




the vital link in healthcare

**EUROPEAN HEALTHCARE
DISTRIBUTION ASSOCIATION**
GROUPEMENT INTERNATIONAL
DE LA RÉPARTITION
PHARMACEUTIQUE

GIRP-IPF Study 2016

KEY FINDINGS



The role of the pharmaceutical wholesale sector

ROLE OF PHARMACEUTICAL FULL-LINE WHOLESALERS

➤ Pharmaceutical full-line wholesalers are essential for the European healthcare sectors, occupying a central position in the distribution pathway of medicinal products:



➤ Thereby, pharmaceutical full-line wholesalers ensure that patients have access to all medicines whenever and wherever needed.

ROLE OF PHARMACEUTICAL FULL-LINE WHOLESALERS

➤ **Focused on patient needs, by ensuring a continuous availability of all medicinal products**

Pharmaceutical full-line wholesalers maintain the customer satisfaction at the highest level by:

- Distributing the complete assortment of products in range and depth, within the framework set by authorities and the market needs
- Delivering all medicinal products in their geographical area of activity in a safe and timely manner

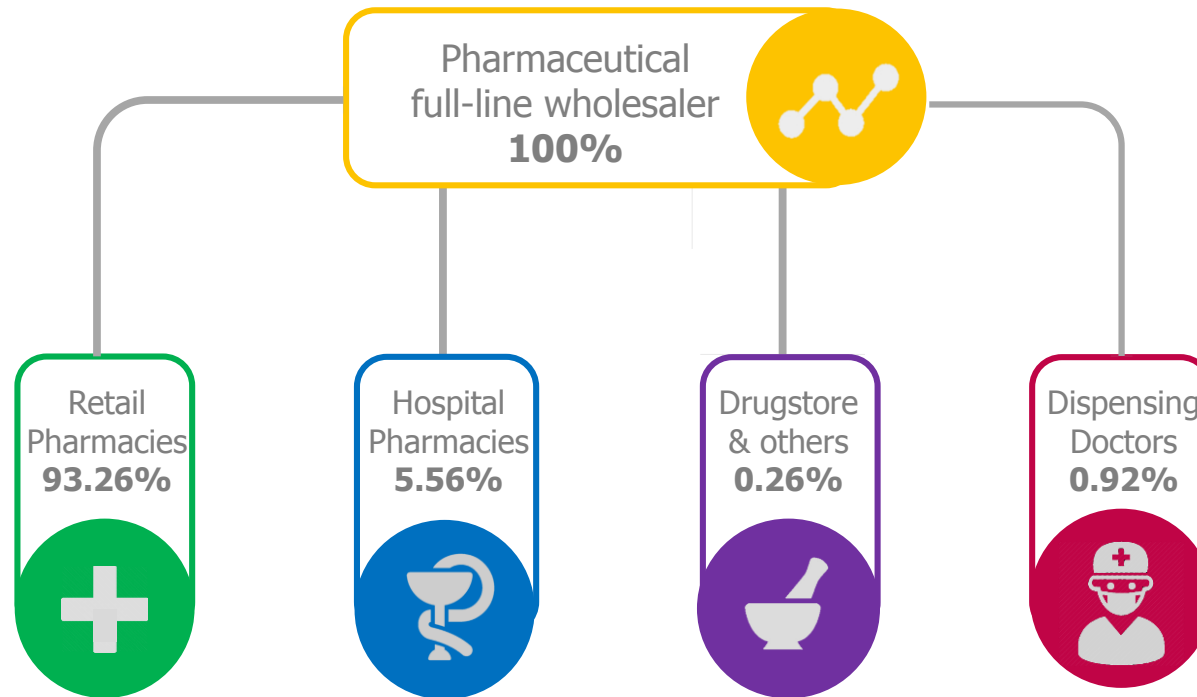
➤ **Adding value for supply chain partners, by providing a wide range of services**

They secure a vital and reliable link between pharmaceutical manufacturers, pharmacists, dispensing doctors and hospitals, by:

- Ensuring the purchase, warehousing, storage, order preparation and delivery of medicines
- Providing working capital and extended financing services, funding of stock and receivables of pharmacies and healthcare professionals

DISTRIBUTION OF PHARMACEUTICAL FULL-LINE WHOLESALERS

More than 94% of all medicinal products distributed by pharmaceutical full-line wholesalers are sold to retail pharmacies, followed by hospital pharmacies with only 4%.

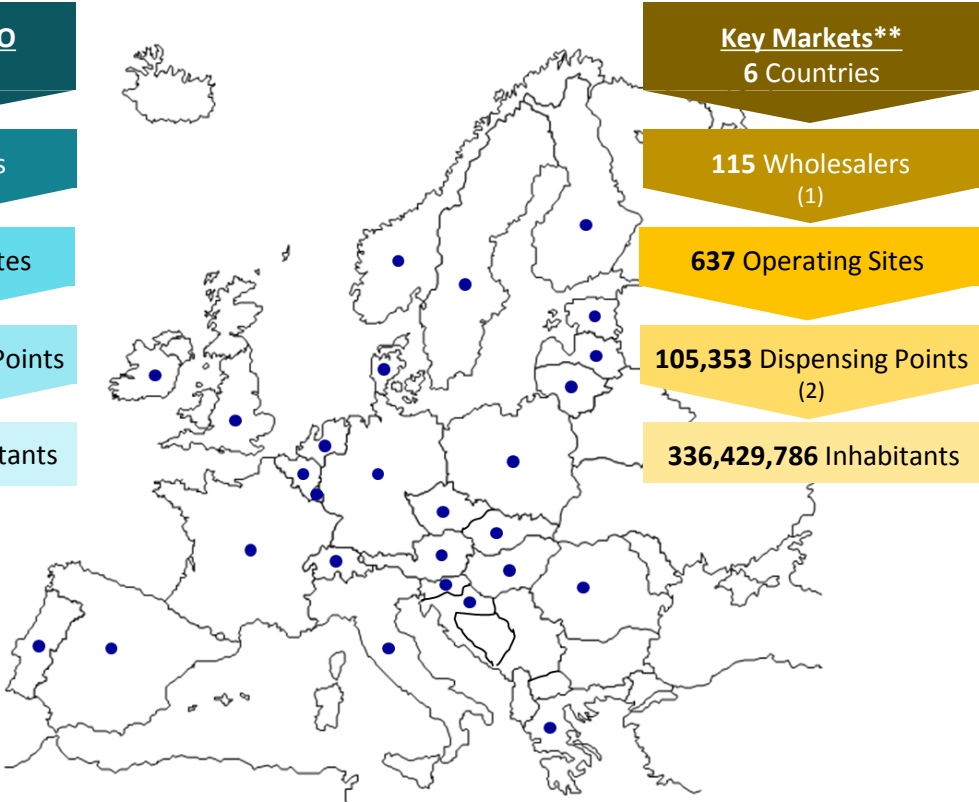


Percentage of medicinal products (quantity) distributed by pharmaceutical full-line wholesalers in DE, ES, FR, IT, NL, UK*, 2015

*Please note that in UK no wholesaler stocks all medicinal products due to market conditions

PHARMACEUTICAL FULL-LINE WHOLESALING FACTS AND FIGURES

752 pharmaceutical full-line wholesalers ensured the fast, continuous and cost-effective supply of medicines and medical products to over 180,743 retail pharmacies, hospitals and dispensing doctors throughout the European Union plus Norway and Switzerland in 2015. They served over 520 million people.



