

# Evaluation of Pharma Distribution Alternatives...

————— Market Insights —————

... for High-priced Drugs  
on the French Retail Market

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**This position paper evaluates the distribution alternatives for high-priced drugs on the French retail pharma market, based on Smart Pharma Consulting know-how and external interviews**

### Context, objectives and approach

 **Context & objectives**

- In a context of increasing number of high-priced drugs available in the pharma retail market, we decided to evaluate the distribution alternatives from the following concerned stakeholders' perspective:
  - Pharma companies – Retail pharmacists – Patients

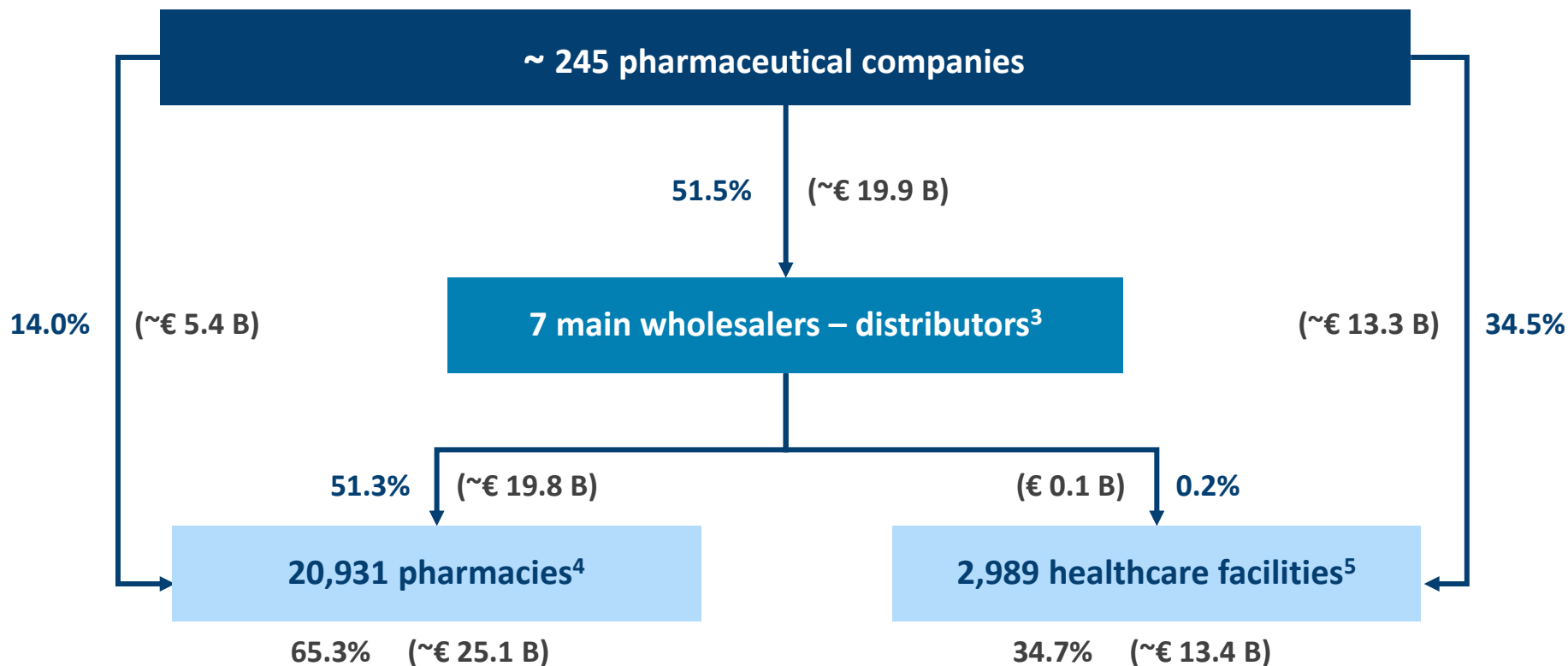
 **Approach**

- Desk research and review of former Smart Pharma Consulting publications
- External interviews with representatives from:
  - 7 pharma companies
  - 2 wholesalers
  - 2 agents (pre-wholesalers)
- Analysis of the collected insights
- Evaluation of the distribution alternatives

Drugs sold in retail pharmacies are mainly sourced from wholesalers / distributors, while hospital drugs are usually directly sourced from pharmaceutical companies, through agents<sup>1</sup>

