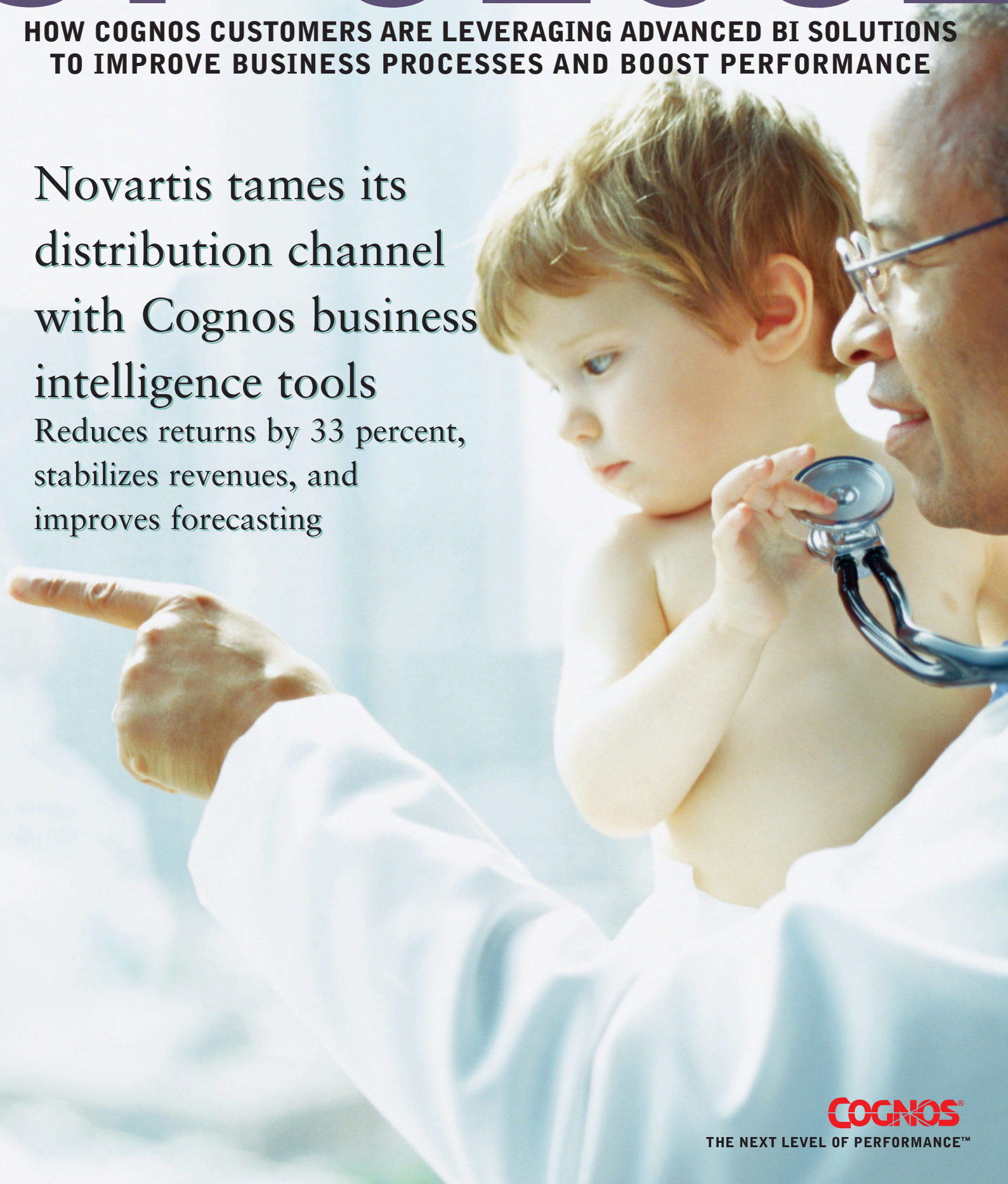


# UP CLOSE

HOW COGNOS CUSTOMERS ARE LEVERAGING ADVANCED BI SOLUTIONS TO IMPROVE BUSINESS PROCESSES AND BOOST PERFORMANCE

Novartis tames its distribution channel with Cognos business intelligence tools

Reduces returns by 33 percent, stabilizes revenues, and improves forecasting



**COGNOS**

THE NEXT LEVEL OF PERFORMANCE™

# THE CHALLENGE: MONITORING A VAST DISTRIBUTION CHANNEL

Distributing a product efficiently is always a business challenge—even more so when that product is a prescription drug. Innovative prescription medications from Novartis must be widely available to the patients who need them to ensure their ongoing health, and possibly their survival. After all, is there a more mission-critical product than cancer medication or other life-saving drug?