- 1) National and regional wholesalers;
- 2) Pharmacies, hospital pharmacies and dispensing doctors

* EU-28 without Malta and Cyprus
 ** DE, ES, FR, IT, NL, UK



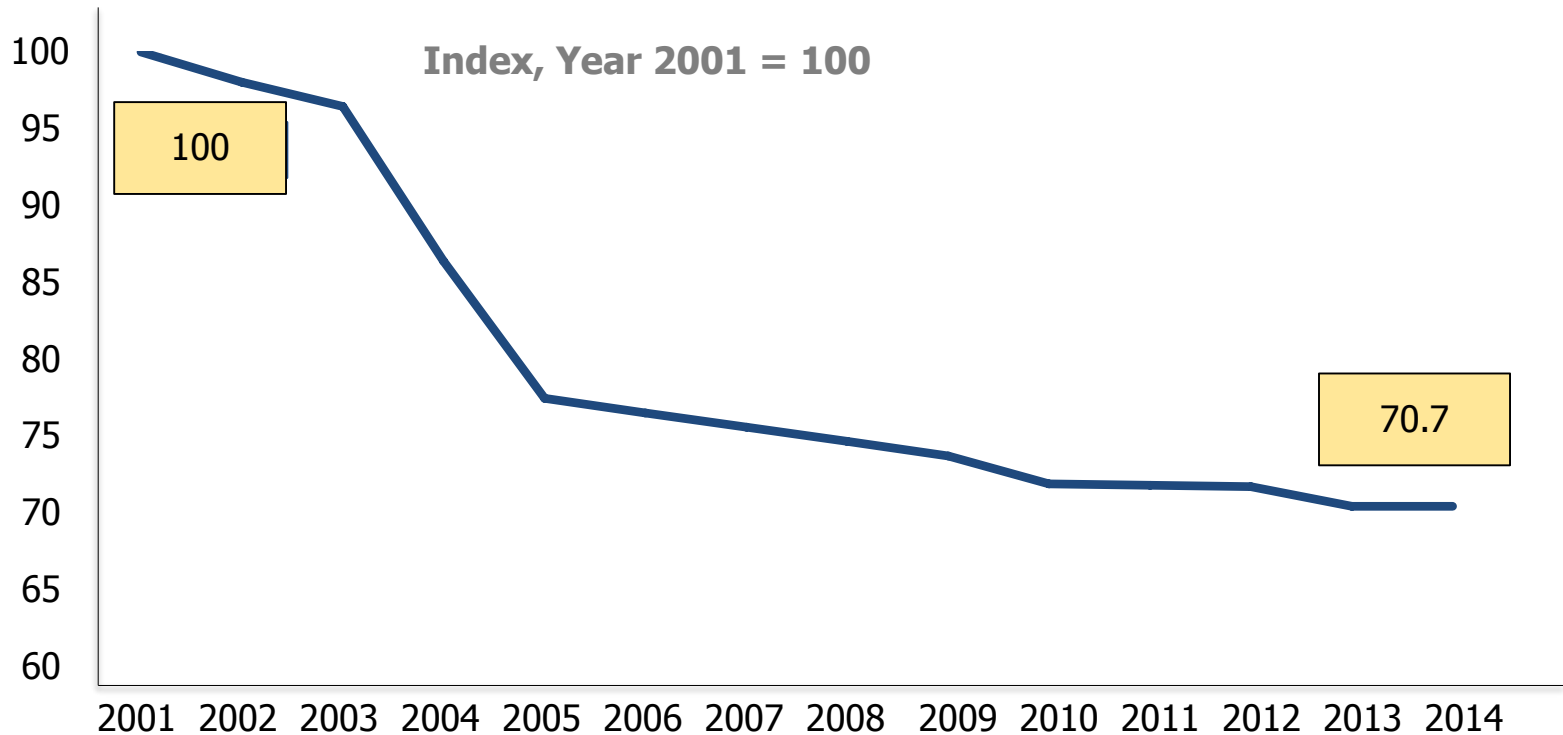
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Source: IPF research 2016



THE NEGATIVE EFFECT OF PRICE CHANGES ON WHOLESALERS' MARGIN

Both direct and indirect measures have led to an average reduction of **29.3%** in the wholesaler mark-up since 2001. This means, for example, that a wholesaler's mark-up of **15%** in 2001 will have decreased to **10.6%** in 2014.

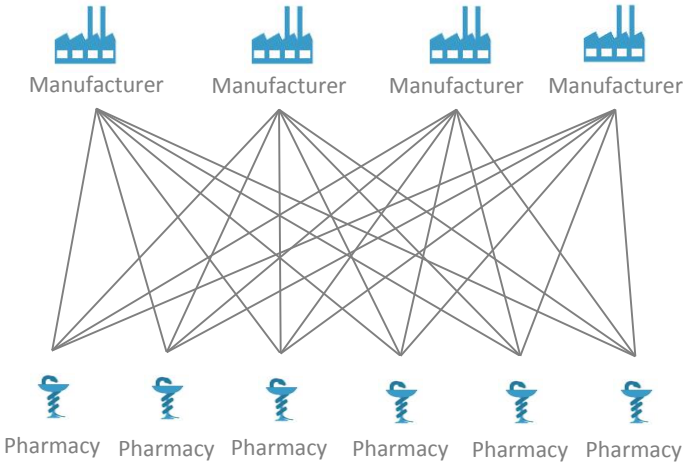


Development of average wholesale margin in DE, ES, FR, IT, NL, UK, 2001-2014

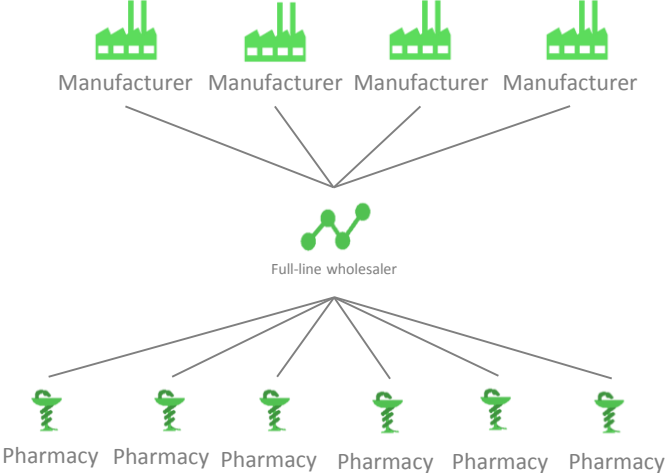
PHARMACEUTICAL FULL-LINE WHOLESALING

- Over **795.6 million** transactions between pharmaceutical full-line wholesalers, pharmacies and manufacturers take place every year in the 6 key European markets (France, Germany, Italy, Spain, the Netherlands and the United Kingdom).
- **Without pharmaceutical full-line wholesalers**, the number of transactions would increase to **99.4 billion** transactions per year.

