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TALYST®

CASE STUDY

You Can't Keep Them Down on the Pharma Anymore!

SITUATION

Talyst, a leader in pharmacy automation, is dedicated to "engineering the safer pharmacy." The company's solutions provide enterprise-wide medication management across the entire health system in order to achieve greater inventory control, enhanced work ow efficiency, and improved patient safety.

Talyst was founded in 2002 to provide easy-to-use, automated medication management systems in support of acute care hospital pharmacies. The following year, it launched AutoPharm®, the innovative software platform designed to integrate medication storage, inventory ordering, bar-coding, and clinical systems.

By mid-2010, Talyst had installed its pharmacy automation solutions in nearly 500 acute care hospitals and integrated healthcare systems. However, by leveraging its expertise in acute care pharmacy automation, Talyst is now building unique systems designed specifically to meet the needs of long-term care facilities and correctional institutions. As a result, by mid-2012, the company has grown its installed base of automated systems to more than 600 integrated healthcare systems, acute-care hospitals, long-term care facilities, and correctional institutions.

Talyst is dedicated to delivering world-class software and proven hardware solutions to enhance efficiency, provide greater inventory control, and improve patient safety in all care environments. Talyst's InSite® is the first medication management system designed to meet the unique challenges of long-term care pharmacies and care facilities. It is also the first system of its kind designed specifically for corrections facilities.

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THE MISSION-CRITICAL

LOGISTICS CHALLENGE

For more than 10 years, Talyst had a great many individual internal practices comprised of functions, including sales, marketing, operations, logistics and others. While all of these functional groups worked well together, the logistics function became increasingly cumbersome while becoming more important to customers. As a result, company management believed it would benefit greatly by establishing a partnership with a uniquely qualified supply chain services provider that could effectively manage Talyst's mission-critical logistics operations in support of its customers — and Flash Global was the clear choice for a partner.

Earlier in 2009, management recognized that 70 percent of the company's business was on the East Coast of the United States, while the internally run shipping center was located in Washington State. This often resulted in the need for additional consumable and service parts shipments. As the consumables business represented a significant recurring revenue base, the additional time and costs associated with shipping to the East Coast were linearly increasing the costs of doing business with the East Coast.

At the time, Talyst operated a single shipping center on the West Coast situated just east of Seattle in Preston, Wash. The center was approximately 15,000 square feet in size. However, management clearly recognized the need to "get closer to its customers," and that the West Coast facility would not be able to meet that goal over time.

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THE MISSION-CRITICAL

LOGISTICS CHALLENGE

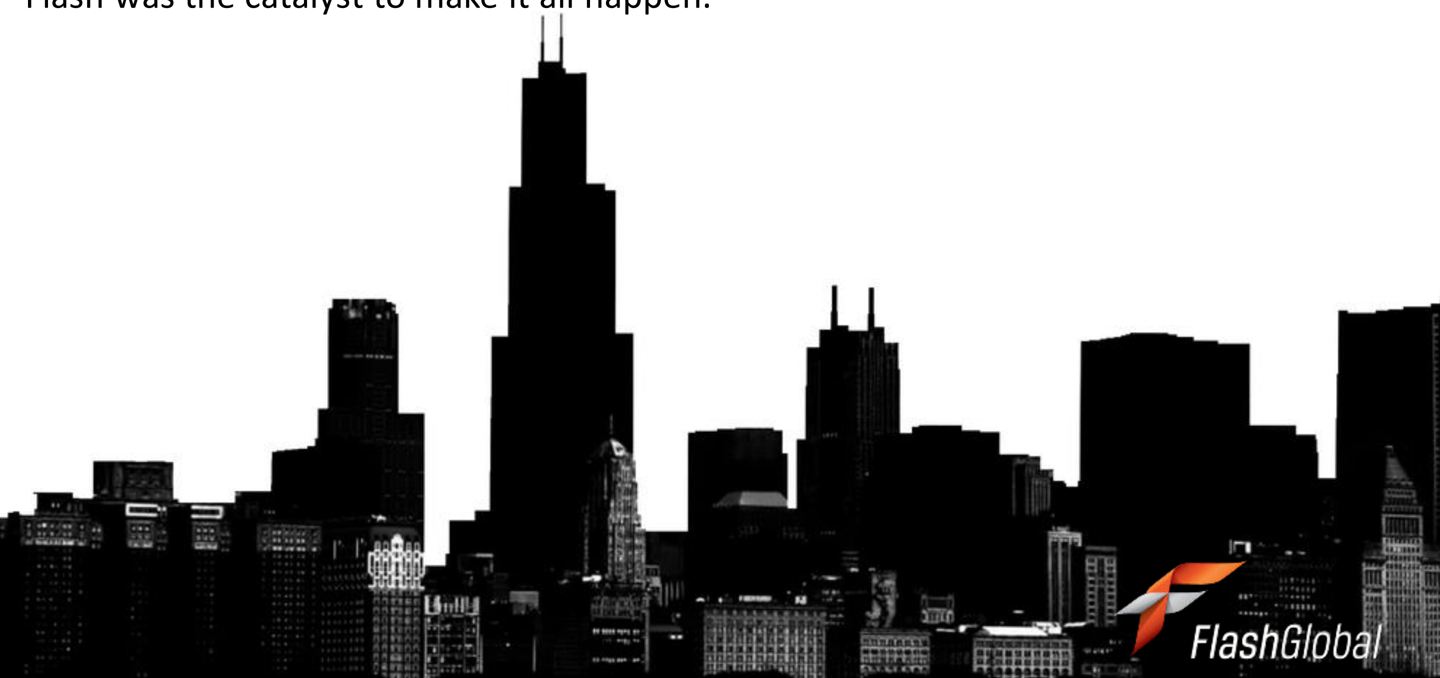
Ultimately, the main factors leading to the corporate decision to move the shipping and distribution center to the East Coast were:

