CASE

Good Guy Hospital $upply (GGH$) was founded in the 1960s to serve the hospital and nursing home industry. Over the past 35 years, its sales have grown an average of 26 percent per year, through both geographical expansion and increased existing-market penetration. Key to GGH$’s success is service. It prides itself that it is able to fill 99.4 percent of all requests within 24 hours, and many requests actually are delivered more quickly. In 1996, GGH$’s quality service coordinator developed a plan to improve service levels. The new system uses a just-in-time approach to the medical supply needs of GGH$’s clients. GGH$’s clients had been using personal computers in their hospital medical supply stockrooms to place GGH$ orders. While these clients could still purchase from other supply houses, the GGH$ order entry system made it much easier for the clerical staff to place an order with GGH$. The new JIT plan, however, eliminates supplies going through GGH$’s clients’ medical supply stockroom. Now the medical facility’s staff and GGH$ would determine the type and desired level of supplies at each stocking point. GGH$ plans to place supplies at each of these stocking points; and a GGH$ sales representative will tour the medical facility, identify items that have been used, and immediately restock them using inventory in the sales representative’s van. Using bar coded stock and a mobile sales register, GGH$ will give the hospital a detailed invoice for the items consumed each day. These reports will be designed to support each facility’s medical cost control system. GGH$’s quality service coordinator argues that the increased distribution costs of this proposed system will be offset by increased product and service pricing and by the increased share of each hospital’s business, and GGH$ will become the vendor of choice for all items covered by its system. She argues that the hospitals will find this system attractive because it will greatly reduce their costs for stocking, ordering, and distributing medical supplies within the medical facility.

Questions

1. Is Good Guy’s plan an appropriate application of JIT? Why, or why not?

2. Identify each of the stakeholders in this situation. What will each give up and get if the proposed system is accepted by GGH$’s clients?