

IT'S TIME TO MAKE YOUR SUPPLY CHAIN A COMPETITIVE ADVANTAGE...

OM HEALTHCARE LOGISTICS

OM HealthCare Logistics (OM HCL) is the third party logistics division of Owens & Minor, one of the largest healthcare distribution companies in the United States. OM HCL maximizes supply chain value by providing cGMP compliant third party logistics and business process outsourcing services to medical device and pharmaceutical manufacturers. OM HCL has combined the industry leading RedPrairie WMS and JDA Software's TMS to create a comprehensive shipping consolidation solution. This solution combines multiple manufacturers' products into single shipments resulting in significant transportation savings.

CONSOLIDATED SHIPPING

Consolidated Shipping (CS) is the process of combining shipments from multiple manufacturers to the same recipient into a single shipment. Across the various industries that have embraced CS, the savings have been significant without compromising customer satisfaction. The TMS used by OM HCL has a route optimization model that aggregates LTL-size shipments and creates multi-stop truckload orders. Utilizing these multiple stops will ensure that we ship as much product as possible in full truckload quantity. Since the launch of OM HCL, our target has been to build critical mass in strategically located facilities to enable us to provide CS to the healthcare market. With the solution in place, the only remaining challenge was achieving the aggregate shipping volume required to realize the desired savings. With the on-going addition of new clients and the establishment of two 3PL facilities (Redlands, CA and Louisville, KY), OM HCL is now able to offer this solution to the healthcare industry and provide manufacturers with up to a 40% reduction in their transportation costs for shipments to key clients.

INITIAL CASE STUDIES (Consolidated Shipping to Large Distributors)

The initial goal of OM HCL's Consolidated Shipping (CS) effort is focused on the movement of product to the two leading nationwide distributors (Cardinal Health and Owens & Minor). These two distributors collectively distribute a large volume of products into hospitals and acute care facilities. Given the scale of these two distributors, virtually all healthcare manufacturers ship into one of their facilities on at least a weekly basis. To date, the majority of the shipments going into these facilities only contain one manufacturer's product. However, as shown in the case studies below, manufacturers may now save up to 40% of their transportation costs via OM HCL's CS solution.



Benefit

Consolidated Shipping provides the opportunity to achieve significant savings without compromising customer satisfaction.

LARGE DISTRIBUTOR CONSOLIDATION



SMALL DISTRIBUTOR CONSOLIDATION



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Over the past two years, OM HCL has been adding clients and associated product volume which has resulted in enough throughput to make CS a reality. With over 1.1 million cases a month being shipped out of our strategically located facilities, we can provide most manufacturers the opportunity to significantly reduce their shipping costs. Using actual shipping data collected from manufacturers it is easy to demonstrate the level of savings possible for various types of manufacturers. The first scenario is a medium sized division of a medical device manufacturer who imports product from Asia through a port located on the West coast and then ships the product to a distribution center located on the East coast to manage distribution nationally. Typically, about 20% of their sales are sold to acute care hospitals through Cardinal Health and Owens & Minor in the United States. The second scenario is a large global healthcare manufacturer who manufactures products globally and utilizes Cardinal Health and Owens & Minor to distribute approximately 40% of their product in the United States. Significant savings are recognized by consolidating over 570,000 lbs of their product with another large manufacturer.

RESULTS:

The estimated savings in transportation spend for each of the manufacturers shipping into Cardinal Health and Owens & Minor is quite significant. The first manufacturer will reduce their annual spend from ~\$340,000 to ~\$194,000 while the second manufacturer will see a reduction from ~\$1.5 million to ~\$1.1 million. These savings arise from three specific areas:

- Reduction of per lb fee for LTL**
 Today, many shipments of LTL quantities are not combined with other shipments. With OM HCL's existing volumes, LTL moves that were previously shipped individually or with very little other product will be combined with other manufacturer's LTL moves resulting in heavier more efficient loads. The overall result is a drastically reduced per lb fee for shipping product via LTL.
- Conversion of some shipments from LTL to TL**
 In some cases, LTL quantities may be combined with enough other products to be part of a full truckload. Obviously, the per lb savings is significant.
- More efficient point of origin for parcel**
 OM HCL's two initial 3PL facilities have been located in strategic locations in Redlands, CA and Louisville, KY. The closeness of these two facilities to the general population allows for the selection of lower level services to provide higher level delivery. For example, in many cases a shipment required the next day may be shipped via Ground providing significant reduction in transportation costs.

CONCLUSIONS:

As manufacturers continue to search for savings in their supply chain, Consolidated Shipping may provide the perfect opportunity. OM HCL's team is ready to model your data and provide a firm estimate of what your savings might be.



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Manufacturer 1		
Shipping Method	Annual Total Before Consolidation	Annual Total After Consolidation
LTL	\$271,947	\$141,591
TL/IM	\$0	\$3,186
Parcel	\$67,224	\$50,055
Total =	\$339,171	\$194,832

Manufacturer 2		
Shipping Method	Annual Total Before Consolidation	Annual Total After Consolidation
LTL	\$1,513,500	\$1,100,967
TL/IM	\$0	\$3,377
Total =	\$1,513,500	\$1,104,344

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