

## Source Medical cuts costs, targets new niche with commerce B2B Web site

### Overview

#### ■ Challenge

*Differentiate services and reduce the cost of doing business, especially with smaller customers*

#### ■ Why IBM?

*IBM offered robust commerce engine easily integrated with existing IBM @server® iSeries™ system and featuring automatic marketing tools; IBM provided attractive five-year financing*

#### ■ Solution

*B2B commerce Web site allows business users to cost-effectively manage online promotions, product placement, discounts and other business tools in real time.*

#### ■ Key Benefits

*More than CA\$400,000 in savings annually with IBM financing and hosting offering; up to 5% percent reduction in IT spending; faster time to market for new applications; 100% ROI in one year*



*To take advantage of new opportunities in the healthcare market, Source Medical implemented a new self-service, business-to-business Web site based on IBM technology.*

In an environment filled with increased competition and mounting financial pressures, healthcare vendors such as Source Medical are taking steps to differentiate themselves, increase revenue streams and enhance operational efficiency.

Source Medical is a joint venture of Canada-based MDS Inc. and U.S.-based Cardinal Health Inc. It is the largest distributor of medical, surgical and laboratory products in Canada, delivering approximately 60,000 products through seven regional distribution centers. To support the day-to-day activities of its 550 employees, Source Medical uses a mixture of electronic

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*– John O’Connor, Chief Information Officer, Source Medical*

## **Personalized, flexible selling vehicle with built-in contract pricing**



*Non-technical employees can publish product changes on the Web site without the help of IT staff.*

*“We expect our WebSphere Commerce site to achieve 100 percent payback within one year. Going forward, we will continue to expand our B2B offering, thereby improving our customers’ experience and maintaining their loyalty.”*

*– John O’Connor*

data interchange (EDI) systems and e-commerce applications. Operating in the low-margin distribution industry, Source Medical is constantly facing pressure to improve operational efficiencies and add new customer services to grow beyond its current annual revenues.

### **Changes in healthcare landscape**

In the fast-changing Canadian healthcare industry, funding restrictions for providers and a move to increased community-based care are having a dramatic effect on the way healthcare services are delivered. While bigger customers might prefer to order using their EDI systems, smaller organizations, such as long-term care facilities, physician and veterinary offices, and ambulatory care groups, tend to use the Internet. By developing Web-based commerce applications, Source Medical would be able to provide a better customer experience by offering an online catalog with real-time price quotes and product availability as well as a personalized buying experience.

To implement this strategy, Source Medical needed to bring its previously hosted B2B Web site in-house so that the company’s developers could quickly enhance the site with new features on an ongoing basis. For a flexible, adaptable development environment, the company decided to work with Java™ 2 Platform Enterprise Edition (J2EE) technology, judging it to be the best standard for rapid development of new applications. At the same time, Source Medical planned to enable its non-technical employees to make publishing and marketing changes on the Web site without the aid of IT staff. By providing marketing staff members with easy-to-use tools for making catalog changes and promotional offers, the company will be able to free its IT staff for higher value application development tasks.

“We had a strong Web site, but we wanted to make it more flexible and more compliant with industry-standard technologies to keep pace with this fast-changing industry,” says John O’Connor, chief information officer for Source Medical. “We also wanted to lower costs over the long run while speeding up the delivery of our value offerings.” To achieve flexible selling capabilities with more robust functionality such as personalization and campaign and promotions management, Source Medical chose IBM WebSphere Commerce Business Edition over competing e-commerce offers from Microsoft and LANSA.

IBM Global Financing provided five-year financing terms that enhanced the offer, which also included using services from IBM Software Services for WebSphere to supplement the implementation carried out by IBM Business Partner MRS Company. Since the iSeries environment running WebSphere Commerce is hosted by IBM Global Services - e-business Hosting Services, Source Medical can focus on the business side of the site and let IBM manage the IT part.

"IBM WebSphere Commerce, IBM hosting, IBM Software Services for WebSphere, and IBM Business Partner MRS Company have provided us with a solution that gives us the confidence to focus on our business objectives so that we can rapidly add new capabilities to improve our competitiveness," says O'Connor.

### **Personalized experience means satisfied customers**

With its new IBM technology and hosting services, Source Medical projects savings of more than CA\$400,000 (US\$330,000) annually—5 percent of its IT budget. In addition, by making the site more responsive to customers, Source Medical expects to attract more customers to online buying. The management tools built into the WebSphere Commerce Business Edition software streamline the administration of the site and will allow business users to manage online promotions and product placement.

Integrated with its ERP system, Source Medical's new self-service channel will help reduce order-cycle time and lower the cost of order processing, enabling the company to send out shipments from any of its distribution centers within 24 hours of receiving the order. Moreover, by adopting the open standards-based WebSphere platform, the company will be able to deploy additional Web applications as needed to support future business needs.

"We expect our WebSphere Commerce site to achieve 100 percent payback within one year," says O'Connor. "Going forward, we will continue to expand our B2B offering, thereby improving our customers' experience and maintaining their loyalty."

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## **Key Components**

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### *Software*

- IBM WebSphere® Commerce Business Edition
- IBM OS/400®, Version 5R2
- IBM WebSphere Commerce Developer

### *Servers*

- IBM @server iSeries

### *Services*

- IBM Global Services – e-business Hosting Services
- IBM Software Services for WebSphere
- IBM Global Financing

### *Business Partner*

- MRS Company Ltd.
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*– Anna Saulnier, Director of e-business and Technical Services, Source Medical*

## Healthy infrastructure based on open standards

The open platform provided by the iSeries OS/400 operating environment supports the open standards-based J2EE technology used by WebSphere Commerce and its IBM WebSphere Commerce Developer. "The integration possible with IBM products enables us to extend the value of our existing hardware," says O'Connor.

Building the catalog with WebSphere Commerce was an easy process, thanks to its flexible display structure that can associate a given product with more than one category. And the catalog filtering feature lets Source Medical restrict the catalog view to a specific set of users and price products according to contract terms.

"Our catalog meets all of our requirements, and we did it using the tools that come with WebSphere Commerce Business Edition," says Anna Saulnier, director of e-business and technical services for Source Medical.

Another important feature that Source Medical found useful is the IBM WebSphere Commerce Accelerator which enables the development team to create template-based changes to the Web site without going through

the company's IT team. "We're planning to use this feature much more in the future to create special promotions to increase sales in accordance with our marketing plan," says Saulnier. WebSphere Commerce Analyzer will enable the company to analyze site traffic and sales, and input the results into further marketing initiatives to improve results with pinpoint accuracy.

IBM WebSphere Commerce has given Source Medical the ability and confidence to deploy additional Web applications in support of future business needs. O'Connor explains: "We're already working on expanding our B2B offering to our third-party logistics suppliers by providing online status to their customer's orders and shipments." Saulnier is upbeat about the future, saying: "We'll be keeping a close eye on results. WebSphere Commerce is a powerful e-commerce engine and marketing tool. It gives us additional capability to leverage functionality that we did not have before."

### For more information

Please contact your IBM sales representative or IBM Business Partner.

Visit us at: [ibm.com/websphere](http://ibm.com/websphere)

For more information about Source Medical please visit: [www.sourcemedical.com](http://www.sourcemedical.com)



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