

THEME:

Solutions for the Nordic Region

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Foto: Niels Jensen



Solutions for the Nordic Region



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Only a few years ago most of Nomeco's contracts, regarding outsourcing of logistical services such as warehousing and distribution of pharmaceuticals, were domestic. Although the same type of pharmaceutical companies request our services, there is a remarkable shift towards increasingly centralized solutions – with an aim towards simplicity. In fact, during the last 12 months Nomeco SupplierDivision has sold the majority of its warehouse space, targeting the entire Nordic Supply Chain.

What motivates major pharmaceutical companies to pursue a central Nordic warehousing and distribution setup? What are the advantages? What is the content of Nomeco's Nordic proposition? These are questions which we will address in this year's last issue of SupplierService News.

We have interviewed one of the larger producers as well as one of the smaller ones. Additionally, we have asked the director of Tamro, which Nomeco is a part of, to offer their view on the tendencies regarding the distribution of medicine. He has confirmed our assumptions, that the increasing tendency is to choose Central Warehousing as a solution.

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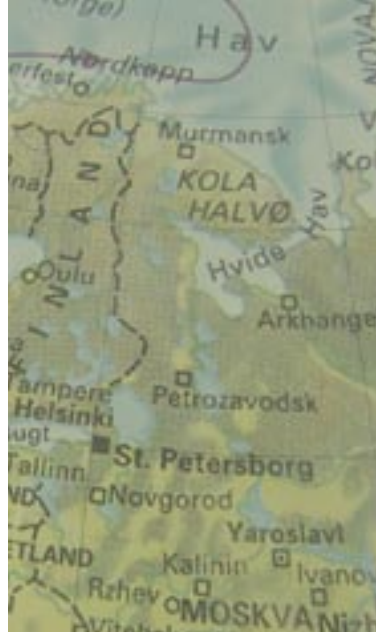
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The



Nordic



Perspective

By Henrik Kaastrup, Sales- & Marketing Director, Nomeco

For years, the two main keys to success in the pharmaceutical business were innovative products and effective sales. Today, pharmaceutical companies are facing increasing competition and declining margins. Therefore, optimization of the total supply chain is increasingly important in order to meet customer demands. However, this is not part of the pharma companies' core business and they look for a professional service provider to fulfil their requirements.

An obvious way to optimize local availability is to place a large product stock as close to the customer as possible. However, although this may seem a good solution for some companies, it may result in sub-optimization in a cross-border perspective for others. Since transportation time between the Nordic countries is reliable and stable; an increasing number of companies choose a logistical setup with a central warehouse in one country in combination with a 2 to 3 week national sales stock in each of the other Nordic countries. Moreover, Copenhagen is the perfect location for a Nordic Central

Warehouse for two reasons. Firstly, Copenhagen is a convenient area for all road inbound deliveries from the major European markets to the Nordic countries. Secondly, Copenhagen boasts excellent infrastructure.

Nevertheless, some may argue that by placing the main stock in Denmark, the risk of running out of stock in local markets will increase. Companies often experience that this risk is overruled by an increased flexibility to pack or repack products "on demand" when an unforeseen local demand arises. Furthermore, the extensive local market knowledge and sophisticated supply chain tools of the Nomeco/Tamro partnership minimize this risk.

Towards partnerships

As mentioned earlier, optimization of the supply-chain is increasingly important to pharmaceutical companies from a business perspective and availability has become part of the "competitive mix". It also appears that some pharma companies have reached the conclusion that managing the supply of

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Foto: Niels Jensen

Henrik Kaastrup

Sales- & Marketing Director, Nomeco A/S

"An increasing number of companies choose a central warehouse, as a logistical setup, in one of the Nordic countries. This is possible since transportation time between the Nordic countries is both reliable and stable. Further, Copenhagen is the perfect location for a Nordic Central Warehouse, with a combination of a 2 to 3 week national sales stock in each of the other countries."

