



CASE STUDY: Owens & Minor

A Quarter of a Century and Counting: Robocom helps Owens & Minor maximize its operations and deliver competitive advantage for over 25 years

With revenue of \$8.12B in 2010, and ranked #283 on the current Fortune 500 list, Owens & Minor, Inc. (NYSE: OMI) is the nation's leading distributor of medical and surgical supplies to the acute-care market, and a leading provider of healthcare supply chain management solutions. The company's 5,100 employees across 55 distribution centers and a corporate headquarters serve 4,500 hospitals, integrated healthcare systems, alternate care providers, and the federal government with a comprehensive offering of medical and surgical products.

For over 25 years, Owens & Minor has leveraged Robocom's technology and industry expertise as part of its strategic growth strategy. Owens & Minor first implemented Robocom's ERP platform in 1986, a system it refers to as OMNI. And in 1997, the company purchased Robocom's warehouse management system (WMS). Since that time, Owens & Minor's business has changed significantly as the company evolved from being a wholesale distributor into a comprehensive supply chain solutions provider.

Rick Mears, Senior Vice-President and Chief Information Officer for Owens & Minor, explains: "Our business has become far more sophisticated and complex over the years. Where customers once looked to us simply for fulfillment of supply orders, they now rely on us for comprehensive supply chain management solutions—expecting the right product, at the right place, at the right time, at the right price. The flexibility of our underlying Robocom technology has given us the ability to leverage our existing investment while continuously evolving our systems to meet the changing demands of our business."

When Owens & Minor initially implemented Robocom, the technology integration requirements were straightforward: they needed the ability to interface with a hospital's ERP system. Today, OMNI must connect with over 20 applications, including order management, inventory, customer service, purchasing, rebates, pricing, billing, A/R and A/P. And customer demand requires Web-based self-service, so they can shop, create, track or amend orders, check inventory, pay bills, print invoices, and more. The underlying Robocom technology has enabled all of that change to take place.

SOLUTION SNAPSHOT

BUSINESS CHALLENGE

To support the rapidly changing demands of the market and its customers, Owens & Minor needed to evolve from a wholesale distributor into a comprehensive supply chain solutions provider.

ROBOCOM SOLUTION

For over 25 years, the company has leveraged Robocom's technology and industry expertise as part of its strategic growth strategy, first implementing Robocom's ERP platform and then customizing the solution over the years to meet its changing business needs.

RESULTS

Instead of spending the \$100 million it would cost to rewrite or replace their existing system, Robocom technology enabled Owens & Minor to customize its system while retaining valuable existing business logic. And the flexibility to make changes to the system when and how it wants to gives Owens & Minor increased business agility and a competitive edge.



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— Rick Mears

Senior Vice-President and
Chief Information Officer
Owens & Minor

The evolution of OMNI is the result of internal customization projects combined with enhancements provided by Robocom. “Our collaborative relationship with Robocom is key to the ongoing success of our ERP system,” says Mears. “They respect our preference to customize the solution to meet our needs, while providing us with ongoing enhancements, support and advice when we need it. Ours is a true partnership.” Today, Owens & Minor supports nearly all aspect of its \$8+ billion business with its ERP system.

MODERNIZATION

For years, Owens & Minor has been considered a leader in technology innovation. The company has been ranked #1 twice in the *InformationWeek 500 list*, recognized for its business technology vision, innovation, and execution. And most recently, the company received the 2011 CIO 100 award from *CIO Magazine* for exemplifying the highest level of operational and strategic excellence in information technology (IT), particularly in the area of innovation for business growth.

“Our technology has served us well as we have grown to become one of the largest distributors of medical and surgical supplies, and a leading healthcare supply chain services company,” explains Mears. “One of our strategic assets has been our ability to leverage our existing investment in Robocom over the years to keep up with market and customer demand. The underlying system is so flexible that we have been able to retain our business logic—our secret sauce—while modifying our system to take advantage of new technology advancements like web services and voice recognition.”

Recently, Owens & Minor decided to modernize OMNI to sustain growth and increase value for customers and shareholders. The company had three options for modernization: it could rewrite the system in Microsoft .NET and RDBMS; it could take on a full, end-to-end, packaged ERP replacement project; or Owens & Minor could preserve its proprietary business rules and processes, and migrate its current ERP to an HP/Microsoft Windows Server platform.

Owens & Minor estimated that the cost of either the rewrite or the replacement approach would be in excess of \$100 million. The rewrite approach would have allowed the company to replicate its current business processes, but the costs, risks and timelines would far outweigh any benefits. Similarly, an ERP replacement approach would be disruptive, risky, time consuming, and expensive; it would limit functional flexibility, and require extensive customization to retrofit unique business rules and processes to retain a competitive edge.

