

SAP Customer Success Story Life Sciences – Pharmaceuticals



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Eric Bloom, Vice President of Information Technology, Endo Pharmaceuticals

AT A GLANCE

Summary

While still a young company, Endo Pharmaceuticals in Chadds Ford, Pa., implemented ERP software from SAP, configured to support industry-specific best practices. 8 years later, as the company approaches \$1 billion in revenues, SAP® solutions are still serving Endo's needs and helping the company meet its business objectives.

Web Site

www.endo.com

Key Challenges

- Facilitating rapid growth while keeping costs down
- Transitioning from a virtual company and bringing some core competencies in-house
- Executing complex pharmaceutical-specific processes in an efficient manner

Project Objectives

- Bring targeted core competencies in-house
- Implement a core infrastructure that could scale to meet future needs
- Add an electronic data interchange (EDI)-based system to manage chargebacks in an efficient manner

Solutions and Services

SAP R/3® software (now available in the mySAP™ ERP solution) configured to support industry-specific best practices

Why SAP Solutions

- Best-in-class functionality
- Low-risk service offering with defined price and scope
- Rapidly implemented
- Scalable
- Pharmaceutical-specific industry expertise and software supporting business processes for rapid ramp-up

Implementation Highlights

- Extremely fast and smooth
- Best practices implementation that serves as solid foundation for growth
- Phased implementation that minimized disruptions to business

Key Benefits

- Greater operational efficiency from day 1
- Pharmaceutical-specific functionality – such as Medicaid and chargeback management
- Flexibility to grow and change without requiring major IT overhaul projects
- World-class solution at a competitive price

Existing Environment

Intel platform

Database

Microsoft SQL

Hardware

IBM

Operating System

Microsoft Windows 2000

ENDO PHARMACEUTICALS

A Small but Growing Pharmaceutical Company Uses SAP® Software as a Solid Foundation for Growth

“I won't mince words,” says Eric Bloom, vice president of information technology at Endo Pharmaceuticals in Chadds Ford, Pa. “Our implementation of SAP software was extremely fast – faster than anybody would have imagined. And we've been very pleased with its ability to meet our constantly developing needs ever since.”

That's a solid endorsement – especially from a company that originally considered itself too small for SAP® solutions. “We were just starting out,” Bloom explains. “We had maybe 30 employees. SAP wasn't even on our radar screen.” In the end, however, Endo Pharmaceuticals saw significant value in a best practices implementation of SAP software – one that would give the company out-of-the-box, industry-specific functionality it could use immediately, while at the same time offering the ability to easily turn on additional features as its business model developed.

Best to start at the beginning. In 1997 Endo Pharmaceuticals emerged as the result of a management buyout of existing brand name and generic drugs owned by DuPont Merck. The business model at first was almost entirely virtual. Core aspects of the business such as manufacturing, customer service, and financials were outsourced to DuPont Merck and other big pharmaceutical companies. Starting out of the gates with established brand names such as Percocet®, Endo's prognosis for success was better than average.

“On day one we were an \$80 million dollar company with more than 150 SKUs [stock keeping units],” Bloom recalls. “Not your average start-up, for sure. The challenge set by the executive

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leadership was to reach \$1 billion in 10 years. Part of my job to help us reach that goal was to bring some – but certainly not all – of our business processes in-house. What we needed, essentially, was an ERP backbone.”

Putting SAP on the Radar Screen

Endo’s search for a core ERP solution had progressed relatively far before the SAP solution was even considered. While actively evaluating the relative merits of four or five competing packages, Bloom received a cold call from Answerthink, an SAP partner that sells to small and midsize companies and has a significant focus on the pharmaceutical market.

“Frankly, I laughed,” says Bloom. “I mean, we were just too small to deal with SAP. This was my thinking.” But Answerthink was persistent and was eventually invited to present its case to the Endo executive board.

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Among Endo’s immediate concerns were customer service, financials, sales forecasting, conversion of data from the existing DuPont system, and contracts and bids. Areas of special concern to its industry included chargebacks, rebates, regulatory compliance, and electronic data interchange (EDI) transactions. Many of these areas, Endo found, could be immediately addressed with a best practices implementation of ERP software from SAP (now available in the mySAP™ ERP solution).

“It was a low-risk option,” Bloom explains. “We got premier software, a fixed-price service offering, and a plan for rapid implementation with everything spelled out up front.”

