

How a Successful Voice Solution Became a Competitive Differentiator at Buffalo Hospital Supply

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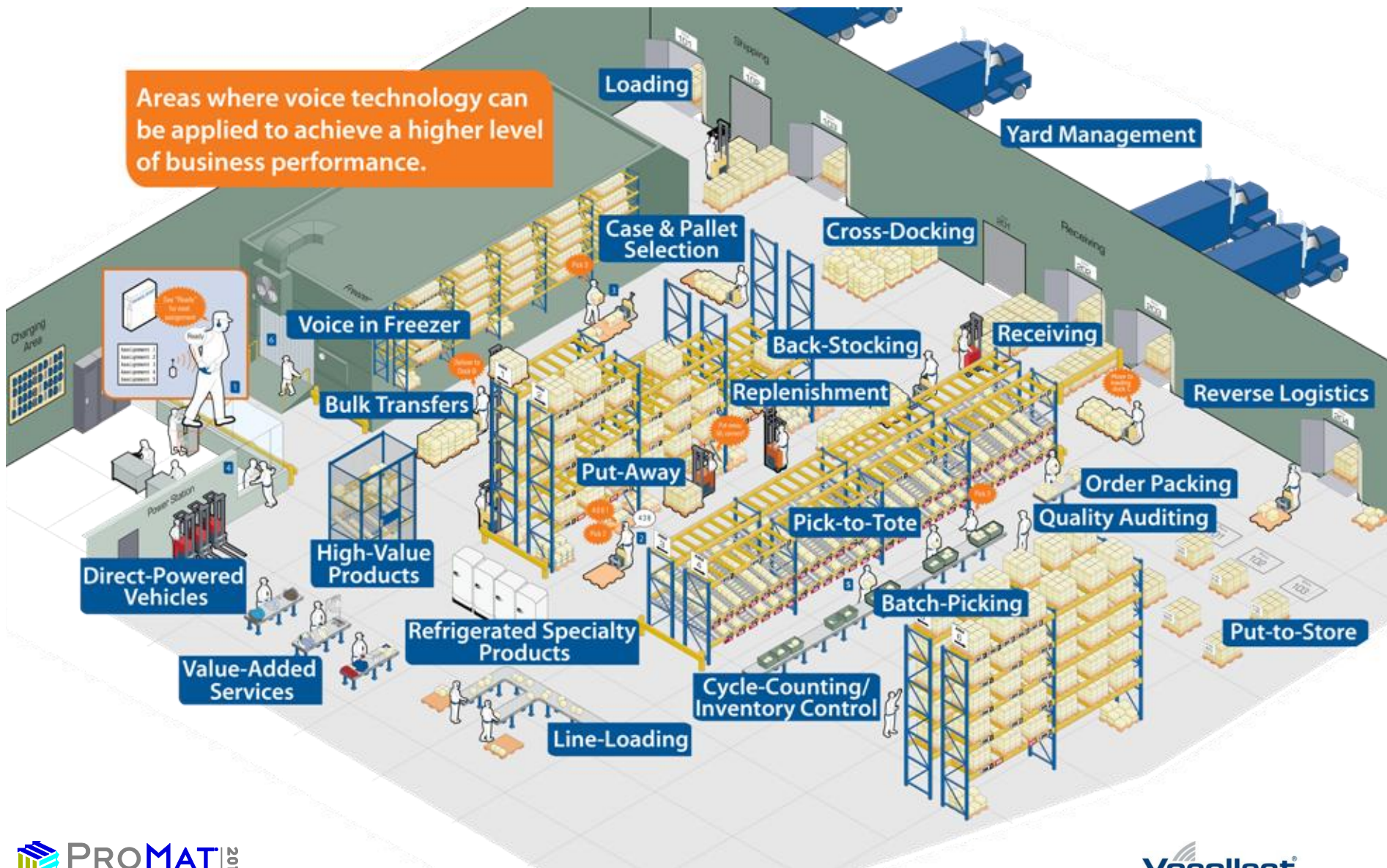


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Exploring the Possibilities

Areas where voice technology can be applied to achieve a higher level of business performance.