**Drug supply chain (2022)**

Total pharmaceutical market<sup>2</sup> ~€ 38.6 B

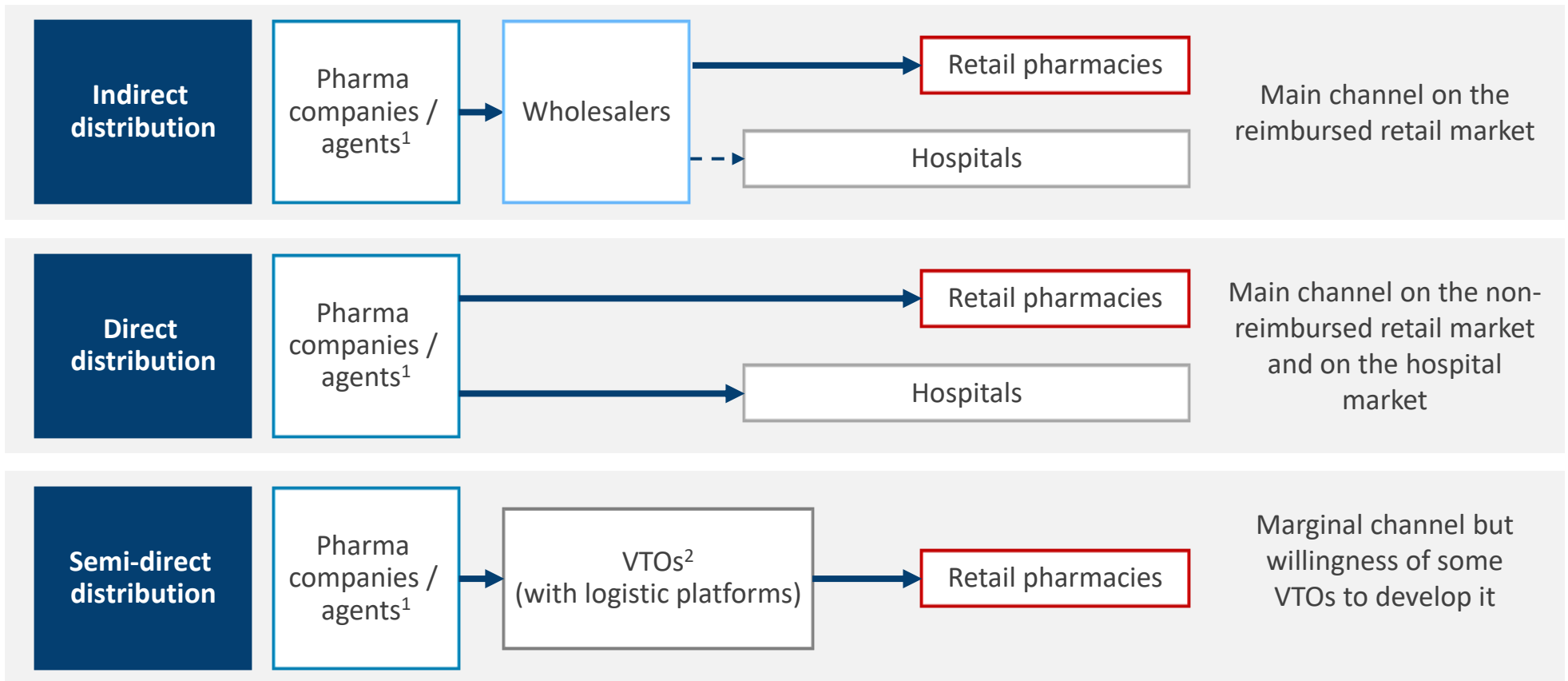


Sources: Leem ("Bilan Economique 2022") – GERS dashboard (December 2022) – Ordre National des Pharmaciens (as of January 2022) – Smart Pharma Consulting estimates

<sup>1</sup> Pre-wholesalers – <sup>2</sup> Ex factory-price, before rebates and taxes – <sup>3</sup> Accounting together for 96.6% of the market – <sup>4</sup> Of which more than 90% are members of VTOs (Voluntary Trade Organizations) – <sup>5</sup> Public and private

The supply of retail pharmacies by wholesalers remains important, despite the recent multiplication of players on the other channels

Drug distribution channels



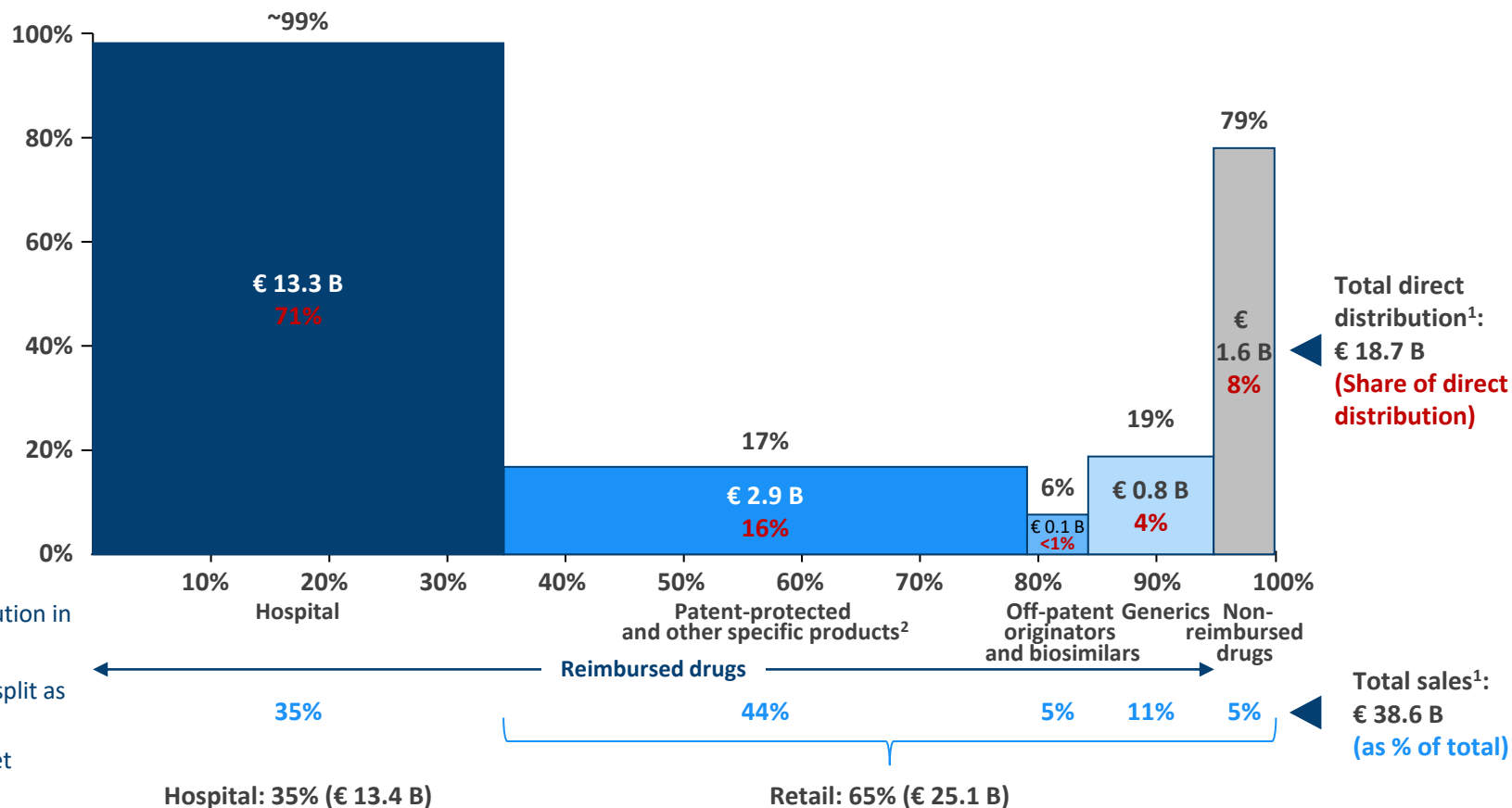
Sources: Smart Pharma Consulting analyses

