

Operational Performance CHALLENGES

for Contract Manufacturers in Life Sciences

Contract manufacturers are now challenged to address gaps and weaknesses in operational performance. In this increasingly demanding and competitive field, it's critical to **bring operational outcomes in line** with objectives for growth and profitability, particularly as the sector consolidates. Three factors are now getting increasing attention from CEOs, CFOs, and COOs: **Excessive Inventory, Underutilized Capacity, and Substandard Delivery in Full On Time (DIFOT)**.

EXCESSIVE INVENTORY

Average Days of **FINISHED GOODS** Inventory on Hand



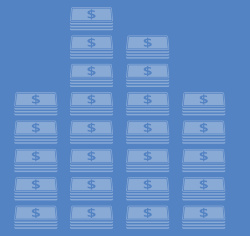
180

Average Industry **INVENTORY TURNS**



1-2

Excess Annual **INVENTORY COSTS**



\$25 B

UNDERUTILIZED CAPACITY

Fully Utilized **MANUFACTURING FACILITIES**

1 OUT OF 4



Average Industry **CAPACITY UTILIZATION** **45%**



29% Average Pharmaceutical **OVERALL EQUIPMENT EFFECTIVENESS**



POOR DIFOT & SERVICE LEVELS

CASH TO CASH CYCLE

179 DAYS



98% Average **DIFOT** Versus 99.5% Best Practice



Supply Chain **COSTS**

18% OF COGS

Versus 12% Best Practice

What sets the top performers apart from the low performers? What must happen to generate performance levels that are matched to strategic objectives?



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