Key Business Drivers for Voice



GROWING BUSINESS

- Increase throughput
- More output from existing operations
- Improve processes



MARGIN PRESSURE

- Competitive market forces
- Increased costs



GOVERNMENT REGULATION

- Compliance with requirements
- Tracking



MORE VALUE FROM IT INVESTMENT

- Greater outputs without risk
- Extend value



TRACEABILITY

- Support Produce Traceability Initiative (PTI) and other standards



SCALABILITY

- Online business
- Line item order fulfillment
- Changing and expanding product mix



ACCURACY

- Providing "perfect orders"
- Shipment accuracy and timeliness of delivery



CUSTOMER SERVICE

- Competitive differentiation
- Strategic value of technology to support



TRAINING TIME

- Seasonality
- Streamline on-boarding process
- Reduce training time

The Value Proposition of Voice

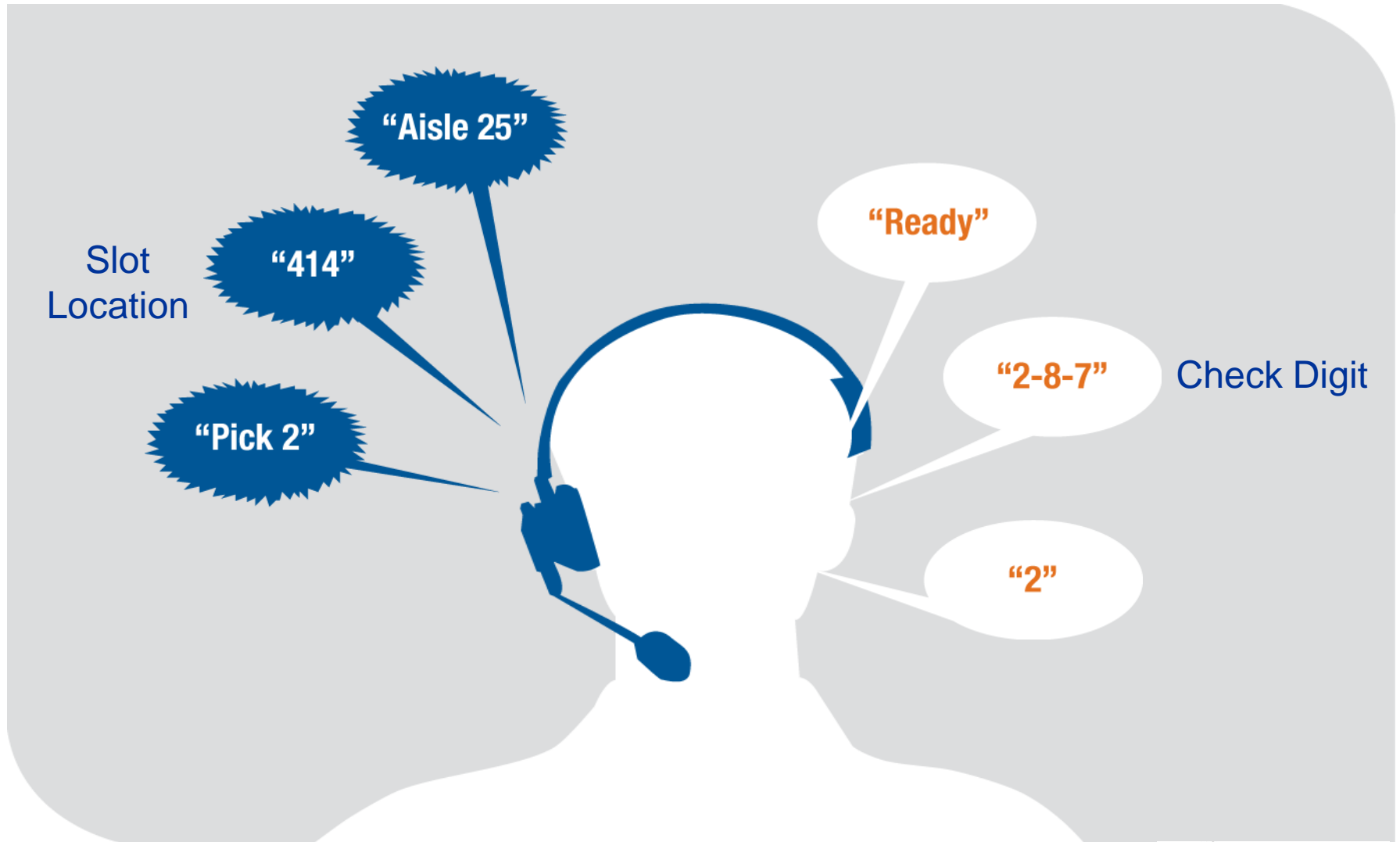
- Worker performs tasks **more accurately and productively** than with paper or handheld computers
- Very high ROI/fast payback solution based on the significant cost savings it delivers
- Reduced training time, improved safety and higher employee satisfaction



