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Piloting the Premier Supply Center solution helped a leading diagnostics company improve their ordering process, save money, and strengthen a key partnership

The challenge

You might expect a Fortune 500 company providing worldwide access to diagnostic testing services to have a sophisticated and efficient product ordering system, but that's not always the case. The Senior Director of National Supply Chain Operation at Quest Diagnostics, Nick Serafino, explains his company's situation in 2017: "We had an enterprise resource planning (ERP) system, but the product ordering was all done manually." According to Nick, this system presented several challenges, including the potential for inaccurate inventories, overstocked products expiring, and lag time in obtaining needed supplies.

"We were looking for something with more of a global footprint," he says, "where we could leverage the advantage of vendor-managed inventory and reorder products in a timely manner." Nick began to explore options offered by several of Quest's major suppliers to find out what sort of vendor-managed inventory technologies and solutions were available. One of their suppliers was Thermo Fisher Scientific.

The Solution

Nick had begun to discuss with his Thermo Fisher representative potential ways to improve Quest's ordering processes:

"About five years ago, our rep told us, 'We have this Supply Center program. Would you like to be a part of it?' At that time, we hadn't used any inventory programs where other companies collected data and delivered products. We were just doing it ourselves."

Nick cites three main reasons why they decided to give the Supply Center by Thermo Fisher Scientific a try. One was the positive existing partnership that Quest had with Thermo Fisher. Another was the ease and flexibility of the system. As Nick puts it, "Thermo Fisher's technology was better than the other suppliers we looked at." Third, he points out that the goal was to find a solution that could be implemented at a national level with Supply Center units placed at Quest lab sites across the country. He knew that Thermo Fisher had the scalability to supply and manage those units. "Supply Center checked all those boxes: from a labor perspective, Thermo Fisher told us they'd supply and restock the units, they would manage the inventory. That meant inventory dollars would come off our books."

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Quest first began a three-month pilot of Premier Supply Center units at a single location. They had considered other unit models, but with the company’s high volume, the Premier Supply Center was determined to be the best fit, since it offered secure and consigned stock, automated stocking, an easy touchscreen user interface, and customized payment options.

“Most of our projects go through a pilot because of the need for effective change management—and this was a whole new process for us ... [so] we took it step by step, walking through the process with all the stakeholders. There were a lot of folks from materials management, from AP, from procurement. Obviously, Thermo Fisher was on-site to observe the process and help us implement it.”

Out of the gate, the Supply Centers eliminated Quest’s need to replenish the products selected for the pilot. “Thermo Fisher comes in and stocks those shelves,” he says. “You can think of it as a vending machine.” And because Quest employees on-site would no longer have to stock the shelves themselves, Nick anticipated that they would save FTE labor time and cost. “From an ordering perspective, since it’s RFID-managed and inventory is instantaneous, Thermo Fisher had a good line of sight on our demand, so they were able to replenish products based on seeing our real needs.”

Thermo Fisher also provided extensive hands-on training for the local lab teams using the units, as well as the procurement specialists monitoring the system. “The Quest procurement team met with everyone involved on the Thermo Fisher side,” Nick says. “There was a lot of hand-holding up front to make sure everything was working.”

Over the course of the three-month pilot, Nick’s team would review the new process on a weekly basis. “We asked questions like, ‘What did we learn? What did we not learn? Do we need to change anything?’... There were a lot of steps to adopting the Supply Center system we had sketched out at the start, but as we walked through the process during that pilot phase, we adjusted accordingly.”

The results

“The pilot went great,” Nick reports. “Where we had anticipated more pushback on the process—because it was new and different—we got a high acceptance rate, and the comments were mostly, ‘Why can’t we do this with more products?’ and that really exceeded our expectations.”

“Inventory was accurate and the replenishment side of it was simple,” he says. “The users really liked it.” They provided positive feedback about the training process and adapted quickly to the ease of use of the system. They reported that it was easy to swipe in and swipe out, to pull products out, and go about their business. And once a unit hit a replenishment par level, it would automatically get replenished, so the labs didn’t have any “stock outs.” This was a clear contrast with Quest’s old manual system where if demand for products spiked, there might be a lag in being able to get products to meet that demand.

Nick explains: “The Supply Centers provide instantaneous feedback, so Thermo Fisher knows immediately when Quest Diagnostics’ demand goes up at a particular business unit and can adapt to those levels, to that demand shift.”

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Another benefit he appreciates is the elimination of overstocked product. With real-time inventory visibility, Nick's team knows the demand rate of a product and how much of it is in a unit, so they can calculate exactly how much they need and avoid anything being expired. If a product runs low or close to expiration, Thermo Fisher can move that product and possibly shift it to where there is immediate demand for it. So, the product never becomes a write-off on the Quest Diagnostics side—and that saves money.

"Cost savings has been in the millions of dollars," Nick reports. "The inventory is owned by Thermo Fisher, so Quest does not take ownership of a product until it leaves the unit. We're able to stock a unit without inventory being on the Quest books, so we only pay for what we're using."

Nick sums up his teams' initial reaction to the success of the pilot: "We said, 'This is working great. Where else can we use this?'" Quest then began to rapidly expand it to other sites. "And the expansion to other business units and operations has helped us from a national perspective. As of today, we have five or six locations and we're looking to put Supply Centers into probably three or four more. Thus, the big push going forward is: how can I continue to expand this, how can I expand more of these units throughout labs and locations?"

Nick states what he considers the ultimate key to how successfully the Supply Center program was implemented at Quest. "I think the success of this partnership began with the partnership itself. Quest had a problem, and Thermo Fisher was able to address and solve it for us."

Learn more at thermofisher.com/supplycenter