<sup>1</sup> Pre-wholesalers – <sup>2</sup> Voluntary trade organizations

**99% of hospital and ~22% of retail sales are directly distributed by pharma companies, through agents (pre-wholesalers)**

**Share of direct distribution by segment (2022)**

Direct distribution as % of total sales<sup>1</sup>



Note: Share of direct distribution in retail<sup>1</sup>: ~21.7% (€ 5.4 B)

Total direct distribution are split as follows:

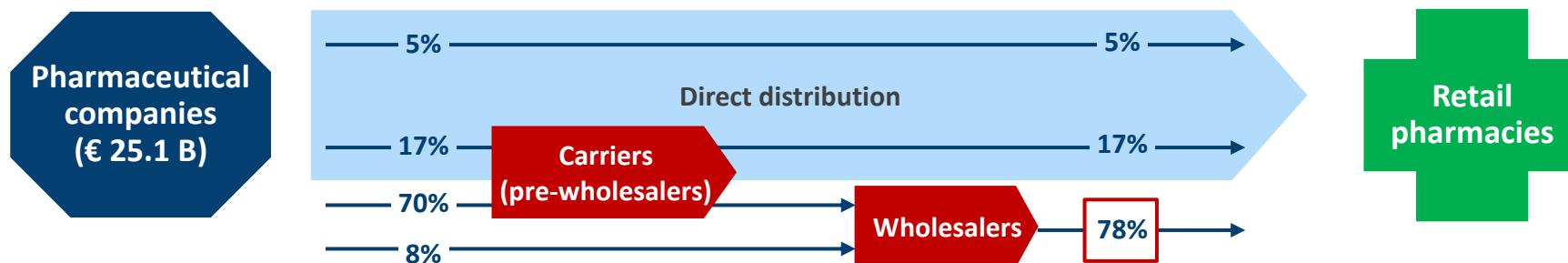
- 71% on the hospital market
- 29% on the retail market

Sources: GERS dashboard (December 2022) – Smart Pharma Consulting estimates

<sup>1</sup> Ex-factory prices, before rebates and taxes – <sup>2</sup> Sales of drugs that are not part of any generic group, whether patented or not, or other special products (calcium, sodium, potassium, paracetamol, etc.)

In the retail market, ~78% of the value goes through wholesalers, who are the cornerstone of the supply chain between pharma companies and retail pharmacies

Distribution alternatives on the retail market (2022)



Agents / Pre-wholesalers

Independent family health specialist:

- CSP / Movianto (Walden Group<sup>1</sup>)

Subsidiaries of integrated distribution groups and health specialists:

- Alloga / Directlog (Alliance Healthcare)
- Eurodep (Astera – formerly CERP Rouen)
- Evrard DPE – Pharmalpa (Welcoop)
- IvryLab (PharmaVie / Phoenix Pharma)
- Sogiphar (Giphar)

Subsidiaries of integrated distribution groups; non health specialists:

- FM Health (FM Logistic)
- Arvato Services Healthcare (Bertelsmann)
- Pharmalog (Geodis)
- Rhenus (Rethmann)

Subsidiaries of pharmaceutical companies:

- Aguetant
- AstraZeneca
- Pierre Fabre
- Sanofi Pasteur
- Servier

Wholesalers

	Market share <sup>2</sup>
Phoenix Group network	39.1%
- OCP	30.8%
- Phoenix Pharma	8.3%
CERP network	36.1%
- Astera (formerly CERP Rouen)	21.5%
- CERP Rhin Rhône Méditerranée	11.1%
- CERP Bretagne Atlantique	3.5%
Alliance Healthcare France (AmericasourceBergen)	18.5%
Giphar	2.9%
Others <sup>3</sup>	3.4%

Sources: GERS dashboard – CSRP – Register of the French pharmaceutical establishments – ANSM – Le Moniteur des pharmacies (December 3, 2022) – Smart Pharma Consulting analyses

<sup>1</sup> Funded in June 2020 by the merger of Movianto and EHDH, following the acquisition of Movianto by EHDH to Owens & Minor. Merger, on January 2022 of CSP and Movianto France – <sup>2</sup> Market share in value in 2022 – <sup>3</sup> Non-members of the “Chambre Syndicale de la Répartition Pharmaceutique (CSRP)”

**Agents<sup>1</sup> directly provide ~35% of the volume of drugs delivered to retail pharmacies, whether they are subsidiaries of wholesalers, independents or agents**

