

Nomeco HealthCare Logistics

WIN
an iPod

It's easy
and Safe to Handle
Pharmaceutical Samples

GOODBYE
TO THE SWEDISH
MONOPOLY?

Allan Jenrich,
ALK-abelló:

4 Warehouses
Became One

What's Been Cooking?

By Jørgen Kelkjær, Director and
Henrik Kaastrup, Director Sales & Marketing

First of all – welcome to a new season of our Nomeco HealthCare Logistics newsletter. As you might already have noticed, we have spent some time since our last newsletter in December '07 on developing a new layout which will reflect our editorial ambition of transforming the newsletter into a magazine-style publication.

The target audience of our redesigned magazine is still the biopharmaceutical industry in Denmark and parts of Scandinavia. The content will continue to focus on Nomeco's service offerings in the broadest sense - from clinical trials, production and laboratory analyses via warehousing and distribution to business intelligence and sales and marketing. However, starting with the current issue we will increase our focus on the "hot topics" in the industry in general and the healthcare logistics and wholesale area in particular. And whenever possible, we will hand the microphone to the people with the most intimate knowledge of the topic – in fact, this is an open invitation to all our

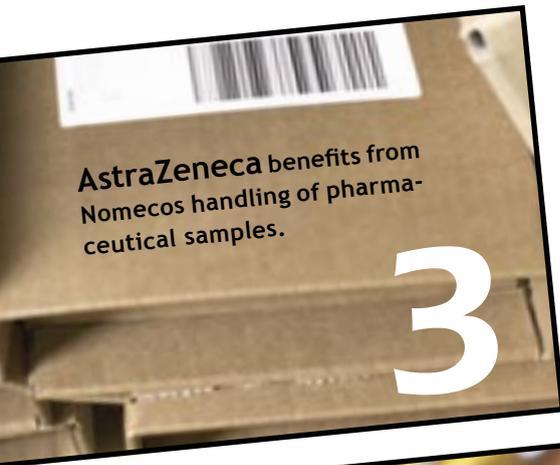
readers to step forward and share perspectives and points of view with colleagues in the industry.

In this issue we bring you three articles focusing on three very different stories of general interest to the industry – how to comply with rules and regulations on sampling and at the same time save resources; why ALK-Abelló chose one central Nordic warehouse over five national depots and finally a status report from Sweden concerning the possible changes in the pharmacy monopoly as perceived by Hans Wahlén, CEO at Tamro Sweden.

Finally, we would like to invite all our readers to participate in the reader-survey as described on the back. Your input and feedback is essential to us in our pursuit of publishing a magazine worth your time.

Enjoy your reading.

Jørgen Kelkjær & Henrik Kaastrup



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eLMK

Controls the Quality

AstraZeneca has put Nomeco in charge of handling their pharmaceutical samples. Together they have developed the service eLMK Direct where the sample is sent from Nomeco directly to the doctor. This ensures a high quality and that only one sample is distributed to the healthcare professional per year.



"Free sample - not for sale", reads the text on the label.

"We succeeded in creating a system which lives up to the rules and works in our daily routines. eLMK Direct ensures the best possible safekeeping of pharmaceutical samples. We hereby avoid samples being handed out more than once and ensure that the right product information is enclosed with the sample," says Helen Shennan, Regulatory Affairs Director at AstraZeneca and responsible for the company's observance of rules and regulations, including distribution of samples.

Previous actions resulted in mistakes

Previously it was difficult to comply with the rules for handing out samples, particularly because reps exchanged samples when they ran out. Besides, it was difficult under the previous setup to avoid samples being handed out twice to the same

doctor. By law, a doctor may only receive one free sample of each pharmaceutical product per year.

However, the Danish Medicines Agency's random sampling in 2003 indicated that AstraZeneca, along with other pharmaceutical companies, had problems with double handouts of samples as well as missing signatures and dates on the requisition.

