

Countries Are Getting HIV Prevention Commodities Faster Through Vendor Managed Inventory (VMI)

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The Challenge

GHSC-PSM is persistent in its attempts to reduce lead times for HIV prevention commodities such as condoms and Voluntary Medical Male Circumcision (VMMC) kits. Large orders can have production and delivery schedules of up to six months. One way of cutting production time is purchasing products in advance; however, this involves costly storage at regional distribution centers (RDCs), duplicative shipping to and from RDCs, lost shelf life, and can leave countries with unusable product following updated guidance on acceptable kits from the U.S. President's Emergency Plan for AIDS Relief (PEPFAR).

Solution:VMI

GHSC-PSM has worked with two VMMC vendors and a generic condoms vendor to establish a vendor managed inventory (VMI) for key, large-volume HIV prevention products. VMI has allowed the project to significantly reduce the time it takes between when a country orders and when it arrives in the country. It also reduces delivery costs.

What is Vendor-Managed Inventory?

VMI requires vendors to hold a certain amount of pre-packaged condoms and VMMC kits for the sole use of GHSC-PSM. The key benefit to this approach is that the project can have stock shipped to countries within 10 days of placing an order.

VMI also:

- Reduces risk of stockouts for countries with high demand in times of critical need
- Limits the chance of stock expiring
- Reduces costs of storage in regional warehouses

10 MILLION

Generic Condoms Currently in VMI

4 WEEKS

Reduction in Lead Time on VMMC Kits in VMI

\$76,641.25

Total Cost Savings on Condoms VMI



Photo Credit: GHSC-PSM

Conclusions

Savings: VMI is an effective tool for saving money and delivery lead time on HIV prevention products and has demonstrated results in preventing stockouts for PEPFAR-supported countries.

Less risk, more reward: With VMI, many risks related to storing and transporting commodities are eliminated. The manufacturer takes on the burden of storage, repacking kits, and much of the transportation costs. With such a supply at the ready, uninterrupted supply of critical HIV/AIDS commodities is within reach.

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.

