Case Study:
Delivery System Conversion

Reliable Delivery™

Delivery System Conversion

Northeastern Michigan Area Hospital Network

Reliable Delivery *offers excellence in expedited courier, small package and freight delivery services. Specialties include the development, application and execution of cost effective delivery networks for customers in many different industries.*

Executive Summary

A large, Northeastern Michigan hospital network needed a viable option for converting their current delivery staff over to a more productive and cost effective model.

Budget concerns due to rising operational costs along with unsatisfied patients awaiting deliveries created an intense need for change. Reliable Delivery was asked to provide not only improvements, but an entire delivery system conversion.

Challenges

The hospital network was dealing with an employee driving force that had been in place for 30 years. Their hospital network was experiencing below average productivity coupled with increasing costs due to annual increase expectations. Annual wage increases were expected by the drivers despite mediocre performances which caused internal turmoil.

In addition, scheduled routing information was not effectively documented and was done manually based on departmental needs and "on-demand" deliveries. This created a large bottleneck across the hospital network and resulted in an inefficient delivery system. Accurate delivery data was not available and the hospital network could not effectively analyze services and costs to correctly evaluate.

The Transition Begins

In an effort to assist both the hospital network and driver force with a possible transition, Reliable Delivery's leadership met with the existing drivers to explore employment opportunities with Reliable Delivery. This would provide an opportunity to build on the relationships, knowledge and experience these drivers already possessed, while establishing a new performance-based delivery culture.

A number of drivers interviewed and a third of the driver pool met Reliable Delivery's standards which were invited to join the Reliable Delivery team. Of the drivers that were selected only 50% felt they could align with a *p*erformance-based culture. A number of the remaining drivers chose to pursue other avenues of employment into new positions within the hospital network.

The hospital network's decision to outsource garnered some media attention at the beginning of the transition. Reliable Delivery worked closely with the hospital network during this time, providing accurate delivery service and building an efficient delivery system. The remaining drivers and community responded in favor of the efforts made to transition the delivery operation.

Success through Accountability

There were employee's within the hospital network resisted the new partnership with Reliable Delivery. There was a lag in sharing route information detail due to an unforeseen lag of departmental cross-training. Reliable Delivery had to establish credibility and trust, while delivering the expected outcomes from the hospital network's management. In maintaining open communication, working diligently on the partnership and providing consistent service, Reliable Delivery was able to develop positive relationships with the hospital network's employees.

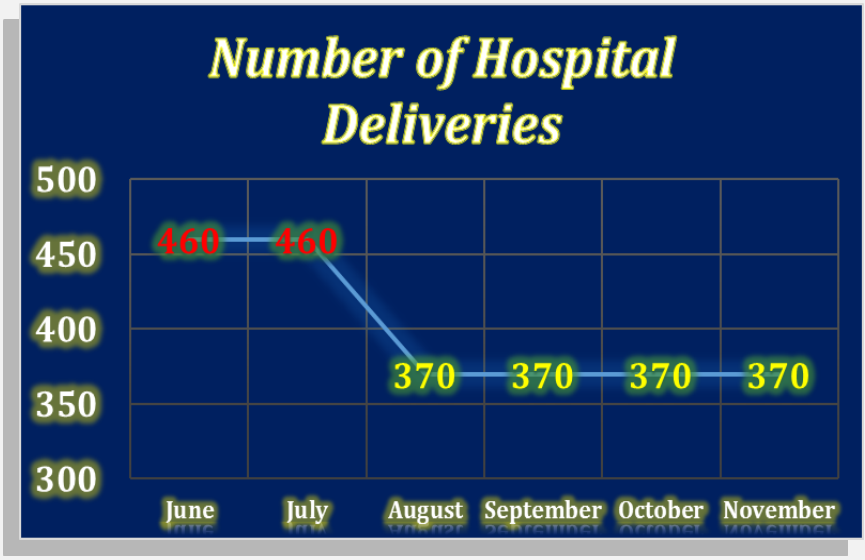
Additionally, Reliable Delivery conducted time studies to aid in analyzing the pick-up and delivery times required for each stop on each route. Time studies helped to establish baselines to work from for adding or adjusting stops, as well as for establishing future routes. Using Reliable Delivery's internal optimization resources, routes were fine-tuned to meet the receiving hours and needs of each department within the hospital network. Through accurate data analysis, Reliable Delivery was able to eliminate stop duplications while still providing efficient and comprehensive routed deliveries.

Initial Concerns vs. Actual Conversion

The amount of possible issues the hospital faced prior to transition were many. They were concerned with how they would rid themselves of a costly and inefficient delivery system that was in place for 30 years. There was fret regarding how the hospital executives would be able to understand a logistics network that was controlled by one employee. They had additional questions on how they could spawn betterment from the current status without having detailed knowledge of their own delivery network. The current delivery system also utilized hospital owned assets (delivery automobiles and cargo vans). The major concern would be that hospital leadership would have to find buyers for these assets prior to converting to a third party solution.

Reliable Delivery helped to resolve all of these concerns and delivered more of a solution than originally intended by the hospital's executive staff. First, Reliable Delivery worked with the current drivers to ensure the transition was explained and allowed the drivers to interview for positions with Reliable Delivery (based on their productivity and route knowledge). Second, route information was gathered by Reliable Delivery from each hospital department (previously authorized by the hospital management team). The stops were optimized and Reliable Delivery created updated route plans inclusive of details that could result in better service. Reliable Delivery also offered to purchase the vehicles utilized to run the hospital's previous, delivery network. These assets were then able to be taken off of the hospital's balance sheet.

Within the first 30 days of transitioning the routed work and on-demand or "STAT" needs, the hospital's executive team found themselves with a more optimized output and on-time delivery network. After this initial 30 days transition, the route's previous start times of 6:00 am were transitioned to start times of 9am and route completion times to 5:00 pm which allowed departments to easily gather items to be shipped. Route sizes diminished as consolidations were offered due to optimization efforts. Delivery pace quickened and costs were lowered. Reliable Delivery started with over 460 stops per week and within 60 days worked down the overall stops to the amount of 370 (almost 100 less than when first taking over the network) due to consolidations and optimization efforts.



Innovation

The hospital network was also challenged with inventory tracking. Each department sent out what another department was asking for without the ability to track the items sent. Reliable Delivery offered a bar code tracking system for the hospital network to adopt. Each area of pick-up would be assigned a tag to be scanned which would then be tied to a specific inventory item. Each driver scanned the barcode(s) to allow for immediate updates. Reliable Delivery's drivers were also empowered to add additional details to aid in the success of the hospital's inventory management.

Innovation *(Continued)*

Driver updates allowed for further details of each item and more detail than just inventory category (i.e. “blue” mail bag or “tall, red plastic cups”, etc.). This process helped to ensure inventory traveling between departments was confirmed as well as correctly received which allowed for inventory levels being updated.

Sustainability and Optimized GROWTH

Today, the transition and optimization has allowed the hospital network to focus its time and energy in growing the hospital’s demographic and geographic reach. Reliable Delivery’s partnership has grown with the success of the hospital and is the main and only provider of medical inventory and on-demand or “STAT” services throughout Michigan. Reliable Delivery, with its statewide service coverage, offered the hospital a unique partnership which allowed delivery services to be immediately available to the hospital’s network and facility growth. Today the original delivery network has grown from a handful of locations to over 20 facilities throughout Northeast and Central Michigan with more areas planned to break ground in the foreseeable future. Quarterly and annual reviews are offered and have are conducted to account for any and all changes which ensure transparency while providing outstanding service support to their network. ***RD***