Vendor Managed Inventory: 
Shorter Lead Time, Great Cost Savings, Larger Health Impact

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Background
The global demand for male condoms and voluntary medical male circumcision (VMMC) kits as preventative measures for contracting HIV/AIDS has been steadily increasing. As demand soars, lead times to manufacture and deliver commodities from a limited number of pre-qualified vendors have also been on the rise. With several social marketing campaigns of male condoms and VMMC outreach campaigns being implemented in the U.S. President’s Emergency Plan for AIDS Relief (PEPFAR) countries, it is increasingly critical to improve availability by reducing lead times and costs associated with these products.

What is Vendor-Managed Inventory?
Vendor-managed inventory requires vendors to hold a specified amount of readily available commodities for the sole use of the procuring organization. The USAID Global Health Supply Chain Program—Procurement and Supply Management (GHSC-PSM) project uses vendor-managed inventory for several health commodities, including male condoms and VMMC kits. The benefit of this approach is that inventory is available to address urgent needs and guaranteed to be shipped within 8-10 business days from vendor warehouses to any of GHSC-PSM and PEPFAR implementing countries.

Vendor-Managed Inventory with Male Condoms
- GHSC-PSM has recently expanded use of vendor-managed inventory to no logo male condoms.
- This is projected to cut costs by reducing the need for shipping to and storage at regional distribution centers and will reduce lead times by completing quality assurance procedures well before shipment.
- Currently, one male condom supplier is participating in vendor-managed inventory, holding 10 million condoms at their warehouse, with an annual turnover of 40 million.

Conclusions
Time: VMMC has allowed GHSC-PSM to procure 790k VMMC kits in five countries, with lead times reduced by 10 weeks.

Money: GHSC-PSM has been able to save over $76k in storage and shipping costs by moving these responsibilities to our vendors.

Health Impact: By keeping little to no stock on hand in regional distribution centers, GHSC-PSM is able to change product quickly and respond to stakeholder needs.

Without Vendor Managed Inventory for VMMC
- Order comes in 10 weeks manufacturing
- Kits shipped to country

With Vendor Managed Inventory for VMMC
- Order comes in 10-14 days
- Kits are already assembled and ready for processing within 10-14 days
- Kits ship within two weeks

FIGURE 1.0 Total Surgical Procedures Kits Delivered Under VMMC VMI

FIGURE 2.0 Condoms Savings Rate for VMI vs GHSC-PSM Warehousing

$76,641.25 Total Cost Savings on Condoms VMI

Without Vendor Managed Inventory for VMMC

With Vendor Managed Inventory for VMMC

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