Set up their own 'card system'

"This was clearly unacceptable to us. Therefore, three years ago we set up a system which we called the 'card system'. Instead of handing out a sample to the doctor, the reps handed the doctor a requisition or 'card', which the doctor would fill in and send to us. We then checked to see if the sample had previously been sent to the doctor and

if not, the sample was sent by mail to the doctor. This ensured that we didn't hand out a sample of the same product twice," explains Helen Shennan. On a subsequent inspection, the Danish Medicines Agency had no remarks and the system appears to be effective.

Distribution and documentation in connection with pharmaceutical samples is not AstraZeneca's primary focus area. Handling the thousands of samples and requisitions which were handed out to GP's, specialists and hospital doctors every year was a large task. Thus, AstraZeneca contacted Nomeco for information on possible outsourcing of this assignment.

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Nomeco handles samples for seven large companies and sends approx. 50,000 packages per year - most of them directly to the doctors and with the latest updated product information leaflet included. ▼

▶▶▶ **Developed eLMK Direct**

Nomeco developed eLMK, an electronic version of the pharmaceutical rep, where samples are ordered electronically and sent to the requested destination. Also, Nomeco is in charge of following up on the documentation. AstraZeneca invented the system of sending the samples directly to the doctor and the system was fine-tuned by Nomeco.

"AstraZeneca's Logistics manager, IT manager and I were in close contact during the development of eLMK Direct. Roughly, Nomeco's standard is a straightforward duplicate of our system, which I understand is used today by other companies as well."

In practice, AstraZeneca's representative will fill in the request sheet for the pharmaceutical sample together with the doctor and mail it. When Nomeco receives the form, it will be checked and Nomeco makes sure that the sample has not been handed out previously to the doctor and that the correct information has been filled in. Once the request has been approved, the sample will be po-

sted to the doctor along with the current product information.

Managing product information and batches

"When the reps distributed the samples in person, it was a problem ensuring that the latest version of the product information was enclosed. This problem is now solved. Besides, we have established a more transparent system to keep track of which doctors have received which batch numbers – this information is important in the case of a recall. Finally, we have outsourced the task of attaching the Free Pharmaceutical Sample sticker to the package, which has facilitated the work in the warehouse," explains Helen Shennan.

Nomeco took over the management of AstraZeneca's samples approx. six months ago and Helen Shennan has audited the agreement. "The solution works well and we are pleased with the result; and that Nomeco works from our own SOP and our agreements with Nomeco are of course covered by an overall Quality agreement," she concludes. ■



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The Danish Medicines Agency supervises the handing out of samples and ensures that mistakes are not made in this connection. Some of the items covered by the regulations are the following:

- Every doctor, dentist or vet may receive one free sample a year of each pharmaceutical. If the pharmaceutical exists in different forms and strengths, one sample of each form and strength may be handed out.
- The free sample must be identical with the smallest package sold at the pharmacy.
- The samples can only be handed out if the recipient has sent a written request. This request must be signed and dated.
- The company must have a sound system for documentation.

A random sampling survey in 2003 indicates that the 20 largest pharmaceutical companies, to a greater or minor extent, violated the regulations in this area.



Regulatory Affairs Director at AstraZeneca, **Helen Shennan**, is responsible for the company observing the law. Here she is inspecting Nomeco's brand new storage facilities especially made for pharmaceutical samples. The system called eLMK Direct guarantees high quality and observance of the rules.



ALK-Abelló

Chose a Nordic Central Warehouse



Foto: Niels Jensen

Finance Manager Allan Jenrich has reorganised the logistical setup and chosen a Nordic central warehouse. "Our central warehouse is located in Denmark where it operates splendidly," he says. "We have gained improved control over our warehouse - i.e. we can view our stock numbers daily. It will help us reduce the number of items on storage in the future."

Four Nordic warehouses became one, when ALK-Abelló decided to place their central warehouse in the hands of Nomeco. This means that Nomeco supplies the entire Nordic market with e.g. allergy medication.

"Instead of categorising Scandinavia as five separate countries, we chose to define them as one region with one warehouse. This provides us with a number of advantages," explains Nordic Finance Manager Allan Jenrich. He has been employed at ALK-Abello since January 2007, when he was given the task of building a common Nordic distribution for all of ALK-Abelló's products, mainly allergy vaccines.

