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ALEX MAIERSBERGER: From the largest global governments and health insurers to local hospitals and public health agencies, from Sweden to Singapore to South Dakota, SAS Health helps the world get to a healthier future faster with advanced analytics and leading artificial intelligence and machine learning platforms.

I'm your host, Alex Maiersberger. And in season three of our podcast and video series, we celebrate those changing health care and life science for the better. Today we get to celebrate and welcome Felipe Sotelo, a positive thinker with over 12 years of experience leading business reinvention at organizations including Johnson & Johnson, Teva Pharmaceuticals, Accenture, and PepsiCo.

He's passionate about negotiation, problem solving, and implementation of innovative ideas to address supply chain disruption. As a business writer, his Supply Chainer Report has over 6,000 readers, where he challenges the status quo and reviews business trends.

Felipe, with all the other demands on your time, sort of infinite demands on time, thank you so much for spending some time with us today, and welcome.

FELIPE SOTELO: Thank you. Thank you, Alex. My pleasure to be here in opening the third season. So, yeah, thank you so much.

ALEX MAIERSBERGER: So, most importantly, in your background and in your LinkedIn profile headline, it says, dad and husband, the only titles I care about. I think that's such a great example of priorities. Can you explain a little bit about what's behind that?

FELIPE SOTELO: Yeah, sure. Actually, I'm not trying to call any attention. I'm just trying to focus on what is important in my life. My wife is my biggest advisor. My children are the biggest masters of my life. I see myself on them, and I admire how children are always discovering new things.

We, as an adult, we are always following processes and trying to follow paths, but the real innovation, sometimes, is in children. You just need to look at them, how they are doing the things with an unbiased brain on the thoughts and how they talk. And that's why I'm always learning with them. So, yeah, for sure, that's my best headline that I could find, yeah.

ALEX MAIERSBERGER: Really appreciate that and really love that. I think curiosity is definitely our code, and we sometimes lose a little bit of that as adults. I share very similar sentiments with my wife and kids. So, you've led demand planning across industries and across countries, so everything from life saving drugs to Nike shoes to bags of chips. Clearly, the pandemic has changed everything for demand planners. With, now, some of the restrictions lifted, what would you identify as the single most important change in demand planning because of the pandemic?

FELIPE SOTELO: That's such a deep question, and the answer, of course, is complex. But I will say that's supply disruptions. Supply disruption, for sure, has changed everything about what was before and after the pandemic.

So as demand planners in different industries, the way you do the forecast is pretty the same. It's very similar. You take some assumptions. You create your forecasts. You create your analytics. And then you present it to commercial, and you sign off a figure. It could be for the next weeks. It could be for the next months.

But, at the end of the day, the most important thing is your assumptions, and based on what you are assuming that forecast is going to be in the future and what is going to happen for what you are predicting. However, supply disruptions, right now, are the biggest factor that is disrupting the quality of that forecast.

So, when you are having a forecast that is for the next weeks, you are assuming that something will happen in the future, without taking into account that any supply disruption may completely break the quality of your forecasts. And that's something that is happening for all industries, some of them more, some of them less.

But, definitely, when you are predicting a forecast, you don't take into account that, normally, you will have issues in the supply or your competitor will be out of stock. These all factors are things that completely destroy the quality of your forecast. So if some of your assumptions are wrong, your forecast is going to be completely wrong. And after pandemic, what we are living is completely, in this scenario, full of supply disruptions.

ALEX MAIERSBERGER: Yeah, those assumptions you talked about-- I think, right now, obviously, we have to deal with pandemic. And so there's disease. There's wars. There's also new ventures. A lot of capital has flowed into the health care space and other industries. In some ways, it's never been easier to get funding and start up a company.

So, disease, wars, new companies popping up-- is the new company a threat to those assumptions as well? If you're trying to factor in other things and then all of a sudden you got a new competitor to worry about, how much does that play its part?

FELIPE SOTELO: Yeah, for sure, it's something that is going to change your assumptions. And if you don't take into account the competition, what it's going to do on the next moves on the competition, the quality of your focus will be completely destroyed.

We shouldn't take it for granted that what is happening is completely new, Alex. I think that a hundred years ago, in the beginning of the 20th century, in the second decade, they were living pretty the same. They were after first World War. They were completely disrupted by the automobile, the gas, and new ways of transportation logistics.

So, for example, in the pharma business, companies like Merck or Johnson & Johnson, they were pretty new, right? Now, so what we are living is not completely new. It's something that has happened in the past. But, for sure, it's very important to take into account those competitors because in the next 20, 30 years, they could be the incumbents.