- Quicker turnaround on customer orders.
- Extended, more flexible shipping deadlines (i.e., moving the order/shipping deadline from 2:30 pm PT to 7:00 - 8:00 pm PT).
- Quicker processing and shipping of critical spare parts and "hot" consumable orders.

With one of its Distribution Centers (DCs) in Chicago, near O'Hare International Airport, Flash was an appealing alternative to Talyst. As one of the company's primary logistics considerations was to "get its parts closer to its installed base," a move from the Preston to the Chicago facility made "absolute sense."

Talyst management was also very attuned to key financial metrics such as Return-on-Investment (ROI), fixed costs and variable costs in terms of how they impact the business and its bottom line. As such, Talyst believed that utilizing the services of a qualified supply chain services provider would provide more of a "steady state" to its overall operations.

However, the main challenge for Talyst was to cut its costs — particularly in the area of fixed overhead — by consolidating its internally staffed and managed shipping and distribution center, and outsourcing these operations to a qualified supply chain partner. Flash was the catalyst to make it all happen.



PROCESS

The main goal of the proposed deployment was “to facilitate all of the business requirements from upper management and meet customer requirements.” The process was designed to utilize a distributed architecture to (1) expand in North America, and then (2) to position Talyst properly for expansion into other global markets.

The one mandate from management, however, was to execute the expansion “without increasing internal costs.” That required establishing a partnership with a supply chain services provider that would assist the company in meeting its logistics objectives. The irony was that it took almost two years to find Flash — but only six months to implement the solution.

The selection process originally involved the vetting of five or six vendors, including a major international logistics services provider, and several small-to-medium-size 3PLs. As Talyst believed it was “a little bit different” than other types of logistics services users, it felt that it was imperative to find just the right provider to meet their unique needs. As a result, the early discussions with Flash led to an interactive dialogue about how to best match what the provider ordered to what the customer required.

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PROCESS

The solution that Talyst sought ultimately had to address "one or two key buckets" that focused primarily on the installation side, including kitting. The ideal partner would need to "be able to stretch their system a little bit" and essentially "address all of the company's issues through process." Talyst identified three areas where assistance was most needed:

1) Support of the initial installation
2) Delivery of consumables to Talyst customers
3) Management of critical spares (i.e., mission-critical parts)

Still, the company's in-house processes continued to reflect a significant "missing component" that only a qualified supply chain logistics services provider could order; namely, "how can we get all of our equipment in place from an installation perspective?" When the final decision was made, Flash was chosen for a number of reasons, with one of the deciding factors being its "hungry management style" and "willingness to push the envelope."

Perhaps the greatest single reason that Flash was selected as the provider of choice was that it "energized" Talyst management with its expertise and enthusiasm; "they never said 'no'," and "there was no requirement so big or complex that they couldn't meet it."

In evaluating Flash, Talyst management was also impressed with following attributes:

- The company was "on an upswing" in terms of market development and expansion into new global geographies.
- Flash management was "very engaged" throughout the entire process.
- Flash was willing — and eager — to enter into a full partnership.
- Flash was ready to "work for us to spring into new logistics areas."

As every decision Talyst management makes is based to some degree on an operational model, it was also critical that the selected provider would offer a logistics solution that would stabilize the transaction costs presently incurred, and lead to a quick ROI and financial Break-Even (B/E).

PARTNERING FOR A

SEAMLESS IMPLEMENTATION

The first step in the post-selection process was for the two parties, Talyst and Flash, to meet over a couple of visits to each company's operations facilities. From these meetings, it was quickly recognized that the partnership "looks right, and smells right" — and would be a win-win situation for both parties.