**Agents / Pre-wholesalers – Role, activity and profile**

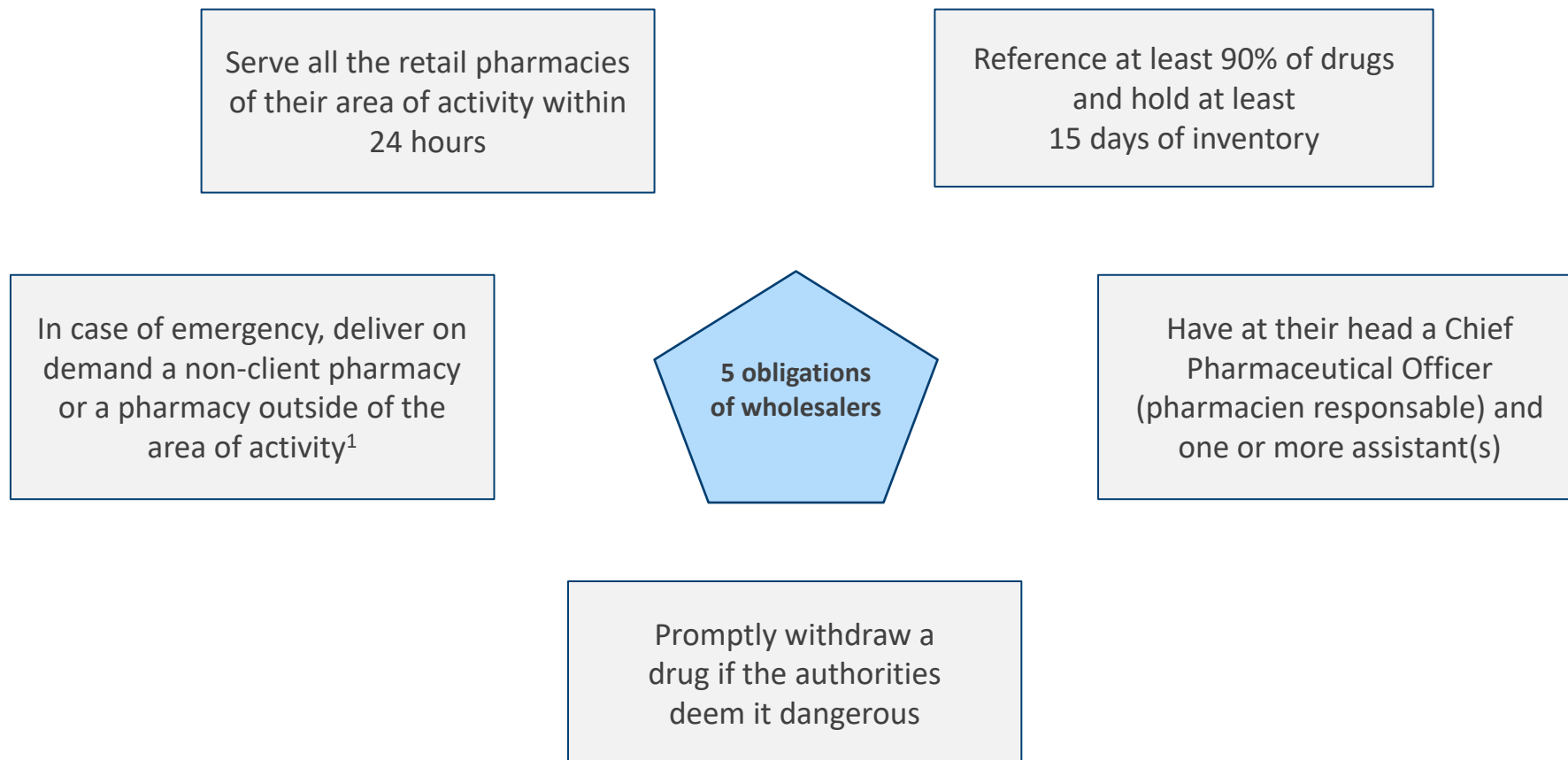
Agents				
<b>Definition</b>	<ul style="list-style-type: none"> <li>According to the definition of the Public Health Code, agents carry out activities on behalf of one or more manufacturers for the storage and the distribution of drugs to wholesalers, hospitals and retail pharmacies</li> </ul>			
<b>Role</b>	<ul style="list-style-type: none"> <li>Agents offer their services in the context of direct distribution to pharmacies but also to wholesalers</li> </ul>			
<b>Activity</b>	<ul style="list-style-type: none"> <li>Agents' vocation is national or regional, depending on their structure</li> <li>In 2022, they directly distributed ~35% of the volume and ~22% of the value of drugs delivered to retail pharmacies</li> </ul>			
<b>Profiles</b>	<table border="1"> <tr> <td> <ul style="list-style-type: none"> <li>Subsidiaries of wholesalers</li> </ul> </td> <td> <ul style="list-style-type: none"> <li>Independents</li> </ul> </td> <td> <ul style="list-style-type: none"> <li>Subsidiaries of carrier groups</li> </ul> </td> </tr> </table>	<ul style="list-style-type: none"> <li>Subsidiaries of wholesalers</li> </ul>	<ul style="list-style-type: none"> <li>Independents</li> </ul>	<ul style="list-style-type: none"> <li>Subsidiaries of carrier groups</li> </ul>
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Sources: GERS dashboard (December 2022) – Smart Pharma Consulting analyses

<sup>1</sup> Pre-wholesalers – <sup>2</sup> Funded in June 2020 by the merger of Movianto and EHDH, following the acquisition of Movianto by EHDH to Owens & Minor. Merger, on January 2022 of CSP and Movianto France

## The activity of wholesalers must meet five obligations derived from the “good delivery practices” guide and from European regulations

### Wholesalers – Obligations





The prices, margins and level of rebates are regulated by the drug pricing committee (CEPS) throughout the value chain of the reimbursable products, either originators or generics

