

## CARDINAL HEALTH

### EXPANDING SERVICE OFFERINGS AT OPTIFREIGHT® LOGISTICS

#### Student Team:

Joseph Letner – EGL (BSE/MSE BioMedical Engineering)  
Mukul Shekhar – Master of Business Administration

#### Project Sponsors:

Christopher Mathew – Director, Logistics Solutions and Service Development  
Chandrashekar Shastry – Senior Consultant, Service Development

#### Faculty Advisors:

Amy Cohn – College of Engineering  
James Price – Ross School of Business

Cardinal Health, a \$102B company, is a leading provider of supply chain services in the healthcare industry allowing their customers to focus on providing better healthcare to their patients. More than 34,000 employees work at Cardinal Health with the goal of increasing the cost effectiveness of healthcare products and services. OptiFreight® Logistics, a division of Cardinal Health, is a leader in healthcare freight management because of its ability to provide competitive volume discounts and significant cost savings to customers. Like Cardinal Health as a whole, OptiFreight's current overarching business strategy is to expand operations to a variety of new divisions across the healthcare industry.

OptiFreight® Logistics recently acquired FDSI Logistics, the next largest service provider in healthcare freight management, and has nearly saturated the hospital market and aspires to grow business in other channels. The structure and service offerings at OptiFreight® Logistics focus on hospitals, and while this focus drove success in this channel, OptiFreight's® services and resources are unprepared and inadequate to target and service customers in other channels. Additionally, pressures from competitors drive prices downwards while increasing costs from carriers who transport the parcels OptiFreight® manages, drive OptiFreight's® costs up, squeezing their gross margins ever tighter. OptiFreight® must offer value-added services and not compete on prices.

In order to determine how OptiFreight® Logistics could best approach and achieve success in a new channel, the Tauber team identified the current market opportunity for this channel and recommended a comprehensive service model based upon identified customer needs. First, the Tauber team characterized the market and relevant segmentation that resulted in accurately quantifying the transportation spend opportunity. Then the team identified gaps internally to OptiFreight® and compared these to competitors' service offerings. These gaps verified that in addition to providing volume discounts, OptiFreight® Logistics should offer value-added services enabled by technology and should expand its reach to couriers and international shipping in order to offer a comprehensive solution for customers. The team ultimately recommended that OptiFreight® Logistics partner with two technology providers or build internally via an agile, independent, autonomous IT team to offer a powerful and customized interface for this new market, as well as offer component level tracking and inventory management solutions. The team also recommended that sales and marketing align and dedicate their attention on this opportunity and for OptiFreight® Logistics to become the single point of contact for Cardinal Health and carriers/couriers.