The next step involved the negotiation and formalization of all of the contractual, Scope of Work (SOW) and cost considerations. From the outset, the contract discussions were "an open book" where both parties "negotiated to an acceptable margin." Further, both had the opportunity to plan the best approach to "move Talyst's foundation into Flash's foundation," including all item masters, management of replenishment orders, etc. All told, these negotiations took less than six weeks to complete. For Talyst, its partnership with Flash represented "a huge benefit" just on the facility side, as Flash would essentially take over the management of this key — yet cumbersome — area on Talyst's behalf.

Flash also spent a considerable amount of time examining Talyst's Washington State facility prior to its takeover of the company's logistics operations. Once completed, Flash dispatched ten 40-foot trailers to move all of Talyst's distribution center assets, including consumables, critical spares, hardware and peripherals (e.g., PCs, scanners, printers, cables, etc.) to its facility in Chicago.

This enormous task was conducted on a phased schedule, beginning with the movement of consumables – an area where

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PARTNERING FOR A

SEAMLESS IMPLEMENTATION

Flash already had a great deal of experience. The entire stock of consumables was moved from Preston to Flash's Chicago-based distribution center in two trailer loads. This first move also served as a learning experience whereby both parties were able to identify additional considerations that would need to be incorporated into the subsequent phases of the transfer.

The next task was to move Talyst's critical spares — a highly demanding and visible part of the business. According to Talyst management, this activity was critical to the business and its customers — and Flash completed this phase "seamlessly."

Finally, the company's hardware and peripheral assets were moved, constituting the bulk of the trailer shipments. Emptying the Preston facility, however, was merely the beginning of the overall solution.

The next phase was originally feared by Talyst to be akin to "trying to fit a square peg into a round hole." However, this fear was quickly and completely mitigated with Flash's help. Overall, performing the kitting process took less than six months to complete, and was very collaborative throughout. The success of this phase was predicated mainly on the basis that Flash had immediately taken the approach that since this was such an important process to its customers (e.g., in this case, Talyst) that it must also be an important component of its portfolio of end-to-end global supply chain services.

Basically, the immediate steps were for Flash to ship Talyst's entire inventory more than halfway across the country to its own distribution center approximately 2,100 miles away. However, a certain portion of the inventory in each of the three categories needed to be held back, so that Talyst could still accommodate any scheduled and/or impromptu shipments to customers in the interim — with no disruption! This was accomplished seamlessly; in fact, customers were not even aware of the logistics model transition until after their Talyst account managers informed them of the change.

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SEAMLESS IMPLEMENTATION

In the words of Talyst management, the overall transition to Flash was:

Huge • Seamless • Transparent

As far as the overall implementation was concerned, Talyst management believed it got "off to a good start" and they only had to "wear training" wheels for a period of about six months." Even during this start-up period, the company experienced ongoing improvement in its logistics operations while still containing transactional costs.

This was essentially accomplished by optimizing what management had previously modeled on the front end, and ramping up as required to ensure no negative impacts on customer satisfaction or key financial metrics. One of the main successes of the implementation was the ability to integrate Talyst's Informatics system with FlashTrac, Flash's proprietary technology system specifically developed for critical parts and products management. By integrating with FlashTrac, Talyst could push its EDI (i.e., Electronic Data Interchange) activities directly across to Flash.

The Talyst-Flash partnership resulted in the attainment of all key goals — and more!

By outsourcing its shipping and distribution functions to Flash, Talyst was able to migrate from its 15,000—square-foot facility in Preston to two of Flash's existing DCs, one in Kent, Wash., for bigger ticket items, and one near O'Hare International Airport for all others. By doing so, the company was able to outsource the overall management and day-to-day operations of its historical facility, while allowing Flash to handle all of its shipments through its two strategically located facilities.

At the time, each of the Flash DCs was approximately 6,000 square feet in size, and able to handle all of the functions and activities that Talyst's facility in Preston could manage. As the partnership with Flash progressed, Flash moved its Chicago-area DC to a new site only 200 yards from a runway on the O'Hare International Airport property.

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PARTNERING FOR A

SEAMLESS IMPLEMENTATION

By outsourcing its shipping and distribution functions to Flash, Talyst reduced its fixed overhead costs by 40 percent (i.e., from about $20,000/month to $12,000/month) and reduced its on-site shipping and distribution facility staff by 50 percent. Overall, Talyst significantly reduced its fixed overhead and moved to a variable cost model through its partnership with Flash — one of management's key financial goals.

Talyst management has also cited the increased predictability of its distribution supply chain as a major benefit realized through its partnership with Flash. Confirming that they are "not a distribution provide; but rather, a hardware and software provider that needed experts to run our distribution processes," Talyst management was certain that with Flash they had, in fact, found the right experts to get the job done.

According to Talyst management, "as a leading 3PL logistics services provider, Flash is better able to handle all aspects of our business. We found Flash to be an emerging provider with a creative process for meeting our goals and moving us forward. At the end of the day, they brought us together in a collaboration effort that is centered on flexibility and scalability — a true collaborative partnership."

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