

Customer Success Story

CVS/Pharmacy

Significant Inventory Reduction Projected for Leading Retailer

CVS is America's #1 pharmacy, dispensing more retail prescriptions in more stores than any other chain. With annual revenues of more than \$22 billion, CVS has created innovative approaches to serve the healthcare needs of its customers through more than 4,100 CVS/pharmacy stores; CVS ProCare, its specialty pharmacy business; CVS.com, its online pharmacy; and Pharmacare, its pharmacy benefit management company.

CVS leverages Descartes' solutions to improve inbound supply chain visibility. A third-party analysis projected an estimated potential reduction in inventory of up to 17% over a 12-month period following enterprise-wide implementation by: using exception alerts to improve logistics execution, preventing order failures through proactive monitoring of inbound shipments and collaborating with supply chain partners to decrease order cycle times.

“Descartes is not proposing to build a system; it has a system that's truly up and running and delivering significant results for customers.”

Kevin Smith,
Senior Vice-President of Supply Chain and Logistics for CVS/pharmacy

Challenge

Connecting to Global Trading Partners

To better manage hundreds of thousands of deliveries from approximately 22,000 origin points annually, CVS/ pharmacy has a goal to improve inbound supply chain visibility by automating connections with hundreds of suppliers and carriers. Like most retailers, CVS needs up-to-the-minute answers to critical questions such as:

- Has the purchase order been confirmed?
- What is the shipment status?
- What is the carrier's estimated time of arrival?

Prior to teaming with Descartes, CVS followed the industry practice of relying heavily on historical data and safety stock to protect its 4,100 stores and nine distribution centers against costly inventory shortages.

Solution

Inbound Supply Chain Visibility

CVS selected Descartes as a technology partner after a third-party ROI study projected an estimated potential reduction in inventory of up to 17% over a 12-month period following enterprise-wide implementation of Descartes Visibility and Event Management solution.

However, CVS only required a one-day inventory reduction to build a business case for the solution. CVS realized that a global visibility solution could not be achieved using its existing enterprise resource planning (ERP), warehouse or transportation management applications. Instead, they chose inter-enterprise connectivity, leveraging existing enterprise applications in combination with Descartes' connectivity via XML, EDI, Webforms, and e-mail.

CVS plans to integrate all of its top 50 suppliers and applicable carriers, then expand the implementation to include 80-90% of all inbound volume. According to Kevin Smith, Senior Vice President of Supply Chain and Logistics for CVS/pharmacy, "We anticipate significant payback through network cost savings and business process improvements. These enhancements and savings will only grow as we continue to optimize our new inbound process."

Results

Leveraging Visibility for Improved Profit

By monitoring inventory movement and receiving automatic alerts, CVS will be able to proactively manage supply chain events and prevent order failures. The resulting reduction in safety stock and order cycle times, along with improvements in logistics execution, will ultimately lead to improved logistics execution and overall profitability.

"We saw the value in connecting to Descartes' network rather than developing our own visibility systems internally, especially since Descartes' solution could be implemented relatively quickly and scale in conjunction with our existing legacy systems," Smith says.