

Vendor Managed Inventory: Shorter Lead Time, Great Cost Savings, Larger Health Impact

REDEN SAGANA, USAID; NAGESH BORSE, GHSC-PSM; STEPHEN WYNN, GHSC-PSM

Background

The global demand for male condoms and voluntary medical male circumcision (VMMC) kits as preventative measures for contracting HIV/AIDS has been steadily increasing. As demand soars, lead times to manufacture and deliver commodities from a limited number of pre-qualified vendors have also been on the rise. With several social marketing campaigns of male condoms and VMMC outreach campaigns being implemented in the U.S. President’s Emergency Plan for AIDS Relief (PEPFAR) countries, it is increasingly critical to improve availability by reducing lead times and costs associated with these products.

What is Vendor-Managed Inventory?

Vendor-managed inventory requires vendors to hold a specified amount of readily available commodities for the sole use of the procurer. The USAID Global Health Supply Chain Program-Procurement and Supply Management (GHSC-PSM) project uses vendor-managed inventory for several health commodities, including male condoms and VMMC kits. The benefit of this approach is that inventory is available to address urgent needs and guaranteed to be shipped within 8-10 business days from vendor warehouses to any of GHSC-PSM and PEPFAR implementing countries.

Vendor-Managed Inventory with Male Condoms

- GHSC-PSM has recently expanded use of vendor-managed inventory to no logo male condoms.
- This is projected to cut costs by reducing the need for shipping to and storage at regional distribution centers and will reduce lead times by completing quality assurance procedures well before shipment.
- Currently, one male condom supplier is participating in vendor-managed inventory, holding 10 million condoms at their warehouse, with an annual turnover of 40 million.

Conclusions

Time: VMMC has allowed GHSC-PSM to procure 790k VMMC kits in five countries, with lead times reduced by 10 weeks.

Money: GHSC-PSM has been able to save over \$76k in storage and shipping costs by moving these responsibilities to our vendors.

Health Impact: By keeping little to no stock on hand in regional distribution centers, GHSC-PSM is able to change product quickly and respond to stakeholder needs.



Photo Credit: Shutterstock

CASE STUDY Malawi VMMC Kits

In June 2018, GHSC-PSM received an urgent request for VMMC kits in Malawi. The request came less than a month before the country’s “peak season” VMMC campaign (July-September), when demand is at its highest. This campaign, in support of HIV prevention, accounts for up to 40 percent of all VMMC procedures for the entire year.

Under normal circumstances, a procurement of this size would take upwards of 7 months to manufacture and deliver. However, GHSC-PSM’s recently introduced vendor-managed inventory agreements with two pre-qualified manufacturers of VMMC kits ensured that enough kits were available to rapidly meet Malawi’s needs.

GHSC-PSM delivered 18,321 kits within six weeks, demonstrating flexibility and responsiveness in the supply chain. Two additional shipments were made in the following weeks, covering not only the campaign’s demand, but also the country’s VMMC needs for the first quarter of fiscal year 2019.

Without Vendor Managed Inventory for VMMC

- 1 Order comes in
- 2 10 weeks manufacturing
- 3 Kits shipped to country

With Vendor Managed inventory for VMMC

- 1 Order comes in
- 2 Kits are already assembled and ready for processing within 10-14 days
- 3 Kits ship within two weeks