But the pharmaceutical distribution channel is a vast network of distribution sites and channels. Distributors often build inventories of a medication in anticipation of a price increase. This type of buying creates large amounts of unneeded inventory in the pipeline—which may ultimately be returned to the manufacturer, or create unrealistic revenue figures. Keeping a close eye on the entire distribution network is an ongoing challenge for Novartis that requires managerial vigilance—and a steady stream of important metrics.

## DISTRIBUTION CHALLENGES CREATE SALES PEAKS AND VALLEYS

“In the past, it was really difficult to know exactly what was going on in our distribution channel—so our sales were unpredictable and production forecasts inaccurate,” recalls Mike Conley, executive director of U.S. managed markets for Novartis Pharma Division. “Our managers were using pen and paper and doing a lot of analysis of prescription trends, but we didn’t really know what wholesalers had in stock.” As a result, it was difficult for Novartis to control how its distributors purchased products, to predict demand, and to know the real status of its sales.

“We needed to understand how much product was in the pipeline so that we could manage product availability and ensure even distribution of our brands,” says Conley. “Without good data from our distribution channel, we experienced significant uneven distribution and false backorders, particularly in advance of price increases.

We couldn’t forecast demand, so it was difficult to determine reasonable production forecasts. This created either a short supply of inventory in our warehouse or an oversupply of inventory—depending on the purchasing habits of the wholesaler.”

## NEW DATA RAISES NEW CHALLENGES

In 2000, Novartis began addressing its distribution challenges with a custom-built AS400-based order management system. As orders came into Novartis via EDI, the system served as a funnel or valve for monitoring inventory. This system provided the first key element necessary to control distribution—a daily feed of electronic inventory data from wholesalers. Known as 852 data (from the EDI code that identifies it), this data stream let Novartis have visibility into the inventory status of its wholesalers.

With this new data came new challenges. “We needed a more sophisticated solution to measure and monitor

## ABOUT NOVARTIS

With annual sales of more than \$16 billion the Novartis Pharma Division is a world leader in the discovery, development, manufacturing, and marketing of prescription medicines. Its portfolio of innovative, effective, and safe products and services treats a wide range of medical disorders—from cardiovascular disease to cancer to dermatological conditions. Novartis Pharma Division is part of Novartis, the Swiss pharmaceutical and consumer health leader—which operates in 140 countries and employs more than 78,000 people.

distribution,” says Jake Bramhall, associate director for distribution IT at Novartis Pharma. “The 852 data alone wasn’t enough. We needed to be able to monitor and interpret it—and to manage by exception, spotting abnormal increases or decreases in inventory at the distribution centers.”

## EXECUTIVE OVERVIEW

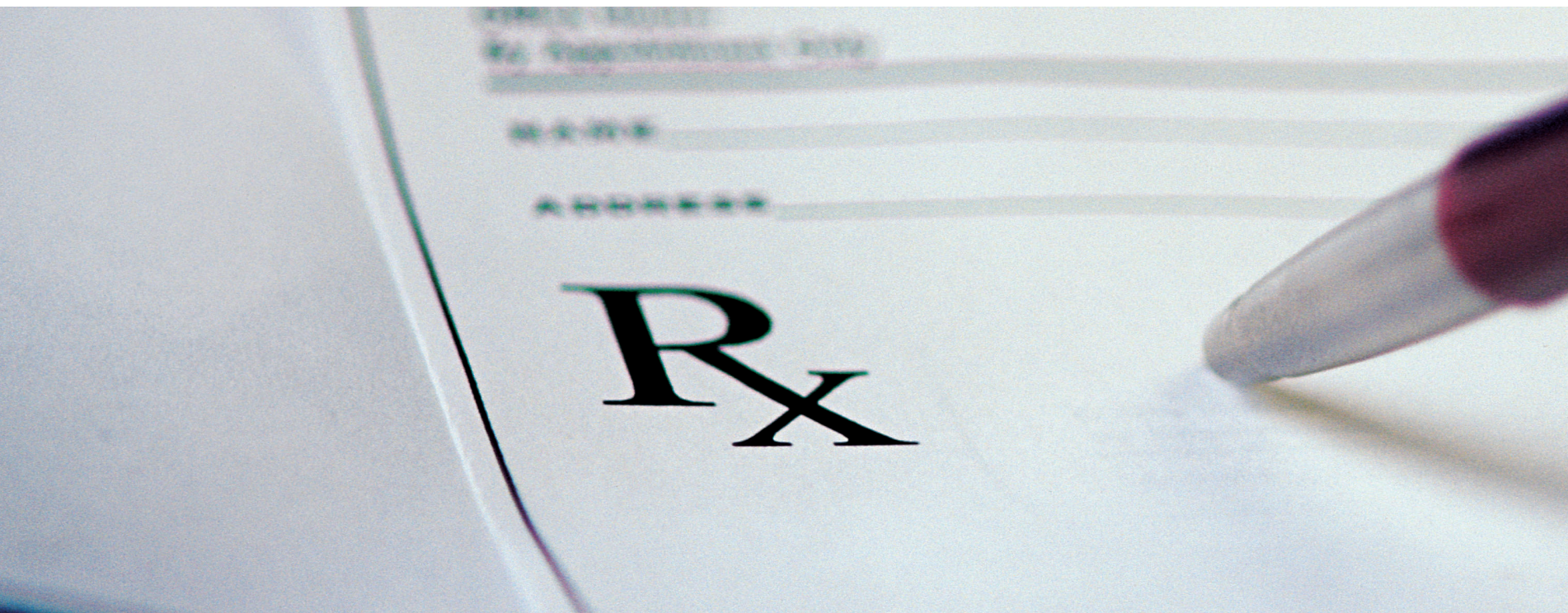
Global prescription drug leader Novartis Pharma Division has adopted Cognos business intelligence components to bring more visibility into its U. S. distribution channel—and new insights to its customer service group and management team. Novartis has created a powerful Order Management Dashboard that provides a steady flow of sales information and other key metrics, enabling unprecedented control of its distribution channel.

