



Translation of the Movianto publication issued in F+H, 5/2008

A new branch of industry is discovering the logistics service

Companies within the healthcare industry are identifying the potential of logistics outsourcing.

Dynamic market changes within the healthcare industry are causing companies to rethink their product distribution strategy. In many cases, pharmaceutical companies are identifying logistics services that have already proved successful in other industries. As a result, central warehousing, packing, or postponement services are becoming increasingly important in healthcare logistics. They assure manufacturers flexibility and cost-reducing potential and at the same time help improve customer satisfaction.

For some time now, logistics has been more than the product-specific warehousing of goods and their transportation from A to B. Yet compared with other sectors of industry, pharmaceutical and healthcare manufacturers have in the past been slow to outsource their logistics needs. This may be due to the fact that drugs are sensitive freight. Due to increasing cost pressure in the pharmaceutical market manufacturers are concentrating on their core strengths. The services required from logistics providers have continually grown as a result. While the manufacturers' initial aim was to minimise their own financial and personal commitment to distribution functions without having to compromise quality, the focus has now shifted to value-added services. These are intended to increase customer loyalty, improve the manufacturer's own flexibility and, if possible, be offered by a single service provider – even where Europe-wide activities are concerned. As a result, the Movianto group with its business model and network of European subsidiaries has managed to create the infrastructure conditions necessary in order to set up a suitable distribution model for its clients.

Greater flexibility

For many clients, Movianto's central warehouse in Neunkirchen, Germany is the starting point for European logistics. The site is used as a platform for supplying wholesalers, pharmacies and hospitals and other European warehouses, which in turn deliver right to the end customer. For the medical devices manufacturer Smith & Nephew, which distributes its wound-care range to its customers Europe-wide from the central warehouse, this distribution model helps cut costs. Only one warehouse is needed to serve the whole of Continental Europe. "There was no point in investing in our own warehouse and transport infrastructure for European distribution", says Peter Heinemann, Customer Service & Logistics Manager Continental Europe at Smith & Nephew. "The important thing for us is that we have one service provider managing all our orders – irrespective of the volume".

For small units of drugs or niche products, there is the option of delivering these direct to hospitals and pharmacies. When the biopharmaceutical company Celgene launched its cancer drug Revlimid last year, direct delivery within a 24-hour timeframe was recommended. "We were looking for a service provider who could offer us a complete package including ordering, warehousing and transportation", says Dr Robert Schupp, Sales and Marketing Director with Celgene Germany. "Revlimid® is not a mass product and is only used by selected patients, which means we need a flexible, efficient delivery service to doctors and pharmacists."

The growth in the concept of direct delivery is being seen in England, where seriously ill patients receive regular deliveries to their homes. →



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Improved safety

Developing a suitable logistics infrastructure particularly for highly sensitive drugs, is relatively complex and usually too cost-intensive for pharmaceutical manufacturers to undertake themselves. For example, numerous precautions must be taken in order to properly store and transport controlled drugs. Service providers like Movianto need permission for this by the Federal Opiate Authority and must be able to show that they have trained staff, including a narcotics representative. In addition, all documentation and reporting obligations, as well as structural safety precautions, must be observed. These requirements go well beyond what is required for normal drugs. Being able to call upon a specialised logistics provider is worthwhile in this respect, particularly when it comes to reliable handling and cost efficiency.

In addition, a growing number of pharmaceutical and biotechnology products are covered by strict requirements in relation to the temperatures that have to be observed during storage and transportation. For vaccines and other temperature-sensitive drugs, EU guidelines specify a temperature range from 2 °C to 8 °C, which must be observed between the drugs being completed by the manufacturer and handed over to the pharmacy or patients. Last autumn, Movianto used its chilled vehicles to transport some three million units of the flu vaccine Influxac® for Solvay in France.

“Because of the seasonal nature, flu vaccine logistics must be able to handle a large number of units within a short period of time”, is how Bertrand Regnaud, Head of Supply Chain Process Development at Solvay Pharmaceuticals explains the challenges. “We need an infrastructure that will provide us with this efficient distribution, while complying with all the regulations.”

Added value services

The sort of services delegated to logistics service providers have traditionally been mainly administrative, including order and account management, or the processing of returns. Apart from standard services such as warehousing, picking, pick & pack, preparation for despatch and product-specific transportation, new services such as country-specific packaging or drugs labelling are becoming increasingly common. Those services involved in the final stage of production are being found to increase efficiency in this respect. Postponement, for example, refers to the latest possible completion of a product, so that country-specific requirements or customer wishes can be accommodated. Postponement is a sensible method of storage and distribution that offers flexibility and cost savings, particularly for products that are marketed Europe-wide. This involves Movianto storing its clients' basic products in an unfinished state, meaning that the packaging is neutral and there is no country-specific labelling. Only when an order has been received is the appropriate quantity of products are finished. Apart from assembling and packing the order, this involves printing labels and adding patient information leaflets and directions for use in different languages, for example.

Major manufacturers use the postponement service, because it enables them to limit the stock of differentiated products, so that they can avoid stock shortages. Postponement is particularly beneficial when there are no storage facilities available in individual countries. It increases flexibility when handling incoming orders worldwide and improves control of the entire supply chain. For healthcare product manufacturers like Smith & Nephew, logistics also plays a greater competitive role as a unique selling point. “Products in the wound care sector have been comparable for some time now, which means that the service associated with them is what tips the balance,” sums up Heinemann. “The outsourcing of logistics is a profitable way for us to supply customers with a variety of services.”

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