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
Cost Savings by Category

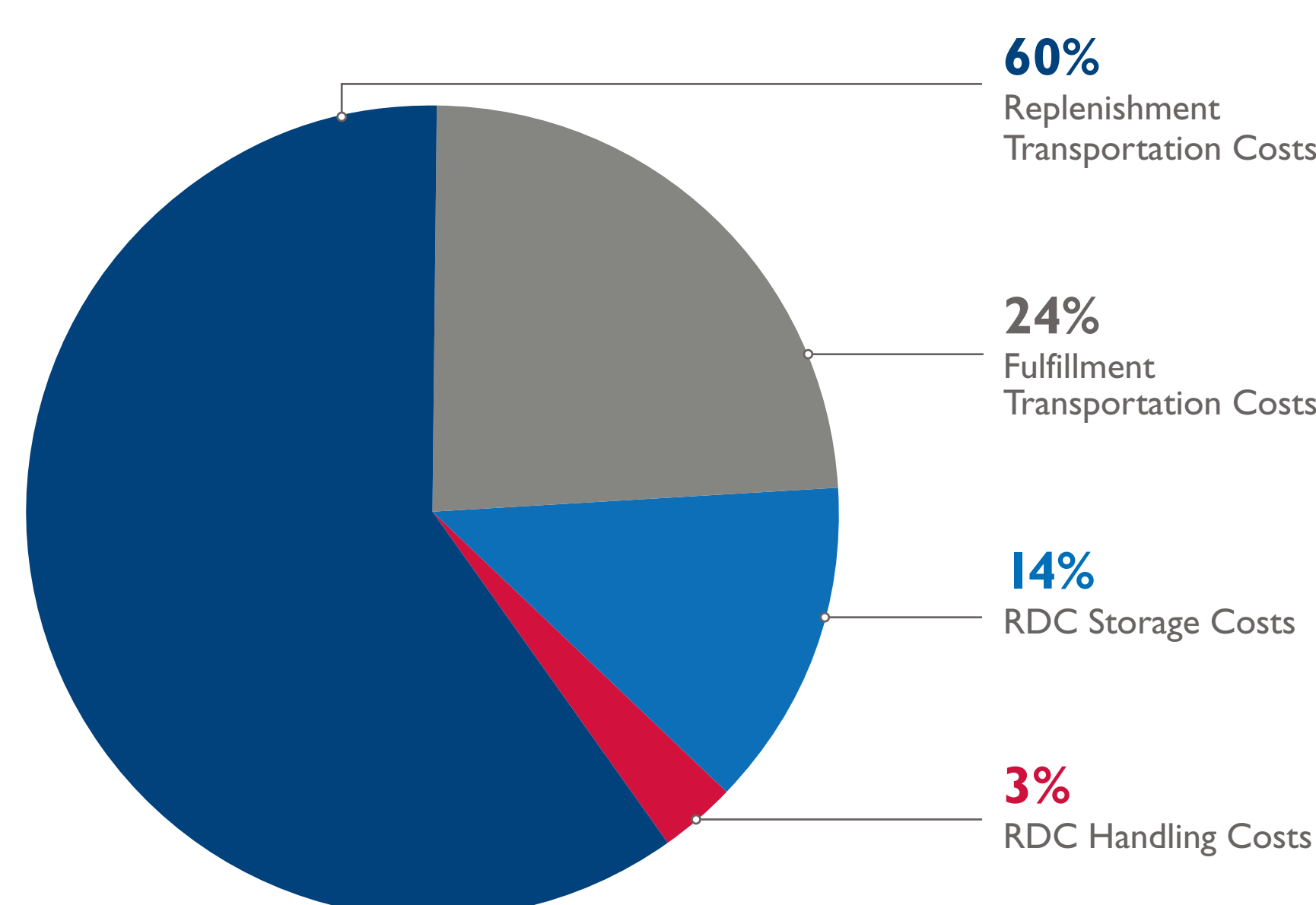
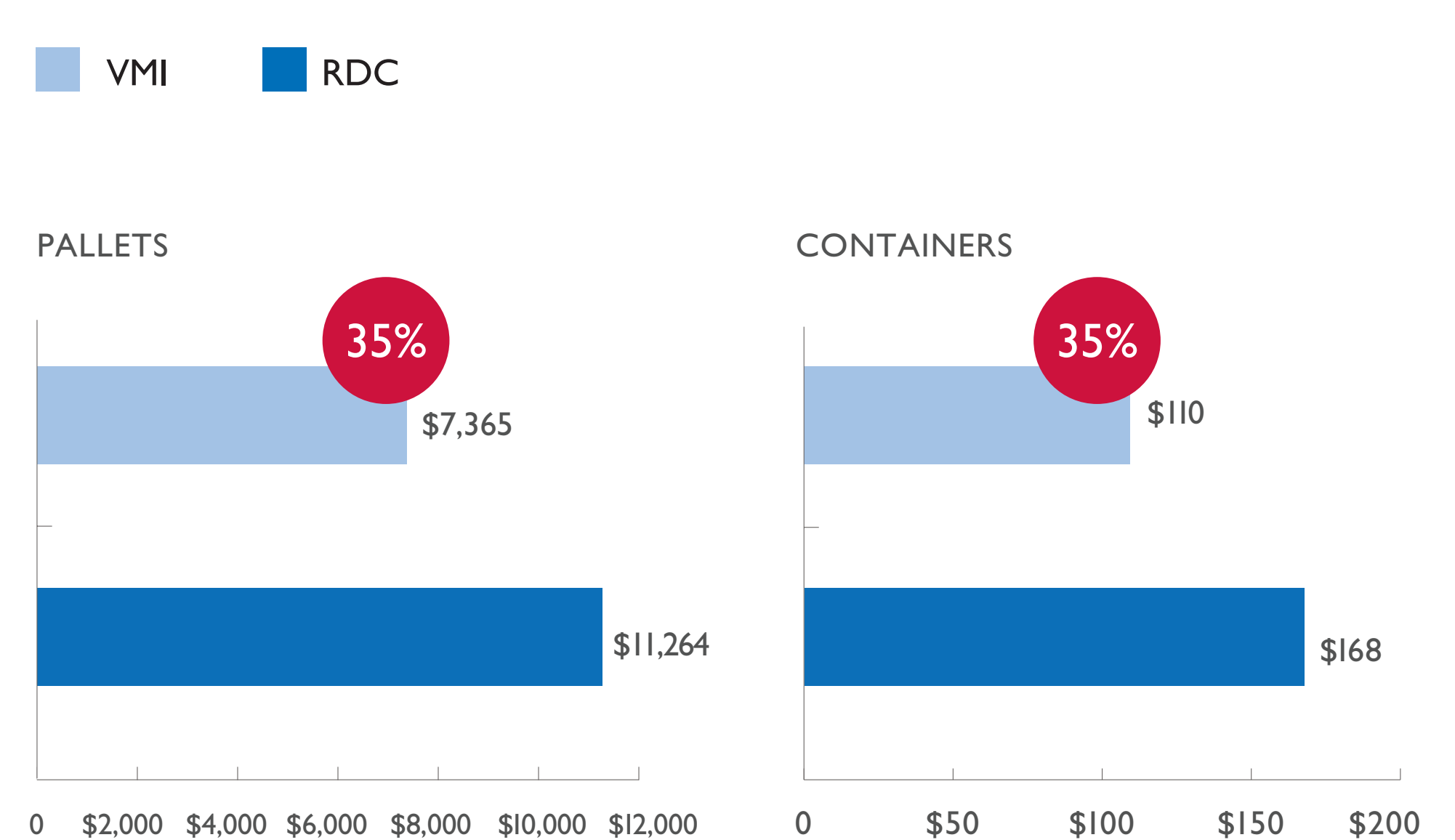


FIGURE 2.0
Condoms Savings Rate for VMI vs GHSC-PSM Warehousing



The Future of VMI

➔ Add new type of VMMC kit to VMI

➔ On board two additional condoms VMI suppliers to increase supply and encourage competitive pricing

➔ Expand VMI to female condoms