Direct distribution
~ 100 bn transactions



Full-line wholesaler distribution
~ 800 moi transactions

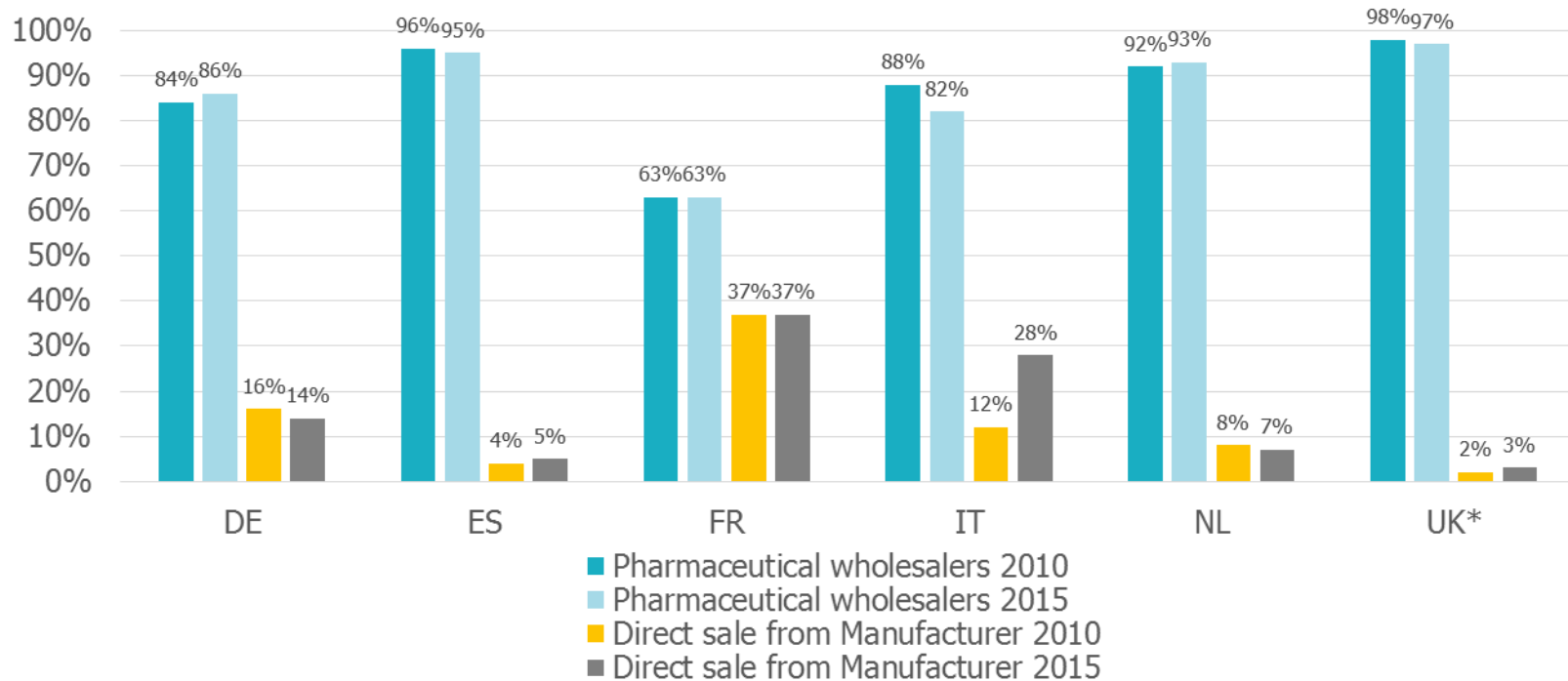




Alternative distribution systems

TURNOVER OF DISTRIBUTION CHANNELS

- In 2015, pharmaceutical full-line wholesalers generated a total turnover of **€141 billion** in the **EU-26 + CH + NO**, out of which **65% (€92 billion)** were generated in the six key markets.
- Pharmaceutical full-line wholesalers cover nearly three quarters of all medicinal products sold in Europe



* Currently, there are no wholesalers in the UK carrying the full range of products.

EFFICIENCY INDICATORS OF FULL-LINE WHOLESALERS

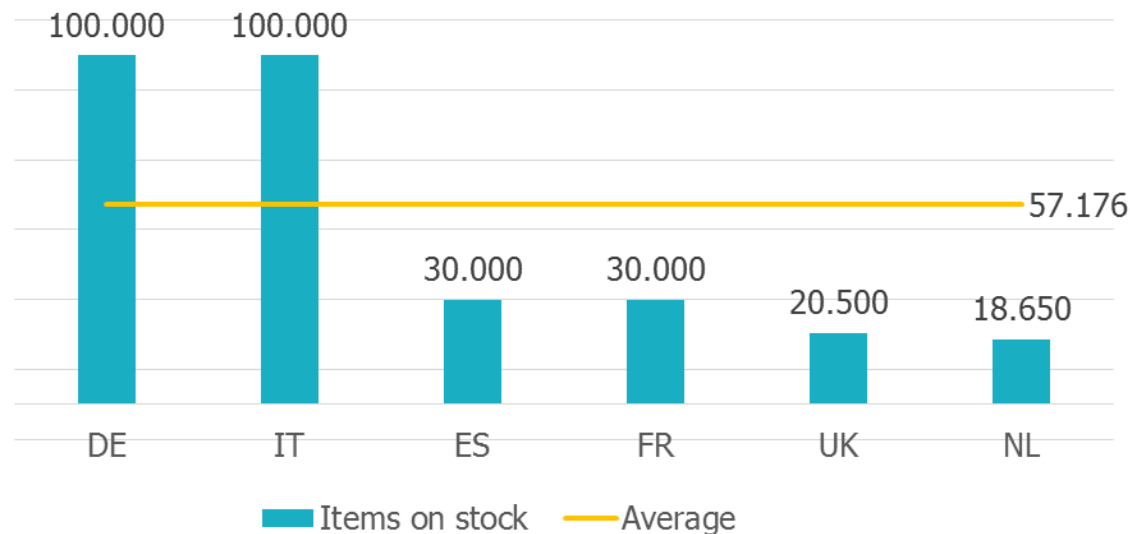
1. Full supply and stock-keeping function
2. Immediate medicines availability and delivery function
3. Bundling function (pooling of products)
4. Quality assurance function
5. Financing function

➤ **Efficiency indicator: Full supply and stock-keeping function**

Ensures that the needs of the pharmacists and of the patients are met, by guaranteeing the continuous availability of a complete assortment of products, in range and depth as set by the authorities and the market.

➤ **Facts and figures**

Items on stock held by pharmaceutical full-line wholesalers: 18,650 – 100,000 (depending on the size of the market and the number of products authorized to be marketed).



Items on stock held by pharmaceutical full-line wholesalers in DE, ES, FR, IT, NL, UK, 2015

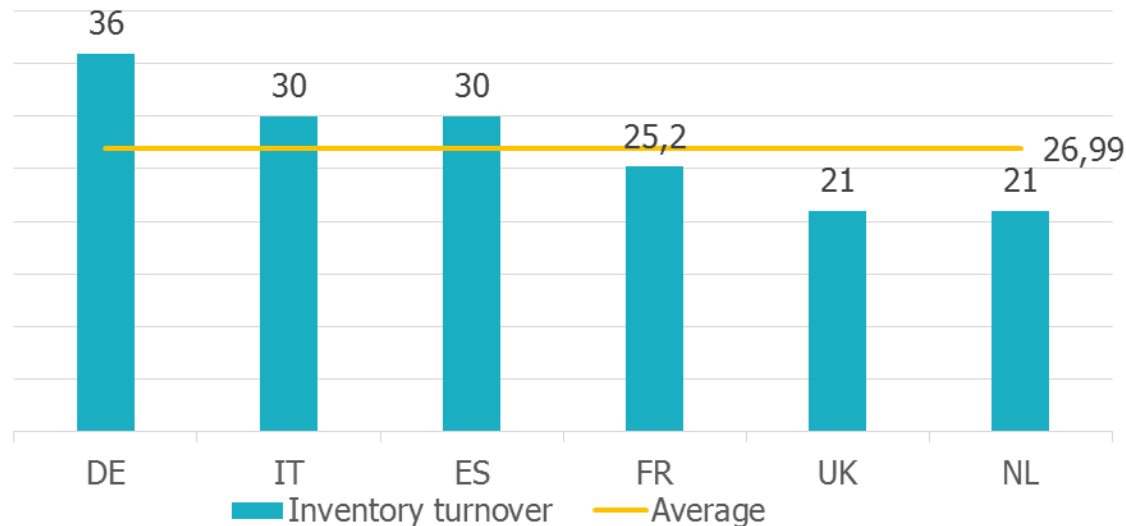
➤ Facts and figures

Pharmaceutical full-line wholesalers deliver the required amount of medicinal products by:

- Relying on close-knit distribution networks and high delivery frequencies of their warehouses
- Holding a safety stock to meet unexpected peaks in normal demand patterns

➤ Inventory turnover differs from product to product, ranging from a month to only a few days

- Countries' average: **26,99 days**, which means stock turnover takes place on **average 13 times** a year



EFFICIENCY INDICATORS OF FULL-LINE WHOLESALERS

1. Full supply and stock-keeping function

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IMMEDIATE MEDICINES AVAILABILITY AND DELIVERY FUNCTION

Efficiency indicator: Immediate delivery of medicines

- Full-line wholesalers guarantee efficacious patient treatments by delivering the needed medicinal products in the required quantity and just-in-time.
- Full-line wholesalers protect the healthcare sector of high additional costs that would be caused by delays in delivering urgently needed medicine.