Prices, margins and rebates on the retail market for reimbursable drugs

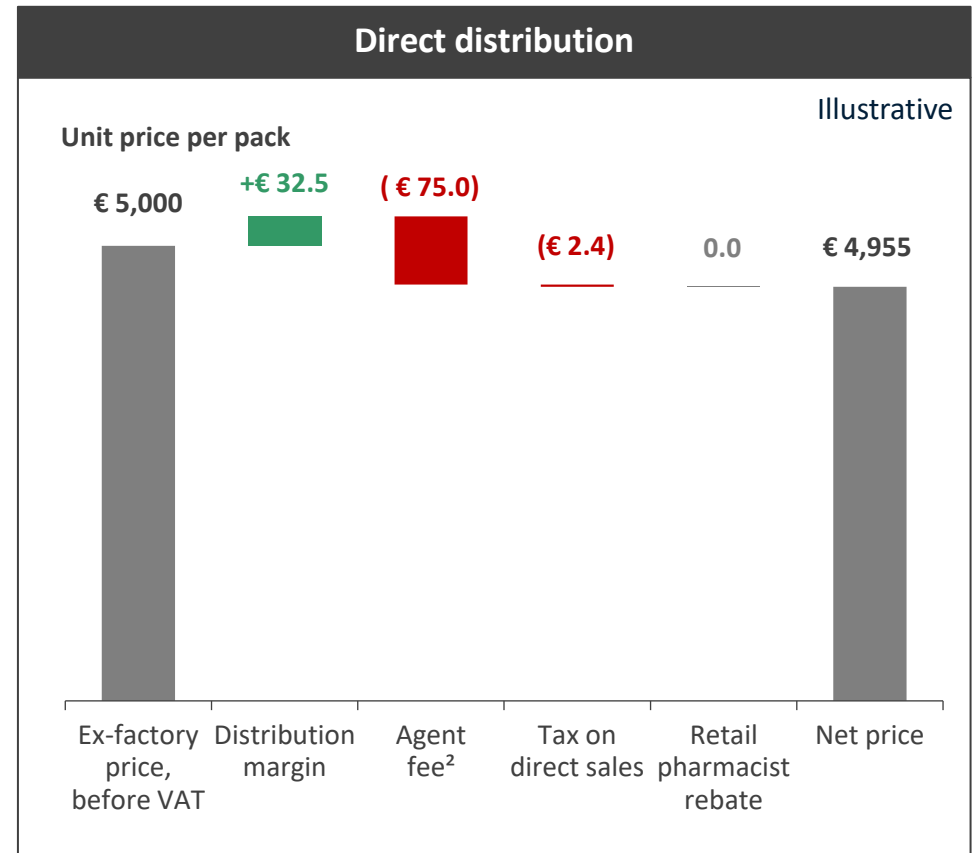
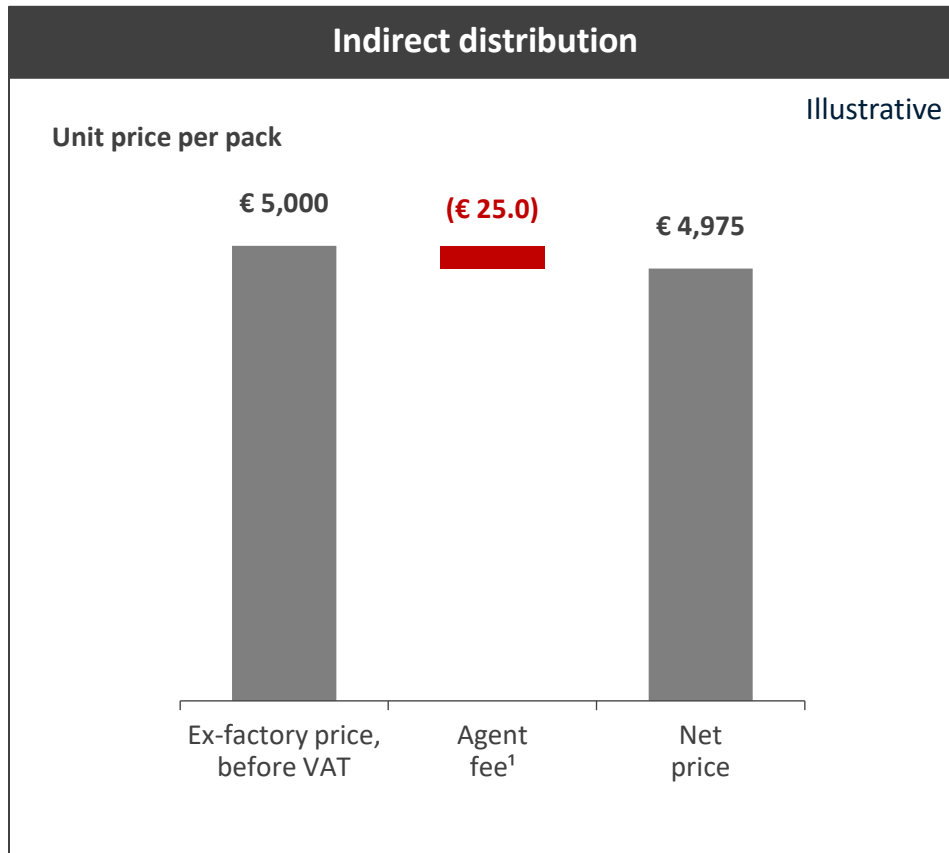
	Originator without TFR <sup>1</sup>	Originator with TFR	Generic without TFR	Generic with TFR
<b>Ex-factory price</b>	<ul style="list-style-type: none"> <li>Price negotiated / set by the CEPS</li> <li>Generics are priced 60% below originator price at patent expiry</li> <li>Originator price is cut by 20% after generics entry or at patent expiry</li> </ul>			
<b>Wholesalers' margins</b>	<ul style="list-style-type: none"> <li>Minimum of € 0.30 per pack if ex-factory price below € 4.33</li> <li>6.93% of ex-factory price if ex-factory price from € 4.33 to € 468.97</li> <li>0% beyond € 468.97, representing a maximum of € 32.50 margin per sold unit</li> </ul>			
<b>Pharmacists' margins</b>	<ul style="list-style-type: none"> <li>Variable margin:                             <ul style="list-style-type: none"> <li>10.0% of ex-factory price below € 1.92</li> <li>7.0% from € 1.92 to € 22.90</li> <li>5.5% from € 22.91 to € 150.00</li> <li>5.0% from € 150.01 to € 1,930.00</li> <li>0% above € 1,930.00</li> </ul> </li> <li>Dispensing fees (VAT excluded):                             <ul style="list-style-type: none"> <li>€ 1.00 per pack (for monthly packs)</li> <li>€ 2.70 per pack (for quarterly packs)</li> <li>€ 0.50 per prescription including at least 1 reimbursable drug</li> <li>€ 3.50 for specific drugs (e.g., immunosuppressive drugs)</li> <li>€ 1.55 if the patient is under 3 years or over 70 years old</li> <li>€ 0.30 per prescription with at least 5 medicines</li> </ul> </li> </ul>	Margin in absolute terms identical to the corresponding originator		Calculation identical to the originator's one
<b>Pharmacists' rebates<sup>2</sup></b>	<ul style="list-style-type: none"> <li>Maximum legal rebate: 2.5% of ex-factory price</li> </ul>	<ul style="list-style-type: none"> <li>Maximum legal rebate: 40% of ex-factory price, since September 2014 (17% before)</li> </ul>		
	<ul style="list-style-type: none"> <li>Possibility to add up to 100% of the wholesaler margin in case of direct distribution</li> </ul>			