The production takes place in Spain and Denmark, where the products were packed and distributed to the Nordic countries until September last year. "It was a complicated distribution chain as well as a complicated logistical setup, with a number of drawbacks. Therefore it was decided to reorganise the structure in order to build one Nordic warehouse," says Allan Jenrich.

Hence, he asked Nomeco HealthCare Logistics for assistance with the assignment and to investigate the possibility of Nomeco managing the central warehouse and the related logistical tasks.

Completed within 1 year

"We embarked on our collaboration in April 2007 and following a workshop, we decided on a timeline for the project. The technical setup was



ALK-Abelló Nordic is the Nordic subsidiary of ALK-Abelló, a Danish pharmaceutical company specialising in products and services for specific allergy diagnoses and treatment.

ready to be tested by the end of August, while in September the first phase was implemented. We moved the Norwegian warehouse which was located in Sweden, along with the Danish warehouse located in Denmark, to Nomeco HCL in Denmark,” Allan explains and describes the timing as close to perfect.

”The implementation of the first phase was smoother than we could have hoped for. Therefore we decided to accelerate phase 2, which included moving the Swedish and Finnish warehouses. According to our initial time plan, this stage was not meant to be implemented until this summer. However, with the success of our first move, we decided to speed up phase 2 to the 1st of January, 2008. Today our entire central warehouse is located in Denmark, where it operates splendidly.”

Daily orders are now possible

Both Nomeco and ALK-Abelló have developed an interface in order for their two ERP-systems to communicate. Therefore, the IT-system is based on frequent data integration and daily updates.

Not even the wholesalers in the other Nordic countries have been able to point out problems in connection with the move to Nomeco’s central

warehouse. On the contrary, Allan Jenrich has noticed an improvement since goods were previously delivered only once a week. ”Now it is possible to place orders daily. Moreover, we are better equipped for carrying out urgent orders. For instance, wholesalers are able to deliver the goods a lot faster than before. This is a great improvement to the service we offer.”

Sensitive products in cold storage

A number of ALK-Abelló’s products must be kept on cold storage throughout the entire distribution chain. Thus, Nomeco equips all export deliveries with temperature loggers to ensure the quality of the products. The new central warehouse includes 1200 locations, 600 of which store vaccines against allergies. In order to accommodate the cold storage products, Nomeco has expanded their cold storage capacity.

Moreover, these vaccines are often sensitive with shorter expiry dates, ranging from 12 to 18 months. ”In Sweden for instance, we are not allowed to send the adrenalin pump (EpiPen) on the market, if there are less than 12 months left until the expiry date. As the product expires 14 months from the production date, this leaves us just 2 months in which to sell the product. These

►►► conditions require flexibility which is where our new warehouse is of assistance,” says Allan Jenrich.

He points out that organising depends on the requests of the Nordic countries. For instance, ALK-Abelló uses the same packaging for Grazax (a vaccine against grass allergies) in Sweden and Finland. This is due to the fact that tariffs as well as distribution and paperwork previously made it difficult to move packages from Sweden to Finland.

Today, however, it is a lot easier to repack pharmaceuticals – an assignment which may be outsourced to Nomeco.

Daily stock data may reduce storage

With the new central warehouse, the two factories will send their products to only one warehouse and ALK-Abelló has to monitor only one warehouse.

”We have improved control of our warehouse. Previously, our storage statements were accurate and accessible only once a week in Denmark and Norway and for the rest of the warehouse once a month. Now we are able to view our stock data daily. This knowledge will help us reduce the quantities in storage in the future, thus facilitating production planning and reducing production storage,” explains Allan Jenrich.

Outsourcing saves time

Moreover, Allan mentions that with this setup their company saves time receiving orders, handling the order flow and ensuring invoicing. All of this is now taken care of by Nomeco.

“Here in Denmark, for instance, we spent one working day per week following up on orders from wholesalers, and at the end of the month we spent two days invoicing our Nordic wholesalers. These

tasks were not particularly interesting and we are pleased to have got rid of them.”

