



Steve Blazewski  
U.S. President  
Covidien Medical Supplies

# Manufacturer Focuses On Innovation

Relying on distributors for logistics allows Covidien to direct its resources to research and development.

“Why would we even try to duplicate not only what the distributor already does, but does so well?”

“I couldn’t begin to guess how many thousands of trucks Covidien medical supplies are sitting on at this moment, on their way to patient locations around the country. Theoretically, they *could be* our own trucks. We could invest in a massive fleet and build out an extensive, capital-intensive logistics network with the personnel and IT backbone needed to support it. But fortunately, we don’t have to. It already exists.

Managing that level of logistical scale and complexity doesn’t make sense for us as a manufacturer. I believe that there are more fruitful ways to invest our assets. Most notably, we can direct that capital into developing new and better products. Why would we even try to duplicate not only what the distributor already does, but does so well? We’d rather stick to doing what we do well. We want to be focused on products—on promoting the proper, effective, optimum use of our current products—as well as the development of new ones, investing in the product innovation that drives our business.”

## Distributors have strong customer relationships

“We align ourselves with key distribution partners who share our values and are interested in marketing our products, and we work hard to support them with all the tools and technologies and differentiation messages that can help them help us stand out.

“Distributors provide the ‘mall’ in which customers will shop. We like to think that we are like the anchor department store in that mall. So, similar to a mall setting, there is an opportunity for us to leverage the scale that distributors bring by selling many manufacturers’ products in one place. The distributor will bring the customer in to shop and we will be there to provide the products they need, and they can easily buy other things they need.

“People who just see distributors as ‘box movers’ aren’t fully appreciating the depth of what distributors bring to the table. Distributors have strong knowledge of our customers. They know their needs and how to meet them, and they know how to keep them happy. They are out there building and maintaining relationships with key decision makers every day. In short,



“We want to be...investing in the product innovation that drives our business.”

distributors have a powerful influence on what customers buy and from whom they are going to buy it. We as manufacturers see this, we believe it, and we support it. And, frankly, we ignore it at our own peril.”

### Customers benefit from the manufacturer/distributor partnership

“Is this model good for customers? I think so. They get the support of a manufacturer with the resources to focus on education and product development on their behalf. They also get a local distributor point of contact who can be aligned and has the ability to provide many different products from one source, with one delivery point and one bill.

It seems like the best of both worlds. Manufacturers concentrate on products and education. Distributors concentrate on consolidating orders, ensuring high fill rates, making prompt deliveries, and helping their customers answer the broader strategic supply chain demands, which are outside of most manufacturers’ expertise.”

### Could we sell direct?

“As a broader philosophy, if we only focused on selling direct, the customer would reasonably expect us to provide the same level of service and on-time delivery and fill rate accuracy as their local distributor. That’s not likely to happen. It would take significant investment—building up infrastructure in every location to match that of every local distributor—in addition to decades of trial and error experience. Distributors have already done it. To me, I would rather support the distribution industry and reap the benefits than try to compete with it.

“I know that many manufacturers agree, but not all. Some companies have decided that they prefer to both manufacture and distribute their products. We found that the competencies involved in those processes are very different, and excelling at both would be quite a challenge. We want to concentrate on developing, making, and selling great products. We place value and trust in the distribution community and segment our partnerships accordingly.

“Why don’t all manufacturers use distribution? If I had to take a guess, maybe they are concerned about the small cost involved,

or maybe it is the concern about losing some control over customer relationships.

“For us, we don’t see working with the distributor as an added cost, but as an added value. And remember, they deliver a lot of service for a relatively modest profit to their business.

“Sure, there is some small loss of control. The products ship to the distributor and they are placed in their inventory. From there, how the products are positioned, how they are handled, and where they go is out of the manufacturer’s control. So there is an element of trust to consider. But we trust in our distribution partners, and we believe that our mutual interests are aligned much more often than they are not.

“In my opinion, any perceived negatives regarding the distribution model are dwarfed by the value we get from distributors being able to support our customers with higher service levels and getting those insightful eyes and ears in the field. The partnerships that we have in the distribution community are extremely valuable to us, and there is no doubt in my mind that they are an integral part of our ongoing success.”

---

*Steve Blazejewski has 16 years of experience with Covidien and its precursor companies, serving in roles including sales, sale management, marketing and general management, all within medical supplies. He joined the HIDA Educational Foundation Board of Directors in 2010.*

### ABOUT COVIDIEN U.S. MEDICAL SUPPLIES BUSINESS

- Approximately \$1.5 billion in annual sales
- A market leader in product lines including wound care, adult incontinence, medication delivery and more
- Works with distributors to service customers in the hospital, nursing home, physicians’ office and other care settings
- Part of Covidien’s \$1.8 billion global Medical Supplies segment combined with sister divisions Covidien Medical Devices and Covidien Pharmaceuticals make up the \$10.4 billion Covidien Corporation (NYSE: COV), formerly Tyco Healthcare