



Owens & Minor Selling the Power of Hospital Supply Chain Solutions

"To compete and win in the highly competitive healthcare market, our salespeople must be able to articulate our value to hospital executives. We must get credit for the value of our distribution expertise and unique hospital supply chain solutions."
Senior Sales Leader

Owens and Minor is a \$5 billion distributor of medical and surgical supplies, providing health systems and hospitals every type of item they need from syringes to hospital beds. Through its extensive distribution network, diverse product offering, expertise in technology, and logistics and supply-chain management, Owens & Minor serves more than 4,000 acute-care hospital customers nationwide.

Three years ago they were struggling to maintain their margins in the face of intense competition and a growing customer commodity mindset. They had developed many "value-added" supply chain solutions to help hospitals better manage their inventory and supply chain, but their salespeople were struggling to articulate the value to the hospitals and were stuck in discussions with materials management. As their VP Sales explained early on "we are not getting credit from our customers for the value of our distribution expertise and supply chain solutions. And, the reason is our salespeople don't know their value or how to communicate it." Owens & Minor had experienced a 40-basis point margin erosion over the previous two years when they first started working with Aarthun Performance Group.

Aarthun Performance Group helped Owens & Minor implement a healthcare specific approach to teach their sales organization about the hospital business, which included:

- ◆ **Understanding the Hospital Business** – We created a business simulation around the hospital's financial cycle to help salespeople understand the big picture of how cash flows through the business, and the key financial metrics health systems track and measure. We included Owens & Minor solutions to help them see the impact on the financial performance for the hospital.
- ◆ **Clinical Supply Chain Needs** – We focused specifically on the hospital's clinical supply chain and how inventory management was conducted in the OR, Cath Lab and other clinical areas within the hospital operation. Owens & Minor salespeople learned how to gather information and identify gaps in the supply chain process. This was a significant area of profit opportunity for many hospitals.
- ◆ **Called at Higher Levels** – One of the most important objectives of the program was to get to higher level executives where Owens & Minor could position their clinical supply chain solutions. They learned to have business discussions with the 'C' suite at the hospital and with the heads of key clinical areas.
- ◆ **Quantifiable Impact** - Owens & Minor salespeople learned to quantify the value of their clinical supply chain solutions for the customer through Aarthun Performance Group's profit proposal methodology.

Financial Impact:

- ◆ Owens & Minor increased sales by over \$1 billion in a two year period.
- ◆ They increased margins by 50 basis points from 10.2% to 10.7%, representing \$24.1 million in operating profit.
- ◆ Equipped with a value-based selling approach, they changed their RFP and proposal response to show ROI and support their "improved customer profitability" message.
- ◆ Owens & Minor landed \$29 million in new business within the first 6 months of implementing **The Profit Specialist® Health System** program.



APG Methodology, Processes, and Tools

Notes on the Floor	Opportunity To Create Value	Calculation/Value
	What Is	What Could Be
People, Costs, Time, Capital, Errors, Problems		