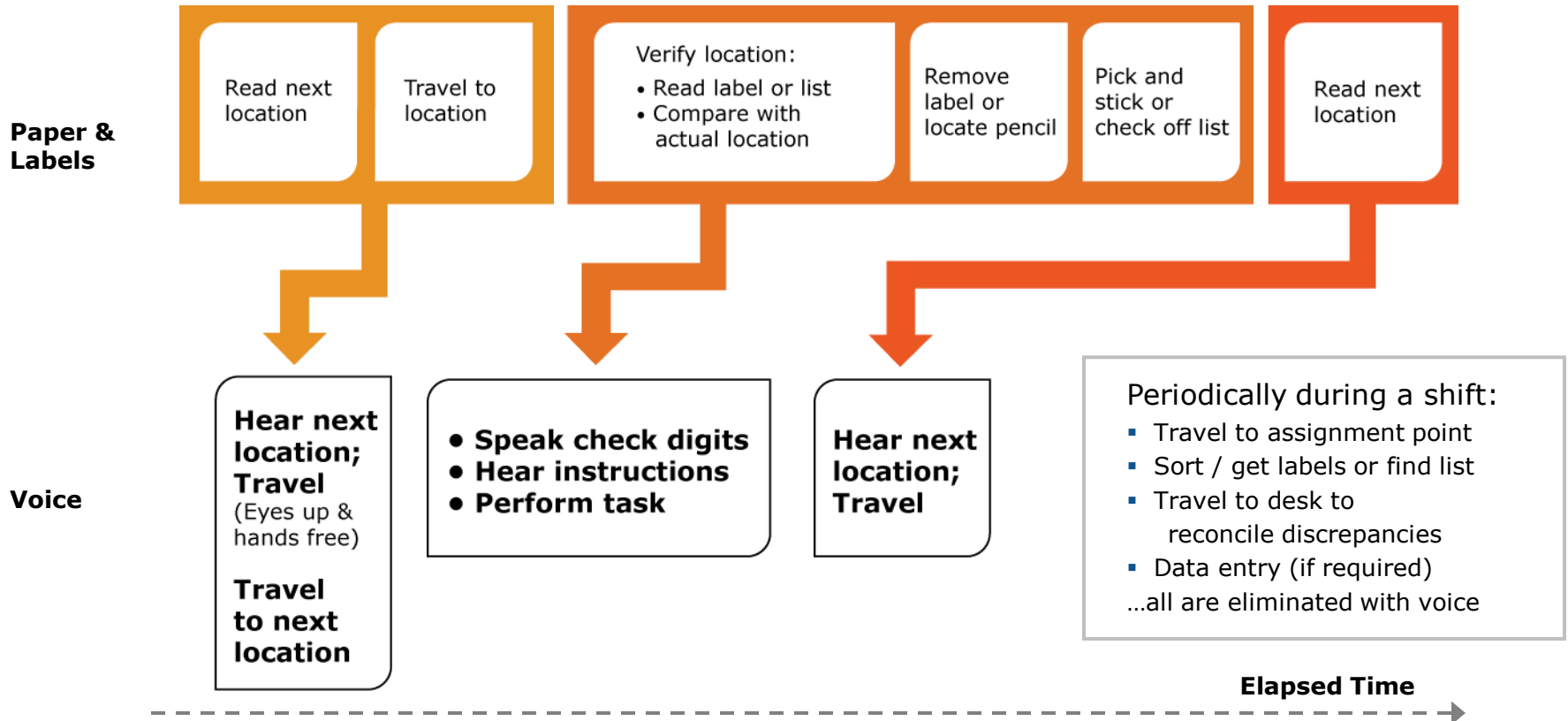
Real-World Results of Voice

- Voice-enabling picking has enabled:
 - » >20% improvements in productivity
 - » up to 99.95% order accuracy
 - » 50% reduction in training time
- Voice-enabling putaway and replenishment have enabled:
 - » 20% improvement in staff productivity while increasing volume
 - » 52% improvement in replenishment rate (pallet/hr)
 - » 37% reduction in support needs
 - » 67% reduction in training time
 - » Saved over \$30k/year in capital equipment
- Voice-enabling loading has enabled:
 - » >20% staff productivity while increasing volume
 - » Reduced floor space – doors turn faster
- Voice-enabling receiving has enabled:
 - » Eliminated double-check by a supervisor before receiving is complete
 - » Allowed implementation of labor standards with data capture

