DISTRIBUTION POLICY CHARACTERISTICS OF THE WHOLESALER WITH DRUGS

Galina Petrova¹, Todorka Kostadinova¹, Lyubima Burgazlieva²

¹*Department of Economics and Healthcare Management, Faculty of Public Health,
Medical University of Varna, Bulgaria*

²*Master of Pharmaceutical Management, Medical University of Varna, Bulgaria*

ABSTRACT

This article reviews the distribution policy characteristics of wholesaler with drugs (STING AD) as well as some of its advantages and risks. The distribution policy of STING AD is in compliance with the internationally recognised rules for Good Distribution Practice (GDP). GDP is transposed in the Bulgarian legal framework and the principles and requirements of GDP are governed by Decree № 39 of 13 September 2007. The compliance with international standards combined with swiftness and quality of distribution activities is a guarantee for providing affordable and safe medicinal products and achieving therapeutic results.

Keywords: *distribution policy, Good distribution practice, medicines, wholesale trade*

INTRODUCTION

Organisations operate in an increasingly complex environment characterised by fast technological changes. Strategically oriented business enterprises understand that the keys to success are planning relationships with their customers and mutually beneficial relationships with their partners. Product and service distribution is the intersection point between these two. Distribution policy has become increasingly important for organisations over the past years due to:

- ❖ Increased level of competition;
- ❖ Need for creating customer value caused by events in the global and national economies;
- ❖ Some of the organisations successfully compete with considerably bigger competitors establishing their market attractiveness almost entirely on their distribution policy (2).

STING AD is currently one of the leading wholesalers and importers of medicinal products in Bulgaria with a steady annual sales growth. As a result of investment in functional warehouses, introduction of contemporary approaches to management and the quality control system ISO 9001/2008, a flexible and adequate market structure was designed (7).

THE OBJECTIVE of the study is to analyse the main characteristics and specifics of the distribution policy of STING AD.

MATERIAL AND METHODS

The methodological approach to the subject includes document analysis. The materials that are used are mandatory BG regulations – *Law on the Me-*

Address for correspondence:

Galina Petrova,
Faculty of Public Health,
Department of Economics and Healthcare Management
Medical University of Varna
55 Marin Drinov Str.
9002 Varna, Bulgaria
e-mail: gal_rumenova@abv.bg

Received: April 01, 2015

Accepted: June 04, 2015

dicinal Products in Human Medicine, and guidelines on the Good Distribution Practice, company reports and data from IMS Health Bulgaria, regarding the distribution policy of STING AD.

DISCUSSION

STING AD is a wholesaler in medicinal products, medical goods, food supplements, medical devices, cosmetics, food supplements, herbs and herbal products and others. It offers to its clients (pharmacies, drugstores, healthcare services, medical practices and other wholesalers) a variety of services: professional delivery of goods to pharmacies, logistics in compliance with GDP, specific software and subscription, a specialised magazine with drug information and promotions, participation in continuing postgraduate training for pharmacy graduates, brand name and annual marketing conferences for users and brokerage services for manufacturing of pharmacy equipment, etc. (7)

The warehouse has a product portfolio which meets users' needs and corresponds with the novelties in the pharmaceutical industry as well as with doctors' prescriptions. It consists of more than 12 000 product items including medical goods, food supplements, herbal products and medical sanitary products. The company disposes of 8 000 m² warehouse space.

More than 700 employees work in Sting AD, 80% of which are between 25-35 years of age and hold a university degree. Logistics and supply to pharmacies is provided by means of own vehicle fleet of 220 vehicles, including trucks, equipped with refrigeration units for temperature-sensitive medicines (7).

The company operates with more than 3 600 pharmacies performing approximately 3 000 deliveries per day, on a 24/7 working cycle (7). National market coverage is achieved through five independent wholesale warehouses for medicinal products in Sofia, Plovdiv, Varna, Razgrad and Burgas (1).

The distribution policy of STING AD is managed in compliance with the internationally recognised standards for Good Distribution Practice (7). The main principles of work being maintenance of the quality level by the supplier in the transportation of authorised medicinal products and medical devices to persons and companies who have the right to deliver them to end users. Medicinal products should

have the same quality and efficacy as they had when they left the manufacturer (4, 5). Bulgaria as a member of the European Union is obliged to accept and impose on the wholesale traders in medicinal products to work in accordance with Directive 92/25/EEC. In view of the requirements at each distribution point there is a representative ensuring that the quality control system is applied and maintained.

The company holds a certificate in ISO 9001-2008. The procedures of the Quality Control System are approved by the management and aim to define the working guidelines of the organisation in order to completely satisfy customers' needs and to maintain the position of a leader in the field, as well as to ensure total control over the implementation of set goals. A risk evaluation system has been implemented over a three-year period in order to guarantee the efficiency and stability of the company (6).