Why is the immediate availability vital?

- In Europe, non-adherence to medicines and medication plans costs governments an estimated **€125 billion** and contributes to the premature deaths of nearly **200,000** Europeans a year (EFPIA).

DELIVERY TIME & FREQUENCY (WEIGHTED AVERAGE IN 2015)

DE, ES, FR, IT, NL, UK

- Pharmaceutical full-line wholesalers ensured delivery service within **4.6 hours** (on average) and delivered **16.02 times per week** to pharmacies (including remote areas)
- Short-liners delivered their products within 20.05 hours and only 4.34 times per week
- Direct deliveries from manufacturers needed on average 57.86 hours and were delivered 3.66 times per week

	Pharmaceutical full-wholesalers	Short-line wholesalers	Direct sales from manufacturers
Average delivery frequency (hours)	4.60 	20.05  	57.86   
Average deliveries per week	16.02   	4.34  	3.66 

EFFICIENCY INDICATORS OF FULL-LINE WHOLESALERS

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3. Bundling function (pooling of products)

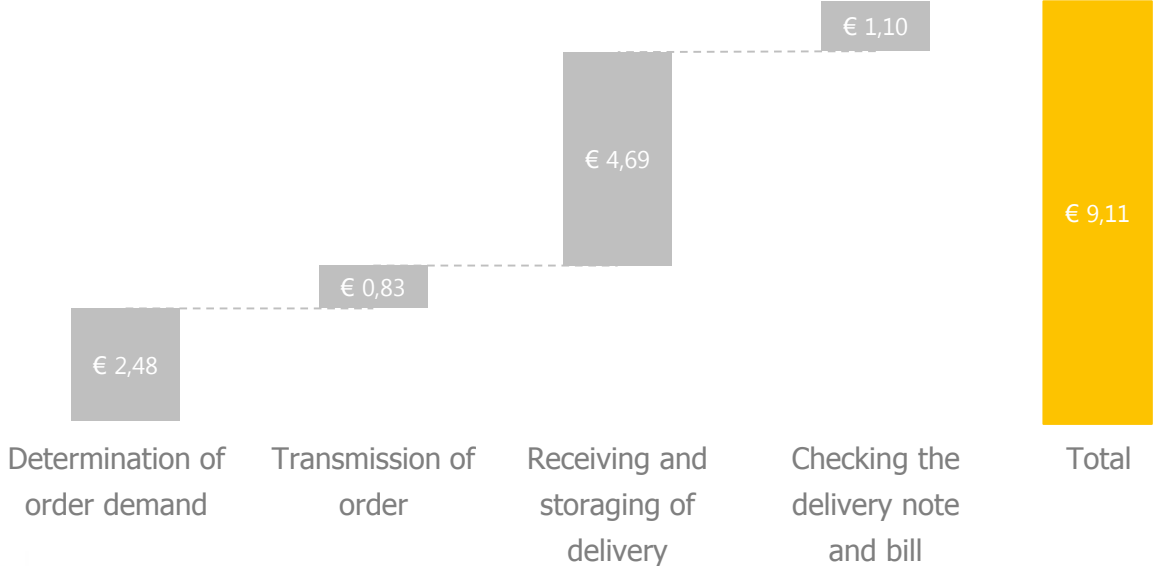
4. Quality assurance function

5. Financing function

BUNDLING FUNCTION (POOLING OF PRODUCTS)

- Pharmaceutical full-line wholesalers are pooling products of **18.8 manufacturers per delivery** on a weighted average.
- The cost difference between a delivery from a manufacturer compared to a delivery from a pharmaceutical full-line wholesaler is **€3.87**.
- The bundling of products from **18.8 manufacturers** in one delivery through a wholesaler saves **€234.84** .

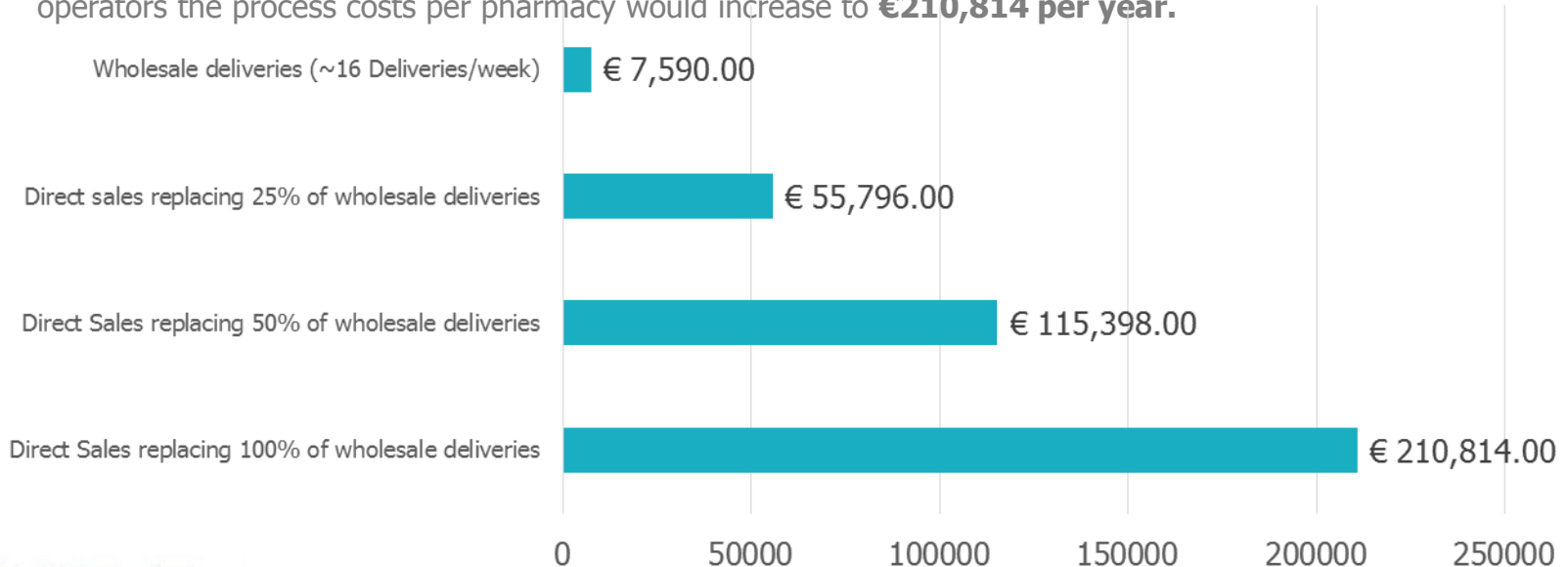
Order from pharmaceutical full-line wholesaler



BUNDLING FUNCTION (POOLING OF PRODUCTS)

Facts and figures:

- The pharmacies in France, Germany, Italy, Spain, the Netherlands and the UK receive ~ **16 deliveries/week**:
- Without the pooling of orders through the pharmaceutical full-line wholesaling channel, the cost increase would be from **€7,590** to **€55,796** per year per pharmacy, if only 25% of the full-line wholesaling deliveries were replaced by direct deliveries from manufacturers.
- If 50% of the wholesale deliveries were replaced by direct deliveries from manufacturers the process costs incurred by a pharmacy would increase to **€115,398 per year**.
- Without pharmaceutical full-line wholesalers and at the same frequency of deliveries provided by other operators the process costs per pharmacy would increase to **€210,814 per year**.