FACTS

Nomeco's Nordic distribution services:

pharmaceuticals is a complex discipline. This calls for competences which are better off being utilized in a centralized logistics organization rather than at the local sales office.

Consequently, as a supplement to local pharmaceutical wholesalers, pharmaceutical companies are seeking to build long-term partnerships with supply chain specialists such as Nomeco Supplier-Division, in order to further develop and optimize their product flow.

As a result, this motivates Nomeco to speed up development of new services and solutions which support both a Nordic central warehouse structure and the corresponding central logistics departments, etc. In order to handle the increased flow of products from our central warehouse in Copenhagen into the Nordic countries, Nomeco recently opened a new central warehouse in Brøndby, which is optimized to handle large volumes of export. In addition, Nomeco/Tamro have also invested in the development of a new information platform offering detailed tailor-made local market reports as well as consolidated reports across the Nordic countries. Furthermore, it is able to match the expectations from a Nordic logistics and finance management team.

Simplicity and transparency

Besides availability and the wish to optimize resources, simplicity and transparency are also two very strong motivators for choosing a central Nordic distribution setup. In general, simplicity and transparency are all about making the distribution setup as compact as possible, while at the same time ensuring that all relevant data are available to the right people at the right time. Evidently, this also concerns the physical product flow as well as other logistical partners and financial data. It also applies to the contractual setup, the day-to-day contact points, quality assurance, etc.

To ensure a simple, transparent and easy-to-navigate setup, Nomeco not only offers a state-of-the-art GDP compliant central warehouse, but also central coordination of contracts within the Tamro Group, a Nordic Key Account Management (single point of contact) and a scalable information platform. The information platform will allow pharmaceutical companies to specify reports and consolidate data input across borders with the purpose of matching specific needs throughout the organization.

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Central warehouse:

Nomeco offers to keep a central Nordic stock of finished goods as well as bulk, product samples and other materials.

Transportation:

Every day Nomeco consolidates shipments going out of Copenhagen to wholesalers in Norway, Sweden and Finland. A customized delivery scheme is agreed upon with each pharmaceutical company and is part of our Nordic contract complex.

Nordic contract:

When setting up a Nordic distribution solution, our Nordic Key Account Manager will offer to coordinate all necessary distribution contracts and formal documents within Nomeco and Tamro in the Nordic countries.

Business intelligence:

Nomeco offers a range of different information solutions to meet the different internal needs of pharmaceutical companies, e.g.:

- Fixed management reports distributed via e-mail or paper based.
- Web-based (Cognos) information tools like NOWA and NWA.

Supply chain integration:

With a data file- or even a real-time integration between Nomeco's and your internal ERP system, you get full control and insight into all relevant logistics and financial data directly from the environment that you are familiar with.

(Re)packaging:

Together with our GMP compliant subsidiary, UNIKEM, Nomeco offers to coordinate and handle all types of secondary repackaging tasks. This service offers pharmaceutical companies a fast and flexible means of optimizing availability across the Nordic countries.

Narcotics Centre:

Im- and export of restricted products such as narcotics is normally a regulatory and logistical challenge. Nomeco's Narcotics Centre offers a centralized setup to handle administration, accountability etc. on restricted products.

Clinical trial supply:

Often a full-scale Nordic distribution solution also includes materials for clinical trials. Nomeco's CTSM center offers an effective and safe means of distributing trial medication etc. directly to Nordic trial centres.

in Copenhagen



Actavis concentrates all Scandinavian distribution at Nomeco's new central warehouse in Brøndby, Copenhagen.

Within a few years, Actavis has become one of the major players of the world market for generic medicine. The Icelandic company has seen an almost explosive growth resulting in a complicated and very expensive distribution setup. "Operating with a large number of different distributors was simply too expensive and unpredictable. It was a huge challenge for the planners. That is why we decided to concentrate on one distributor operating in all countries. We chose Nomeco to deal with the Scandinavian market," says René Vestergaard-Hansen, Manager of Principal Trading Center (PTC) which will handle the centralized distribution.

