Logistics Solutions Assignment Questions (Medical Devices Case Study)

Outline your suggestions as to possible improvement you would suggest to this product flow.

* What do you want to change?
* What do you think the changes would improve?
* How do you think the improvements will result in positive financial outcomes?

One each of these points above, please be as specific as possible.

Ans: The MTC has developed a lot of loopholes and issues in their supply chain process which needs to be re-implemented and improved at a higher level and throughout the hospital environment. There are a few changes and improvements which I understand and think that the MTC should think of if they want to really cut down total revenue after the 2.3% excise tax imposed due to the new ACA.

1. The sterilization process of the surgical kits used by the surgeons for their routine surgeries is handled by an off-site distributor which MTC has outsourced to. The MTC can here reduce the cost of the process and also the transportation cost and lead time overall by implementing a new sterilization process within their building premises. This will result in costs reduction in transportation and fuel consumption of transit vehicles, no worry of the lead time getting extended and also give them an overall deep insights of how they can streamline and improve their current outbound process flow.
2. If you observe their logistics network, they are currently having a central distribution unit to manage, sell and distribute the inventory. The MTC should either opt for a third party (3PL) logistic company or create their own logistics network and introduce the RFID tags which will get attached to the products in their warehouse itself. Once after completing all safety compliance and quality control checks they can then ship the products to the hospital’s operating room or to the storage room. By adapting these changes, the MTC can market and sell their products at the original MRP and not at the price which the distributor company quotes. This will result in a huge profitable margin and will surely increase their revenue and total net earnings also. The use of RFID tags for their products will provide them more visibility and also they can track each product by scanning the barcode label. This will help them further in a better analysis perspective and also in decision making.
3. The involvement of sales representatives selling the inventory to the hospital and surgeons which I feel can be reduced and get rid of to save and reduce the money that should be paid to the sales reps. Instead I would rather implement the use of smart kiosks in the hospital premises wherever possible and also maybe TV monitors so that the staff and surgeons can look up any patient’s current health status immediately. The TV monitors and kiosk can also help the surgeons and hospital staff by explaining safety compliance, how to use technology and equipment and other important aspects by handing a support guide manual or videos. They can also keep track record of any equipment that has been misplaced in the distribution center or anywhere in the middle if any sales representative has done something fishy to the product while delivering. This will result for MTC in reducing any additional damage penalty costs. Another change which the hospital and the MTC can do is to make the sales representatives only have relationships with the hospital staff and surgeons in providing them help in critical surgeries. In this way, the risk of handling inventory and delivering it properly from the DC to the hospital can be taken off.
4. I feel that the sales representatives who are now currently handling their inventory and also assisting the hospital’s surgeons as to how to use the equipment on the patients and other things can instead try and contact members of the hospital’s finance team and try to establish relationships with them so that they can buy and sell the products from them directly and not from the Group Purchasing Organizations (GPO’s). Vice versa if the finance team is not that supportive then the sales reps can again try to establish with GPO members and try to buy and sell more products at a wholesale price. This would result MTC in reduction of paying high commission and salary to the sales reps, improving their reputation with the hospital and other clients, selling the products at the original MRP price and most importantly implementing a resilient, end-to-end and a sustainable logistics supply chain process.

In conclusion, all these factors will definitely result in a huge amount in annual total revenue and net earnings and also by reducing the unnecessary expenses.