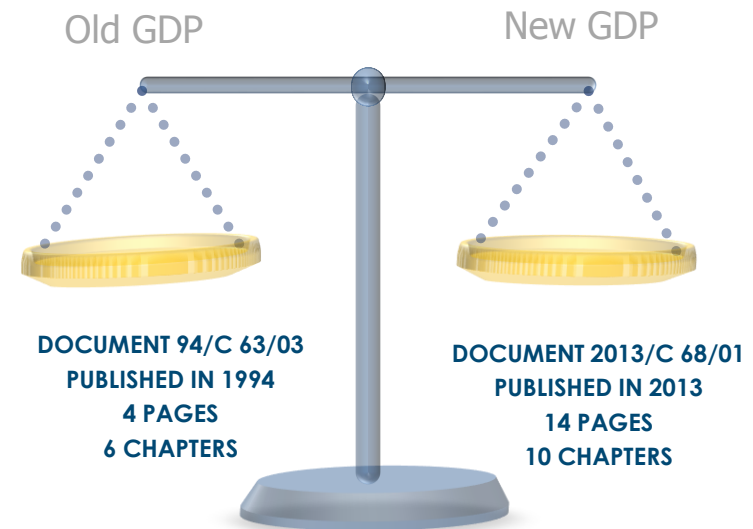


EFFICIENCY INDICATORS OF FULL-LINE WHOLESALERS

1. Full supply and stock-keeping function
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Pharmaceutical full-line wholesalers' **quality assurance systems** ensure that

- medicinal products are procured, held, supplied or exported in a way that is compliant with the requirements of GDP
- management responsibilities are clearly specified
- products are delivered to the right recipients within a satisfactory time period
- records are made and kept contemporaneously
- all personnel involved in wholesale distribution activities is continuously trained
- deviations from established procedures are documented and investigated
- appropriate corrective and preventive actions (commonly known as CAPA) are taken to correct deviations and prevent them in line with the principles of quality risk management.

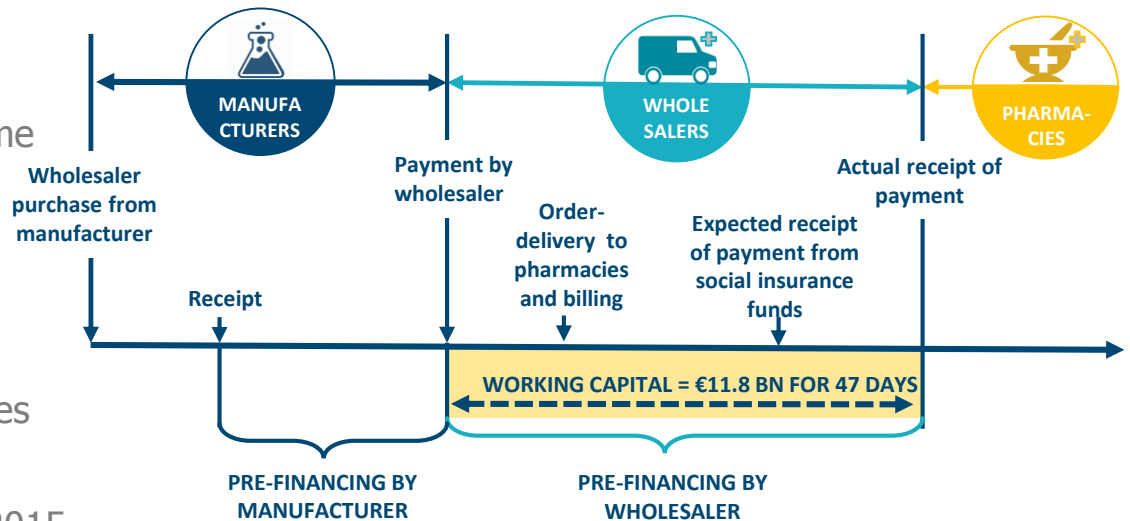


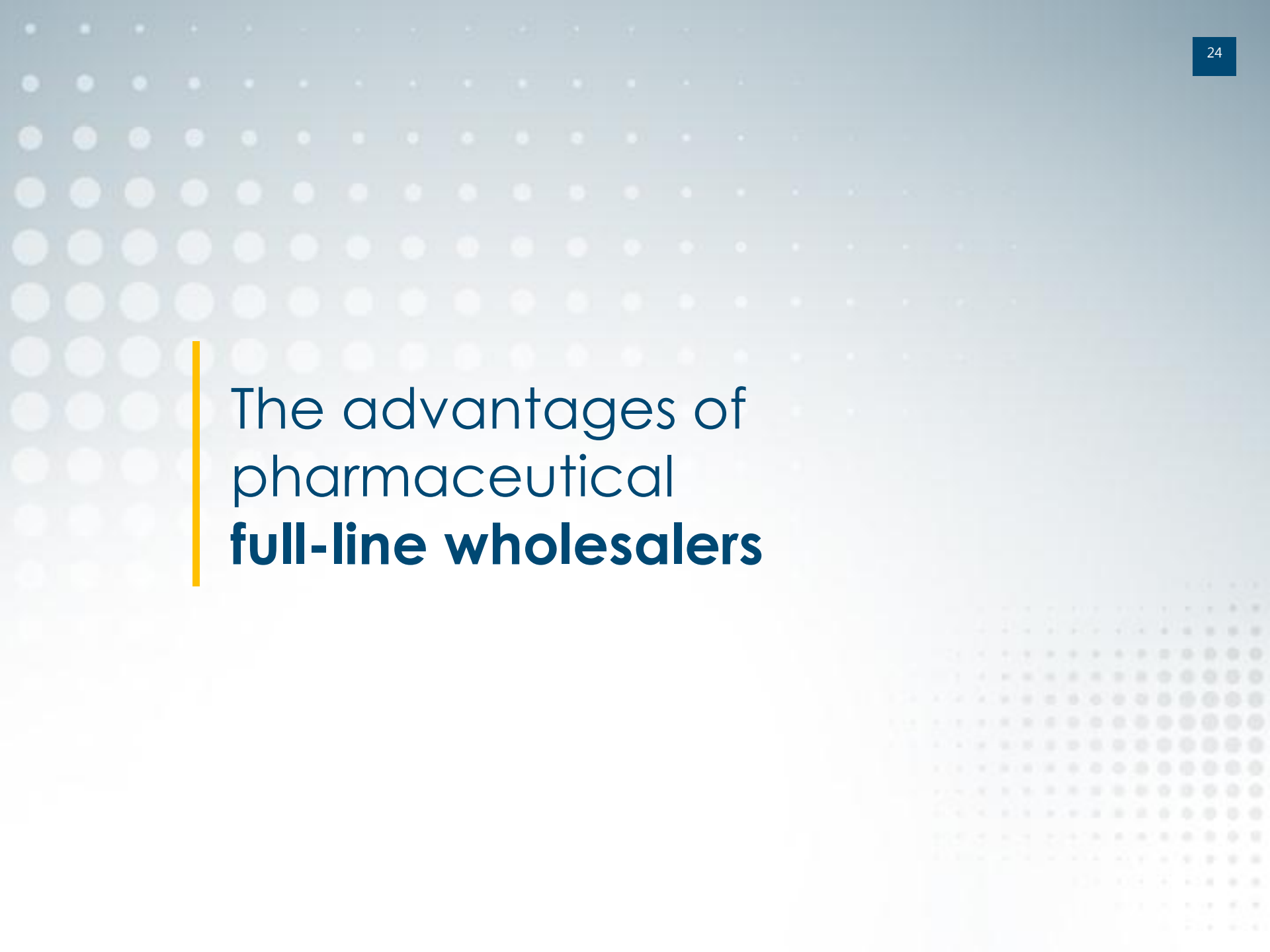
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Efficiency indicator: Financing function

- Pharmaceutical full-line wholesalers are the only ones to assume a financing function towards manufacturers and pharmacies.
- Pharmaceutical full-line wholesalers guarantee the continuous supply of all medicinal products and also secure the cash flow of the social insurers.
- The financing function can be expressed in terms of working capital.
- Pharmaceutical full-line wholesalers finance on average €11.8 bn over a period of 47 days. In total, this sum is financed approximately 7.8 times per year, and represents a total annual volume of €92 bn.
- Compared to the findings of the previous study, financing volume increased in all six selected countries by 2.3 bn and the financing period increased by 5 days from 2011 to 2015.





