

Nomeco HealthCare Logistics

Let's
share
data

- get full supply
chain integration
with Nomeco!

PHARMACIES

are so much more
than medicines

VETERINARY MEDICINES

in a liberal market:

Nomeco has the expertise

A market in movement

By Jan Bonde, CEO & Henrik Kaastrup, Director

Taking a quick look at the Danish pharmaceutical market it shows stagnation or even decline in profitability in all segments and businesses. As a wholesaler Nomeco is positioned right in the middle between pharmacies, hospitals and the pharmaceutical industry which at times can be a challenging balance – not at least in times of stagnation.



It is our mission, through value adding partnerships with our customers - pharmacies, hospitals and manufacturers - to supply and develop logistics and service solutions ensuring that the right medicines are always available to the user when the need arises.

This is how Nomeco's mission statement has looked like for years and this is how it is going to look for the years ahead. Not at least because it defines Nomeco's direction and balance being positioned right between pharmacies, hospitals

and the industry – even in times of economic low tide.

The R&D based companies are under pressure and within the next five years we will see patent expiries on almost half of all patent protected pharmaceuticals. In the generic market we have seen heavy price erosion as a consequence of the intense competition over the last couple of years. According to our calculations the average PPP (AIP) has dropped by 35% per pack on generics.

This is of course good news for the consumer and the public health budgets. According to the latest data from The Pharmacy Association prices on pharmaceuticals have dropped by 28% since the year 2000. And the Danish prices are 14% below the average price in those nine EU countries which are most often used as a comparison by the competition authorities.

The private pharmacies acted timely and are now operating under a system which secures a fixed fee per handout. If this had not been the case the

economic reality would probably have caused worries in the pharmacy sector for some time.

The wholesalers, however, have not been foresighted enough to change their margin models in time. The current distribution model towards pharmacies and hospitals is based on a percentage of the PPP (AIP) sales value. And since prices are dropping dramatically and the market in general is stagnating we are now forced to change our margin and distribution models. We have introduced a minimum fee on distribution, we have launched a plan to optimize our service towards the pharmacies and we will continue to adjust our business model to meet the demands and challenges under the current market conditions.

We strongly believe that only through mutual continuous optimization we can secure the high quality and security level on pharma distribution we enjoy in Denmark – in spite of the fact that wholesalers and pharmacies have some of EU's lowest distribution margins on pharmaceuticals. We all have an interest in keeping it this way...



Jan Bonde, CEO



Henrik Kaastrup, Director

Supply chain integration provides full insight in your Nomeco warehouse 3

Veterinary medicines
Reliability of supply is a decisive factor 6

Pharmacies are so much more than medicines 8

Commercial Affairs
New initiatives to comply with market demands 10

PharmaGOLF 2009 12

Publisher: Nomeco HealthCare Logistics - Borgmester Christiansens Gade 40 - 1790 Copenhagen V - Phone +45 36 45 45 36 - www.nomeco.dk

Editor-in-chief: Henrik Kaastrup - Director, Nomeco HealthCare Logistics

Editor: June Kragelund - Market Coordinator

Layout: Christa Job

Impression: 600 copies

Printing: Kandrup's Bogtrykkeri A/S

Supply Chain Integration

provides full insight in your Nomeco warehouse

Nomeco's supply chain integration allows you to exchange data by connecting your company's and Nomeco's ERP systems. This provides a range of benefits for pharmaceutical companies that have outsourced their warehouse to Nomeco, as it permits full transparency in your own ERP system.

