

Next Steps for Medical Distributors: Rx for Growth

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Executive summary

Medical distributors may not have been hit as hard as other types of distributors during the economic downturn, yet you still face changing consumer demands, increasingly aggressive competition, a constantly changing network of suppliers, increasing government regulations, and a tightened credit market.

Plus, you face a special challenge that other distributors don't: As a lifeline to medical equipment and surgical supplies, you must get the right product to the right healthcare facility at the right time, no matter what. And, you must do this in a drastically changing healthcare environment, where product lines are multiplying, costs are spiraling out of control, and universal healthcare coverage—if it ever becomes a reality—would result in a severe shortage of warehouse capacity.

In this environment, you are under great pressure to lower whatever costs you can, and to charge the lowest price possible. Plus, there's a catch: You must do these things without affecting customer service.

It's a huge challenge, and it can only grow in complexity. Consider this 2008 statistic from the Healthcare Distribution Management Association (HDMA): Each day, the member companies of HDMA are responsible for ensuring that more than 13 million prescription medicines and healthcare products are delivered to 144,000 pharmacies, hospitals, nursing homes, physician offices, clinics, government and other providers in all 50 states.

And that's just on an average day. Medical distributors also help deliver the lifesaving supplies needed in areas that have been devastated by natural disasters, such as New Orleans and Haiti.

To keep up with demand, which can only increase, you must run the most efficient company possible. You must process and ship goods quickly and cost-effectively, and have 24x7 access to accurate, real-time inventory. You must reduce supply chain costs and comply with increasing government regulations, by keeping accurate records and understanding the data.

It's a daunting task. But you can stay on top of it, by investing in top-notch software solutions that provide the optimal flow of goods throughout your warehouses. You must have technology that can help you lower costs and prices without affecting customer service, all in a rapidly changing environment.

Demand planning

Like all distributors, you must try to match demand in the marketplace. But because you're a medical distributor, accurate demand forecasting is even more crucial. Imagine the consequences if your healthcare customers do not receive an order of surgical gloves, needles, or other medical equipment when they need it.

Using a proven demand-planning technology solution, you can predict and shape customer demand more efficiently and cost-effectively. Because demand-planning technology combines advanced statistical capabilities with market knowledge gained from internal and external collaboration, you can create demand plans with pinpoint accuracy. As a result, you get a single, global view of the truth that not only provides the foundation for your sales and operations plan, but also helps you achieve measurable service improvements.

Demand forecasting

Using the forecasting component of an advanced demand-planning solution, you can greatly increase the accuracy of demand forecasting. That's because powerful forecasting techniques—presented in a graphical environment—automatically detect seasonality, trends, slow-moving items, unusual outliers, and step changes in demand.

Look for a forecasting component with a self-learning statistical engine that develops accurate demand forecasts with minimal intervention—one that can operate the solution at a single site or across your entire enterprise, and forecast using any combination of product group, customer, and channel. The system should also model the effect of promotions and events, as well as their impact on downstream supply.

Warehouse management

As a medical distributor, you have a special mandate to deliver the right order to the right location at the right time. People's lives depend upon it. To accomplish this, you need a demand-driven fulfillment solution that gives you visibility into the products your customers want and the location of those products, plus the ability to fulfill an order completely—in perfect condition and on time.

By automating your distribution environment with a powerful warehouse management solution, you improve data capture accuracy and reduce product touches in the supply chain. Not only does this help ensure order accuracy, it also improves employee productivity, reduces damages, and lessens the necessity for redundant quality control activities.

In short, you not only optimize your supply chain—so you can get the right product to the right location at the right time—but also maximize your investment.

Inventory management

Medical distributors like you must run an efficient, end-to-end operation to increase inventory turns and maximize margins. That means you must come up with the right amount of the correct inventory at the least amount of expense.

A powerful enterprise resource planning (ERP) solution will provide you with all the tools you need to control the complete inventory lifecycle—from order entry and customer order management, to complex pricing and price management, to rebates and detailed unit-of-measure management. You need an ERP solution that is advanced both in design and function, with an intuitive, easy-to-use graphical interface that supports flexible, event-driven operations.

To help you manage warehouse workflow in real time, look for an ERP system that integrates with the warehouse management system. An ERP system that integrates warehouse management will meet your needs by providing advanced picking, packing, and placement capabilities. Comprehensive warehouse management systems also provide you with specialized features such as voice enablement, radio frequency identification, labor management, task interleaving, and dock-door scheduling.