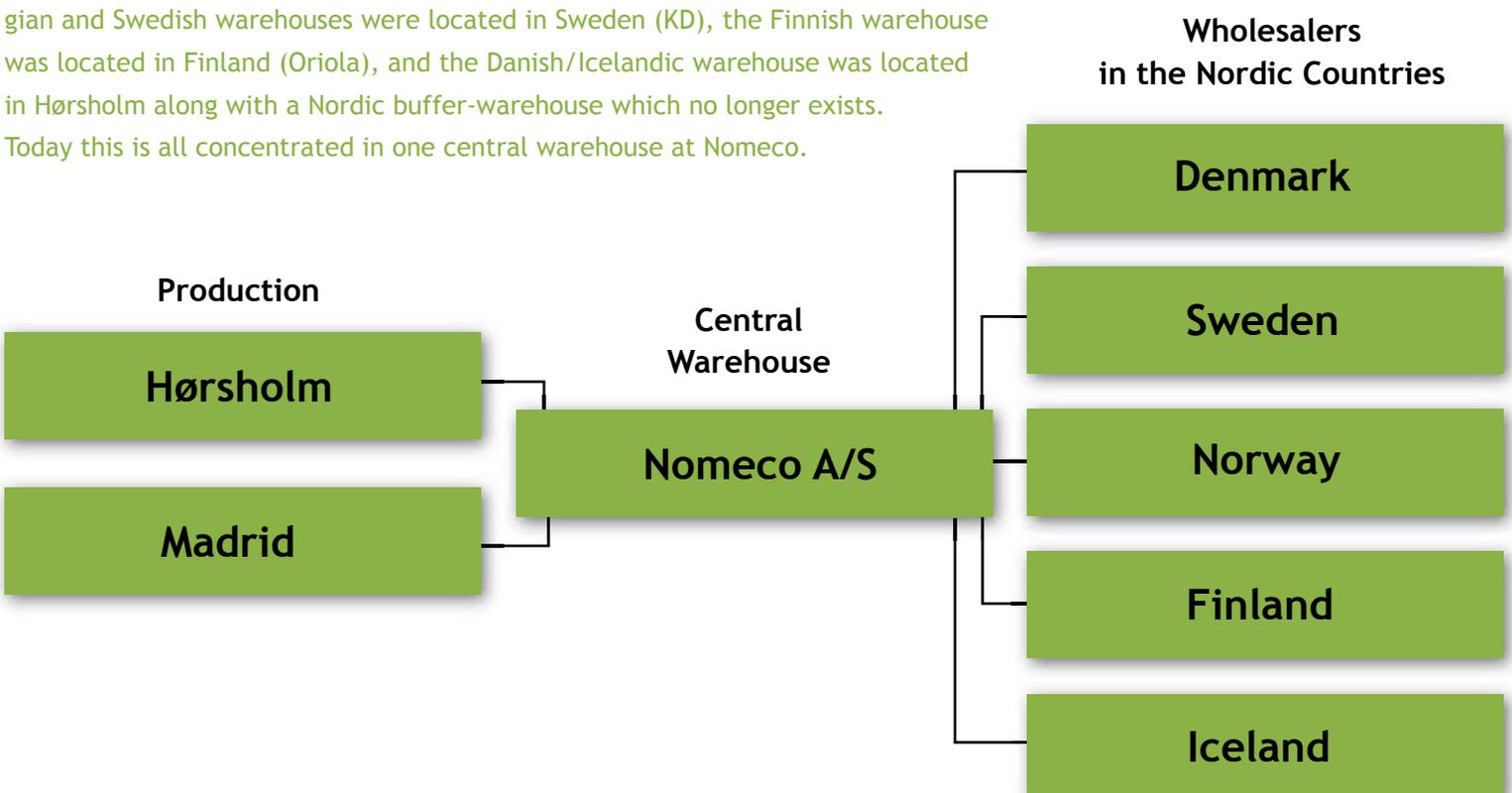
Allan Jenrich explains how tasks which used to take half a day are now solved in less than a minute. And the invoicing at the turn of the month has been reduced from two whole days to a task which can be completed in less than five minutes.