By Lars Pretsch When you outsource your warehouse to Nomeco, you simultaneously outsource the data that are associated with the warehouse. This includes, for example, information about stock status, sales to customers and movements at the warehouse. Supply chain integration is a method of returning this information to your company. Using supply

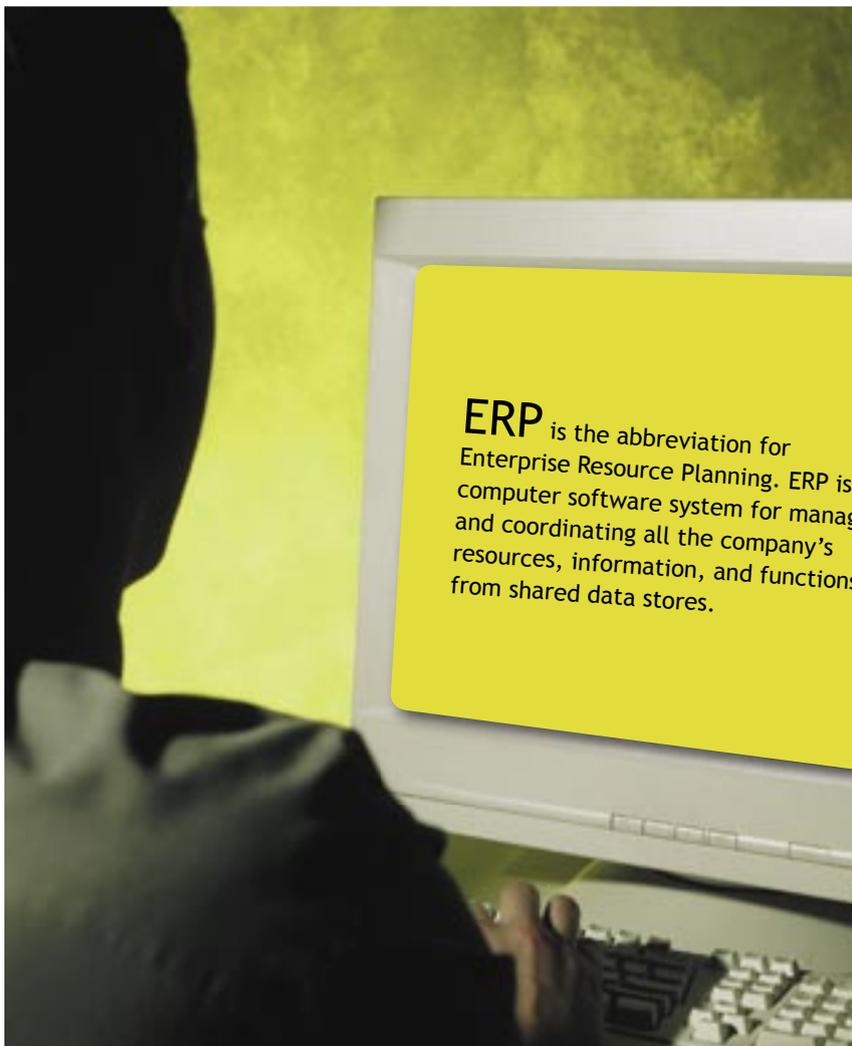
chain integration, all data are exchanged between Nomeco and your company's ERP system (e.g. SAP or Oracle), so data are automatically interfaced into your own ERP system."For you and your colleagues the warehouse is presented to you in your ERP system as if it is part of your company. All data come in the same form as usual," explains Simon Pagh Clausen, head of Nomeco's Business Intelligence department.

"A supply chain integration can be either offline or online. With an offline solution Nomeco delivers data once daily. If the needs for control and monitoring are higher Nomeco is also capable of delivering data on an online supply chain integration. Online means, that your company can see changes immediately in your ERP system. Some of our clients have chosen a semi-online solution, in which some of their data are updated once daily. The solution you choose depends on your company's needs," says Simon Pagh Clausen.

He emphasises that a key component of carrying out a supply chain integration project is the mapping of the processes between the two ERP systems. A supply chain integration always takes place on the company's terms, so that the solution fits the processes and routines of the manufacturer.

