

“Whither wholesaling,” asks the BAPW

Questions surrounding the future of pharmaceutical wholesaling in light of recent changes to the supply chain were discussed. **Matthew Wright** reports

The full-line wholesaling sector in the UK is under unprecedented external pressures to change its business model, Martin Sawyer, executive director of the British Association of Pharmaceutical Wholesalers, told attendees at the association's annual conference entitled “Whither wholesaling?”. He said: “It is clear that, whatever the Office of Fair Trading decides, the traditional model of full-line wholesaling will change.”

Ian Brownlee, BAPW chairman, spoke of the adverse affect to competition that he believed had come about by changes in the sector, namely Pfizer's direct-to-pharmacy distribution scheme and other manufacturers' proposed models. “The [usual] system of medicines distribution, despite its perceived imperfections, works well because of its intense competition,” Mr Brownlee claimed.

Mr Brownlee said that the BAPW is not against change, but it does want it to occur after informed discussion that recognises the implications of such changes for manufacturers, wholesalers, pharmacists, the NHS and



Ian Brownlee, BAPW chairman

patients. “The setting of quotas at pharmacy level gives little thought to the individual pharmacy. There are many reasons why buying volumes vary that cannot be known to a manufacturer remotely setting quota levels,” he went on to say.

He added: “The pharmacist is a health care professional who accepts that running a phar-

macy is a chore that needs to be dealt with, and in many cases they do not have the skills or resources to manage easily when the supply chain is getting more complicated.”

Lord Hunt of Kings Heath, health minister with responsibility for pharmacy, addressed the conference. He told participants: “We clearly do need an efficient supply chain . . . for the NHS.” He said that the Government is interested in the quality and efficiency of the distribution of medicines to pharmacies and other parts of the health sector. “We undoubtedly do have much to discuss,” he stated.

Lord Hunt said he understood that issues surrounding the reorganisation of the supply chain were of “critical concern” to participants. However, he was unable to comment specifically on the changes that are taking place. “As a minister, for me to go into that while the [Office of Fair Trading] is doing its study would actually be highly inappropriate. . . . I do think of course that the OFT study and report will allow many of these issues to be teased out,” he said.

Medicines distribution changes “not unique to UK”

Dean Arnold, from financial consulting firm Deloitte, spoke about how wholesalers could adapt their business models in response to the inexorable changes occurring within the industry. “There are some outstanding opportunities, not only in the UK market in wholesale, but also across Europe,” he told participants.

Mr Arnold believes that health care is an attractive market. He said that the world compound annual growth rate for health care expenditure is around 7 per cent, with certain markets growing at well over 10 per cent. He also described the pharmaceutical market as “attractive”, growing at around 5 to 6 per cent.

He said the market showed “healthy signs for the people sitting in this room in terms of the opportunities for distribution and pharmaceutical wholesale”.

Mr Arnold said that there is a significant amount of change taking place that is “not unique to the UK”, rather a European and global initiative. He said that Pfizer learnt from its introduction of a new distribution model in Spain, and introduced a similar model in the UK. “Other organisations are following suit,” he said. “It is also interesting to note that similar initiatives are being launched in Poland, in Germany and in a number of other European countries as well.”

He told participants that parallel trade is a legal part of wholesaling in Europe, which is a €5bn business. He said that manufacturers recognise this and have looked at imposing quotas, changing the way they distribute their products, and implementing various pricing strategies. “[Deloitte has had] extensive discussions with both source wholesalers and

destination wholesalers and they are indicating that quotas are having a pretty significant effect on parallel trade,” he told the meeting.

Ways that Mr Arnold suggested wholesalers could adapt their businesses to “avoid becoming a commodity” included:

- Channel integration — providing more integrated services between hospitals, pharmacists, primary care and consumers
- Value added services — not the old model, but innovative, revenue-enhancing services (eg, provision of “specialty drugs” requiring cold chain, consumables and nurse support)
- Direct to patient and internet — opportunities to provide secure, trusted websites
- Generics — backward integration into the branded generics market

Participants discuss future supply models

Issues surrounding possible future models of medicines distribution were discussed in a series of roundtable discussions. The issue of whether wholesalers would change to once daily delivery was raised. However, many par-

ticipants held the view that it would take all wholesalers to move simultaneously away from twice-daily delivery for that to occur.

Participants also discussed the possible environmental impact that an increase in the number of deliveries to pharmacies might have.

A general view was held that change was inevitable; however it is particularly uncomfortable if there is insufficient dialogue and engagement with stakeholders.

Counterfeit medicines

Discussing the recent discoveries of counterfeit medicines in the UK supply chain, Martin Sawyer, executive director, BAPW, raised the question of why over 1,700 wholesaler dealers' licences have been issued currently by the Medicines and Healthcare products Regulatory Agency. Lord Hunt of Kings Heath said that it is not for ministers to intervene in the affairs of the regulator but “I will take that issue back in my discussions with them”.

The annual conference of the **British Association of Pharmaceutical Wholesalers** took place at Danesfield House Hotel, Marlow, Buckinghamshire, on 6 June