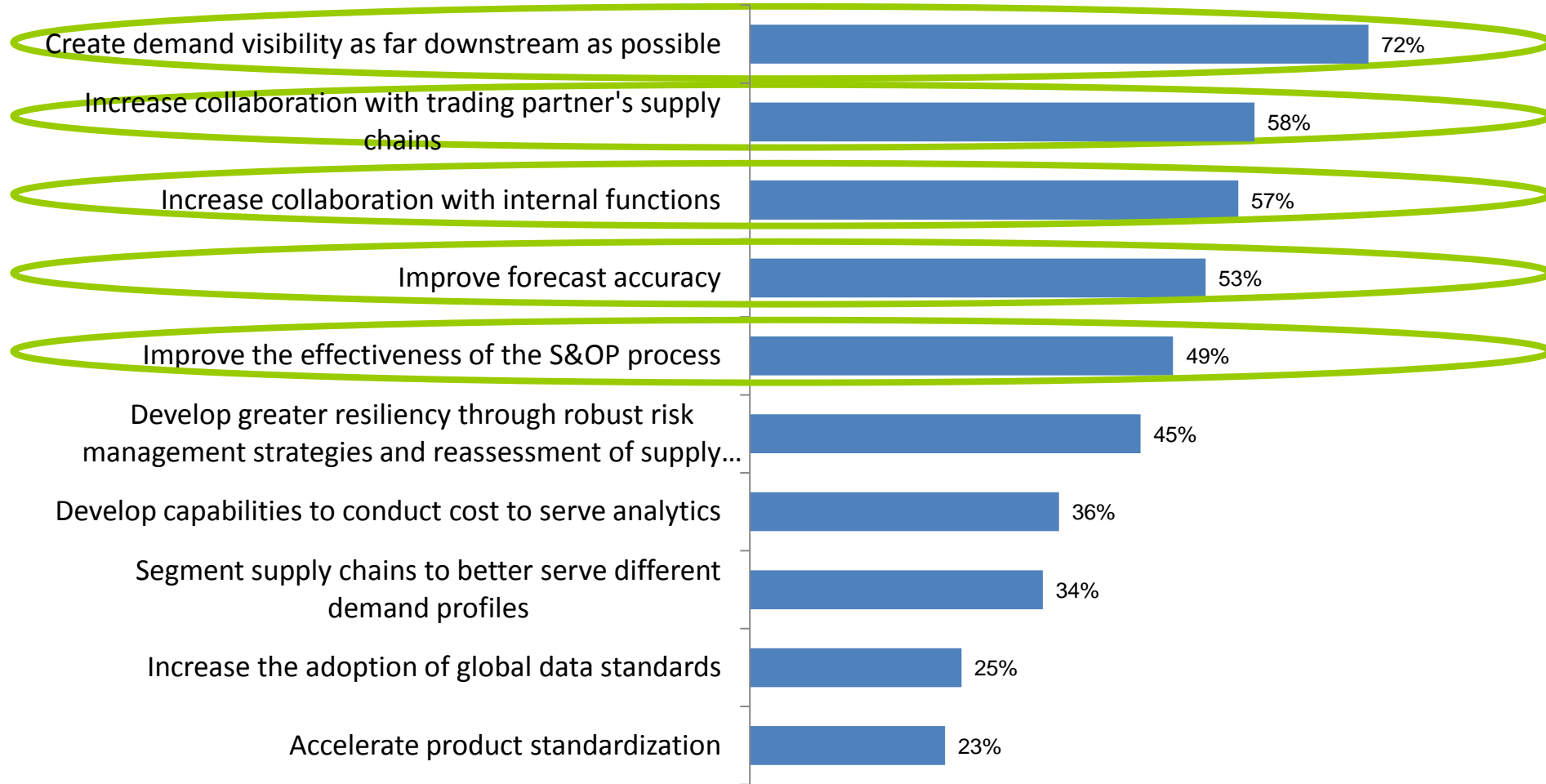
More and More, Supply Chain is Viewed as a Strategic Capability



Q01. Which of the following statements best describes your organization's view (not your personal view) of supply chain?

N=52

Demand-Driven Strategies Are Winning The Race



Q06A. How is your organization's supply chain responding to these industry trends today?