Sandoz has gone online

At the New Year 2009, Sandoz replaced its entire IT platform, so that it now conforms to its global standard. Sandoz now uses SAP as its ERP system. And since it was already in the process of change, it selected to upgrade its interface with Nomeco. Up to the change, Sandoz had used an offline solution, but it was obvious to use the opportunity to add some applications that are more commonly online. "Now we always have up to date data in our system.



BUSINESS INTELLIGENCE knows all about your data and your business. Nomeco can offer a number of different solutions that give manufacturers the information they need, either in the form of PDF files or dynamic reports, cube-based analysis tools or data directly entered into the manufacturer's own ERP system.

►► We can look in our own system to see when the products are received at the warehouse, and when they are on saleable locations, this all happens online. We can also see sales flow and other details," explains Lambert Dehlholm-Lambertsen, who was IT Director at Sandoz at the time of change-over, and headed this project.

He describes the project as being under great time pressure, as it was part of a major international project. They had to work around the clock. But he thinks the change-over went well. The hiccoughs that occurred in the project were held at a tolerable level, and were rapidly resolved, thanks to very professional project management on both sides." A large international company like ours typically devotes large resources to such a project, and that requires a high degree of dedication at Nomeco. It posed some challenges, but I think that we had an honest, fine and fair tone with each other."

Goal: Electronic information flow throughout the chain

Supply Chain Manager Birgit Jespersen, Sandoz, thinks that the supply chain integration does not happen by itself, you must allow time to solve the problems that occur on the way. It is also important to ensure a high level of master data quality to avoid too many bugs and mistakes in the interface and data.

Together with her project participant Conny Salomonsen, she points out that the supply chain integration with Nomeco is a necessary consequence of Sandoz outsourcing their entire Nordic warehouse, and at the same time wanting

to make all of the information flow electronic. "All basic information now comes through automatically and is entered in our system. And as Nomeco is electronically connected to the pharmacies, you can now say that the entire chain is in place."

Saves tedious data entry

Another long time user of supply chain integration with Nomeco is ALK-Abelló. The company has had an interface for many years that makes it possible for the two ERP systems to exchange data. The system runs in an offline version with daily updates, and the company is, according to Nordic

"All of the tedious data entry have been removed. We have liberated resources and created a new sort of job, where the employees control incoming data to a greater extent. This is both more interesting, and adds more value."

Finance Manager, Allan Jenrich, very satisfied.

"All of the tedious data entry have been removed, as the data now enters

our system directly. This means that we have been able to liberate resources and have created a new sort of job, in which the employees control incoming data to a greater extent. This is both more interesting, and adds more value, than keying it in themselves."

Get a business intelligence tool

He points out, that it is a matter of temperament if you can live with a single daily update. "We are going to find out if we will change to a full blown online version, but first of all we must clarify what it would give us more than we have today. We have all we need to manage our business: We have built up our customer relations, so we know who we sell to in those places where there are multiple wholesalers in the market. This is neither better nor worse than before, but we have now got a business intelligence tool that we would not have

been able to get ourselves. This gives us direct access to our sales, and it is easy for everyone to understand what it is.

Looking back, Allan Jenrich would have chosen the online solution if he was presented with a similar new supply chain integration project. "But if you look only five years ahead, there will be further demands for flexibility in the data that Nomeco delivers through a supply chain integration. Our industry is not static, and if you look at Sweden, for example, there are a couple of new distributors on the way in. This will place further demands on us."

Integration throughout the process

Simon Pagh Clausen also predicts that the supply chain integration market will grow. This is partly because the customers are getting better at exploiting the many opportunities for withdrawing and using data throughout the process, from the product is manufactured until it is invoiced and sent to the customer. "We can, for example, be online with the company's QA department, where we block the products at goods receipt and keep it blocked until QA removes the block electronically in its own system - QA does not need to inform us about it by fax or email.