“We were committed to modernizing our ERP system, without losing the world-class process logic and business rules that define us, and that give Owens & Minor our competitive edge in the market,” says Mears. “The flexibility of our underlying Robocom technology allowed us to modernize our system while retaining our existing business logic. Therefore, migration proved to be the best, highest return, lowest risk approach, enabling us to meet our objectives much faster, and at a fraction of the cost of other options.”

Owens & Minor completed its modernization project in 2010, which specifically involved the conversion and migration from an IBM z/OS Mainframe to an HP DL-785 server platform running Microsoft Windows Server and SQL Server. “We freed ourselves from the limitations of the mainframe, while preserving our company-specific business rules,” says Mears. “And, this new Microsoft platform saves us \$6 million per year in annual operating expense, as compared to the cost of operating the legacy mainframe. Further, we transformed individual programs into reusable Web Services, and enabled the creation of Web-based self-service systems that are used today by our customers, suppliers and end-users.”

The modernized ERP system is tightly integrated with many other technologies, including Owens & Minor’s Web order fulfillment, warehouse management, sales force automation, and product data management systems. “It is the core enterprise repository for all data, transactions, and processing in support of our \$8+ billion supply chain services business. And incredibly, we have been able to retain our 20+ year old proprietary, underlying business logic thanks to Robocom.”

ENHANCED BUSINESS AGILITY

Mears says the flexibility of Robocom’s technology has provided a true competitive advantage for Owens & Minor. “We wouldn’t have the same advantage we do today if we had thrown out our legacy system and replaced it with a new packaged ERP system like many of our competitors have done. Our approach to modernization enhances what we have already done. Our existing logic represents and preserves our unique business rules.”

“Also, our ability to customize our system delivers enhanced business agility. We can make changes when and how we want them. With a big ERP company we would have to submit the enhancement, hope it is approved by the enhancement committee, and then wait months to finally receive the update. Our business needs to move faster than that; something Robocom understands and respects.”

INCREASED BUSINESS GROWTH AND CUSTOMER SATISFACTION

As Owens & Minor’s business grew steadily over the years, so too did the company’s revenues. Mears estimates that since the original implementation of Robocom, OMNI has been able to support rapid growth that represents a quadruple increase in revenue over the years. And the company’s ability to remain agile and maximize its operations has been a tremendous advantage during the recent economic downturn.

Mears attributes much of the company’s rapid growth to customer satisfaction. Owens & Minor has established a reputation for providing superior, world-class service and continually strives to exceed its customers’ expectations. “We understand that if we take great care of our customers, they will take great care of us. ‘Delivering the difference’ is our mantra and we strive to live up to that every day.”

“For a quarter of a century, Robocom has made it its mission to keep us happy and successful, bending over backwards to get us what we need. We can’t ask for more than that.”

— Rick Mears

ABOUT ROBOCOM SYSTEMS INTERNATIONAL

Robocom Systems International has focused for nearly 30 years on developing and implementing Supply Chain Execution software solutions. Robocom's solutions include Warehouse Management, Transportation Management, Voice Technology, Order Management and Labor Management. Our investment in research and development is keenly focused on the needs of the business leaders responsible for the day-to-day results in warehousing and distribution center operations.

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OMNI is so robust that Owens & Minor is able to fill nearly 98% of all the order lines it receives on a daily basis—with the average being 300,000 received every day. The system's ability to integrate across so many other data sources also enables accurate pricing, which again, translates into customer satisfaction. And Mears says Owens & Minor's customers appreciate the ability to connect electronically, managing and viewing every aspect of their orders online.

A COLLABORATIVE PARTNERSHIP FOR ONGOING SUCCESS

With an eye always towards innovation, Owens & Minor is working with Robocom to implement new enhancements. One is a dashboard enhancement for its warehouse management system. The company also recently purchased two other modules for its ERP system—the full load truck module and the dock door scheduling module.

Mears says it isn't only the flexibility of Robocom's technology that Owens & Minor values, but the flexibility of the company as well. "Robocom understands our business and how we need to work to be successful. Customization may not be the route most customers want to take. But that is how we like to work, and Robocom has always listened to what we need and understood the concept that what is good for Owens & Minor is ultimately good for Robocom. It truly is a special relationship—quite a unique one in the industry. For a quarter of a century, Robocom has made it its mission to keep us happy and successful, bending over backwards to get us what we need. We can't ask for more than that."

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