Strategic pricing

Not only can you leverage a top-notch ERP system to come up with the right amount of the correct inventory at the least amount of expense, but also to successfully engage in an emerging trend—strategic pricing. While ensuring that your healthcare customers get the products they need, when they need them, you can also ensure that you get the optimal price for your product at any given time, and in any given location. For instance, you will most likely be able to charge a higher price for your products in New York City than in Paducah, Ky.

To fully take advantage of strategic pricing, you need an ERP system that provides you with comprehensive pricing capabilities, including a modifier that allows you to price differently based on your geographic location and class of products (such as how fast a product is selling). For example, if you're moving into a new competitive area, you can use this feature to reduce the margin on products in one area without affecting the price of those products in other regions.

Mobility in distribution

Your medical distribution operations require quick access to information, and mobile devices can provide your workers with access to the real-time information they need.

An advanced mobile solution will optimize your distribution process by extending critical ERP functions to your mobile workforce, giving them quick access to real-time information. For example, your sales reps will be able to easily control customer inventory by examining the contents of their customers' medical supply cabinets, and then immediately placing orders on handheld mobile devices.

By implementing a flexible mobile solution built on a scalable, service-oriented architecture (SOA), you'll be able to configure additional mobile applications through the platform, while simultaneously integrating to multiple back-end applications and systems across the enterprise.

Role-based interfaces

When you can easily access information that's important to you, you can better understand your role—and quickly perform the functions that help get the right product to the right location at the right time.

By leveraging the power of a role-driven information delivery and action platform, you get a rich, targeted user experience that will permanently improve the way you do business. A role-based application interface reduces information overload and improves productivity by presenting you with the information you need to perform your job in a personalized, easy-to-use format. Whether you're an executive or line-of-business employee, this type of interface provides you with role-specific metrics, reports, and alerts so you can make better decisions, faster. You can drill deep into relevant business data stored in your ERP system to retrieve the information you need to complete a task.

An advanced, role-based application interface creates the next-best thing to an expert system for your particular job. By incorporating a wealth of industry knowledge about best practices and key performance indicators related to your specific responsibilities, this type of interface helps you be a better manager, and helps connect your business systems to the future.

Service-oriented architecture

Service-oriented architecture is one of the most talked-about trends in the software industry today. But SOA is not a product or a single technology—it's an architectural approach to building and deploying software that is interoperable by design, helping you increase business agility.

Software vendors have different approaches to SOA. Some of these approaches are based on next-generation platforms that require large investments in middleware infrastructure and re-implementations of core applications. But other approaches make it far easier and more cost-effective to achieve the business agility and IT flexibility promised by SOA.

Look for proven, business-specific solutions that you can plug into your ecosystem, making it possible for you to leverage the benefits of SOA—and adjust to ever-changing technology—without replacing your entire IT infrastructure. You'll be able to add, change, upgrade, or modify specific capabilities without waiting for a major new release—and without enduring a major disruption to your business.

Conclusion

Today's business environment is especially challenging to medical distributors like you. Not only must you deal with challenges that are common to all distributors—increasing competition, a constantly changing supplier network, ever-more-demanding customers, and tightened credit — you also must deal with the realities of today's healthcare market. Costs are spiraling, products are multiplying, and changes in healthcare insurance coverage could lead to a severe shortage of warehouse space.

Plus, you face a special mandate. All distributors strive to deliver the right product to the right location at the right time, but with you, it's not just about protecting your company's health—and the health of the facility to which you're delivering supplies. It's also about protecting the health, and lives, of people who need your products.

Yet you still are under great pressure to lower costs, and to charge the lowest price possible—all without negatively affecting customer service levels.

Infor™ can help. We provide medical distributors like you with robust ERP and supply chain management (SCM) solutions such as Infor ERP SX.enterprise, Infor SCM Demand Planning, and Infor SCM Warehouse Management. We also provide you with next-step technology and enhancements such as Infor Advanced Mobile for SX.enterprise, Infor MyDay, and Infor Open SOA. By leveraging Infor's powerful tools, your company can lower costs and prices without negatively affecting customer service, helping you gain competitive advantage now and into the future.

There is a better way.

At Infor, we work with a core belief. We believe in the customer. We believe that the customer is seeking a better, more collaborative relationship with its business software provider. And a new breed of business software: created for evolution, not revolution. Software that's simple to buy, easy to deploy and convenient to manage. Our 8,000+ employees in more than 100 countries and 70,000 customers stand with us. We look forward to your sharing in the results of our belief. There is a better way. For additional information, visit www.infor.com.

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