Nomeco's head of Business Intelligence also points out that supply chain integration makes Nomeco quicker throughout the handling process for the products. "We are constantly updated about what will happen, which products are on their way, etc. When the products are received at Nomeco, the requisition already exists in Nomeco's ERP system as a copy of the manufacturer's own purchase order, and as a bonus it is always correct, which helps the goods receipt. We are now working on being even better at exploiting these forecasts to improve the receipt of goods, so the goods are saleable even more quickly." ■

Simon Pagh Clausen is surrounded by the Business Intelligence team.



Nomeco's Business Intelligence department, which is a part of Nomeco IT division, employs six specialists. Nomeco's Business Intelligence department works with both internal and external clients. The Business Intelligence specialists are experts in processing and creating value from data. A typical task is to translate business-critical problem areas into key figures that you can focus on and work with. Among the department's tasks is supply chain integration. The department has also developed the complete analysis tools NOWA and Web Reports, which allow costumers to generate a range of reports about sales, stock, etc.

Veterinary medicines

Reliability of supply is a decisive factor

Sales of prescription medicines for production animals have been liberalised, and Nomeco opened its Veterinary division a year ago to act as a support to those pharmacies that have been approved for supply of veterinary medicines. Many farmers and veterinarians prefer to buy their medicines locally, as long as the supply chain is reliable.



By Merete Wagner Hoffmann

The head of Nomeco's Veterinary Division, veterinarian Lars Thure Krarup, is a busy man. He is not only responsible for negotiating prices with

Veterinarian Lars Thure Krarup worked as a vet more than 30 years before he became head of Nomeco's Veterinary Division.

the suppliers of veterinary medicines and ensuring that Nomeco keeps the right medicines in stock, and that they are placed on the correct shelves. He is also the professional sparring

partner for those pharmacies that form part of Vet-Klub Danmark, where he supports them in their collaboration with vets and farmers. Lars also acts as the support function for the customer service agents in all of Nomeco's branches.

Only a year ago, Nomeco decided to adopt a more pro-active role in its sale of veterinary pharmaceuticals, in that way actively supporting those pharmacies that still wanted to play a part in

the veterinary market following the liberalisation two years ago. This takes place through the formalised participation in Vet-Klub Danmark, which provides pharmacies with support in their collaboration with vets, farmers or others who have a professional need for veterinary pharmaceutical products. Amongst other things, Nomeco handles the practical aspects of the payment of the annual bonus awarded to those farmers who are part of the scheme.

Specific benefits for farmers

"Around 50 pharmacies are members of Vet-Klub Danmark, and all of them use the wholesale services of Nomeco. This gives farmers and vets specific benefits from purchasing from their local pharmacies, and the key words are "reliability of delivery" and "proximity". Nomeco helps a large number of pharmacies to retain their local customers, and we are the only wholesaler to employ a qualified veterinary surgeon," explains Lars Thure Krarup.

He started in Nomeco July 1 2008, and brought with him more than 30 years' experience as a vet. He has noted that farmers are typically very price conscious, but this changes when they realise that conditions as reliability of supply and rapid delivery are met. And that is what they are in Vet-Klub Danmark's pharmacies.

Focus on backorders

Lars Thure Krarup focuses on minimising the quantities of backorders, as this is a source of irritation for pharmacies, farmers and vets.

Backorders can be a result of suppliers not being able to deliver a product, and this is difficult for Nomeco to do anything about. But it could also be because Nomeco has not purchased sufficient quantities, or that the product in question is in a remote branch, and is therefore delivered late.

"We have done a lot to resolve those latter problems, and we have made strong efforts to manage our stock levels. It has improved immensely, and most of the problems have been resolved."

Full line wholesaler

Nomeco carries the full prescription range for production animals."It is a relatively modest range in comparison with human medicines. In addition, there is another practice for substitution, because only three or four types can be directly substituted. In the veterinary connection one talks about 'replacement products with a similar effect. If a pharmacy cannot acquire the product required by the prescription, it is allowed for the pharmacy to find a product with another active ingredient, if the vet agrees."