The advantages of
pharmaceutical
full-line wholesalers

ADDED VALUE SERVICES OFFERED BY PHARMACEUTICAL FULL-LINE WHOLESALERS

Manufacturers



- Market access services
- Market intelligence, sales reports and statistics
- Marketing and promotion
- Warehousing and transportation
- Inventory and stock management
- Direct deliveries and special handling
- Product serialization and track & trace
- Product recalls and reverse logistics
- Pre-wholesaling/pre-financing
- Waste management services
- Product quality and professional services
- Aggregated ordering
- Clinical trial logistics

Patients



- Guaranteed product quality
- Guaranteed availability and accessibility to medicines
- Patient self-diagnostics and self-management
- Individual patient packaging (blistering)
- Patient training and education
- Patient compliance and adherence
- Patient monitoring
- Homecare, nursing and home delivery services
- Pharmacovigilance services
- eHealth and communication services
- Appointment and refill reminders
- Repeat prescription services

Pharmacies



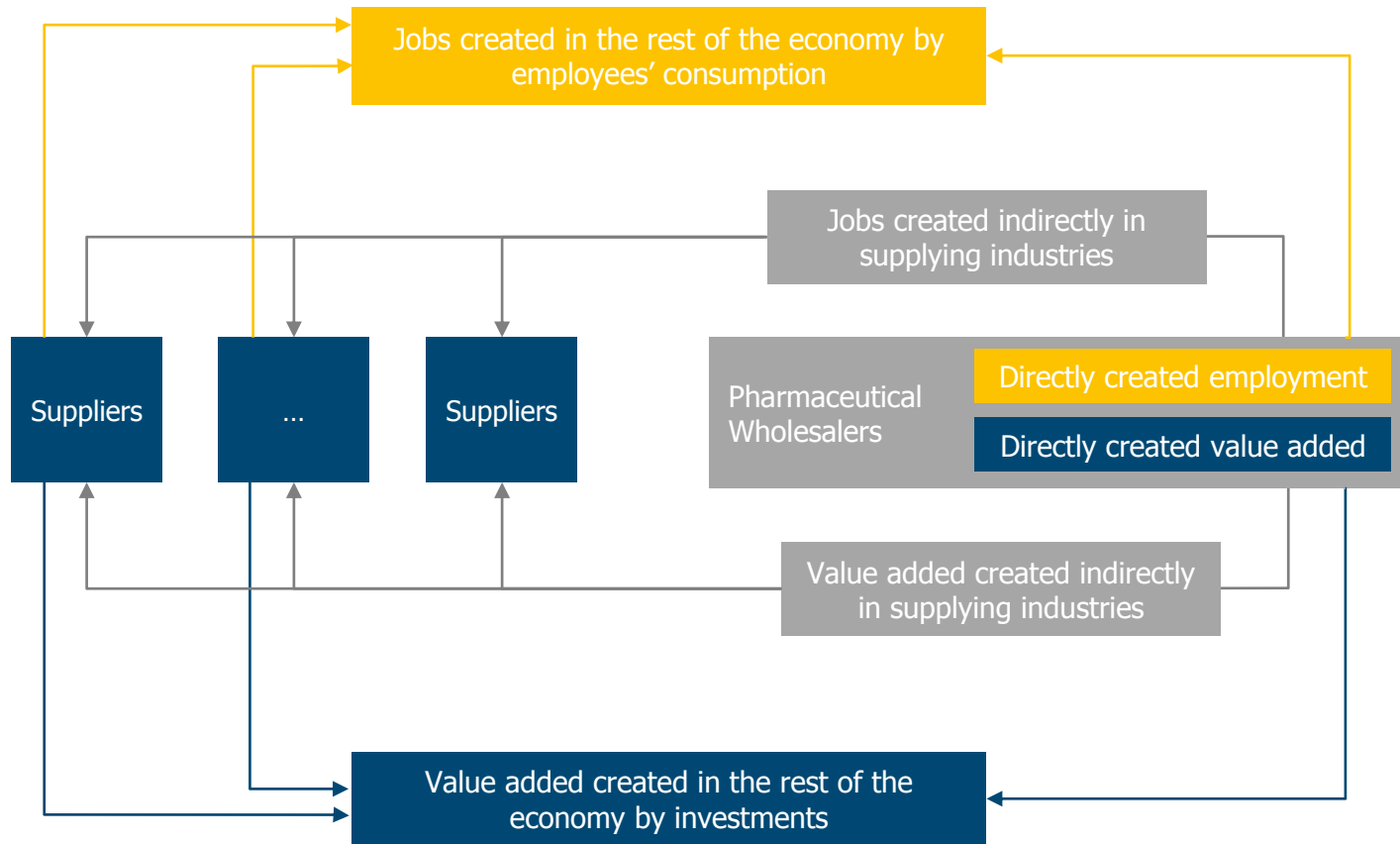
- Warehousing and storage
- Stock management
- Automated order processing
- Guaranteed availability and accessibility to medicines
- Just-in-time delivery
- Micrologistics
- Financial service, sales and purchase analysis
- Marketing support
- Product recalls
- Education and awareness programmes
- Medicine adherence programmes and eHealth tools
- Product-specific training
- IT management systems
- Medical devices delivery

Society



- Guaranteed product quality
- Guaranteed availability and accessibility to medicines
- Patient self-diagnostics and self-management
- Individual patient packaging (blistering)
- Patient training and education
- Patient compliance and adherence
- Patient monitoring
- Homecare, nursing and home delivery services
- Pharmacovigilance services
- eHealth and communication services
- Appointment and refill reminders
- Repeat prescription services

THE MACROECONOMIC IMPACT OF PHARMACEUTICAL FULL-LINE WHOLESALERS



AGGREGATED MULTIPLYING EFFECTS ON EMPLOYMENT (FTE) AND VALUE-ADDED

Facts and figures:

- Every €1 invested by the pharmaceutical full-line wholesale industry generates a further €2.02 in the economies of the 6 key markets.
- Each new job offered by pharmaceutical full-line wholesalers generates 2.08 additional jobs in the economy as a whole.

