Business case

Optimizing the Manufacturing Cost of a Pharmaceutical Subcontractor

PRACTICE

Operations

SECTOR

Lifescience & Health

DURATION OF THE MISSION

3 months

KEPLER

Overview

Our client, a CDMO, wants to understand the causes of its EBITDA loss and better assess its selling price effectively.

KEPLER offers to review and challenge the calculation method and the accuracy of the clients' Manufacturing Cost.

Context

- A standard Manufacturing Cost calculation method that cannot be applied to the clients' model
- An urgent need to model the decrease in Manufacturing Cost linked to increased volumes and productivity gains
- A need to modify the selling price and improve the margin

Objective(s)

Gaining in Productivity

- Recalculating the Manufacturing Cost considering the operational reality and not the theoretical ranges
- Identifying the continuous improvement plans that will reduce cost (SMED, VSM, MUDA...)

KEPLER

Gain in Productivity
Operations

Our Approach

Lifescience & Health
Mission: 3 Months

Methodology

1 **Reviewing of the Manufacturing Cost calculation method:**

- Calculation of the "KEPLER" Manufacturing Cost
- Comparison of the customer Manufacturing Cost & KEPLER Manufacturing Cost

2 **Manufacturing Cost vs. Field Reality:**

- VSM with teams to understand flows & MUDAs
- Identification of productivity actions & their impact on the Manufacturing Cost:
  - Animation of the performance
  - Review of deviations & root cause analysis
  - Flow of equipment

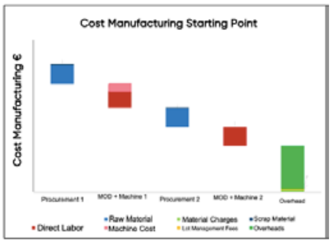
3 **Manufacturing Cost modeling:**

- Construction of the modeling tool – ability to measure the impact of different assumptions
- Definition of the different scenarios
- Calculation of volume, CAPEX, target organization impacts (putting equipment online, etc.), productivity, etc.

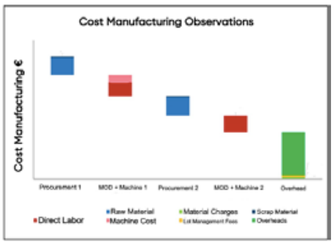
Levers and Tools

- **Manufacturing Cost**
- **VSM**
- **Field Observation (MUDA...)**

Theoretical Initial Manufacturing Cost



Recalculated Manufacturing Cost Following Field Observations



Modeling Tool

Results

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Standardization of the Manufacturing Cost calculation method (in particular on the distribution keys for overheads, depreciation of machines)

Update of the Manufacturing Cost compared to the field reality (+ 6%)

Productivity Roadmap

"The main challenge for such a case is to connect and align the different stakeholders: finance, sales and industry, around the Manufacturing Cost issue, and be sure that everyone speaks the same language (EBITDA, productivity, quality,…).
A key factor of success is the cleansing and the combined use of data, originating from multiple sources (in this case: finance, operations and supply chain)."

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