In addition to the normal considerations that are also taken into account with human substitution, veterinary must take the withdrawal period in consideration in connection with use of the individual products.

NOMECO SUPPORTS VET-KLUB DANMARK

Vet-Klub Danmark is a partnership between all of the pharmacies that are authorised to sell veterinary prescription medicines to vets, farmers and others who have a professional need for veterinary pharmaceuticals. There are, at the moment, around 50 pharmacies in the club. Apart from the opportunity to make local purchases, the customers are offered a wide range of prescription veterinary medicines and vaccines, rapid and reliable delivery and competitive prices.

Read more at www.vkd.dk

Our goal is growth

Lars Thure Krarup has registered a slight reduction in veterinary sales over the last two years on national basis. He thinks that this is due partly to the current unfavourable economic conditions, and partly because farmers have managed to eradicate some diseases by beginning again with new and disease-free pig herds, and this has reduced consumption of medicines.

"Whatever the tendencies in the market and competition situation, Nomeco is holding good cards in its hand. We are strong on the supply side, and pharmacies have been good at getting hold of the farmers and getting them to purchase locally. They create the contact, and we are a support function for them. So in Nomeco we have the veterinary market in our clutches, and we are looking forward to future growth." ■



A LIBERAL MARKET

Sales of veterinary medicines for such production animals as pigs, cows and horses were liberalised in April 2007. From this date, pharmacies no longer had sole access to sell prescription medicines for production animals. Other outlets could also receive approval as retailers, and price restrictions were removed. Certain types of medicines for pets and production animals must still only be provided by pharmacies, and price restrictions still apply.

In order to ensure that e.g. consumption of broad spectrum antibiotics does not get out of hand, with resultant problems in human resistance to bacteria, the Danish parliament decided at the same time that the liberalisation would be re-evaluated in 2009. This will take place in connection with the coming debate about the future of the pharmacy sector, which has now been postponed to the end of the year.

Pharmacies

are so much more than

Nomeco stocks around 5,000 different non-pharmaceutical healthcare products in its wholesale distribution centres, and sets a number of requirements to new suppliers.

By Merete Wagner Hoffmann

Danish pharmacies sell much more than just medicines. Skin care products, health care articles and dietary supplements are just some of the categories that pharmacies stock on their shelves. Non-pharmaceutical health care products currently make up a significant part of pharmacies' sales. In its portfolio, Nomeco has around 5,000 item numbers, around 700 of which are dietary supplements and natural medicines.

"Basically, we receive and execute orders and therefore stock products in our warehouses that the pharmacies request. In other words, pharmacies decide themselves which products they want to sell, and much of the range is decided by the pharmacy chain they belong to. A new skin care range would, for example, not have much of a chance unless the chains include it in their range," explains Dorte Taunø, head of Product Assortment at Nomeco.

Nomeco is always open for a presentation of a supplier's product portfolio. But a product must meet a wide spectrum of demands before Nomeco will include it in its range.

"We consider whether the product matches the product ranges offered by Danish pharmacies, and

NOMECO'S BRAND REQUIREMENTS

- The product must be a natural part of a pharmacy's portfolio
- The manufacturer/importer must market the product, thereby creating demand
- All marketing activities must comply with the current legislation
- The product must be able to contribute to pharmacies' and to Nomeco's earnings

FORMAL BRAND REQUIREMENTS

- Dietary supplements must be reported to the Danish Veterinary and Food Administration
- Natural medicines must be approved by the Danish Medicines Agency
- Other products must comply with current requirements to marking and ingredients

medicines

whether the supplier's marketing would create the necessary demand from, or at, the pharmacy. It is the responsibility of the supplier to create demand and ensure that its marketing complies with all legislation. In addition, the product must be profitable for the pharmacy and wholesaler," Dorte Taunø points out.

