

“Just right” solutions

MMS' goal is to follow both the patient and the provider, wherever products are being used in their care.

Today's economic conditions, along with the competitive nature of the industry, have forced distributors to re-evaluate and refocus their objectives, strategies and goals for serving their healthcare customers. *Repertoire* recently interviewed Bernie Thien, vice president-logistics, MMS – A Medical Supply Company, to learn what steps the Earth City, Mo.-based distributor is taking to adjust to, and succeed in, today's healthcare climate.

Repertoire: In 2007, when *Repertoire* last interviewed MMS President and CEO Gary Reeve, he commented that the company's diversity can be both a strength and its weakness.

On one hand, MMS services all of the different healthcare markets (e.g., acute, LTC, physician, hospice, retail, homecare, government, specialty and redistribution). As such, it gets pulled in many different directions. Is this still the case? Or, has MMS grown increasingly comfortable in its role in each of these markets? Please explain.

Bernie Thien: Actually, as the market evolves, our market diversity and the fact that we have many sales reps who cover multiple classes of trade has put us in the position of being uniquely valuable to our customers. The line between market segments is blurring. As hospitals are increasingly purchasing surgery centers, outpatient clinics and private practices and affiliating themselves with hospices and nursing homes, MMS is one of the few distributors that can offer one knowledgeable point of contact familiar with each segment they are supporting. If the rep is not familiar with a particular business area, he or she knows that MMS has market experts just a phone call away.

Repertoire: Your customers in the various markets you service often require the same products. Yet, MMS does not take a cookie cutter approach. How have you avoided doing so?

Thien: Many of our products are used by multiple markets, but they are often needed in different units of measure. Our operating system allows us the flexibility to offer several



Bernie Thien, vice president-logistics, MMS.

distributor profile

units of measure, so we can offer each market not only the size/quantity they need, but the cost efficiencies generated by aggregating all the volume. So, for instance, with physicians, it's all about cash flow and shelf space. We are in a position where we don't have to sell them a whole case of gloves or other product. We are proud of our ability to fit our offerings to our customers, not the other way around. Every MMS sales rep is charged with partnering with their customers, really understanding their customers' needs, and then working with other MMS team members, if necessary, to find and implement "just right" solutions.

Repertoire: Also in 2007, Reeve and Tom Harris, executive vice president, anticipated that home care and hospice would be significant to the company's future growth. Has this proven to be true? Please explain.

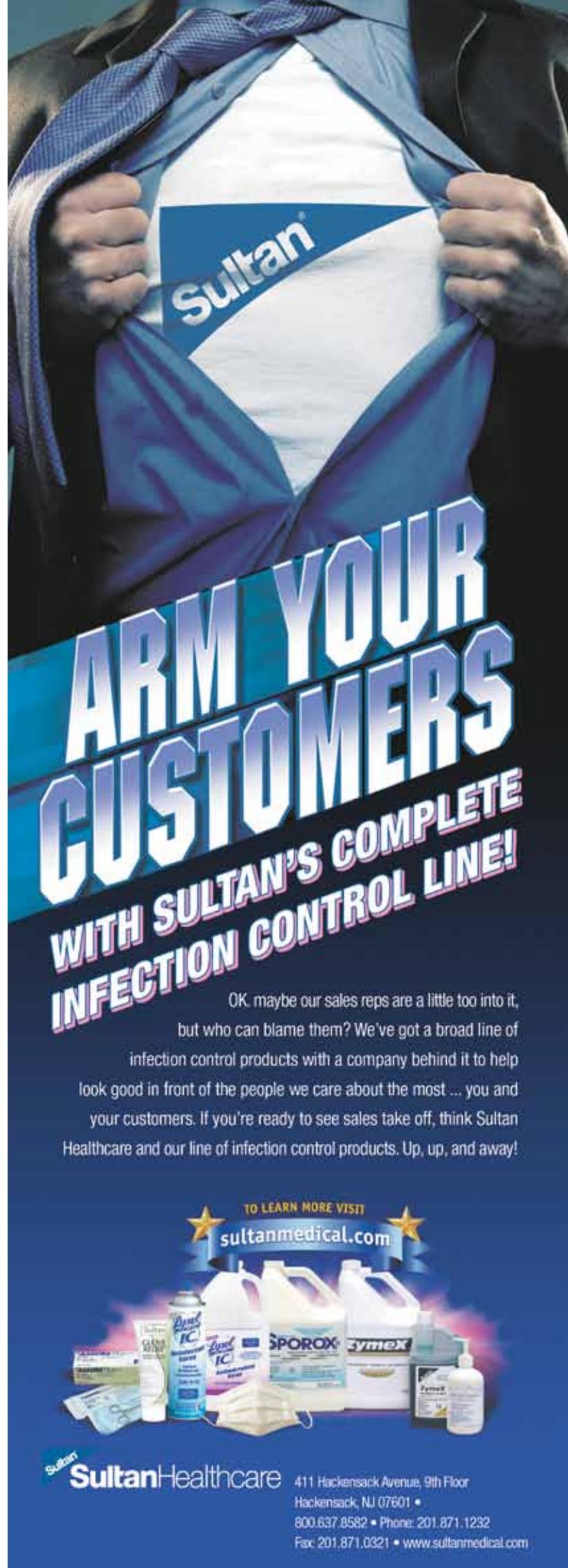
Thien: Homecare and hospice have shown significant growth within MMS over the last few years, but we now view these businesses as strategic components of our focus on the entire continuum of care. It is MMS' goal to follow both the patient and the provider, wherever products are being used in their care.