“All in all, we no longer spend excessive amounts of time on tedious manual procedures but on more interesting tasks. This gives the company ‘value for money’.” ■



New Nordic set-up for ALK-Abelló

ALK-Abelló used to have warehouses in four of the Nordic countries. The Norwegian and Swedish warehouses were located in Sweden (KD), the Finnish warehouse was located in Finland (Oriola), and the Danish/Icelandic warehouse was located in Hørsholm along with a Nordic buffer-warehouse which no longer exists. Today this is all concentrated in one central warehouse at Nomeco.



Today, all pharmacies in Sweden are owned by the State - a system which is otherwise found only in Cuba and North Korea. The monopoly is now about to be changed. The aim is to increase competition and efficiency of the Swedish pharmacy sector, improve service, reduce the medicine prices and lower public expenditure. The changes will take effect in 2009.



SWEDISH MONOPOLY

under Pressure

If the proposal is realised in 2009, manufacturers of generic medicine are expected to pay for better service and lower prices on the Swedish pharmacy market.

If the Swedish proposal for the pharmacy sector's future obtains political support, Sweden may open up their doors to pharmacy chains owned by wholesalers in 2009. The aim is to reduce the state monopoly on the ownership of pharmacies which should lead to increasing competition and efficiency, improved service, increasing number of pharmacies, reduced prices and decreasing public expenditure.

This initiative is expected to be financed by the pharmaceutical industry which will be forced to reduce prices by the purchasing power from the pharmacy chains.

This initiative is an attempt to combine the best from a free and competitively exposed market with a strongly regulated sector, characterised by fixed sales prices and security of supply.

In spite of the fact that this is up for discussion, there are many signs suggesting that at least part of the proposal will be realised. Apoteket A/B is requesting competition and in the long run EU will not accept the monopoly situation in Sweden. At the moment this proposal is at a hearing where it could yet be amended. Then new bills will be drawn up with the aim of implementing the adjustments by the beginning of 2009.

Unrealistic pricing

There are mixed opinions about whether the proposal for reorganising the sector is realistic and possible in its present form. If you ask Hans Wahlén, Director of Nomeco's sister company Tamro Sweden, he will say that the proposal contains a number of good ideas.

continues ►►►

10 FACTS

about the Swedish deregulation

Read "Omregulering av apoteksmarknaden" on www.regeringen.se/sb/d/10057/a/95410

8 The state-owned Pharmacy A/B will be split up and sold to the new players on the market.

9 E-commerce with medicine will be allowed.

4 Fixed margins for the pharmacy per prescription service (regardless of the price of the pharmaceutical) and an annual basic subsidy.

10 The system must be transparent in order to allow the authorities to monitor the profit margin. For instance, all of the pharmacies purchasing prices must be reported.

1 Free ownership – also for wholesalers. However, pharmaceutical manufacturers, importers and healthcare employees with the right to write a prescription may not own a pharmacy.

5 Fixed retail price which will be reduced by a certain percentage when there is generic competition within a substitution group.

2 Free setup right – when a person has obtained a permit, he/she may establish a pharmacy; however, the presence of a pharmacist is required.

6 An opportunity for the pharmacies to force a reduction of their purchasing price on parallel imports and generics. 70% of this price reduction shall benefit the consumers by means of lower prices.

3 The monopoly on the pharmacy market will continue through a two year transition period prior to becoming a more dynamic market model.

7 No restrictions on pricing and no requirements for fixed OTC product range

▶▶▶ However, he also feels that the proposal will fail in a number of areas, particularly due to the lack of financial resources. "The suggested pricing procedures and money earned by the pharmacies will not provide sufficient commercial incentive to establish a pharmacy. We are talking about a billion kroner investment in a chain and that amount has to come from somewhere. I cannot quite see how."

Hans Wahlén also feels that an evaluation of the system after a trial period of two years is unacceptable. Nobody is going to invest billions in a pharmacy chain, if the government could change the rules after only two years. He cautions against the possibility of establishing a new system within a period of two years. "It will probably take at least twice as long for the market to get settled."

