

# Production Chemicals and Sourcing Services

## Reduce supply chain disruptions with second sourcing

### Situation

A CDMO was at risk of a facility shutdown after an interruption of raw material availability with one of their suppliers. One of the high-volume raw materials critical to their manufacturing process was experiencing shortages globally due to increased demand for this material usage in all biologic processing, making the chemical difficult to reliably source in alignment with their production schedule. The CDMO's current demand for use of the chemical surged by 172%, and future demand was expected to increase by another 165%.

Additionally, the customer received notification from the incumbent supplier that the lead time for this material would increase from 8 weeks to 24 weeks—three times longer than the standard lead time—leaving the CDMO with little time to react. The lack of supply chain visibility amplified several risks within their single-sourcing strategy, including discontinuity of supply, potential of manufacturing facility shut down, and added expenses for expedite fees. The short-term solution for counteracting these risks was to hold excessive safety stock in their warehouse, increasing the inventory carrying costs, but management knew that this was not a sustainable practice for their facility in the future.

### Solution

To assess the severity of the supply disruption, Thermo Fisher Scientific collaborated with the CDMO's Directors of Materials Management and Operations to better understand its impact.

Key observations included:

- Inefficient supply chain planning and transparency resulting in expediting shipments
- Lack of supplier communications regarding poor lead times affecting the production schedule
- Several critical chemicals had only one manufacturing origin source qualified
- Warehouse was nearing full capacity due to holding of safety stock, projecting to be at 100% capacity within one month

To address the operational and business challenges observed, Thermo Fisher proposed alternate sources from our **global supplier network** within the Production Chemicals and Services business and facilitated discussions between the customer and a potential, new chemical supplier just a few days after reaching out for sourcing support

### Results



**\$3M Savings**

Reduced risk of production delays



**\$30K Annual savings**

Raw materials



**87% Reduction in lead times**



## Second sourcing strategies

The CDMO was able to select a supplier from a network of reliable suppliers that met their raw material supply and specification needs through Production Chemicals and Services. By accessing the strategic relationships and expertise within our global supplier network, the customer was able to:

- Use market intelligence on supply chain conditions, sources, and flexibility to quickly identify an alternate supplier
- Receive their production-critical chemical within a shorter-than-initially-estimated lead time, offset by manufacturers' prioritization of supplying raw materials to Production Chemicals and Services when there are supply disruptions or materials are on allocation
- Gain assistance in auditing and qualifying the new supplier
- Obtain clearly defined Management of Change (MOC) process and material documentation equivalent to as if they were buying direct from the source manufacturer
- Improve operational efficiency by avoiding production delays and shutdowns through pre-existing shipping lanes and freight charges/timing to accelerate material delivery

## Results

The CDMO's experience exposed significant risks due to a single sourcing strategy for critical production materials, which was resolved by re-evaluating their supply chain strategy. Through collaboration between the customer, newly identified

source manufacturer and Production Chemicals and Services, enough material was able to be sourced to meet the CDMO's rapidly growing demand.

Overall, the CDMO realized the following results:

### \$3M Avoidance in lost revenue

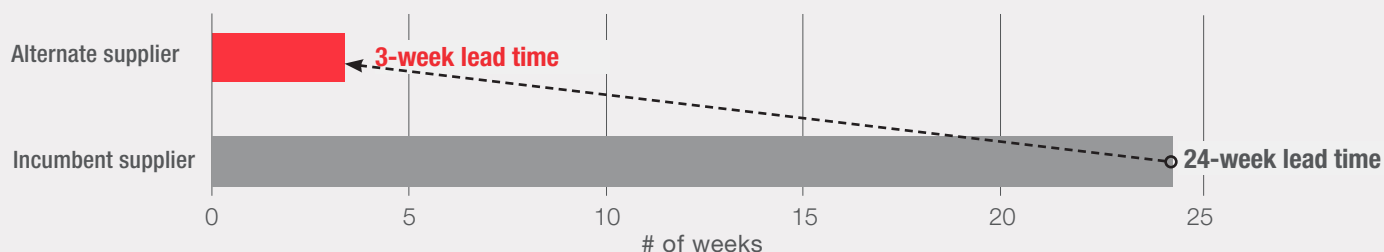
by adhering to production schedule, and minimizing risk of production delays and shutdowns\*

### \$30K Annual savings

in raw material sourcing projected by leveraging economies of scale working with a new supplier

## 87% Reduction in lead times

by sourcing from an alternate supplier



Thermo Scientific Production Chemicals and Services works with biologic developers and manufacturers who want to do what matters most, innovate and produce life-changing therapeutics. With over 30 years of experience delivering production chemicals and direct material supply chain solutions, we deliver risk mitigation, improved operational efficiencies, and reduced total cost of ownership so our customers can accelerate their speed to market, speed to clinic, and improve productivity.

Find out more at: [thermofisher.com/innovateproductivity](http://thermofisher.com/innovateproductivity)

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\* Data supplied by Thermo Fisher Scientific

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