Sources: CEPS annual report (December 2022) – National pharmaceutical agreement (March 2022) – Legifrance – Ameli – Leem – Smart Pharma Consulting analyses

<sup>1</sup> Tarif Forfaitaire de Responsabilité (Reference price) – <sup>2</sup> Including cooperation and other commercial rebates

Assuming an ex-factory price of € 5,000 per pack, pharma companies would generate a net price of € 4.975 € in indirect distribution vs. € 4,955 in direct distribution (- € 25 / - 0.4%)

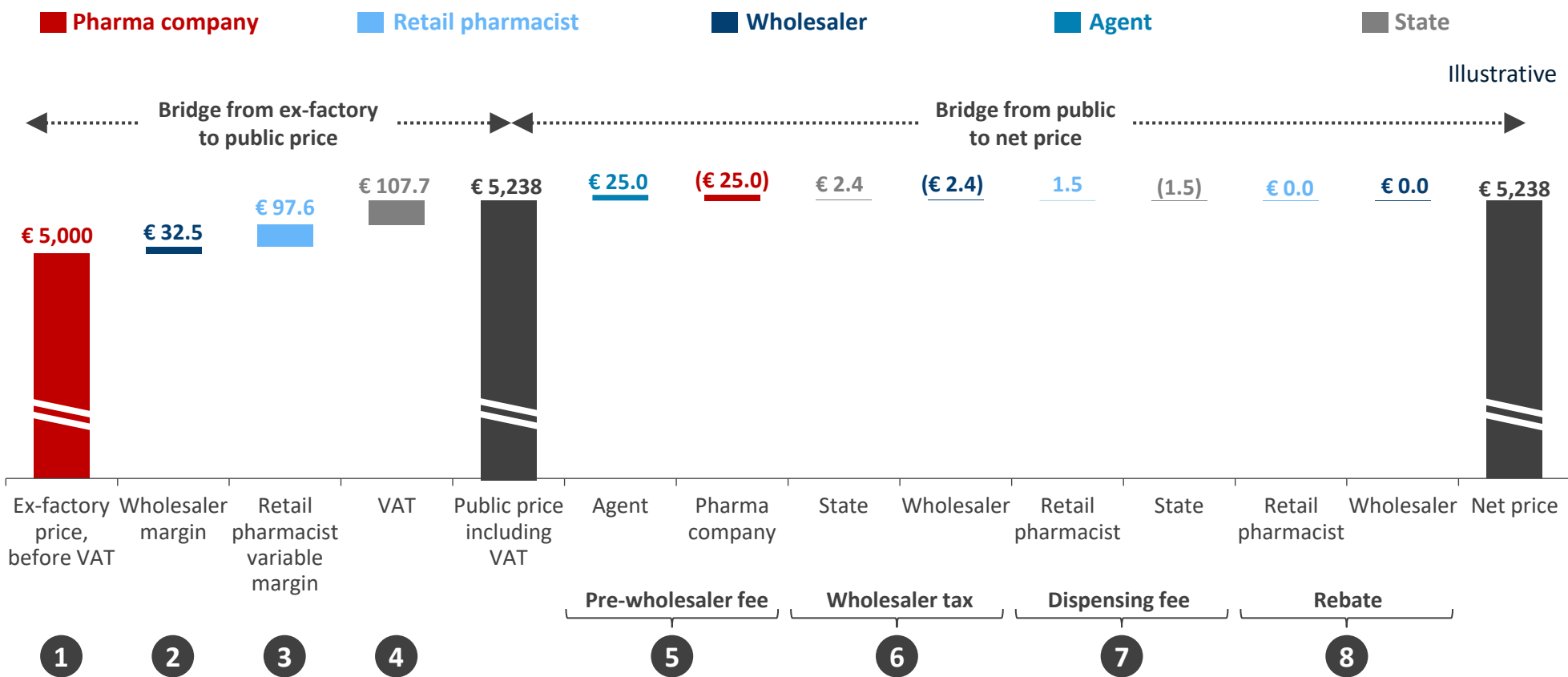
Pharma companies' net price\* – Indirect vs. direct distribution



\* For reimbursed drugs in metropolitan France

In case of distribution through wholesalers, pharma companies net price corresponds to the ex-factory price (€ 5,000 per pack) minus the distribution paid to the agent<sup>1</sup> (€ 25 per pack)

Net price distribution across drug value chain\* – Indirect distribution (1/2)











\* For reimbursed drugs in metropolitan France

Sources: Legifrance – External interviews (September – October 2023) – Smart Pharma Consulting analysis

<sup>1</sup> Fee paid to the agent to ensure the distribution from the pharma company warehouse to the wholesalers

Almost all prices, margins and rebates are regulated, but pharma companies distributing through wholesalers should also negotiate with agents for their “pre-wholesaler” activities

Net price distribution across drug value chain\* – Indirect distribution (2/2)