With annual U.S. pharmaceutical sales of more than \$7 billion, every incremental increase in efficiency can have a major financial impact for Novartis.

- By reducing product returns from 1.5 percent to under 1 percent, Novartis saves more than \$35 million annually.

- By monitoring ordering more carefully, Novartis can ensure that its revenue stream and product distribution are consistent with prescription fulfillment at the pharmacy.
- Increased channel visibility increases predictability in demand, smoothing production.
- More accurate and current sales information lets Novartis managers make better business decisions at all levels—and spot potential supply problems in the distribution channel.

For Novartis Pharmaceuticals, Cognos business intelligence components play a crucial role in monitoring distribution, meeting customer need, and ensuring ongoing revenue growth.



# THE SOLUTION: MORE METRICS MEAN BETTER MONITORING CAPABILITIES

In 2003, Novartis considered two solutions—SAP BW and a set of Cognos business intelligence components that featured Cognos Metrics Manager, a scorecarding application. “From a business perspective, Cognos provided the tools that would let us do what we wanted to do,” says Conley. “It let us interpret orders as they came in and spot exceptions *before* the product was already loaded on the truck. It was this high level of responsiveness that really attracted us to Cognos.”

Cognos matched Novartis’ needs from a technical perspective as well. “We needed a solution that could be coupled easily to our AS/400 order management system, while supporting our move to SAP R/3 in the near future,” says Bramhall. “Cognos let us connect with diverse data sources without requiring close integration. It gave us the flexibility to access the data we needed—easily and quickly.”

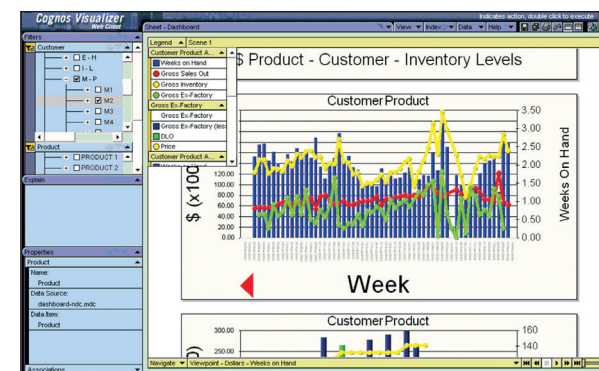
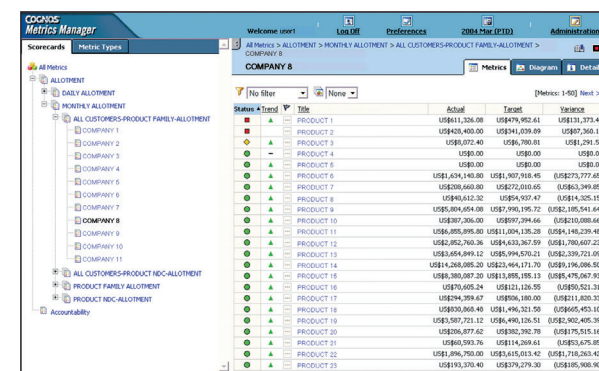
## DESIGNING THE IDEAL SOLUTION

After a careful evaluation, Novartis chose Cognos, and collaborated closely with Cognos Global Customer Services and Niteo Partners, to create a comprehensive solution that Novartis calls its Order Management Dashboard. Drawing upon internal, cross-functional expertise, plus the skills and

insights of the Cognos and Niteo team, Novartis defined the metrics that they needed to track, examined Novartis’ business processes, determined where the data would come from, and created a prototype.