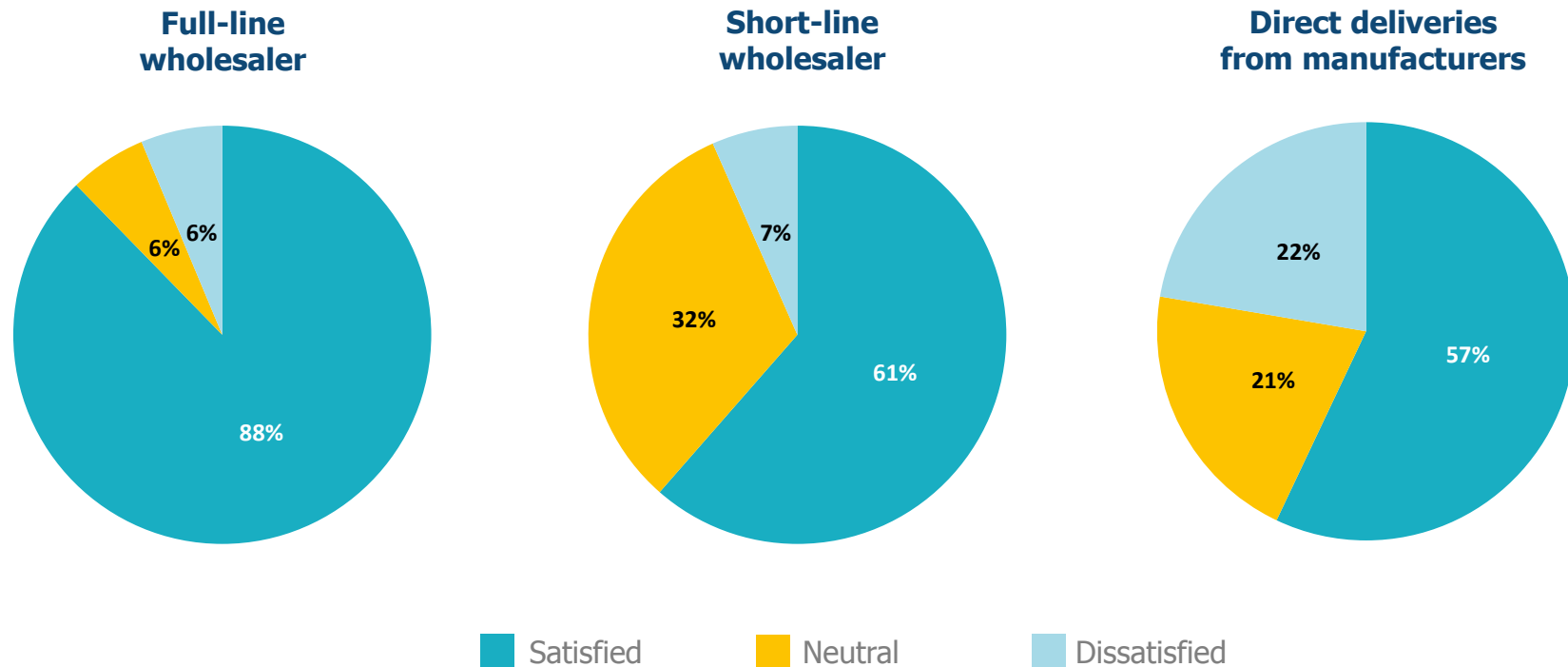




PHARMACISTS' SURVEY

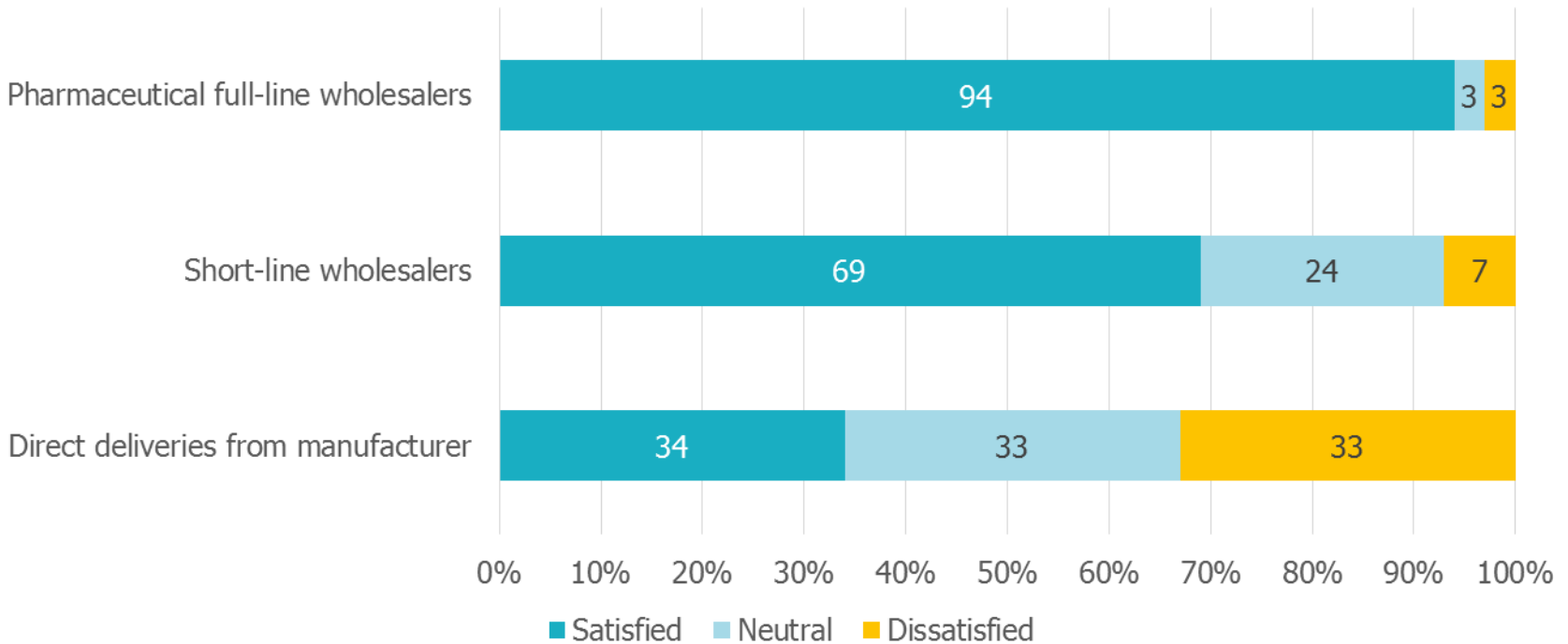
Total Overview

PHARMACISTS' SATISFACTION WITH THE DISTRIBUTION SYSTEM



- **88%** of pharmacists were satisfied with the full-line wholesale model
- **61%** were satisfied with the delivery service offered by short-liners
- **57%** of pharmacists were satisfied with deliveries coming directly from pharmaceutical manufacturers; 22% were not satisfied with deliveries from pharmaceutical manufacturers and 21% were neutral