Item	Price component	Assumption	Flexibility
1	Ex-factory price, before VAT	<ul style="list-style-type: none"> <li>Price negotiated / set by the CEPS</li> </ul>	
2	Wholesaler margin	<ul style="list-style-type: none"> <li>Margin regulated, with a maximum margin of € 32.5 per pack for drugs with an ex-factory price above € 468.97 per pack</li> </ul>	
3	Retail pharmacist variable margin	<ul style="list-style-type: none"> <li>Margin regulated, with a maximum margin of € 97.6 per pack for drugs with an ex-factory price above € 1,930 per pack</li> </ul>	
4	VAT	<ul style="list-style-type: none"> <li>2.10% of the price before VAT (as applied for all reimbursable drugs)</li> </ul>	
6	Agent fee (pre-wholesaler)	<ul style="list-style-type: none"> <li>Fee negotiated with the agent for its pre-wholesaler activities (~0.5% of pharma company’s ex-factory price for a € 5,000 ex-factory price per pack)</li> </ul>	
7	Wholesaler tax due to URSSAF	<ul style="list-style-type: none"> <li>Set by the URSSAF<sup>1</sup>: € 2.4 per pack for drugs with a wholesaler price above € 160.4 per pack (that could be adjusted depending on wholesaler sales evolution vs. previous year)</li> </ul>	
5	Retail pharmacist dispensing fee	<ul style="list-style-type: none"> <li>Set in the National Convention for Retail Pharmacies (dated March 2022): at least € 1.0 per dispensation and € 0.5 per prescription with ≥ 1 reimbursable drug</li> </ul>	
8	Wholesaler rebate to pharmacist	<ul style="list-style-type: none"> <li>Could reach up to 2.5% of the wholesaler price for reimbursed originators, but quite never proposed to retail pharmacists for non-substitutable Rx-bound drugs</li> </ul>	

From low:  to high: 

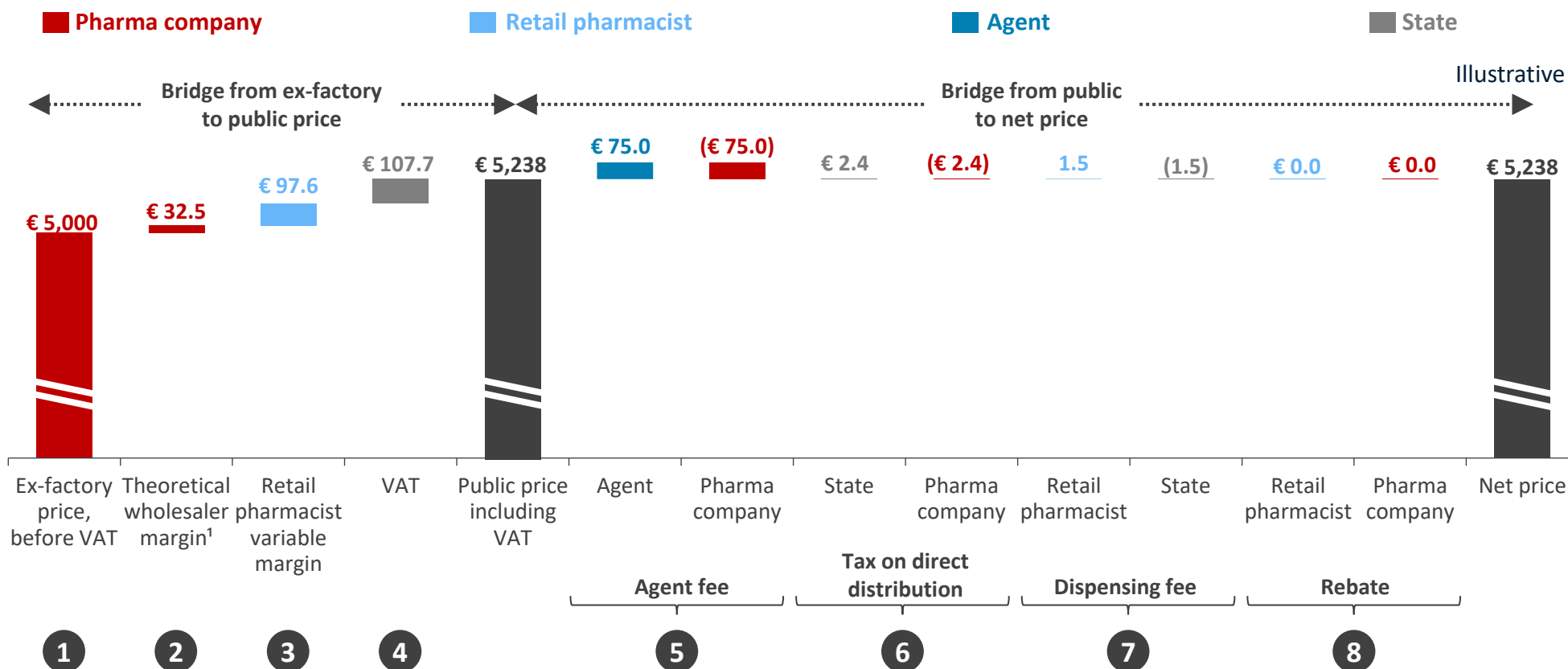
\* For reimbursed drugs in metropolitan France

Sources: Legifrance – External interviews (September – October 2023) – Smart Pharma Consulting analysis

<sup>1</sup> “Union de Recouvrement des cotisations de Sécurité Sociale et d’Allocations Familiales”: Organization for the collection of social security and family benefit contributions (formerly ACOSS)

In case of direct distribution, pharma companies “retain” the wholesaler margin (~€ 32.5) from which should be deducted agent fee (~€ 75) and tax on direct distribution (~€ 2.4)

Net price distribution across drug value chain\* – Direct distribution (1/2)



\* For reimbursed drugs in metropolitan France

Sources: Legifrance – External interviews (September – October 2023) – Smart Pharma Consulting analysis

<sup>1</sup> Margin which would have benefited the wholesaler in the case of indirect distribution, and which will be shared between the pharma company and the retail pharmacist in the case of direct distribution

**In case of direct distribution, pharma companies can retain up to 100% of the wholesaler margin, but would have to negotiate fee for services with their agent and to pay tax on direct sales**

