

## American Diagnostic improves inventory, shipping accuracy, while reducing pricing errors

Solution from IBM and VAI helps speed medical products to customers on six continents



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### Overview

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- **The Challenge**

*American Diagnostic realized its growth was inhibited by an old-fashioned IT system that wasn't up to the needs of a company with customers around the globe*

- **The Solution**

*IBM eServer® iSeries™ 270 running WebSphere® Standard Edition Version 3.5 and DB2®, plus VAI System 2000*

- **The Benefit**

*Faster assembly and shipping of higher volumes, with significantly better inventory turnaround and lower error rates*

If the expression “physician, heal thyself” applies to the medical community, it also applies to a company that provides vital supplies to that community.

American Diagnostic Corp. (ADC) is one of the world's premier suppliers of diagnostic medical products, personal instruments and accessories for the healthcare industry. In the United States, it's the largest private supplier of two physicians' tools: stethoscopes and blood pressure instruments.

Six years ago, what needed healing at ADC was its information technology system. Its illness was adversely affecting the economic health of the entire company. Marc Blitstein, ADC chief executive officer and president, characterized the system as

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Marc Blitstein,  
CEO and president,  
American Diagnostic Company

“outdated, arcane and poorly managed. We couldn't grow because of the system's shortcomings. Frankly, we were imploding.”

Symptoms were everywhere. “Orders were on handwritten tickets,” Blitstein recalled. “Inventory wasn't maintained accurately. We didn't even have accounts payable live on our old system — much less general ledger. There was virtually no inventory control.”

### **New system helps business grow dramatically**

Flash forward to 2005.

The privately held company has doubled its business in six years. It partners with a web of ISO 9000-certified

## American Diagnostic aims to use IT upgrades to perform more targeted marketing and deliver better customer service

### Benefits

- 99.5 percent shipping accuracy
- Pricing errors down by 80 percent
- Improved inventory turnaround saves millions of dollars
- Order time cut in half

*“We do joint planning with IBM. We make joint calls with them. They help us pick which trade shows we should consider attending. They provide a lot of sound guidance.”*

Vince Taravella,  
director of channel sales  
and marketing,  
Vormittag Associates, Inc.

subcontractors around the globe who produce nearly 1,500 different components for American Diagnostic. ISO 9000 certified means a company’s products meet quality levels set by the International Society for Standardization.

The components are shipped to ADC headquarters in Hauppauge, New York, where they are inspected, assembled and packaged into 7,000 different products. Finished products are then sold in more than 30 countries on six continents for use by thousands of healthcare institutions and millions of healthcare professionals. The company has offices in the United Kingdom, Japan, Taiwan and China.

What cured the IT illness and helped the company thrive was System 2000 software from Vormittag Associates, Inc. (VAI), an IBM Business Partner. The solution runs on an IBM eServer iSeries 270 with WebSphere Standard Edition Version 3.5 and DB2 and SQL Development Kit Version 5 Release 3.

American Diagnostic uses the IBM and VAI solution across its business, including customer orders, manufacturing, accounts receivable and payable and ledger.

Blitstein pointed to inventory turnaround as one example of what the system means to the ADC bottom line. He said turns have almost doubled and that’s “allowed us to reduce inventory growth by millions of dollars despite our doubling in size.”

Other results of the IBM and VAI solution are cutting order time in half and reducing pricing errors by 80 percent. “In the past,” Blitstein admitted, “there were dozens of notes posted on each terminal manned by our customer service people to remind them of various special promotional pricing programs.”

The system dramatically improved shipping accuracy to 99.95 percent. For instance, in May 2005, there was one error out of 300,000 items shipped. In those relatively few cases when an item is out of stock, the system lets the customer know when a shipment can be expected.

Although not directly measurable, this kind of customer attention improves customer satisfaction. One indication is that the four top customers of ADC each named the company its vendor of the year in 2004.

### **Productivity boost**

Despite the doubling of volumes, the number of people in the shipping department is the same as it was six years ago. On an average day, they handle 400 cartons containing 15,000 items.