“The Cognos components enabled us to prototype very quickly,” says Bramhall. “We worked with Cognos to test the Dashboard’s capabilities, hold user seminars, fine-tune the presentation, optimize performance, present the solution to our CEO, then deploy the final application—all in a relatively short period of time.”

The Cognos solution leverages incoming data streams—such as the 852 data from Novartis wholesalers and current order data from the order management system—and lets Novartis use it to make quick, effective business decisions. It’s a comprehensive, integrated business intelligence solution that lets Novartis monitor, analyze, and track key metrics—drawing data from various sources. Built-in alerts spot ordering issues, letting users manage by exception and take quick action. And the system lets users visualize metrics in graphic formats that increase understanding and aid decision-making.



“There are two basic sides to the Order Management Dashboard,” says Bramhall. “First, the Alert side lets us see the status of a customer with Metrics Manager, including their current orders versus product allotments. Then on the Decision Support side, Visualizer lets users see ordering patterns and other details that support decision-making. The Decision Support side provides contextual data to support decisions that must be made—as identified by the Alert side. Cognos enabled us to pull together all the important data elements that we need to analyze.”

## USERS GAIN A CLEAR WINDOW ON DISTRIBUTION

Primary Dashboard users include Novartis’ customer service department head of order management, demand management group, and production planning department. In short, anyone who needs to know current distribution status turns to the Cognos-based Order Management Dashboard. “User reaction has been very positive,” says Conley. “The system is very intuitive and didn’t really require formal training.”



# THE BENEFITS: BY KNOWING MORE, MANAGERS CAN RESPOND MORE QUICKLY

The Order Management Dashboard brings a wide range of benefits to Novartis, enabling it to smooth on supply chain fluctuations, reduce returns, increase efficiency, and gain new visibility into its distribution channel.

- **More timely response**

In the past, Novartis customer service personnel might have spotted an ordering anomaly, but usually too late to do anything about it. Now, thanks to more timely data, they can monitor ordering and reduce over-ordering of specific products to maintain consistent pipeline levels. “More than anything, the Dashboard lets us identify abnormal purchasing patterns that we weren’t able to catch before,” says Conley. “It alerts us to situations where purchasers are increasing inventories above agreed-upon levels, or allowing them to get dangerously low—creating potential product availability issues. Now we can take action before the order goes out the door.”

- **A clear assessment of current sales**

With the dashboard, Novartis gains an accurate view of current sales and can better gauge how much product is still in the pipeline—and might potentially be returned. This knowledge helps smooth fluctuations in sales by ensuring that distributors and wholesalers have enough product to meet customer demand, but not so much that Novartis is vulnerable to excessive returns.

- **Better control of the pipeline**

With better control of its distribution pipeline, Novartis can ensure that its revenue estimates are accurate, and that it’s complying with federal regulations aimed at eliminating “false revenue.” With the Order Management Dashboard, Novartis can control its inventory like never before. Conley explains how this level of control benefits the company: “We now know that demand is being driven by our sales force and physicians writing prescriptions, and we can be confident that our prescription trends are an accurate indicator of growth.”

While the Cognos solution has the most impact on Novartis’ tactical distribution team, Novartis has seen a ripple effect in other areas of the company as well—from production forecasting to the executive team. With Cognos business intelligence solution, Novartis gains a powerful catalyst for business change. It also gains a platform for performance gains far into the future. “We’re really just scratching the surface of the complete capabilities that Cognos offers,” says Conley. “But we’re already getting great benefits from the system.”

## THE PHARMACEUTICAL INDUSTRY TURNS TO COGNOS

Novartis is just one of the many pharmaceutical organizations throughout the world to use Cognos business intelligence components to improve business processes, increase efficiency, and drive sales and marketing performance. In all, 21 of the top 25 global pharmaceutical organizations are Cognos customers. To find out more about Cognos—as well as Cognos Metrics Manager and other Cognos business intelligence components—go to [www.cognos.com](http://www.cognos.com).

Niteo Partners, Inc is a Cognos Pinnacle Partner. Niteo Partners, email [marketing@niteo.com](mailto:marketing@niteo.com) or call 1.800.406.5033.



## WHY COGNOS?

Only Cognos delivers a complete range of integrated, scalable software for corporate performance management. Cognos products let organizations drive performance with enterprise planning and budgeting, monitor it with scorecarding, and understand it with business intelligence reporting and analysis. Founded in 1969, Cognos now serves more than 22,000 customers in over 135 countries.

Leadership!

know how fast  
to not work  
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