The Quality Control System is subject to updating in order to adjust to changes in the external and internal environment. The quality management policy of STING AD involves: meeting customers' requirements and ambition to provide proactive quality; analysis of customer satisfaction; provision of flexible terms of trade for clients combined with continuous improvement of quality and/or assortment of the services; market analysis; the company's customers have enhanced and in-depth knowledge of the main development tendencies of contemporary pharmaceuticals and pharmacy business (7).

Impact of the distribution policy of STING on the promotion and active consulting of particular brands

The distribution policy of STING complies with the rules for GDP. More than 5 years ago during a comparative study of work standards and standard day-to-day procedures of STING and warehouses for distribution of medicinal products in Germany it was identified that STING AD had a similar work model as those firms (7).

Between 2006 -2013 STING implemented an initiative "Lege Artis". The program „Lege Artis“ as a model for continuing education for masters in pharmacy, was established as an information platform containing blocks from the pharmacy activities that are provided by manufacturers, academia and distributor. It enables each pharmacist to obtain a short

time updated information, not only for new medicinal products, but also indirectly assist the healthcare system for a more professional and of higher quality, service to patients. Organizer of the event is the distribution company STING. It is a proven partner for both manufacturers and pharmacies over a period of 23 years. The need for an attainable and workable system for timely and expert advice made the company invest in a modern and convenient model for good pharmacy practice. „Lege Artis“ has one profile and secures an assistant in the consulting role of the pharmacist. It is seeking a balance between academic classes, application and implementation. It involved a number of manufacturers expressing a desire and having a vision for investing in the training of pharmacists. Criteria for participation in the program „Lege Artis“ are presentation topics relating to innovative technologies, seasonal issues, marketing, communications, promotions and more. The speakers are professors, associated professors and specialists in the field of medicine, pharmacy, marketing and psychology. The program is very popular and visited by pharmacists nationwide. Each year, on average 10-12 meetings in all regional centers, as part of regional presidents and pharmaceutical colleges are held. Once a year, it is held in the form of Marketing Conference, which brings together pharmacists from across the country (7).

Through the „Lege Artis“ continuing education program the company developed many projects for cross promotions to optimise costs and at the same time to improve the efficiency of the service.

In 2013 STING AD replaced the „Lege Artis“ initiative with a new one called „Virtual Union“ for pharmacies interested in active marketing. This project is joined by pharmacies which on the basis of promotions and active consulting of particular brands preferentially boost them on the market. „Virtual Union“ includes 470 pharmacies. The aim of these pharmacies and the people working there is to consult preferentially a package of medicinal products over a two-month period through a campaign called „In focus“. These are seasonal products whose prices are not reduced, instead the products are actively recommended for their pharmacological qualities and the public's need for such products. It does not matter if the pharmacies are big or small but if they strive for high quality of service of patients. The advantage

for the participants is preferential terms of delivery whereas for the distributor it is the loyal clients committed to sell to end users (7).

Supply chains integrated in the process of the company activities

A supply chain consists of a number of units comprising the logistics system, which are arranged in a linear sequence along the flow of materials with the purpose of analysis or design of specific number of logistic functions and their upkeep. These units can be the suppliers, sellers, traders, manufacturer's branches, territorial supplying units, central warehouses and others (2).

A company logistics chain depends on the size and scope of the activities of the company. The logistics chain of distribution of STING includes the management of materials, informational and financial flows from suppliers of medicinal products to warehouses (7):

- ❖ Assessment of the needs for medicines, research and choice of suppliers, conclusion of purchase agreements, submitting purchase orders, payment of requested quantities, loading and transportation to the central warehouse of the company, unloading, quantity and quality receipt, unpacking, assembling, preparation for segregation into the storage places (4,7);
- ❖ Taking delivery orders from warehouses, assembling of requests, taking products out of the storage places, transportation to the dispatch area, preparing documents for release, loading on the transport vehicles and transportation to the depots (4,7);
- ❖ Provision and maintenance of a system for blocking and recall of medicinal products which don't comply with quality, safety and efficacy requirements (5,7);
- ❖ Prevention of the distribution of falsified medicines and introduction of the GS1 standards for automated product identification in Healthcare. Globally, the GS1 standards offer a harmonised approach for coding of medicines and medical products. Manufacturers of medicinal products mark the produced quantities. In pharmacies each sold pack is also encoded with the help of special software. If sale of quantities above the manufactured ones is registered in the informa-

tion system, the source is immediately traced. The tool used is Data Matrix, which apart from basic identification allows encoding of additional data such as expiry date, batch, etc. Medicinal products will have unique serial numbers on each pack and the database with the information will be used to trace the products and when scanned the bar code will signal the system if the product is counterfeit. This will stop falsified medicines to enter the authorized market (5,7).