ALEX MAIERSBERGER: Yeah. I love that perspective. I think looking at what's old is new, and it all comes full circle a lot of times. You've written about accuracy, agility, and speed, that there's that right mix at the right time of trying to get the accuracy right, make sure you get the right amount of products, and then agility and speed. How reactionary is the supply chain right now?

FELIPE SOTELO: That's a good question because what I have been always seeing is that our supply chains are defined for being cost effective. That's from the definition of our supply chains. And right now

what we are trying to find is reliability in those supply chains. So agility comes to the equation where, actually, our forecast cannot be perfect and cannot be more accurate than what we would like to have. So, especially now in pandemic, we see that the forecast is not accurate as we would like for certain factors that, of course, are almost impossible to predict. So, then, reducing your cycle times, agility, everything would add speed to the market is definitely crucial for companies to continue their business. So, right now, I think that this is more important even than forecast accuracy. Forecast accuracy used to be the Holy Grail, but that's not happening anymore.

ALEX MAIERSBERGER: Interesting.

FELIPE SOTELO: And that's what I try to present for some business leaders in my article.

ALEX MAIERSBERGER: So putting agility and speed over accuracy, are there examples of companies doing that right now that stick out to you?

FELIPE SOTELO: Definitely, definitely. I think this is not a hypothesis. And if we look at the data for some of the top players in the industry, we can see how, in their public finance data, we can see the increases in inventory.

Increasing your inventory levels, Alex, basically means that you are stockpiling or making tactical deals or increasing your safety stocks because your forecast is not working as you are expected. So any time the forecast accuracy is harder to achieve-- so we are increasing, as the players, inventory levels, in order to maintain those customer services and the level of reliability in our supply chain that we are trying to predict.

In my article, I put as an example, Amazon and Apple. Both of them are clearly in the public financial statements increasing their inventory levels as a consequence of an increase on their cost of goods.

ALEX MAIERSBERGER: And is that true? Is agility and speed, maybe even over accuracy, true in life science and pharmaceuticals as well? Clearly in heavily regulated environments, you've got to deliver on the demand forecasting for all three, right? Accuracy, agility, and speed?

FELIPE SOTELO: Correct, correct, correct. I mean, in pharma business, we have a complexity added that is the regulatory environment, as you have said. And that's something that, most of the time, demand forecasts cannot control what is going to happen with these uncontrollable variables. So it's another complexity that we are adding to the equation.

So, as we have been speaking now, our forecast levels of accuracy are not good enough. So if you add more complexity-- in this case, the regulatory environment-- in our forecast, the level of the error is much bigger. So, definitely, life science, at least in pharma, your forecast error is even higher because of these complexities. Basically, what it means is that you need more agility than ever before. You have to reduce your cycle times in order to increase the level of the service in your customers.

ALEX MAIERSBERGER: The complexity versus simplicity, I think, is a question I want to explore with you because you've worked across industries and across countries. So for PepsiCo, for Accenture, where you had relationship with Nike and other retail brands, is it simplicity of industry or is it technology that's that much better? Or is it a mix of both that makes some industries much better at forecasting demand and matching it through the supply chain?

FELIPE SOTELO: So that's a deep question, I will say. I've been collaborating with several industries, several companies, and I will say that simplicity comes when you have a clear strategy of what you want to do. So if you have a clear strategy, your simplicity comes automatically from reducing any non-value added activities.

From the other side, technology is something that visionary leaders decide to engage and decide to invest in order to achieve future investments, to get better analytics. My response to this is I have seen both cases where there are companies with a very clear strategy, very good strategy, but not very good in technology and getting the data to support their hypothesis and their strategy.

And I have seen the opposite. I have seen companies with a very good technology in their systems, with a lot of analytics, with a lot of data, but without a clear strategy of where they want to go or what do they want to do with that analytics. So, in my opinion, it's a mix of both of them. You need to have the clear strategy from your top management, but you also need the visionary leaders to invest in the best technology at each of the time.

ALEX MAIERSBERGER: I like how you removed the industry, though, that even in heavily regulated industries, even in a life science or a health care delivery, and even in the retail shoes, that it takes people and technology, that it is the magic mix of both. It's not just one thing that's going to put you ahead. And so I appreciate the focus on strategy and removing some of that complexity, even if it's there just industrywide.

Let's talk health care very specifically. Early on pandemic, and so March 2020, it seemed like protective equipment, masks and gowns and such, were difficult to find. Then it was vaccine ingredients and the cold freezers and the supply chain to store them in. Then it was antiviral drugs, testing equipment.

Are those somewhat basics of the pandemic, are they now covered largely? Or are we entering a peak and valley phase of the health care supply chain? Will there be more cyclical demand challenges that come up?