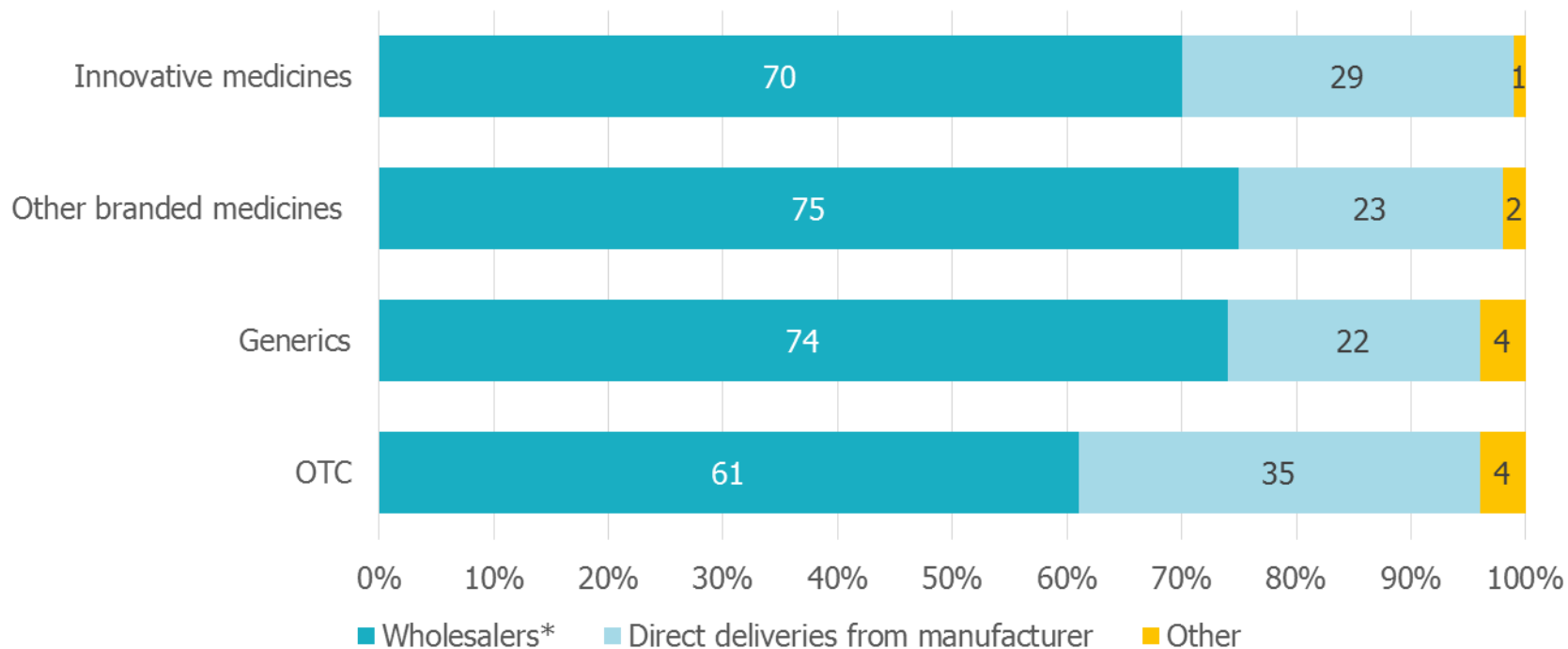
PHARMACISTS' SATISFACTION WITH THE DELIVERY TIME



- **94%** of pharmacists were satisfied with the delivery time offered by pharmaceutical full-line wholesalers
- **69%** of pharmacists were satisfied with the delivery time offered by short-line wholesalers
- 33% were not satisfied with the delivery time offered by pharmaceutical manufacturers (attention: 33% are neutral answers!) and **only 34%** of the responding pharmacists are satisfied

PHARMACISTS' SURVEY

SOURCE FOR BUYING THE FOLLOWING PRODUCT CATEGORIES

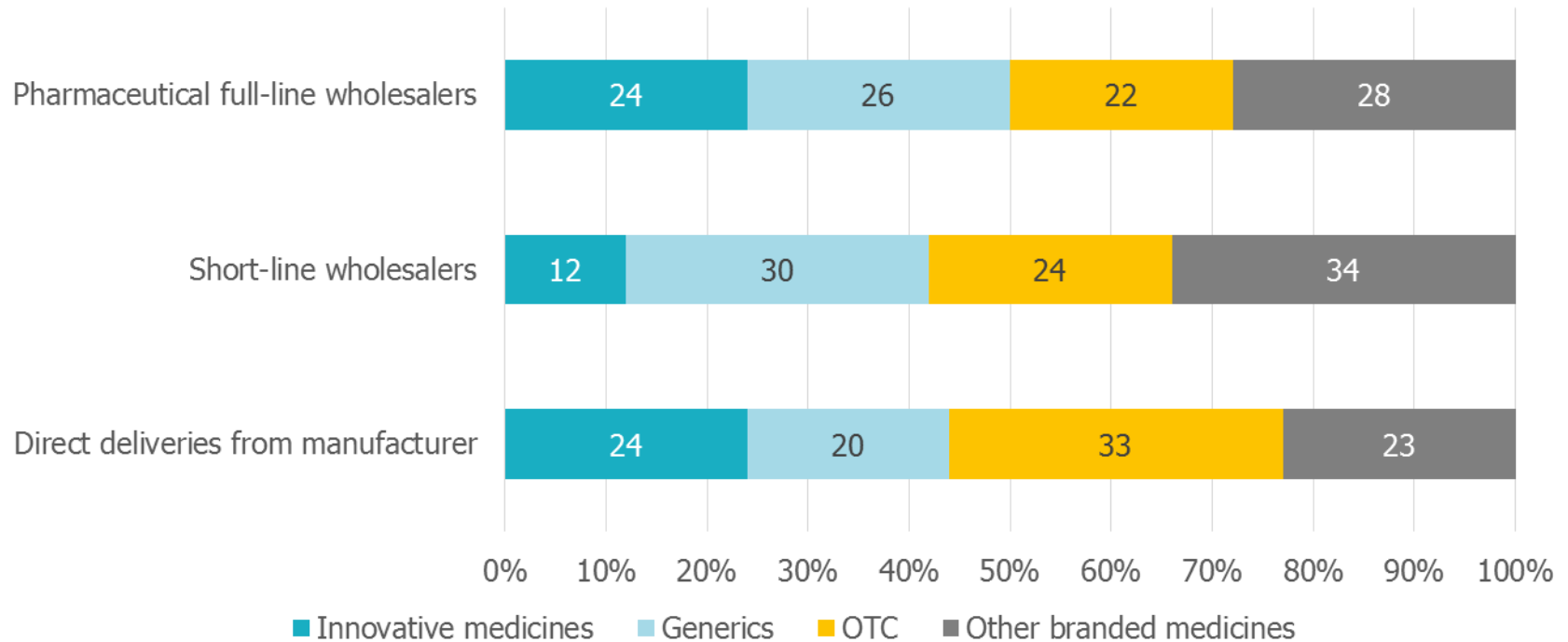


- **70%** of pharmacists chose wholesalers to buy innovative medicines
- **75%** of pharmacists chose wholesalers to buy other branded medicines
- **74%** of pharmacists chose wholesalers to buy generics
- **61%** of pharmacist chose wholesalers to buy OTC products

*Wholesalers: pharmaceutical full-line wholesaler and pharmaceutical non full-line wholesalers

PHARMACISTS' SURVEY

PRODUCT CATEGORIES BOUGHT FROM SUPPLIER



- Pharmacists tended to balance their buying pattern from pharmaceutical full-line wholesalers throughout all product categories
- **34%** of medicines obtained via short-line wholesalers are other branded medicines
- **33%** of medicines obtained directly from manufacturers are OTC products


- **Direct-to-Pharmacy (DTP):** In the DTP distribution model pharmaceutical manufacturers deliver their medicinal products directly to the pharmacies through one or more logistic service providers.
- **Direct sales:** In the case of direct sales, the pharmaceutical manufacturer or marketing authorisation holder sells its medicinal products directly to the pharmacist. In such scenarios, manufacturers or marketing authorisation holders may still opt to utilise the pharmaceutical full-line wholesaling route.
- **Pharmaceutical full-line wholesaling:** The activity of pharmaceutical full-line wholesaling consists of the purchase, warehousing, storage, order preparation and delivery of medicines. Pharmaceutical full-line wholesalers carry and distribute the complete assortment of products, both in terms of range and depth, within the framework set by the authorities and the market in order to meet the needs of patients through those with whom they have normal business relations. They deliver all medicines in their geographical area of activity on the same day/within less than 24 hours.
- **Pharmaceutical short-line wholesaling:** The activity of pharmaceutical short-line wholesaling consists of the purchase, warehousing, storage, order preparation and delivery of only a selective assortment of medicinal products.


- **Pharmaceutical pre-wholesaler:** Pharmaceutical pre-wholesalers act as logistic service partners for pharmaceutical manufacturers and marketing authorization holders and are highly specialised in bulk deliveries of pharmaceutical, healthcare and consumer products to wholesalers, hospitals and pharmacies. They use their own storage facilities ranging from ambient (either monitored or controlled ambient), refrigerated, to other specialised high security products (clinical trial logistics, narcotics). In addition to their supply chain management expertise, pharmaceutical pre-wholesalers provide additional value-added services such as product packaging and labelling for national markets. Pre-wholesalers are used for providing supplies to other wholesalers, as well as for carrying out direct deliveries to customers.
- **Reduced Wholesale Arrangement (RWA):** In the Reduced Wholesale Arrangement pharmaceutical manufacturers use only a small number of selected wholesalers to distribute medicinal products.
- **3rd Party Logistics Provider (3PL):** A 3rd Party Logistics Provider is an entity that provides or coordinates warehousing or other logistics services of a product on behalf of a manufacturer, marketing authorisation holder, wholesale distributor, or dispenser of a product, but does not take ownership of the product, nor have responsibility to direct the sale or disposition of the product.

Thank you!



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