From September 1 Actavis' entire distribution to Scandinavia has been concentrated at Nomeco's new state-of-the-art central warehouse in Brøndby. Denmark and Finland have already been included in the central solution while Norway and Sweden will follow after February 1, 2007. The first part of the data interface between Actavis and Nomeco is up and running, while plans for an interface allowing Actavis' Quality Department to approve and block goods on location are on the drawing board for implementation sometime in the future.

Cost reduction of 25 %

When all the Scandinavian countries have joined the central warehouse in Copenhagen, the first phase of Actavis' logistics operation will be close to completion. The plan is to continue with the rest of Europe, but René Vestergaard-Hansen is still not quite sure which of the Phoenix Group's central warehouses will be chosen for the task. He thinks, however, that the Baltic region will be serviced via Copenhagen.

The aim of central warehousing is to simplify and streamline the flow of goods, optimize planning and customer service while at the same time reducing costs. "On the Scandinavian market alone I expect savings of 15 % in 2007. And in the rest of Europe we have some very expensive solutions with opportunities for substantial cuts in expenditure. The aim is to reduce distribution costs by 20-25 %. But of course that depends on the development in the various markets and how fast I can get them to join the new setup," he points out.

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Foto: Niels Jensen

Actavis has chosen to place their central warehouse in Copenhagen because of its central location in Scandinavia and in relation to the rest of Europe. "Copenhagen is right in the middle and the infrastructure is very good," says René Vestergaard-Hansen. He is the manager of Principal Trading Center (PTC) and in charge of the centralized distribution.

Simple model

René Vestergaard-Hansen has deliberately created a very simple distribution model where expenses are calculated as a percentage of the turnover. Besides, the model has been set up with easy and manageable extension in mind. "If, for instance, I want to include the Dutch market in Nomeco's central warehouse, we can do so easily and smoothly with minimum effort, because storage, structure and planning have already been implemented. I will not have to invent brand new flows and interfaces. This means that our growth can take place calmly and smoothly," says René Vestergaard-Hansen.

He points out that the model is easily transferable to other locations, provided that the distribution partner is present in the country in question. "Pho-

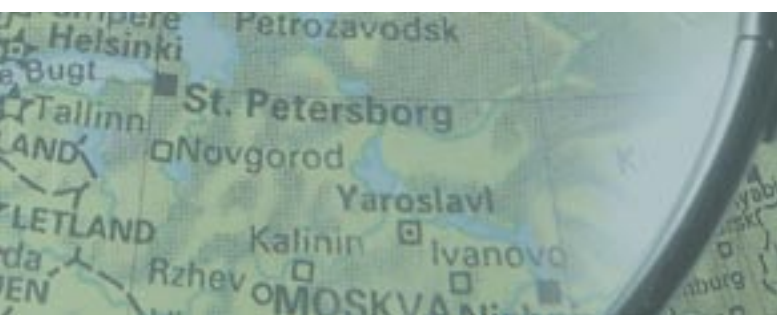
enix is strongly represented world-wide, including large markets in Eastern Europe. That is one of the reasons why we preferred Phoenix to the two other European distributors. I was not in doubt as to the choice and I think we have a good agreement."

In René Vestergaard-Hansen's opinion the implementation has been smooth in spite of the initial problems which are to be expected in projects like this. "In general, the persons responsible at Nomeco have responded extremely well to any issues and the cooperation with my contact persons has been excellent. Of course both parties have areas where there is room for development. But we improve with each market we include," says the PTC Manager.

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FACTS:

Actavis is number four worldwide on the market for generic pharmaceuticals and is rapidly expanding. Six years ago the Icelandic-owned company had 140 employees in Iceland. Today Actavis has 10,000 employees and more than 20 factories in 32 countries. Actavis' goal is by means of acquisitions to become the third largest company within generic pharmaceuticals by the end of 2007. The company's products are a mixture of OTC and RX pharmaceuticals. In Denmark Actavis is probably best known for the proprietary products Pinex and Decubal.



