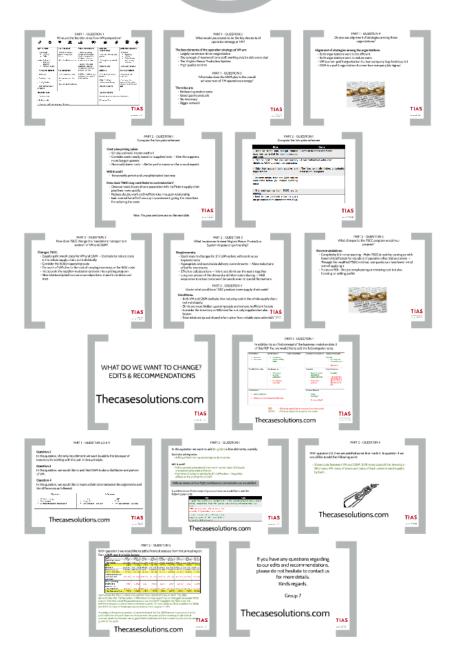
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WHAT DO WE WANT TO CHANGE? EDITS & RECOMMENDATIONS



PART 1 - QUESTION 1

In addition to our first concept of the business model on slide 3 of this PDF file, we would like to add the following elements:

The State Insurances	The Health system staffing model	Value Propositions	Customer Relationships	Patients Primary care Secondary care End users
The OSCM Priorities	Physicians Medical Equipment Only the best materials		Word-of-mouth advertising Clinic networks Patients to patients	Leagility The better the treatment, the better value of the treatment get
Supply chain cost Eliminate waste and improved efficiency			Prices are fixed	

RED GREEN

- = What we would like to remove from the model
- = What we would like to add to the model



PART 1 - QUESTION 2,3 & 4

Question 2

In this question, the only key element we want to add is the decrease of inventory by working with the just in time principle.

Question 3

In this question, we would like to add that O&M is also a distributor and partner of VM.

Question 4

In this question, we would like to make a distinction between the alignments and the differences as followed:

Alignments	Differences				
Efficient strategy Reduce costs Strong management relationship	VM Non profit Lean company (Top-level)	O&M • Profit • Non-lean company (six sigma)			



PART 2 - QUESTION 1

In this question we want to add (in green) a few elements, namely:

Cost-plus pricing value:

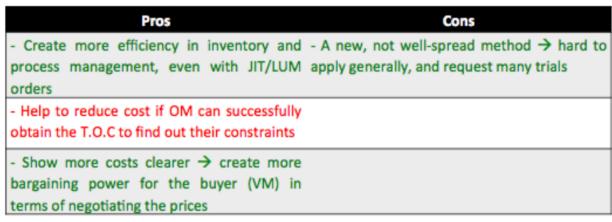
Adding a fixed mark-up percentage to derive prices

Will it work?

- Fail to consider price elasticity demand + certain costs: SKU costs, unexpected sales costs and so on...
- High level of customer service for JIT/LUM orders -> Negatively effects on the profitability of O&M

With our answer on how TSCC contributes to cost reduction, we are satisfied.

In addition to our first concept of pros and cons, we would like to add the following elements:





PART 2 - QUESTION 4

With question 2 & 3 we are satisfied as we first made it. In question 4 we would like to add the following point:

 Share costs between VM and O&M: Shift more costs of the inventory -SKU costs VM, costs of errors and costs of back orders shared equally by both.





PART 2 - QUESTION 5

With question 5 we would like to add a financial analysis from the annual report from O&M, see the table below.

· · · · · · · · · · · · · · · · · · ·									
O&M	2005	2006	2007	2008	2009	2010	2011	2012	2013
Operating Income	117,432	102,764	140,781	180,725	201,275	195,936	203,515	196,753	198,083
Total Assets	1,239,850	1,685,750	1,515,080	1,776,190	1,747,088	1,822,039	1,946,815	2,214,398	2,324,042
ROA	9.47%	6.10%	9.29%	10.17%	11.52%	10.75%	10.45%	8.89%	8.52%
Revenue	4,822,414	5,533,736	6,694,596	7,243,237	8,037,624	8,123,608	8,627,912	8,731,484	8,688,018
Cost of revenue	4,306,302	4,936,940	6,044,631	6,525,977	7,250,709	7,315,883	7,770,375	7,943,670	7,954,457
Cost Of Rev./Rev.	89.30%	89.22%	90.29%	90.10%	90.21%	90.06%	90.06%	90.98%	91.56%
selling, general and									
administrative	(381,370)	(471,987)	(494,515)	(521,401)	(565,620)	(564,169)	(610,657)	(682,595)	(863,656)
expenses									
Other operating									
income and	(1,078)	(3,690)	(6,187)	(6,821)	(5,245)	(2,894)	(3,478)	(4,462)	(7,694)
expense, net									
Total Expenses	(382,448)	(475,677)	(500,702)	(528,222)	(570,865)	(567,063)	(614,135)	(687,057)	(871,350)
Total Expenses/Rev.	7.93%	8.60%	7.48%	7.29%	7.10%	6.98%	7.12%	7.87%	10.03%

O&M started the TSCC in 2005 and used the TSCC method officially in 2007. The table demonstrates that: the fluctuation in ROA (return of total assets) has not changed a lot except 2006 (we can think that one of the possible reasons was that O&M invested in the TSCC a lot); the difference of ratios is cost of revenue/revenue is within 2% from 2005 to 2013; in addition to 2006 and 2013 the ratios of total expense/revenue are most roughly in 7-8%

According to the previous analysis, it can be indicated that the O&M has not improved a lot in the profit side since the profit does not increase even the assets and the inventory of sale (cost of revenue) raised. As this result, we suggest O&M should not just focus on reducing the cost but also growth of the profit.

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If you have any questions regarding to our edits and recommendations, please do not hesitate to contact us for more details.

Kinds regards,

Group 7