FIGURE 1.0
Total Surgical Procedures Kits Delivered Under VMMC VMI

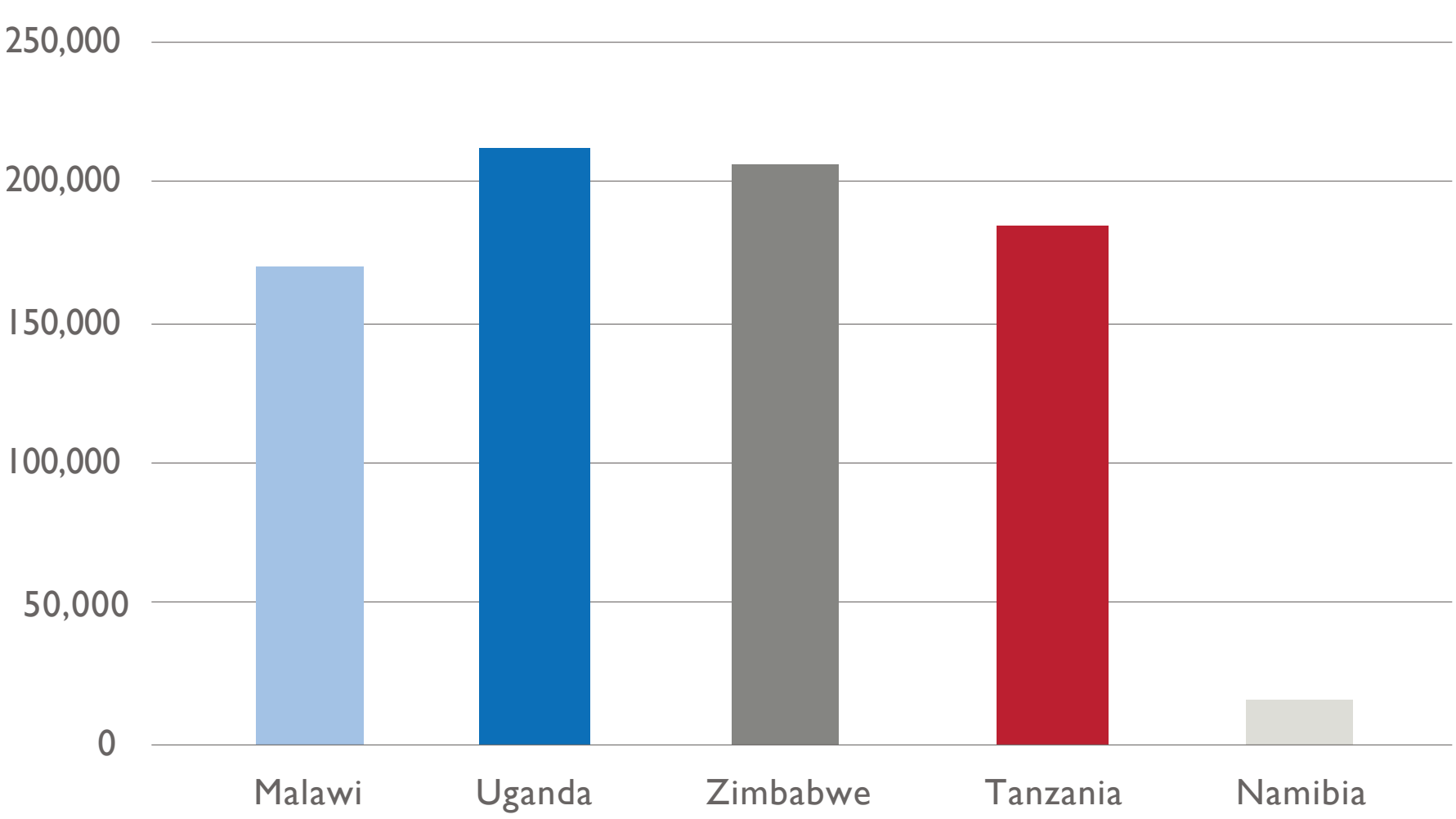
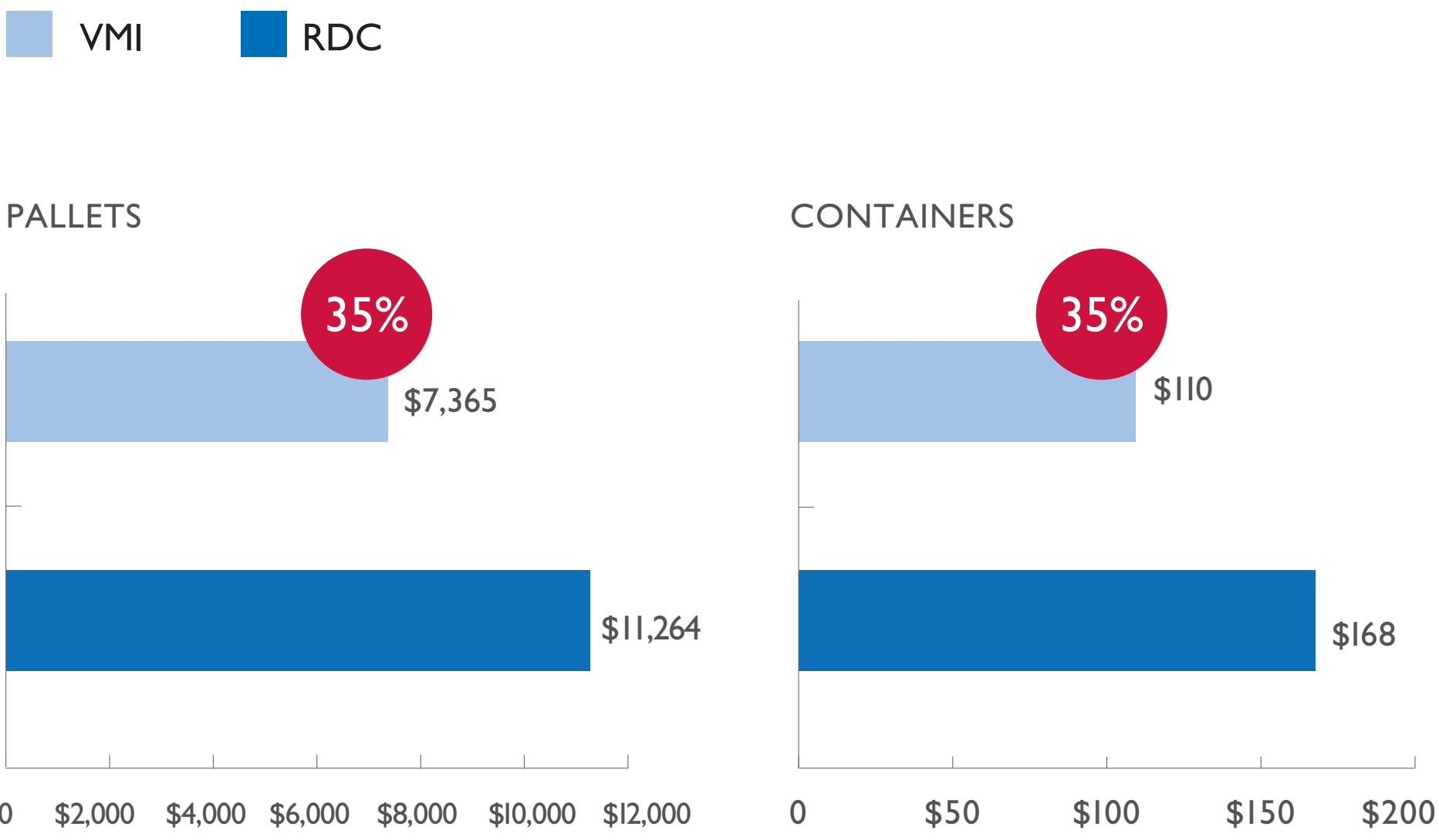


FIGURE 2.0
Condoms Savings Rate for VMI vs GHSC-PSM Warehousing



\$76,641.25
Total Cost Savings on Condoms VMI

VMI for Condoms Next Steps

- ➔ Maintain no logo VMI at 10 million
- ➔ Two additional no logo VMI suppliers on board
- ➔ Expand VMI to female condoms



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