The company can turn around most custom orders in fewer than 72 hours, Blitstein said. "This automation was the only way we could continue to offer a service that differentiates us so completely from our competitors," he explained.

Although the IBM and VAI solution has delivered real gains for American Diagnostic, the company continually looks for new ways to improve its IT operations. It looks forward to doing more targeted marketing and to deliver better customer service through IT upgrades.

Blitstein said American Diagnostic considered several alternatives in searching for a cure — first looking at Microsoft Windows systems but deciding they weren't reliable enough. By way of contrast, he said, the underlying IBM offering "is rock solid," and he found the IBM and VAI proposal to offer more function at a better price.

Further convincing Blitstein and his colleagues were demonstrations at his company's headquarters. "It looked relatively easy to learn and to master, particularly when compared with competitive offerings," he recalled.

### **VAI business grows with both IBM products and advice**

Vormittag Associates credits its success to using IBM technology as the basis for its award-winning software.

"Our software runs exclusively on the iSeries," said Vince Taravella, director of channel sales and marketing, at VAI. "We build on IBM's middleware because it's usually way ahead of the curve. For example, we do a lot of work with the whole WebSphere family but especially with its Portal and Content Manager that are so easy to deploy.

"IBM scopes out potential clients. And, of course, once we make a sale, IBM provides all kinds of support for the client and for us."

## **Key Components of the VAI Solution**

### **Software**

- IBM WebSphere Standard Edition Version 3.5
- DB2 and SQL Development Kit Version 5 Release 3
- VAI System 2000

### **Hardware**

- IBM eServer iSeries 270

Taravella said there is another advantage to working closely with IBM. "It's not just IBM products that have helped us grow, but also the enormous knowledge that IBM shares with us. And we get it for free!"

"Until a couple of years ago, we went to market with a shotgun -- scattering our message to any number of potential clients. But IBM urged us to use a rifle -- aiming at specific industries where we'd enjoyed the most success. Sure, we do business with companies in many industries, but we're now concentrating on those industries where we've historically done the best, and where we have many satisfied clients we can use as reference accounts."

Much of the credit goes to the IBM PartnerWorld for Industry Networks, Web-based communities that integrate

and organize the PartnerWorld experience for independent software vendors (ISVs) by industry. The initiative offers ISVs industry expertise, technical assistance, networking opportunities and marketing and sales support.

VAI participates in three industry networks -- fabrication and assembly, wholesale and retail. "And, we're at the optimized level in each of them," Taravella noted. "Optimized" status means it has developed further specialization by optimizing its applications with IBM on demand technologies, achieving success with its own on demand solutions and other criteria.

Other industry networks are in banking, education and learning, financial markets, government, healthcare and life sciences, insurance, media and entertainment, retail and telecommunications.

"IBM gives us very extensive go-to-market strategies," Taravella said. "We do joint planning with IBM. We make joint calls with them. They help us pick which trade shows we should consider attending. They provide a lot of sound guidance."

VAI also participates in the IBM ISV Advantage Initiative, which provides ISVs with the technical and marketing support to help meet the specific needs of Small and Medium Business (SMB) clients.

### **VAI targets SMB clients**

Vormittag Associates was founded in 1978 in Ronkonkoma, New York, outside New York City. It is now delivering software and services to companies in the manufacturing, distribution and retail industries, among others. Its target client base is in the SMB market in the United States, Canada and the Caribbean.

The VAI System 2000 financial modules, which are used by companies like American Diagnostic, provide complete integration and give customers the information needed to tighten control over payables and receivables, improve cash flow and react to business cycles.

For many companies like American Diagnostic, the VAI offerings are just what the doctor ordered.

### **For more information**

For more information, contact your IBM sales representative or IBM Business Partner. Or, you can visit us at:

**ibm.com/ondemand**

For more information about ISV resources from IBM PartnerWorld, visit:

**ibm.com/partnerworld/isv**

To learn more about Vormittag, visit:  
**vai-solutions.com**

To learn more about American Diagnostic, visit:  
**adctoday.com**



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