Repertoire: Reeve also expected the company's industrial business to grow substantially (from \$3 million to as much as \$6 million). Has it done so?

Thien: Growth has been steady and we still anticipate sizeable growth in our industrial division. As any evolving new business, it has led us into different directions and caused us to adjust our original strategy. We've developed strategic partners to provide contract manufacturing and thereby align customer outsourcing requirements with open manufacturing capacity.

Repertoire: How have MMS' equipment sales expanded over the last couple of years?

Thien: Our equipment sales have shown dramatic growth over the last few years, especially in the physician market. Equipment is a critical strategic component for MMS. We have an internal team of equipment experts who support all of our sales reps in all of our markets. Our expertise allows us to be consultative to the customer and ensure they get the right product, both for their immediate needs as well as for future regulatory or connectivity needs. We also provide staging, installation and a leasing program.



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(Left to right) Lee Boughan – MMS director of Vendor Relations, Thien and Greg Benoist – MMS director of Branch Operations.

Repertoire: What markets have you targeted with respect to equipment sales? Which types of customers have the means and are looking to invest in new equipment? Which products have been in high demand and which products do you expect to be in high demand in 2011?

Thien: High-demand products include those that increase reimbursement and improve patient care, such as power exam tables, improved lighting systems and CLIA-waived diagnostics equipment.

Repertoire: Please tell us about your redistribution program. When and how was this program launched?

What motivated MMS to become a re-distributor?

Thien: MMS has always sold to other distributors, but the company didn't receive its first "Master Distributor" assignment until early 2001. One of our manufacturer partners at that time asked if we would be interested in servicing its smaller distributor accounts. MMS viewed this as an opportunity to grow its business, while improving operating efficiencies. Because of our flexible logistics capabilities, we didn't have to create a whole new infrastructure to support the additional volume. We view redistribution services as another way that MMS is taking costs out of the overall healthcare supply chain

for MMS, for many manufacturers and for small distributors.

Repertoire: What types of distributors tend to take advantage of your redistribution services?

Thien: Our distributor customers service most medical supply markets, although most are too small to compete in the acute care arena. These business owners are true entrepreneurs that know how to stay lean and focus on their core competencies. With access to our master distributor agreements, they have access to the same pricing as their larger competitors. They also have access to a depth of inventory that they could not otherwise afford. This allows them to focus on relationship building and service levels.

Repertoire: How do you market your redistribution services to small distributors? How do you reach potential customers?

Thien: Marketing of the redistribution effort is somewhat limited. Potential customers are referred to us by our manufacturer partners, IMCO, and existing customers. We work with our manufacturers to communicate any new master distributor relationship and address any concerns these distributors may have. Many distributors are upset at first, because they feel they're being forced to buy from a competitor. I try to talk to each business owner directly to explain our value proposition. I really enjoy working with the other distributors. They are true entrepreneurs, and I have a lot of respect for them.

Repertoire: How does MMS work with IMCO with regard to its redistribution program? Please explain how this relationship works.

Thien: MMS is an IMCO member and we act as the warehouse to the IMCO membership. Many of our redistribution

Year	Products
1991	Gauze
1995	Gauze Bandages
2000	Gauze Bandages, Apparel, Advanced Wound Care
2005	Gauze Bandages, Apparel, Tapes, Advanced Wound Care
2010	Disposable linens, Cotton & Wood Products, Hygiene/Plastics, Health & Beauty, Special Surgical Dressings, Sponges & Towels, Kits & Trays

Support Programs:

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customers are IMCO members as well. We work closely with IMCO to support their marketing efforts and membership programs.

Repertoire: Is selling to – and reaching out to – customers a lot different today than it was 10 or 15 years ago? Please explain.

Thien: The customers haven't changed, but their expectations have. The Internet allows them to identify the specific items or products they need and to place their orders immediately. They expect their delivery and invoicing to be as seamless as the ordering process. They also expect their distributor to do more than ship product. Our customers are looking for proactive ways to help them deliver quality care more cost effectively.

Repertoire: Can you offer any advice to others considering starting their own healthcare distributorship today?

Thien: Do your homework. Understand

that most of your potential customers have the product knowledge and know what they should be paying before you walk in their door. Focus on developing your unique value proposition as an essential part of your business plan.

Repertoire: Where do you envision MMS in the next five to 10 years? What are the company's goals?

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Thien: MMS looks forward to growing profitably and continuing in our unique place in the healthcare distribution market. We want to be large enough to offer our customers the features and benefits that the big guys do, but we also want to retain the flex-

ibility to provide customized solutions and the hands-on partnership that have always differentiated us. As a privately held company, we have the ability to rapidly respond to market shifts, and we have developed a culture that encourages the pursuit of new opportunities. In addition to organic growth, we plan to continue to evaluate acquisitions as a route to new ideas, new

people, and new markets. Ten years from now, we are confident that MMS will continue to be in the healthcare distribution business. As far as what the market mix will be or what additional geographies we will be servicing, that remains to be seen.