An Extremely Fast Best Practices Implementation

By the time Endo settled on an SAP solution, the company was well into a significant growth spurt. This added extra pressure to implement quickly so that core processes could be brought in-house as soon as possible. “We were very aggressive,” Bloom recalls. “We made a corporate decision, supported by management, to implement right out of the box.”

The company also established a policy for user-suggested changes: modifications would have to be presented formally to the executive board and be supported by solid reasons to justify any added time and expense required to adopt them. “This went a long way toward minimizing the kind of issues that typically bog down implementation projects,” Bloom says.

The initial implementation at Endo took place in three phases. The first covered sales and distribution, financial accounting, controlling, workflow, and part of materials management.

Phase two incorporated Endo's in-house Medicaid functionality, EDI modifications, and analysis reports. The final phase included fixed assets, distribution, and human resources.

"The project took us just about three months in total," Bloom recalls. "Everybody involved in the project said it was the smoothest implementation they had ever seen. It went off spectacularly."

A Solid Foundation to Grow On

From the beginning, Endo's best practices implementation has served the company well. "I remember we went live April 1, 1999," says Bloom. "On that day vendors started calling in and wondering what was happening because they were getting orders back within hours. Under our previous model, there was at least a three-day turnaround on orders. Since our SAP implementation, however, we've been able to turn around 90% of our orders in less than a day."

Endo also appreciates the ease with which its software facilitates compliance and validation. Audits are routine affairs. Processes are easily understood. Security is first rate. "Quality control is an immensely important issue in the pharmaceutical industry," Bloom explains. "We run in a fully validated environment, and we have a very strict change control procedure in place. The SAP solution allows us to track all the details and make it all transparent to auditors. That makes life a whole lot easier."

The implementation has also stood up extremely well against the test of time. In the past eight years Endo has grown from \$80 million in revenues to \$850 million. Its employee pool has grown from 40 to more the 750. The company also went public in 2001 and has had to contend with issues of Sarbanes-Oxley compliance. "Clearly we've added some significant variables to the equation that were not there on day one," says Bloom. "We've had to make some minor tweaks here and there, but, by and large, we haven't needed to make any major modifications. We're basically running the same system, and it has always scaled to meet our needs."

Industry-Leading Chargeback Functionality

At the time of the original implementation, Endo was considered a small company, but it would soon be known for having a world-class chargeback system – one that would rival even the industry giants.

As an add-on solution to the best practices implementation, Endo worked with Answerthink to develop a custom chargeback and rebate management system that would use EDI to manage the complicated exchange of data that takes place among manufacturers, distributors, wholesalers, retailers, and end customers.

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This application – later incorporated into the standard SAP for Life Sciences solution portfolio – leveraged existing SAP software functionality and was developed and implemented in the same time frame as the overall best practices implementation.

"We were one of the first pharmaceutical companies to do chargebacks and rebates using EDI and SAP software," says Bloom. "And we've been doing it for eight years now. This has given us a tremendous advantage because, for such a long time now, we've been able to manage this otherwise complex process with greater efficiency than the competition."

Trusted Business Partners: SAP and Answerthink

Since the 1999 implementation, Endo's relationship with SAP and Answerthink has grown only stronger. "The model is that Answerthink acts as our interface to SAP," Bloom explains. "And this has worked very well for us. Answerthink is very responsive and clearly has the industry know-how to address our issues as they arise. But at the same time, we can talk directly with SAP when circumstances dictate. It's been a very open relationship since the beginning."

A Course for the Future

Based on this relationship of trust Endo has developed significant plans to move forward with additional SAP projects in the future.

“As we cross the billion dollar threshold, we’re facing a lot of new and unique challenges,” Bloom explains. “We’ll be implementing some of the R & D project management functionality offered by SAP. We’ll also be looking to a lot of enhancements in the area of product profitability – because this is now a growing issue for us as we take on a more diversified portfolio of products.”

A major new project currently in the planning stages involves the implementation of SAP software to support Endo’s contract, pricing, chargeback, and compliance processes. “This will be a major upgrade,” Blooms predicts. “But it’s critical for us to succeed because we’re a very different company now than we were eight years ago.”

As for Endo’s confidence in the ability of SAP to help the company meet its new challenges? “SAP has played no small part in helping to get us where we are today,” says Bloom. “From a small company with just a few employees to a company with real industry clout, we’ve depended on SAP to help us grow and meet our goals. I am confident that SAP will continue to be there for us as we continue to grow and explore uncharted territory.”