FELIPE SOTELO: So, Alex, every company is taking different strategies. But as we have said, the main focus now, and the big change after pandemic, is to focus on reliability in our supply chains to deliver these products, these essential products, technological equipment for hospitals, protective equipment, and so on. And every company is taking different strategies.

However, especially in the life science and, in this case, in pharma, I will say that the main factor is supply chain shortages. So we will continue facing supply chain shortages. My prediction is that we will be living this up until 2024, at least. So the situation will not get better soon.

Companies are working on reliability and to get those materials on time, but the limit at this type of switches in their strategies don't take from one month to another. So it takes some time to change their strategies. So, for sure, we'll be living these next years as a supply chain of shortages about everything, not only life science, not only pharma. And I think this is going to be the new reality.

ALEX MAIERSBERGER: I needed some positivity from you that we would be out of this a little bit faster, but 2024 sounds like a long way off. It sounds like there's going to be a lot of finding out and setting new strategy.

FELIPE SOTELO: Yeah, I mean, part of the article that I wanted to share with industry leaders is the reality that we are living right now in terms of all the variability and complexities related to inflation, war, and many, many factors that will make these strategies really hard to accomplish.

So, as I said, companies are really focused. Top players are really focusing on reliability. As we have discussed, the data is there with clear examples from top companies increasing the level of inventories to have these products available for their customers and their patients. But I predict that, until 2024, we will not finish these supply chain shortages.

ALEX MAIERSBERGER: There's also lots of headlines on that globalization era is over, that individual countries are going to try to onshore and manufacture and have their own supply chains as much as possible. That can't really be true, can it?

FELIPE SOTELO: I'm a big believer of globalization. I think it's the biggest democratization tool for everyone. Not only in economics, not only in business, but also people, generations, that we are living right now with different countries. And there's no country that can live without another one.

What I mean is that these are very geopolitical decisions and strategic decisions that, for sure, that they have their foundations on investments and, as I said, focusing on reliability. But these are very top level geopolitical decisions that countries are considering to invest and to localize industries, which, I believe, in some cases, is a good decision based on privacy and security and so on. It's going to be an interesting time. I don't know exactly the answer, but, for sure, these are geopolitical decisions. Globalization is not completely gone.

ALEX MAIERSBERGER: I love the quote in there that you basically can't survive on your own, that you need other people. I think that's true in life and personalwise, and it's true countrywise. So I appreciate that perspective.

One question I have for you, again, with headlines that we see, is around new normal or next normal. You've talked a lot about just how much risk there is and how many assumptions have to go into the supply chain. Getting to 2024, we'll say that your prediction comes true. Supply chains get a little bit more normalized. There's that new strategy that's set.

How is the assumption and the risk going to be factored in then? Will it be like, hey, this is the world pre-2020, and we're going back to these smooth sailing supply chains? Or is there going to be still a lot of turbulence from a country individual standpoint, trying to source supplies?

FELIPE SOTELO: I don't want to be pessimistic, Alex, but I think the post-pandemic scenario looks quite different than what we used to live before. As I said, our supply chain, as a definition, are based on cost efficiency. What we are trying to draw into the future is to have reliability in those supply chains but also at the cost efficiency. So both of them will require a lot of effort. Additionally, companies are really involved in promising and having green promises about a footprint and so on.

So, if you can imagine that all these variables at the end land in the same complexity, that is your products will not be available because you have inflation. You have shortages. You have localization. You have a lot of geopolitical decisions that, by the end of the day-- not only at 2024, but in the future-- for sure, reliability will be the biggest key for all of the companies in order to get this mitigation of supply chain shortages.

ALEX MAIERSBERGER: Well, I'm glad we have your expertise on it because, I think, you've mentioned just how important leadership and strategy, the people, are and then how important the technology side. And it sounds like, throughout your career, you've blended both.

And you strike me as a very optimistic person. And you, obviously, talked about how important your kids are to you and to the future. What's one thing that makes you optimistic about the future?

FELIPE SOTELO: That's a good question, yes because as a father, I want to leave a better world for our kids, right? And I believe it's very important to focus on, as I said, in our carbon footprint, in sustainability. Supply chain leaders and top companies are really investing on that. So despite of all these issues with supply disruptions and shortages and so on, companies should continue investing in sustainability. That's, for me, the most important thing for the future.

ALEX MAIERSBERGER: There's so much demand on your time. Thank you so much for listening and participating and viewing. We can't wait to continue creating a healthier future with you. There are so many real challenges in the world. We hope that wherever you are, there are ways to find and be the good around you. We welcome you to the conversation at our email address, [thehealthpulsepodcast@SAS.com](mailto:thehealthpulsepodcast@SAS.com), and here in the comments and YouTube. See you next time.