The following logistics/supply chains are integrated in the work process of STING AD:

- ❖ From manufacturer to the central warehouse;
- ❖ From the central warehouse to warehouse depots in four regional cities: Burgas, Varna, Plovdiv and Razgrad;
- ❖ From the warehouse to the pharmacy: Person receiving orders–Operator–Supervisor–Driver–Retailer;
- ❖ In reverse distribution when recall of batches is necessary: Retailer–Driver–Operator–Supervisor–Central warehouse–Manufacturer (7).

Advantages of the distribution policy of STING

STING has the following advantages:

- ❖ STING AD does not own pharmacies which is a guarantee for loyalty towards customers. Apart from distribution it provides services such as trainings, software, information, a trademark and others which guarantee a high level of expertise and constant high quality of services;
- ❖ STING AD owns a vehicle fleet which makes deliveries with specially equipped vehicles, registered in the Regional Health Inspections as special-purpose motor vehicles;
- ❖ STING AD in all of its five warehouses has a team of highly qualified employees who either take purchase orders by phone or over the Internet. The advantage for customers is not only the personal contact but also the fact that they can get specialised information on medicinal products, new positions, price changes and data regarding changes in the reimbursement list of the National Health Insurance Fund. Besides accepting orders these employees act as sales

representatives for the customers who are personally served by them.

Risks of the chosen distribution policy:

- ❖ Risks lie in the danger of independent pharmacies going out of business and the growth of chains. This leads to increase in the requirements of owners for better trade terms and discounts, which significantly reduces the warehouse margin from sales.
- ❖ Maintaining own vehicle fleet involves servicing costs, expenses on drivers' salaries, car repairs etc.;
- ❖ The employees accepting orders are more than 90 for the whole company;
- ❖ Accepting orders through call-centres are non-exported activities.

Need for changes in the model of the distribution policy of STING

The measures that should be taken are related to:

- ❖ Decisions regarding physical distribution. In terms of economic criteria, carrying costs from manufacturer which include physical distribution are packing, processing of orders, storage, stocks, transportation and administration. If delivery from the manufacturer is done directly to the warehouse depots this will reduce the expenses for re-dispatch of goods from the central warehouse to the depots: administrative expenses, expenses on salaries for the central warehouse workers, costs for holding large packaging, transport costs, expenses on repeated handling of goods.
- ❖ Avoiding distribution conflicts. By supporting particular supply channels, through preferential terms, importers create prerequisites for conflicts with the rest of the warehouses. The same applies when the distributor treats certain customers preferentially on freely chosen criteria such as: segmentation based on turnover, ways of payment, participation in activities initiated by the distributor, trademark license agreement. Criteria should be established on the basis of general conditions for work and customers should be aware of them in advance.
- ❖ Developing a personnel hierarchy system, which is linked with payment in such a way as

to stimulate employees to increase their qualifications and get promoted within the company, which will reduce the outflow of experienced staff from the company.

CONCLUSION

The main objective of the distribution policy of medicinal products is to ensure products' movement from the manufacturer to end users at minimized expenses. One of the important issues is related to the management methods of movement and distribution of products in order to satisfy customers' needs. A crucial regulator of production, exchange, distribution and consumption is the market. An increasingly important role play the development of the pharmaceutical industry, the expansion of manufacturing, diversification of product assortment and the implicit problems connected with distribution and organisation of the flow of goods.

Distribution policy is also linked with adapting products to the market needs, time and space management and satisfaction of the needs of customers: healthcare facilities. A priority for STING AD is the market of pharmacies. One of the bottom-line reasons for the leading position of the company in this segment, with a tendency for steady growth of the market share, is the comprehensive approach towards pharmacies and the delivery of not only goods but of services in all aspects of their activity. The adaptation process in this case aims at making products accessible in different market segments in a way preferred by these segments, matching their criteria and special requirements.

STING AD works in compliance with the regulations of the Good Distribution Practice. The crucially important relationship between manufacturers (importers), pharmacies and patients is based on the principles of shared responsibility for the quality and safety of medicinal products and timely access to them.

REFERENCES

1. Data from IMS Health Bulgaria
2. Guidelines on Good Distribution Practice of Medicinal Products for Human Use /94/C63/03/.
3. Kantardzhiev H, Distribution, Economy. Sofia: University Publishing House; 2008.
4. Law on the Medicinal Products in Human Medicine (Pub. SG1 №.31 of 13th April, 2007).
5. Regulation № 39 of 13th September 2007 on the Principles and Requirements for Good Distribution Practice (Issued by the Ministry of Healthcare, Pub. SG № 77 of 25th September 2007, modified SG №16 of 26th February 2010).
6. Ordinance № 9 of the Ministry of Healthcare on the Terms and conditions for blocking and withdrawal of medicinal products deviating from quality, safety and efficiency requirements (Pub.SG №.45 of 13th May 2008).
7. <http://www.stingpharma.com/newsfeed/id/54/>