Sold at auction

Moreover, he believes that the present state-owned pharmacies should make up less than 30% of the market share in the reorganised Swedish pharmacy sector. "If not, there will be no competition." However, the competitor Celesio has stated that a 40% of the market share for Apoteket A/B could be acceptable. The sell-off phase is not a part of the project and the guidelines are very unclear.

The Minister of Social Affairs has stated that Apoteket A/B should sell off their pharmacies in 'packages' of 80-100 pharmacies at a time. These 'packages' should be made up of small and large pharmacies as well as city and local pharmacies in order to be geographically dispersed throughout the country. The 'packages' will then be sold at auction to the highest bidder.

Hans Wahlén has no concerns that this will affect the pharmacy coverage of the rural areas, since this has not been the case in Norway. In Norway, none of the pharmacies in rural areas have been shut down due to the liberalisation.

Pharmacists can buy their own pharmacy

If the financial problems are solved during the final proposal, we can expect the three largest European players; Phoenix (which the Tamro Group is part of), Alliance-Boots and Celesio, each to own a pharmacy chain. Celesio reports that they intend to set up business in Sweden.

Nevertheless, some of the present pharmacists are supposed to want to buy their own pharmacy and run it themselves. This means that the Swedish pharmacy market will most likely be made up of an oligopoly with at least four large chains along with a number of individually owned pharmacies.

If the wholesalers own their own chain this will change, this will change the current one-channel wholesale system, but in which direction is impossible to say.

The industry should pay

The fundamental idea of the proposal is that the industry will have to pay, not least the manufac-

turers of generics and the parallel importers. The OECD report states that Sweden has a record high WPP. The pharmacies are expected to utilise their purchasing power to put pressure on the prices and grant 70% of the discount to the consumers. Besides, the pharmacies subsidies are reduced concurrently with the discounts they get.

Moreover, a full price transparency at all levels with mandatory reporting to the pricing authorities is suggested. However, Hans Wahlén has reservations about this system. "It will be difficult to apply, as all business agreements contain several elements of which price is only one."

Something will happen

At the moment everyone is waiting for the third and last report on the OTC area, which is expected in April. Not until then will the politicians make a decision on the proposal. Hans Wahlén, however, is convinced that we will see a change in the Swedish pharmacy system. "Now the genie is out of the bottle and we cannot very well put him back. So I am certain that we will see a reorganisation of some sort."

When we asked the Tamro Director to give his opinion of the Swedish pharmacy system – monopoly or not – his answer was very neutral: "We are satisfied with the system as it is today. However, if it is changed, we will play by the new rules. Experience from the countries in which Tamro operates indicate that we are prosperous no matter what." ■



Tamro Group is the leading pharmaceutical wholesaler in Northern Europe with retail pharmacies in Norway, Lithuania, Latvia and Estonia. The Group operates in Northern Europe, Poland and through a minority share in Russia. Nomeco A/S and Tamro Sweden are partners in Tamro Group, which is wholly owned by Phoenix Group since May 2004.



CEO Hans Wahlén, Tamro Sweden, is basically satisfied with the Swedish pharmacy system as it is today. However, he finds the proposal for a deregulated pharmacy sector interesting although he fears that the suggested pricing procedures will not provide enough commercial incentive to establish a pharmacy. "We are talking about a billion kroner investment in a chain and this money obviously has to come from somewhere." Besides, Hans Wahlén finds it unacceptable that the government is permitted to change the rules of the game after only two years.

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Win an iPod

Answer the questionnaire and participate in the draw for an iPod.

How often do you read Nomeco's newsletter? Are the contents interesting and relevant? And would you prefer it to be written in Danish? These are just a few of the questions we would like you to answer. We will send you an email with a link to an electronic questionnaire. So keep an eye out for the questionnaire in your inbox .

We will send the email in the beginning of April. If you haven't received the questionnaire by April 3th please contact us at info@nomeco.dk. We will send you a link and give you the chance of winning an iPod!



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