Multiple responses allowed

N=52

Manufacturers Adopting Demand-Driven Practices

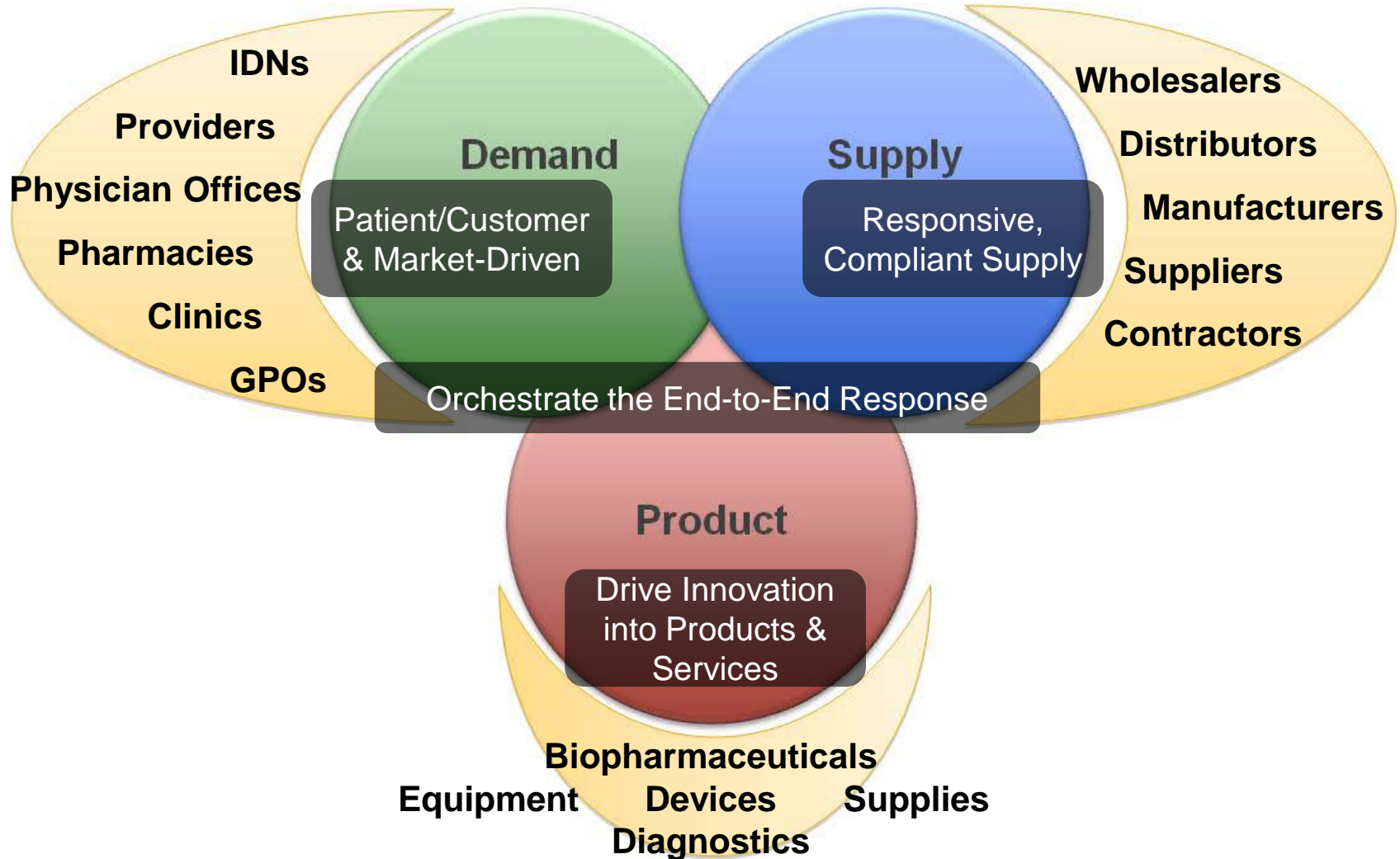
The Usual Suspects...

- **Operational Excellence** – Working Capital, Cycle Times and Right-First-Time
- **Sales & Operations Planning** – Moving beyond demand and supply matching
- **Integration** – Automation and standardized platforms for scale and visibility
- **Performance Management** – Aligning a hierarchy of key metrics

...With Demand-Driven Excellence

- **Demand Visibility** – Downstream sensing and reduced latency of demand information
- **External Partner Collaboration & Communication** – Beyond paper, email and fax
- **Supply Chain Segmentation** – aligning a segmented view of customer & channel value with operational & supply chain capabilities
- **Understanding Costs-to-Serve** – Building understanding of costs further than COGM and costs to deliver
- **Supply Network Strategies** – Creating agility beyond make versus buy manufacturing strategies, and resiliency to assure supply
- **Manufacturing & Compliance Architectures** – Data visibility, contextualization, analysis and reporting

Demand-Driven Healthcare Value Networks



The Demand-Driven Healthcare Supply Chain

Key Capabilities

Value Chain Goal:

Improved Patient Outcomes at Optimal Economic Cost

Patient & Market Driven

Patient/Customer Experience
Demand Sensing & Visibility
Demand Shaping
Differentiated Value

Innovation in Products and Services

New Product Technologies
Embedded Innovation
Integrated Launch Planning
Lifecycle Management

Network Orchestration

Global S&OP
Collaborative Relationships
Network Design
Joint Value Creation
Working Capital Optimization

Value Adding Supply

Dynamic Networks
Supply Network Visibility
Agile Response
Reliability and Resilience
Quality Beyond Compliance

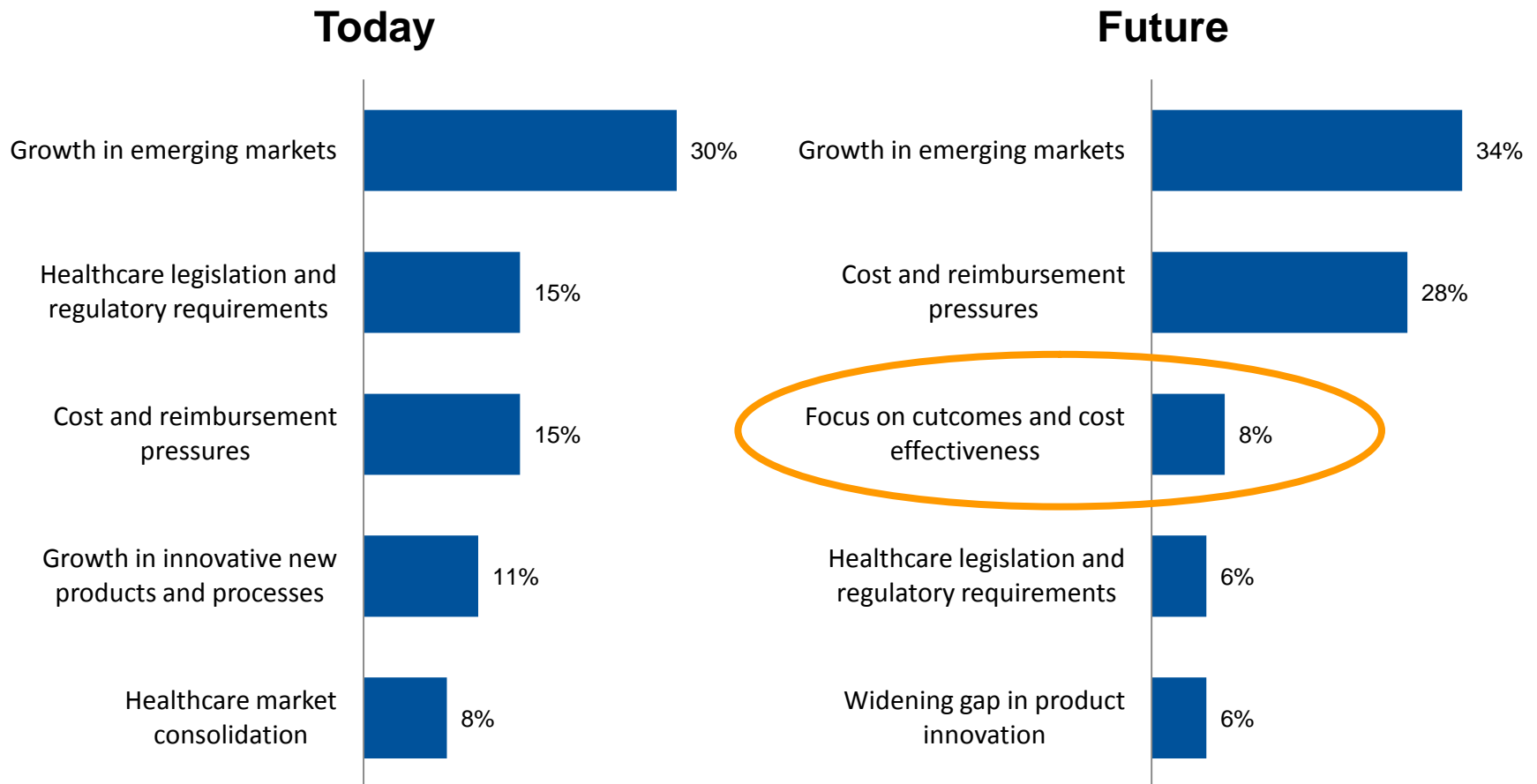
Foundational Capabilities

Vision and Leadership
Operations and Innovation Excellence
Business Process Management Platform

Aligned Metrics and Performance Management
Organizational and Talent Development
Change Management

Impact of Emerging Trends on Medical Device Companies' Supply Chains

Looking to the future, a new trend is expected to impact the supply chain...