Central Warehouse

Manages Complex Handling

Stiefel is a small company with a very broad range of products.

The company has chosen Nomeco as its partner for a Nordic central warehouse.

Two years ago the American company Stiefel decided to drop the local dealers of the company's products in the Scandinavian countries in favour of Nomeco's central warehouse in Copenhagen which is now supplying all wholesalers in Norway, Sweden and Denmark. "You could say that we have taken back our business and outsourced it. The incentive for the reorganization was to find an efficient and good solution which fulfils our need to distribute different products. And we succeeded," says Claus Oldenburg, Stiefel's Nordic Director.

Stiefel is a small company with a turnover of approximately DKK 30 mill. on the Nordic market. The company is characterized by a very complex product mix with RX as well as OTC medicines, proprietary goods and medical equipment. Stiefel also markets products which fall under the legislation for cosmetics and CE-branded equipment for minor surgery. And the customers are very different as well. The products are sold to pharmacies as well as to hospitals and private clinics.

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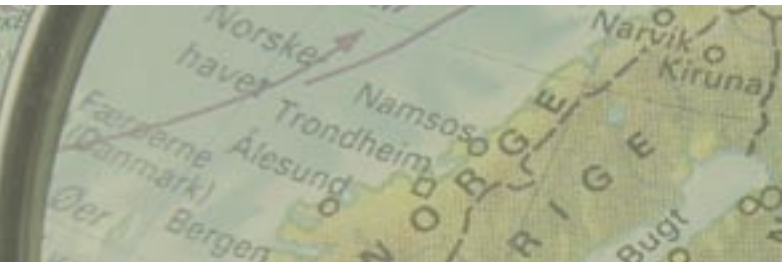


Foto: Niels Jensen

“The partnership with Nomeco has given me and the rest of my organization the liberty to concentrate on servicing the customers,” says Claus Oldenburg, Stiefel’s Nordic Director. In cooperation with Nomeco they have discovered how to distribute the products, which do not fall under the pharmaceutical legislation, from the central warehouse in Copenhagen to the rest of the Nordic Countries.”

FACTS:

Stiefel is an American company whose core products are pharmaceutical creams for treatment of skin diseases. The product line includes RX as well as OTC products, proprietary products and medical equipment. Stiefel also markets products which fall under the legislation for cosmetics and CE-branded equipment for minor surgery. Stiefel operates worldwide and has an annual turnover in the Nordic countries of approximately DKK 30 mill.



Different legislation

”The pharmaceutical creams and skin care products is the largest field right now with Ceridal as our blockbuster. Whereas the Nordic countries have a reasonably well-established distribution of pharmaceuticals, the picture is completely different when it comes to medical equipment and cosmetics. They belong to a different set of rules,” Claus Oldenburg points out.

”For instance, Norway is not part of the EU. This means that while we are able to ship equipment directly from Denmark to Sweden, it has to go via customs when distributing it to Norway. And we cannot send samples of cream directly to our Norwegian dealers. Here Nomeco has a completely different task to solve. Besides making use of Nomeco’s already established solutions, we also had to try to solve the task of distributing the products which do not fall under the pharmaceutical legislation in the different countries. But together we have found solutions and everything works fine,” says Claus Oldenburg.

Quality and efficiency

He has previously had a cooperation with Nomeco when working for a large company and does not

at all feel that Nomeco treats him differently now when he manages a small company. Stiefel’s organization in the Nordic countries counts seven persons who are covering the Scandinavian market from the office in Copenhagen. All contacts take place from their cooperation with local representatives in the other countries.

”The solution with Nomeco has given me and the rest of my organization the liberty to concentrate on servicing the customers while the logistics are being handled by Nomeco. It was important to find a solution ensuring efficiency and quality. There are simply fewer mistakes today because Nomeco is a distribution expert while at the same time ensuring fast delivery.”