Understanding the Basic User Experience



Voice Compared to Paper/Labels



Voice Advantage

Extreme Accuracy

Reduce errors by 85% vs. paper and labels

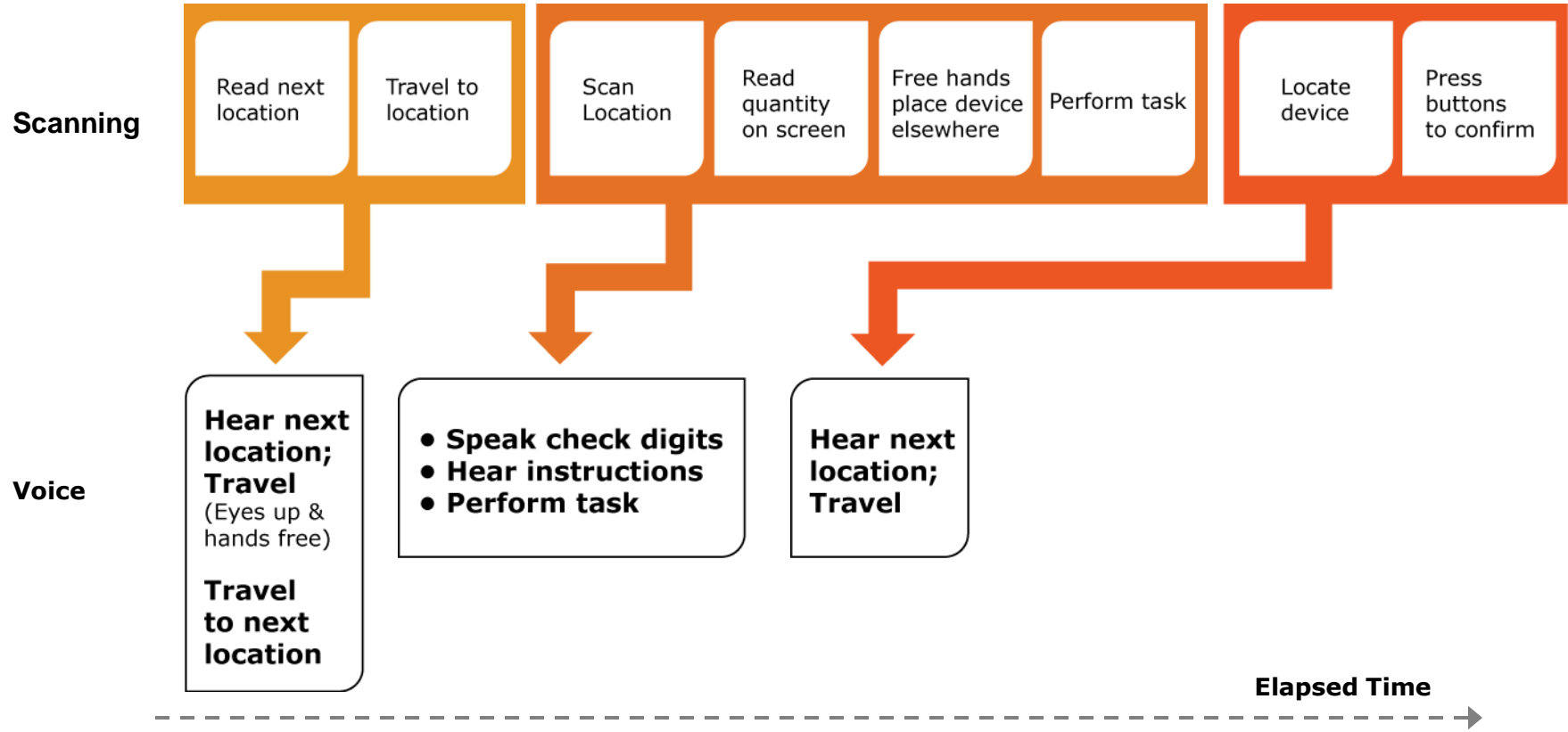
Productivity

Increased throughout - 15 - 25+% gains

Training

50% reduction in end user training

Voice Compared to Scanning



Voice Advantage		
<p>Accuracy</p> <p>Less errors- 2-4 less errors per 1,000</p>	<p>Productivity</p> <p>Increased throughput - 15 - 25+% gains</p>	<p>Training</p> <p>50% reduction in end user training</p>

A Proven Track Record

- ▶ First distribution center voice application operational in 1991
- ▶ >5,000 customer sites on six continents around the world
- ▶ >500,000 users globally in more than 35 languages
- ▶ >\$5 billion worth of goods are shipped from locations using voice every day
- ▶ Proven, unsurpassed ability to work in challenging environments: cold/hot, dry/humid/wet



About Buffalo Hospital Supply

- Founded in 1977, headquartered in Buffalo, NY, independent and family-owned.
- Leading distributor of national brand-name medical/surgical supplies and equipment to healthcare organizations across NY State and Northwestern PA
- Serve more than 500 regional hospitals, skilled nursing facilities, home health, durable medical, and pain management organizations
- One of Western NY's Top Private Companies

Business Challenges

- Manage rapid growth
- Competition with National distribution companies
- Do more with less – labor and inventory
- Achieve faster and more accurate deliveries
- Enhance customer satisfaction

Distribution Operations

- Single 147K ft² distribution center
- Approximately 16,400 SKUs, 34,000 locations
- 45 full-time employees use voice for picking (tote and case)
- Orders distributed 24/7/365; two shifts Monday-Friday and one each on Saturday and Sunday
- Process roughly 4,000 lines, or 10,000 containers per day
- 70% pick to tote in each, less than 5% pallet

Life Before Voice

- High growth pace made it difficult to maintain stock using a primarily paper-based distribution process
- Inventory control was time-consuming and required additional permanent and temporary staff to complete tasks
- Limited visibility to product movement within DC forced company to maintain increased inventory to ensure high service levels
- Decreased order accuracy, lower service levels and higher operational costs