Foreign suppliers in particular must be aware of the marketing requirements, because it requires good knowledge of Danish market conditions to enter the market.

Nomeco also looks at whether the product complies with legislation, especially with regards to e.g. marking, ingredients and reporting to, or approval by, the authorities.

"If all of this is OK, we will enter into a collaboration agreement with the supplier. There are a number of conditions in a collaboration, including purchasing, delivery, stock levels and sales, that must be negotiated. For example, the supplier must commit to being able to deliver within one week. In the same way, the product must meet packaging requirements, bulk packaging sizes and bar code marking," concludes Dorte Taunø. ■

Dorte Taunø is head of Product Assortment at Nomeco. She is responsible for taking in new health care products in the wholesale distribution.

Foto: Claudi Thyrrstrup



Update

Com

As of April 1 2009 the new business unit Commercial Affairs are focusing entirely on wholesale agreements. The business unit includes Business Unit Director Karin Humle and Legal Affairs Specialist Søren Vesti Esbensen.



commercial

Affairs

New initiatives to comply with market demands

By Merete Wagner Hoffmann

From April 1 2009, Nomeco HealthCare Logistics has pleasure in presenting a new business unit under the name Commercial Affairs. The main purpose of the new business unit is, among other things, to strengthen Nomeco's team engaged in negotiation of the distribution margins and fees.

Changes in the pharmaceutical market have made it necessary to create the new specialised business unit and employ dedicated personnel. The sector has become more complex and the market has changed from being relatively homogenous to the current situation with generic companies, parallel importers and original companies.

"In order for Nomeco to be an effective business partner for the pharmaceutical companies we need to increase our resources in this area," says the newly named Business Unit Director Karin Humle. Karin Humle has previously worked for AstraZeneca and Novo Nordisk International, which provided valuable experience in marketing, sales, medical and business development.

"Our task will be to ensure that we in Nomeco are capable of handling the complex demands existing today regarding wholesale

agreements. Furthermore, we are engaged in measures reflecting the complexity of the market, making it possible for us to offer new solutions to the suppliers".

Karin Humle expects her many years of experience in the industry to add value to the negotiation team in Nomeco HealthCare Logistics. "One of my strong skills is focusing on the needs of the cooperation partner and I look forward to using this competence in Commercial Affairs in addition to my knowledge and understanding of the market".

” Our task is to ensure that we in Nomeco are capable of handling the complex demands existing today regarding wholesale agreements.

With Commercial Affairs being the latest addition to the organisation, the negotiation team today consists of employees from Commercial Affairs as well as Business Affairs. The negotiation team now counts Henriette Emborg, Søren Vesti Esbensen and Karin Humle and is headed by Henrik Kaastrup. ■

Contact us:

HENRIK KAASTRUP, Director - Phone: +45 36 14 22 56

HENRIETTE EMBORG, Business Unit Director, Business Affairs - Phone: +45 36 14 20 70

KARIN HUMLE, Business Unit Director, Commercial Affairs - Phone: +45 36 14 21 60

THOMAS SØVND AHL, Business Unit Director, Central Warehouse - Phone: +45 36 14 21 27

LARS PRETSCH, Sales Manager, Central Warehouse - Phone: +45 36 14 21 09

MARIANNE SØNDERGAARD, Business Unit Director, Clinical Trial Service - Phone: +45 36 14 20 76

MAI LOAN LE, Business Unit Director, Hospitals - Phone: +45 36 14 20 86

You can order extra copies of News from Nomeco HealthCare Logistics by sending an e-mail to nir@nomeco.dk.

You can also find an electronic version on www.nomeco.dk.

PharmaGOLF 2009

Friday September 4

Venue: Skovbo Golfklub, Dalbyvej 50, 4140 Borup

Make your registration before Monday August 17

- Stableford
- Valid DGU card
- Max hcp 36

For further information and registration please visit:
www.pharmagolf.dk