Q: In your opinion, what industry trend currently has the most significant impact on the overall healthcare and life sciences value chain? 24 months from now?
N=53

...And More!

The Challenge Ahead

Cost and Reimbursement Pressure

- A Race Against Competition

Growth in Emerging Markets

- A Race To New Markets

Focus on Patient Outcomes

- A Race To Transform

A Race Against Time

Fundamental Business Shifts

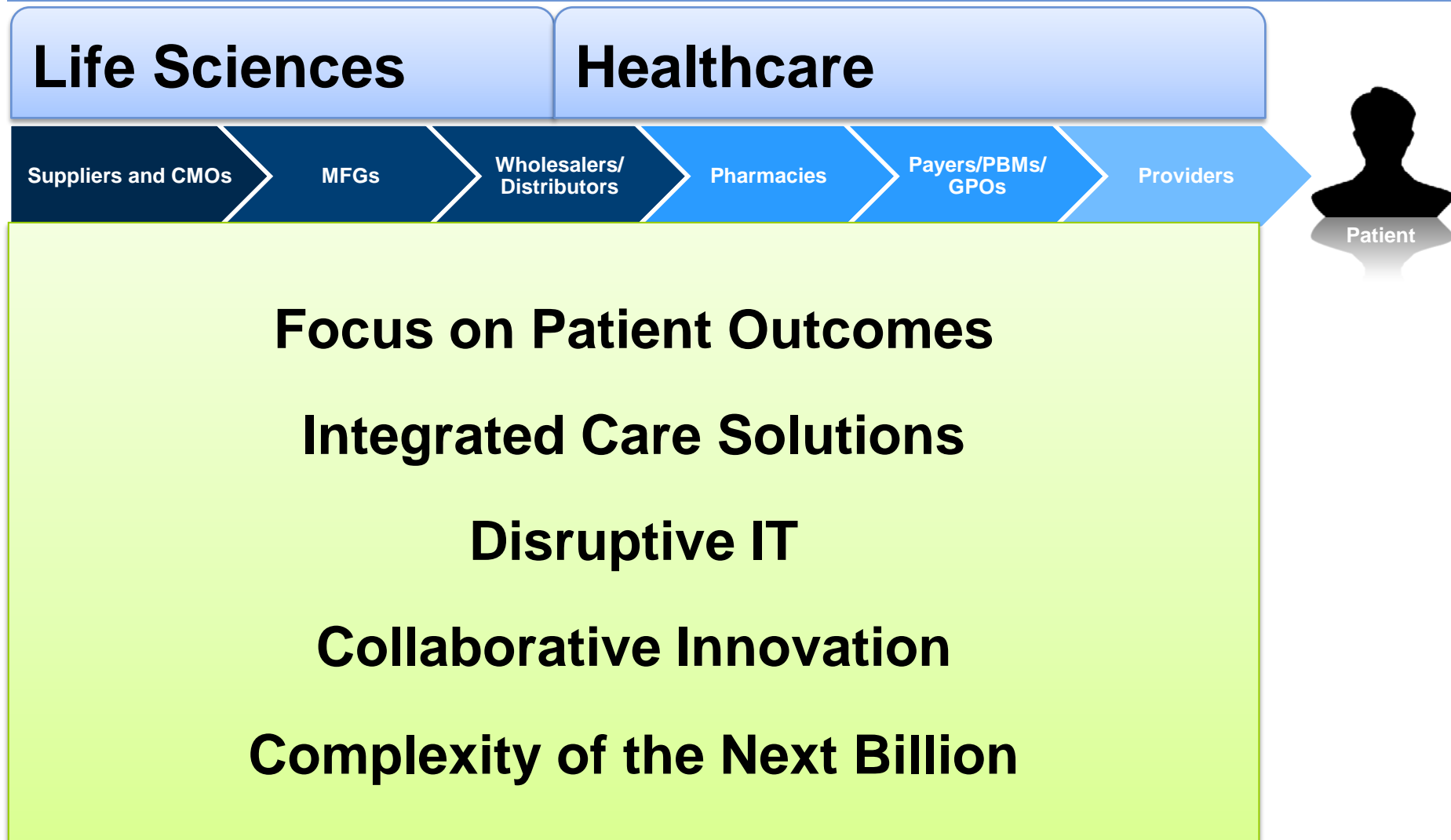


Can We Transform?

Government and social pressures to reduce healthcare costs

- **Reform/Reimbursement Pressures Driving Cost Reduction**
- **Consolidation and Scale in Healthcare Providers...**
- **And Growth in Non-Acute Points of Care.**

NextGen Transformation in Healthcare: The Patient Outcomes-Driven Supply Chain



Thank You!