

Prescription for Excellence

Owens & Minor Recognized for Its Supply Chain Leadership



As the nation's leading distributor of medical and surgical supplies to the acute-care market, Owens & Minor has solidified its reputation for operational excellence. In fact, the company earned the top spot on Gartner, Inc.'s Healthcare Supply Chain Top 25 for 2010 list.¹

Having managed a highly efficient distribution service for 125-plus years, Owens & Minor knows how supply chain efficiencies can translate into bottom-line value. The company recently embarked on a supply chain initiative to enhance its ability to meet changes in customer demand on time and profitably, while further reducing its capital investments.

¹ Gartner, Inc., The Healthcare Supply Chain Top 25 for 2010, Wayne McDonnell, Eric O'Daffer, Carla Elvy, Barry Blake, Hussain Mooraj and Debra Hofman, November 17, 2010.

Amplifying Performance Speed

As a long-time JDA Software customer, Owens & Minor sought to improve its demand forecasting and replenishment processes by upgrading to the latest versions of JDA Demand and JDA Fulfillment. The solutions help the medical wholesaler-distributor create forecasts that accurately predict future customer demand, and create optimized multi-level replenishment plans in order to position the right inventory in the right distribution centers at the right time.

The system enhancements have provided the company with faster and better reporting capabilities. For instance, performance speed has increased 98 percent for the delivery of the company's at-risk reports, which identify the items that are out of stock or are going to be out of stock within a specific time period.

"The at-risk report is one of the most valuable tools we have to manage an inventory risk or service level problem," said David Marks, director, supply chain inventory, Owens & Minor. "Today, the JDA solutions run the report in about 30 seconds to a minute-and-a-half."

In addition to the technology upgrades, the company implemented process enhancements, leadership and organizational changes, resulting in substantial improvement in the inventory analysts' productivity. "We had been projecting an upward swing of inventory analysts to support the forecasted increase in sales and customers," said Marks. "Instead, we haven't needed to add more people and still can get the work done."



Owens & Minor at a Glance

Owens & Minor, Inc. is a leading national distributor of name-brand medical and surgical supplies and a healthcare supply chain management company. With a diverse product and service offering and distribution centers throughout the United States, the company serves hospitals, integrated healthcare systems, alternate site locations, group purchasing organizations and the federal government.

Objective

Reduce inventory levels, while improving service levels, through the use of enhanced supply chain management solutions for demand forecasting and replenishment.

Solutions

- JDA® Demand
- JDA® Fulfillment
- JDA® Order Optimization
- JDA® Transportation Modeler via JDA® Private Cloud

Services

- JDA Education Services
- JDA Implementation Services
- JDA Support Services

Real Results

- Accurate statistical demand forecasts across the 55 distribution center network
- Synchronized distribution plans that respect network and operating constraints
- Eliminated an incremental one day of supply from two-thirds of its safety stock with order optimization



Improving Company-Wide Visibility

Owens & Minor engaged with JDA Services on the upgrade, implementation and post-go-live of the demand management and fulfillment solutions. “They did a fabulous job making sure that the upgrade went smoothly and met our business needs. The JDA consultants helped ensure we were utilizing all of the capabilities of the system,” said Marks. “It was a great team effort. They really helped us build a good solution for the field.”

Using the solutions’ new capabilities, Owens & Minor has increased inventory visibility. “One of the primary benefits is that we can tie more information together. Before we could see that an item was at risk, but then we’d have to look at either our enterprise system or other reports to find out what purchase orders were late and how late they were. Now, we’re able to include that information in the at-risk report, and we can send it out to managers, customer service and customers — enabling everyone to see what the status is and what we need to do before an item runs out,” said Marks.

“It’s helping us to be a lot more proactive in partnering with customers to solve problems before they occur — beyond just expediting the product because that’s not always feasible,” said Marks. “Because of the solutions’ speed and flexibility, and the ability to build better and more useful reports, the system is more integrated within our organizational structure. Its usefulness has extended beyond just the buyers and inventory managers to other areas of the company including sales and customer service.”

