

# Branching Out

There is an increasing trend of outsourcing key activities to independent experts rather than attempting to do everything in-house, and the reasons are manifold. Minimising costs while developing robust supply chains that meet global compliance are major factors for those exploring alternative ways of managing both people and systems

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The concept of hiring contract partners to undertake specific roles and responsibilities can seem rather daunting at first – there may be concerns about loss of control or interrupted workflows when work is conducted outside the central core of the business. However, when executed well, outsourcing can lead to more control and smoother processes thanks to the specialist knowledge and flexibility offered by independent experts.

Take, for instance, the use of third-party logistics providers (3PLs) such as GEFCO Forwarding, Brink's Life Sciences and DHL Global Forwarding. Without them, manufacturers would be faced with the enormous task of sourcing, maintaining and managing an entire fleet of vehicles or warehousing functions before they could even consider shipping their first product. This is clearly neither viable nor cost-effective, and so hiring another firm that specialises in the actual transportation of goods is the most logical solution.

## Price/Benefit Ratio

However, it is important to note that reduction of costs must not be the sole focus when deciding whether to outsource or not. Historically, the decision has been massively influenced by the desire to get as much work done with the least amount of expenditure necessary. There are examples of this within both the public and private sectors, with companies such as G4S and Serco carrying out prison transport and banks using customer call centres abroad. But it must be noted that reduced expenditure and cost-effectiveness are two very different things.

Let us step back from logistics for a moment and look at how we make these kinds of decisions in everyday life. When you need a haircut, for instance, do you always go for the cheapest option, or do you prefer to pay more for a stylist you know and trust to do a good job or who comes with high recommendations? At this point, you have already decided that you need an expert to carry out this task – despite owning a pair of scissors, very few of us would dare try and give ourselves a trim without any kind of training. But upon choosing to

'outsource' that task to someone else, do you consider initial cost alone or the long-term benefits of choosing the right person for the job?

That same kind of balance between price and benefits should always be considered when looking to outsource key functions in a business. Hiring an expert in supply chain security, for example, may increase expenditure compared to passing this responsibility onto a member of your current team when based on hourly rate alone.



Security vulnerability assessment (SVA) & Good Distribution Practice (GDP) audit findings.  
High-quality security fence but not fit for purpose due to height

“ Many of the world’s leading pharmaceutical manufacturers are now operating global security operations centres, thereby allowing them to monitor real time supply chain security from a central point 24/7/365. The greatest benefit of this is that it enables them to react and implement crisis management instantly ”

But the implications of recruiting an independent contractor with a wealth of knowledge and experience to objectively audit your supply chain and make suggested improvements cannot be overemphasised.

### Real Time Security

Many of the world’s leading pharmaceutical manufacturers are now operating global security operations centres, thereby allowing them to monitor real time supply chain security from a central point 24/7/365. The greatest benefit of this is that it enables them to react and implement crisis management instantly. However, with a centralised security function and with increasing cost constraints, they are also gathering data and conducting audits remotely.

This exercise is usually conducted via a security questionnaire or paper-based vulnerability assessment but, although this captures a significant amount of information, it does not necessarily get it all. Even with the best intentions, an inexperienced auditor completing assessments on-site could easily tick a box to confirm that CCTV or other security measures are in place, even if those measures are not fit for purpose.

Typical examples of this include CCTV that fails to focus on high-risk areas and security fences that are easily breached. In these cases, a physical inspection and audit by an independent and objective expert makes all the difference. By being on-site, the expert is able to both highlight the necessary improvements and provide information on best practice.

This then empowers the company to raise the standard of security in an informed way, rather than simply ticking boxes and hoping for the best.

### Shipment Control

It must be noted that, even though hiring an independent expert may increase costs in one area, it usually reduces them in others. In the example above, a more efficient and secure supply chain automatically lowers the risk of:

- Diversion or theft
- Damages caused by improper handling of cargo
- Security breaches that allow counterfeit products to enter the supply chain

This is particularly important within the pharma and life sciences industry, where temperature-sensitive products may be damaged in transit and high-value cargo attract the interest of those selling counterfeit drugs. A report by BSI found that 71.2% of all pharmaceutical cargo thefts occurred in just four countries – Brazil, Italy, Mexico and the US – and that this equalled \$7.5 billion of cargo lost in those four nations alone (1). Having access to expert advice and solutions can significantly reduce this, especially when it comes to the use of technology such as real time global positioning system (GPS) and temperature tracking.