Stiefel’s business strategy is local expansion which will involve more employees in the countries. The initial focus is on sales and marketing will be added later. Furthermore it is considered to include Finland and Iceland in the central warehouse concept, although the linguistic barriers should be taken into account. ”We feel well prepared with the present logistics setup. It is a good starting point for expansion and we are able to concentrate on what we do best,” Claus Oldenburg concludes.

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A Unique Position in the Nordic Area

Central warehouse functions will soon cover the entire Nordic region - or even larger areas.

By CEO Jo langmoen, Tamro

All over Europe pharmaceutical companies are reviewing their way of distributing pharmaceuticals from factories to the end-users. This trend is driven by factors such as

- pharmaceutical companies being worried about low market growth and shrinking margins. Therefore they are now focusing on optimisation in further areas of their business.
- industry consolidation creating larger pharma companies with a multiple set of (specialized) factories in a number of countries. Any logistic optimisation then calls for centrally placed logistic centres where flexibility, stock turnaround and service levels become key factors of success. Many factories prefer to have a single point of delivery.
- commercial considerations, also influenced by price differences (and parallel trade) and growing threat from counterfeits. This encourages the pharmaceutical companies to retain ownership of the merchandise as long as possible - before the products are being transferred to local wholesalers keeping 2-3 weeks trade stock.
- realizing that logistics are not their core competence, pharmaceutical companies are increasingly delegating the task of operating their central warehouses to specialists, who use their own facilities to handle large consignment stocks. A

large specialized facility may also offer additional services (e.g. repacking) which the traditional customers cannot undertake on their own.

Development over the years

In each of the four Nordic countries we have seen this development over many years. Apart from two players in Gothenburg, who also supplied parts of the Norwegian market, most players were based on a domestic distribution. These days, however, it is becoming a trend to consider central warehouse functions covering larger territories such as the entire Nordic region - or even larger areas.

A similar development is apparent in the Baltic region. Tamro has extensive experience with operation of central warehouses, covering all three Baltic countries.

It is our expectation that this development will continue. Pharmaceutical companies will outsource their Nordic central distribution to companies offering cost-efficient solutions, which meet the strictest GDP standards and ensure the highest integrity. The information systems supporting the physical distribution with on-line information and reports are becoming crucial.

Jo Langmoen

CEO, Tamro



Why elect a Tamro solution?

A well managed operation will facilitate a simple solution with one monitored central warehouse. Tamro's coverage and position in the Nordic area is unique. We already operate four central warehouses, all of which are able to handle a Nordic consignment stock. Of these warehouses, the new facility in Brøndby is geographically well located to handle merchandise travelling by road from the European continent.

Our ability to offer tailor-made reporting systems roofing several countries is highly appreciated.

With a Nordic market share of 53% and a plentiful presence in all Nordic countries, our local reputation is unmatched.

What are the consequences for Tamro?

We shall experience consequences both as operators of the Nordic consignment stock and as owners of regional trade stocks.

A Nordic warehouse will only meet its performance targets if communication is smooth between the single consignment stock and the regional warehouses, which should store no more than 2-3 weeks of stock. Each single delivery will be reduced although there will be an increase in the number

of cross-border deliveries. It is a prerequisite that the physical transports as well as the information systems are geared to support this new delivery pattern.

Important focus areas

Firstly, we should focus on transparency in information flows, offering both the principal and the regional warehouse real-time information to secure that sufficiently high service levels are being maintained. We are constantly working on system developments to enhance the attraction of our Nordic offering, to ensure sufficient warehouse capacities in our four Nordic hubs. This is not only a question of size, but also of quality: Narcotics, cool room, repacking facilities with GMP certificates, etc.

We should also encourage the pharmaceutical companies to introduce more Nordic packages, fully versatile. Unfortunately we have come across cases where this was not handled consistently: Due to improper marking of outer boxes, carrying the same product code, products were dispatched to the wrong country.

Finally, we should establish ordering routines in our regional organisations, adapted to the need for regular ordering and re-filling from a Nordic warehouse in another country.

Nomeco wishes all of its partners and customers
a Merry Christmas and a Happy New Year!



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