Optimizing the Order Process

To further improve its inventory fill rates and reduce back orders, Owens & Minor decided to replace its homegrown purchase order system with JDA Order Optimization. “Our previous system had no ability to optimize the actual order, and on the technical side, the system was obsolete. We were afraid to make any changes or enhancements to the system for fear that it would break, and we didn’t have people qualified to enhance it.”

JDA Order Optimization helps Owens & Minor generate optimal purchase orders and vendor managed inventory requirements, enabling the company to increase revenue by meeting target services levels while simultaneously minimizing logistics and inventory holding costs. By transforming the time-consuming, labor-intensive process of vendor order creation, Owens & Minor’s buyers have been able to focus their time on more strategic planning processes.

“If our old system didn’t meet the minimum, it let the buyer know and then the buyer would start adding seven days of items that were planned arrivals. Recalculating an order was extremely time-consuming, depending upon how complex the purchase order was from a vendor, how many items, how many days out, etc.”

Today, the order recalculation is a batch process, so that the inventory analysts can redo the order, rerun it and then move on to something else, while it runs in the background. “The amazing thing is that in batch the solution runs 10 times as fast, and oftentimes there is no longer a wait,” said Marks.

With JDA Order Optimization, buyers can now generate order quantities based on operating constraints, vendor discounts, minimums, lead times, calendars, safety stock and other inputs. The solution enables Owens & Minor to create optimal orders across an entire vendor line or product group, manage to specific service targets, and strategically delay orders when service will be unaffected.

As a result, the company is doing a better job meeting its vendor minimums. Additionally, truck orders can now be viewed by everyone in the field, which has helped the medical wholesaler-distributor eliminate unnecessary freight charges for not meeting the minimums.

“Now we have the capabilities to constrain how far out the system will go to meet that minimum, and we know how many days of supply that purchase order represents for each of the items on average when we do go out and meet the minimum. For instance, let’s say we have a minimum of \$1,000. We can set the system to a maximum of 30 days, and when we meet the \$1,000 at 24 days, we know that we have a purchase order that’s representing 24 days of supply,” said Marks. “We recently reviewed the process and found out there’s even more opportunities for us to ensure we meet our vendor minimums.”

Building Toward Future Savings

With its previous purchase order system, the company also experienced challenges building truckloads. "Let's say we had four trucks' worth of stock to order from a vendor. It would take us four to five hours to build those four purchase orders in truckload quantities. It was a nightmare. Because it was difficult to build truckload purchase orders, we were limited in adding more truckload vendors."

JDA Order Optimization automates the truckload-building process, enabling the company to build within the structure based on minimums and maximums established by Owens & Minor. As a result of these new capabilities, the company has benefited from substantial time savings and now has the ability to add truckload vendors.

The company is already exploring ways to further extend the benefits of the truckload-building capabilities. "The next leap is to combine different distribution centers [DCs] into truckloads and then use our planned deployment process to move inventory around. We're also looking into combining some of our small DCs into bigger DCs."

Leveraging the order optimization capabilities, Owens & Minor has seen a drastic reduction in inventory. "Since the JDA Order Optimization implementation, we have reduced our days of supply for safety stock on many of our items. We were running well over our service level goal in aggregate, and we were able to take out one day of supply from about two-thirds of the items. We are now meeting our service level goal with less inventory. I think that's one of the objective proofs of the value of the system."

Establishing Leadership in Logistics

Owens & Minor has further established its supply chain excellence through its business unit, OM Healthcare Logistics (OM HCL). A third-party logistics provider, OM HCL leverages its expertise in pharmaceutical and medical device logistics and best-of-breed technologies — including JDA Transportation Modeler — to transform its customers' supply chains into a competitive advantage. ■

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