New technologies are entering the market every single year, providing innovative ways to monitor shipments in great detail. Current examples include the Sonoco ThermoSafe PharmaPort® 360, an active unit that allows for GPS tracking

and temperature monitoring, and the OnAsset SENTRY 500 FlightSafe®, which is a small unit that can be embedded into a shipment to provide accurate GPS visibility and temperature data. Being able to monitor both the progress of a shipment along its route and its temperature at every stage immediately reduces the risk to high-value and temperature-sensitive cargo.

But why stop there? Modern technology offers an unlimited scope for progress when experts from multiple industries work together. In recent years, there have been news reports of drone technology being used for everything from Amazon deliveries to life-saving aerial drops of blood and vaccines to remote areas such as Rwanda. In this latter example, doctors working in Rwandan villages simply text the details of what they require to a central location and their request is fulfilled by GPS directed drones.

Such technology and systems would never have been possible without the collaborative work of experts within numerous sectors. By objectively looking at areas where improvements could be made, those within life sciences, logistics and computer sciences have developed ingenious ways to get time- and temperature-sensitive products to previously inaccessible areas.

### Independent Expertise

With such advances in technology occurring so frequently, it is easy to see how quickly the knowledge and understanding of current practices can become outdated. This is where the specific knowledge and expertise



Combining SVA & GDP audits can reduce costs. Doing it properly; physically witnessing unit load devices unload airside

of independent contractors becomes invaluable, especially when viewed through the lens of industry regulation.

As Alan Kennedy notes in his report from the recent Temperature Controlled Logistics Conference: "Maintaining

regulatory compliance is one of the industry's biggest incentives for innovation and improvement. But with an increasing rate and number of GDP inspections it is vital that WDA-licensed pharma shippers, forwarders and cold chain operators are fully prepared when an inspection notification arrives" (2).

Developing, monitoring and maintaining processes that are compliant with all major regulatory bodies involved is a crucial task, which may be beyond the scope of those already employed within a company. Rather than trying to train employees to carry out such duties beyond their current role or creating a new permanent position within the firm, outsourcing this to an independent consultant can offer an efficient and cost-effective third option.

Furthermore, where the supply chain transcends national regulations by crossing international borders, having a local expert for each area traversed can be imperative. Take the example of a UK-based pharma organisation that needs to conduct a vulnerability and risk assessment on a high-value product going to Colombia. Historically, this might have been managed by their 3PL or even internally. However, with growing danger within some markets of criminals targeting this type of freight, the risks are too high.

Quality and supply chain personnel within the firm will lack the local intelligence that is required to make sure that the product is protected once it reaches Colombia. While they are responsible for developing a solution for their clients, they need to be audited to ensure that they are adhering to standard operating procedures and have completed a thorough and comprehensive risk assessment. This is where an independent consultant becomes invaluable. They will have access to global intelligence networks as well as the experience necessary to understand and utilise internal and external intelligence. This allows them to rigorously assess the risk and critical control points, enabling them to suggest and assist in implementing any changes needed to mitigate them.

## Strike a Balance

Within the context of increasing globalisation and advancing technologies, it is clear that the pharma logistics industry is facing a period of both massive change and competing priorities. The sustainability and growth of a company will rely heavily on its ability to offer ever more efficient and cost-effective solutions while maintaining high levels of compliance and security.

For instance, outsourcing a combined SVA with GDP audit can reduce duplication – in both time and cost – of the physical audit, while ensuring all aspects of the supply chain are compliant and secure. In short, companies would be wise to focus on the core areas of their business for which they are best known, and outsource the rest to experts in each field.

### References

1. Jim Yarbrough, International supply chain vulnerabilities, BSI Supply Chain Securities, 2016
2. Alan Kennedy, Life-science logistics gets its together at Europe's biggest cool chain event, 2017

## About the authors



Henry Moran has over 20 years' experience within the logistics industry. In addition to this, he has a Master's degree in Business Studies – specialising in Manufacturing and Logistics – and is a practising Six Sigma Black Belt. Henry now focuses on supporting clients to assess, secure and develop compliant supply chains through his work with ASC Associates. He has a particular interest in assisting clients obtain GDP accreditation through providing compliance and supply chain security audits alongside gap analyses on the GDP requirements.

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Amy Shortman has 20 years' experience within pharmaceutical and healthcare logistics, during which she has worked within operations, sales and business development. In 2011, she founded ASC Associates to fulfil the increasing demand for expertise in compliant and secure supply chains, and has since developed a global team of experts who can advise, support and connect teams throughout the entire supply chain. Passionate about ensuring product integrity is maintained, Amy has co-developed a GDP course aimed specifically at personnel involved in the distribution of medicinal products for human use.

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