



ALCON SEES HIGH CUSTOMER SERVICE, OPTIMIZED INVENTORY LEVELS

SAS® Forecasting Saves \$6 Million

Industry

Pharmaceutical, Manufacturing

Business Issue

To accurately predict inventory levels and meet customer demand.

Solution

SAS® Forecasting.

Benefits

SAS reduces back orders, saves staff time and optimizes inventory levels – with a payback of more than \$6 million to date.

Devoted to the ophthalmic industry for more than 50 years, Alcon Inc. is the world's leading eye care company. The company, which has its U.S. headquarters, marketing and manufacturing operations in Fort Worth, Texas, develops, manufactures and markets thousands of pharmaceutical, surgical and vision care products to eye care professionals and the general public around the world. To help ensure the highest customer service levels for its clients, Alcon's Houston facility developed a SAS forecasting solution that has reduced back orders, saved staff time and optimized inventory levels.

In fact, Alcon's materials managers say SAS has helped save the company more than \$6 million in inventory costs. "Over the years, our customer service levels have improved and our volume has grown," says David Robertson, Consumables Materials Manager. "But while we've increased our business, we haven't had to increase our inventory or staff. We've just gotten better at forecasting product demand. As a result, we're able to achieve very high customer service levels without having to make unrealistically high investments in inventory."

On target to achieve goals

The company's Houston plant manufactures and packages customized surgical procedure trays and a variety of consumable products used by eye surgeons. Each individual Custom Pak® tray is manufactured to the customer's unique specifications and contains virtually every item the surgeon will

need for a single surgery. The trays consist of 30-35 components chosen from the thousands stocked by Alcon's Houston plant, arranged in the exact sequence requested by the customer.

Originally implemented in 1991, Alcon's forecasting system is powered by SAS and has been continuously developed since that time. The system tracks customer usage and demand patterns to establish a unique forecast for each Custom Pak and consumables product. According to Gary Keathley, Custom Pak Materials Manager, Alcon Houston manufactures thousands of different trays and other surgical products, and SAS analyzes the whole supply chain process – from the purchasing of raw materials to the sale of products to the final customer.

"SAS helps us set inventory targets, daily customer service levels and other supply chain targets," says Keathley. "Right now, zero back orders and a 100 percent customer service level are real possibilities, and when you consider the number of variations of the product that we make and the number of customers that we serve, those numbers are really impressive."

Today, Alcon's backorders are at record low levels, an important key to customer service, says Patrick Parish, one of Alcon's Custom Pak Demand Analysts. "From a customer service standpoint, this forecasting system

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Gary Keathley

Custom Pak Materials Manager
Alcon Inc.

is very important to us. While keeping our inventory levels low, we are consistently able to maintain high levels of customer service, which means when our customers want to change an item in their Custom Pak, we can deliver that change sooner.”

Increased market share

Currently, the company claims a majority of the U.S. custom ophthalmic procedure tray market, while their many competitors vie for the remaining market share. “While we have been the leader in this segment for a number of years, our market share has continued to grow,” says Robertson, the consumables materials manager. “We’ve grown steadily and increased our market share. We believe it’s not just because we offer better products but also because we have better service and response times. A good portion of that is attributable to our SAS forecasting solution.”

On the other end of the supply chain, Alcon’s materials managers say SAS helps them negotiate lower purchasing costs and maintain excellent relationships with suppliers. “SAS is the linchpin of our supply chain management strategy,” explains Keathley. “SAS brings integrity to the whole process. Whether we’re negotiating with the supplier over price or

working with customers on delivery, SAS allows our supply chain management strategy to really succeed.”

Managing by exception

The business of managing thousands of products can be quite challenging, but according to Keathley, SAS simplifies the task, allowing Alcon to keep the resource requirements low and save money. “SAS has allowed us to take our business from a day-to-day business to a management-by-exception business,” he says.

In other words, “we trust the forecasts and the data that we’re getting from SAS, so we turn that right into a production plan with little oversight or alteration,” says Parish. “There are some exceptions that we have to investigate further, but for the most part, the data we use to determine customer demand flows into SAS and then SAS comes up with a forecast that flows right into our production schedules.”

In the end, Parish says, the management-by-exception strategy allows Alcon to run its Custom Pak business with just three demand analysts. Without the SAS forecasting system, it would take at least 13 or more analysts to manage the current production capacity.

The bottom-line difference: over \$600,000 a year in salary and benefit cost savings alone.

SAS use into the future

In addition to the inventory and demand forecasts, Alcon’s SAS-based forecasting system also provides assistance in determining sales volume, projecting financial results, budgeting and manpower forecasts. “This information really becomes the basis for most of the key supply chain decisions made within our plant,” says Robertson.

And since the power of SAS is so far-reaching, members of Parish’s demand analyst team frequently track and measure the accuracy of their forecasts. “We measure our performance to our SAS forecasts, as a key performance indicator, and we find that SAS forecasts extremely well. It forecasts better than any other system we’ve seen, so we consistently use it as our source of data.”

In fact, Alcon Houston has been so pleased with its SAS forecasting capabilities that the company plans to expand its use to include implementing forecasting solutions and providing production planning for international customers as well.



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