The Path to Voice

- Technology partner brought on in 2003 to provide comprehensive supply chain solution for order fulfillment
- Handhelds initially brought in to replace paper – but workers found they were not user-friendly, which still impeded productivity
- Technology partner then recommended voice; two providers considered
- Conducted site visit with non-competitive regional drug distribution company
- Voice first implemented in 2007, case/pallet in 2009

The Deployment

- Major challenge: had to re-label all bin locations
- With technology providers' support, deployment was relatively seamless (integrated solution)
- Individual voice template training, conference room pilot and supervisor training.
- End user training and equipment management
- Order selectors soon found their job didn't change that much at all – but the more ergonomic hands-free/eyes-free aspect of voice quickly made them more productive

Results

- Already-high productivity rate with scanning increased by 12% with voice
- Went from 45-50 picks per hour with handhelds to 65 picks per hour with voice
- Current productivity target is 80-85 picks per hour
- Accuracy improved from 99.5% to 99.9%
- Improved employee and customer satisfaction
- Training time reduced from 2-3 days on handhelds to one day for voice (individual voice templates trained in 35 minutes)

Results con't.

- Able to reallocate six full-time order selectors to other roles
- Improved safety – hands-free, eyes-free
- Performance measurements with voice identify team/individual training opportunities
- Improved competitiveness against larger players
 - Voice has become a strong recruiting tool
 - Voice factors into our sales and marketing efforts – removing the misconception that BHS does not have the same performance capabilities as bigger competitors
- Return on investment – approximately 14 months

Lessons Learned

- Engage the end user early in the process
- Take advantage of all resources available
- Never underestimate the value of leveraging the reputation and track record of your quality technology providers in competitive and recruiting situations
- By implementing voice along with a proven WMS solution, you can stay price-competitive without sacrificing service

Future Plans

Expand voice to:

- Replenishment
- Putaway
- Cycle-counting

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