

**E-commerce within the hospital pharmaceutical  
Supply Chain (Monash Project)**

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**Executive Summary of the Final Report  
Prepared by EAN Australia**

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## **Background**

The Australian pharmaceutical / health supply chain is still a mainly paper based system with manual processing. At best it sends purchase orders electronically. By comparison, some parts of the Australian retail supply chain are completely electronic from purchase order to remittance. This notable difference may be explained by the presence of dominant players in the retail industry, such as Wal-Mart (USA), Woolworths (Australia) and Coles Myer (Australia). These companies have seen the benefits to be realised from electronic commerce and have driven change. In comparison the pharmaceutical / health supply chain currently lacks dominant players willing to drive change.

Seeing this opportunity, a group of proactive and leading Health sector companies banded together to participate in a project to demonstrate the use of electronic commerce in a tightly defined but manageable project. Monash Medical Centre pharmacy department chose to work with three suppliers, representing small, medium and large sized enterprises (Clifford Hallam Pharmaceuticals, Hospital Supplies of Australia (HSA) and Orion Laboratories) as well as key stakeholders including Health Purchasing Victoria (HPV), National Supply Chain Reform Task Force (NSCRTF), Pharmos Software and the project managers EAN Australia.

The project has been supported by a \$50,000 (exc. GST) grant issued to Clifford Hallam Pharmaceuticals by the Victorian Government's e-Commerce Exhibition Projects Program (ECEPP). ECEPP aims to support clusters of Victorian small to medium enterprises (SMEs) in key sectors of the Victorian economy to develop innovative approaches to B2B e-commerce. This Grant scheme is administered by the Victorian Department of Innovation, Industry & Regional Development.

## **Predicted Benefits**

At commencement of this project, it was anticipated that participating suppliers and hospital would realise the following benefits:

- Reduced cost of order processing
- Reduced cost of picking and packing
- Reduced cost of accounts receivable
- Increased accuracy
- Reduced lead times
- Reduced volume and cost of credits
- Real time information

As a result of the above, it was also predicted that by making foundational changes to enable a more efficient means of managing the supply chain, there would be a long term flow on of benefits to patients.

## **Scope**

The scope of this project was to establish a significant but achievable and demonstrable supply chain between Monash Medical Centre pharmacy department and a group of their suppliers by introducing the concepts of e-commerce using EAN•UCC standards and EANCOM guidelines in the areas of ordering, processing, picking, packing, despatch and receipt of goods.

## **Aims**

The broad aims of this project were:

- To provide a report demonstrating the "as is" processes between Monash Medical Centre pharmacy department and its various suppliers participating in this demonstrable project.
- To compare the "as is" model with the outcomes of the implemented processes.
- To demonstrate the benefits and efficiencies of implementing e-commerce in the hospital pharmaceutical supply chain.
- To have a robust and working e-commerce supply chain demonstration.

These aims were supported by appropriate and agreed key performance indicators (KPIs) spanning the general areas listed below were used to measure the outcomes of this project.

- Process Change
- Accuracy
- Time Frames
- Work Effort

## **Learnings**

Throughout the pre- and post-implementation phases of the demonstration project, a number of learning outcomes were documented, including:

### **Confidentiality**

When competitors are represented on a project team, an agreement to ensure the confidentiality of the discussions held during the project meetings is essential. For this project, the presence of a confidentiality agreement allowed for more frank and open discussion during project meetings and encouraged relationship building within the project team.

### **Project Proposal**

Achieving final sign off by ensuring each stakeholder signed a formal document was an effective way of finalising agreement regarding the content of the project proposal for this project.

### **Project Budget**

The project budget was agreed upon prior to any further project work, as it is essential all project participants understand the portion of project funding allocated to them.

### **Project Plan**

Development and formal sign off of a generic project plan was necessary to ensure all of the project team were aware of and focussed on the deadlines they needed to meet for the project to succeed. Individual companies then developed their own internal project plans based on the timelines contained within the generic document.

### **Global Trade Item Number (GTIN) File<sup>1</sup>**

When dealing with health products, difficulties exist when sourcing the GTINs and associated information from suppliers as often companies do not maintain an internal list of the GTINs printed on the products they distribute. To compound this problem, packaging levels higher than the unit of use do not have GTINs allocated at all, thus impacting the efficient handling of goods throughout the supply chain.

### **Engaging Solution Providers**

It was important hardware and software suppliers engaged to assist with this project had a clear understanding of what the project involved, who was participating and the types of equipment required by the group.

### **Testing New Processes**

It was essential to ensure all new processes were tested prior to the project going live. For this project testing involved placing a small order (containing one or two stock lines), which was then manually followed through the new process to ensure there were no issues.

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<sup>1</sup> As part of this project, a central file listing all the GTINs (bar code numbers) and descriptions allocated to the products traded between Monash Medical Centre and their suppliers was created. This was used to align data between supplier and hospital internal databases.

**Staff Education**

All staff using the new processes needed to be trained in detail about the changes and how these affected their current administration processes. It was important to note that on going support was required by the users during the live phase of any project.

**IT Engagement**

When conducting a project such as this, it was important that all project team members' IT Departments were engaged in full and as early in the process as possible.

**Conclusion**

Whilst the results of this demonstration indicate that the pharmaceutical suppliers are yet to experience the full benefits of e-commerce implementation, the results must to be considered coupled with an explanation of the reasons for the outcomes. It is clear that a significant amount of work was achieved in bringing the parties to the current stage of the project, and due to the pressures of time, staff resources and budget, most of the parties chose to overlay new technology on existing business processes.

As a result, data gathered by the participants during the period of the demonstration project did not indicate any significant improvements to current manual processes. During the live period of the project, suppliers recorded increased order processing times and minimal changes to accuracy. Whereas the receiver noted distinct increases in the speed and accuracy of goods receipt. This result alone provided the basis for future full-scale adoption of this technology throughout Southern Health.

At the completion of this phase of the initiative, all of the project team understood outcomes of this demonstration as well as its limitations. On this basis, an ongoing commitment to continue to progress this project and to be actively involved in further steps was obtained from the stakeholders.