



CASE STUDY: OWENS & MINOR

**OWENS & MINOR MIGRATES OFF
MAINFRAME TO WINDOWS TO ENHANCE
CUSTOMER SERVICE, IMPROVE
FLEXIBILITY, AND DRIVE INNOVATION**



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CHALLENGE

Owens & Minor needed to modernize its existing, business-critical enterprise systems while retaining unique business logic. Maintaining the competitive advantage embedded in this business logic while reducing costs to enable re-investment in customer-led improvements was imperative.

SOLUTION

- Micro Focus Studio
- Micro Focus Server

BENEFITS

- Enabling increased focus on customer service initiatives to further enhance superior service levels
- Ability to re-invest savings in user-interface modernization through an approximate 77% reduction in IT infrastructure costs per year
- Platform for role-based user interfaces, reducing 25 screens to 5-10, resulting in increased staff productivity and efficiency
- Greater performance capacity and faster response times
- Retaining and further optimizing 20 years of business process value and competitive advantage
- Future-proofed system capacity, enabling expansion without incremental budget requirements

THE CUSTOMER

Owens & Minor, Inc., ranked #339 on the Fortune 500, is a leading distributor of medical and surgical supplies in North America and a healthcare supply chain management company. Founded in 1882, Owens & Minor became a prominent regional drug wholesaler, before entering the medical-surgical distribution industry in 1966. With its nationwide reach, the company today serves some 4,500 customers, including hospitals, integrated healthcare systems, alternate care locations, group purchasing organizations, and the federal government. Owens & Minor provides technology and consulting programs that improve inventory management and streamline logistics across the entire medical supply chain, from origin of product to patient bedside. In 2001 and 2003, Owens & Minor was named the #1 company by Information Week magazine as the most innovative user of technology, in particular for its customer-facing initiatives. To this day, Owens & Minor makes efficient and innovative use of technology to provide exceptional service to its customers.

THE CHALLENGE

Owens & Minor wanted to be able to focus greater resources on process innovation that would enable them to deliver increased levels of customer service. The company's



core systems, running an \$8 billion medical-surgical distribution business, crucially held 20 years of unique business logic. These systems were a source of a competitive business advantage that enabled Owens & Minor to provide superior customer service and expert supply chain management services to its customers. Significantly, Owens & Minor wanted to retain the flexibility and business logic inherent in these systems, while driving innovation and business growth. The company needed to find a modernization solution that would allow it to focus further resources on continuous enhancements of customer service through reducing costs without abandoning the capabilities that differentiated Owens & Minor from competition.

“Migration was by far the lowest risk, highest return choice in modernizing our business and maintaining the highest levels of service to our customers. Maintaining and enhancing our existing business value while at the same time redeploying resources for business growth and innovation is invaluable. The alternative modernization approaches of re-writing or replacing systems with off-the-shelf packages were risky, vastly more expensive and simply not valid alternatives for Owens & Minor. The answer really was obvious.”

Rick Mears,

Senior VP and CIO, Owens & Minor

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“Microsoft and Micro Focus technology enabled Owens & Minor to continue to deliver world-class service to its customers and provides a platform which will support the business critical computing needs of the organization for years to come.”

Bob Ellsworth,
Director, Enterprise Platform
Modernization, Microsoft

THE SOLUTION

Owens & Minor estimated the potential cost of a re-write or replacement approach for its custom ERP system to be between \$100 million - \$200 million. While a re-write would have enabled the company to build in current business processes, the costs, risks and timescales involved would far outweigh any benefits. Similarly, a replacement approach would be risky, timely and costly to implement, limiting flexibility with significant customization efforts needed to retain business logic and service levels.

Migration presented a low-risk, high-return modernization approach that would allow Owens & Minor to meet its objectives significantly faster and at a fraction of the cost of any other option. Therefore, the company chose to migrate the existing systems off the mainframe and onto Microsoft Windows and SQL Server.

The migration project was led by Owens & Minor's IT services partner, Dell Perot Systems, in close cooperation with Microsoft and Micro Focus, using Micro Focus Studio Enterprise Edition and Micro Focus Server Enterprise Edition to facilitate the migration off the mainframe.

THE RESULT

The migration of the custom ERP system, which required over 600 MIPS of processing power, enables Owens & Minor to modernize data, improve user interfaces and further enhance service levels. This innovative strategy not only forestalled incremental costs, but also significantly reduces the annual costs of maintaining the company's former ERP system. Owens & Minor, now permanently out of the mainframe environment, is reinvesting these funds into technology innovation projects designed to drive business growth and enhance customer service. The migration has also made funds available to invest in user-interface modernization and improvements.

Furthermore, the new IT infrastructure delivers greater performance capabilities, and is able to handle greater numbers of users and orders. The hardware and software configuration is expected to provide three additional years of capacity at a level of revenue growth of approximately 8% per year.

In addition, Owens & Minor has retained its superior customer service capabilities and is able to continually meet and exceed delivery expectations, through faster response time to unplanned system and business events.

“The Windows platform will also provide us with a faster recovery time from system or business events that have, in the past, caused order delays; this will be invaluable in enabling Owens & Minor to meet and exceed our customers' delivery expectations.”

Rick Mears,
Senior VP and CIO, Owens & Minor

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“This was a complex and mission-critical project, and we are proud of the benefits this successful collaboration brings to Owens & Minor. The migration establishes a powerful and flexible computing platform to drive future growth and innovation.”

Chuck Lyles,
President, Dell Perot Systems Healthcare Group

THE FUTURE

Future evolution will focus on data rationalization and improvement of the user interface for Owens & Minor's customers. For example, business process functions which were presented to users on multiple screens (in some instances up to 25 screens to address a back-order issue) are now presented in a single screen. This simplification will directly increase staff productivity and efficiency. In addition to improved interfaces, the new Microsoft technology will allow for greater functionality provided to customers through composite applications utilizing Web services.

The significant focus placed on user interface modernization will deliver better on-line tools for Owens & Minor customer service representatives, enabling them to further enhance service levels through improved accuracy in customer orders, back-orders and invoicing. Through a fully integrated portal, customer service representatives will have access to real-time, accurate product and account information. Further user-interface modernization will also result in Web-based customer self-service capabilities.

“A key benefit of the migration process was the ability to retain the intellectual property and business rules that have helped us become one of the leading distributors of medical and surgical supplies in the United States. Migration to a Microsoft Windows environment with Micro Focus was a low-risk, high-return way to accomplish our IT and business goals at a fraction of the cost of a re-write or wholesale ERP replacement. This was the ideal strategy for Owens & Minor, our customers and our shareholders.”

Rick Mears,
Senior VP and CIO, Owens & Minor

ABOUT MICRO FOCUS

Micro Focus, a member of the FTSE 250, provides innovative software that allows companies to dramatically improve the business value of their enterprise applications. Micro Focus Enterprise Application Modernization and Management software enables customers' business applications to respond rapidly to market changes and embrace modern architectures with reduced cost and risk.

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