**Net price distribution across drug value chain\* – Direct distribution (2/2)**

Item	Price component	Assumption	Flexibility
1	Ex-factory price, before VAT	<ul style="list-style-type: none"> <li>Price negotiated / set by the CEPS</li> </ul>	
2	Wholesaler margin	<ul style="list-style-type: none"> <li>The pharma company most often keeps the theoretical wholesaler margin and does not share it with retail pharmacists for non-substitutable Rx-bound drugs</li> </ul>	
3	Retail pharmacist variable margin	<ul style="list-style-type: none"> <li>Margin regulated, with a maximum margin of € 97.6 per pack for drugs with an ex-factory price above € 1,930 per pack</li> </ul>	
4	VAT	<ul style="list-style-type: none"> <li>2.10% of the price before VAT (as applied for all reimbursable drugs)</li> </ul>	
6	Agent fee	<ul style="list-style-type: none"> <li>Fee negotiated with the agent for its services (~1.5% of pharma company's ex-factory price, assuming a full service from order to cash. This fee could vary depending on volumes)</li> </ul>	
7	Tax on direct distribution	<ul style="list-style-type: none"> <li>Set by the URSSAF<sup>1</sup>: € 2.4 for drugs with a price invoiced to retail pharmacists above € 160.4 (that could be adjusted depending on pharma company's sales evolution vs. previous year)</li> </ul>	
5	Retail pharmacist dispensing fee	<ul style="list-style-type: none"> <li>Set in the National Pharmacies Convention (dated March 2022): at least € 1.0 per dispensation and € 0.5 per prescription</li> </ul>	
8	Pharma company rebate to pharmacist	<ul style="list-style-type: none"> <li>Could reach up to 2.5% of the ex-factory price for reimbursed originators, but quite never proposed to retail pharmacists for non-substitutable Rx-bound drugs</li> </ul>	

From low:  to high: 

\* For reimbursed drugs in metropolitan France

Sources: Legifrance – External interviews (September – October 2023) – Smart Pharma Consulting analysis

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## Indirect distribution (through wholesalers)



Pros	1 to 5*
<b>Pharma companies</b>	
<ul style="list-style-type: none"> <li>▪ Outsourcing of distribution risks (e.g., preparation errors, breakage in transport, unsold items, unpaid invoices)</li> </ul>	4
<ul style="list-style-type: none"> <li>▪ Wholesalers' maturity</li> </ul>	4
<ul style="list-style-type: none"> <li>▪ Slightly lower logistic costs (vs. direct distribution)</li> </ul>	2
<ul style="list-style-type: none"> <li>▪ Environmentally friendly (optimized shipments)</li> </ul>	2
<b>Retail pharmacists</b>	
<ul style="list-style-type: none"> <li>▪ Wholesalers' presence in all retail pharmacies</li> </ul>	5
<ul style="list-style-type: none"> <li>▪ Easy ordering (limitation of order-taking platforms)</li> </ul>	4
<ul style="list-style-type: none"> <li>▪ Stocking of expensive drugs avoided</li> </ul>	4
<ul style="list-style-type: none"> <li>▪ Limitation of the number of daily supplier deliveries</li> </ul>	3
<b>Patients</b>	
<ul style="list-style-type: none"> <li>▪ Drug availability secured (deliveries twice a day)</li> </ul>	3
<ul style="list-style-type: none"> <li>▪ Precise knowledge of product availability time</li> </ul>	2

Cons	1 to 5*
<b>Pharma companies</b>	
<ul style="list-style-type: none"> <li>▪ More difficult access to data to monitor parallel exports, especially for products at risk of shortage</li> </ul>	4
<ul style="list-style-type: none"> <li>▪ Multiplication of stocks at each agency for wholesalers that do not propose a national centralized platform</li> </ul>	4
<ul style="list-style-type: none"> <li>▪ Does not exempt pharma companies from signing an agreement with an agent</li> </ul>	4
<ul style="list-style-type: none"> <li>▪ Each service outside the framework contract is chargeable (e.g., data on sales / stocks, information to pharmacists)</li> </ul>	3
<ul style="list-style-type: none"> <li>▪ Need to sign with at least the top 6 wholesalers to cover the pharmacy network (each distributor has its own clients)</li> </ul>	2
<b>Retail pharmacists</b>	
<ul style="list-style-type: none"> <li>▪ Risk of local shortages if the wholesaler has not properly distributed its volumes by agency</li> </ul>	4
<ul style="list-style-type: none"> <li>▪ Remote learning only (no face-to-face)</li> </ul>	3
<b>Patients</b>	
<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>	

\* Importance for high-priced drugs – From 1 = Low to 5 = High

## Direct distribution (through agents)



Pros	1 to 5*
<b>Pharma companies</b>	
▪ Particularly relevant for low-moving secondary care drugs	5
▪ Sales monitoring at each retail pharmacy level enabling to: <ul style="list-style-type: none"> <li>– Better prevent / limit parallel exports, especially for products at risk of shortage</li> <li>– Get insights on Rx habits (e.g., initiations vs. renewals)</li> </ul>	5
▪ Agent services customizable to pharma company needs (e.g., orders, storage, delivery, invoicing, cash collection)	4
▪ Easier management of shortage vs. indirect distribution	4
▪ Very few in-house resources <sup>1</sup> required by pharma companies in case of agent full-service offer	4
▪ Possibility to retain up to 100% of the wholesaler margin	2
<b>Retail pharmacists</b>	
▪ Customizable services by retail pharmacy (e.g., questionnaires, trainings, information kits)	3
▪ Possibility to benefit from part of the “wholesaler margin” <sup>2</sup>	1
<b>Patients</b>	
▪ Better information from the retail pharmacist leading to better use and greater compliance by the patient	4

Cons	1 to 5*
<b>Pharma companies</b>	
▪ Non-outsourcing of certain risks (e.g., preparation errors, breakage in transport, unsold items, unpaid invoices)	4
▪ Variability of agent fee (inflation of storage and transportation costs recharged to pharma companies)	3
▪ Longer implementation of contracts (from 2 to 3 months vs. ~ 20 days with wholesalers), unless there is yet an existing agreement	2
▪ Slightly higher logistic costs (vs. indirect distribution)	2
<b>Retail pharmacists</b>	
▪ Higher complexity (e.g., lack of a single order-taking platform, increase in the number of supplier deliveries to manage each day)	4
<b>Patients</b>	
▪ Longer supply times (D+2 vs. D+1) but no impact for non-urgent drugs	1

\* Importance for high-priced drugs – From 1 = Low to 5 = High

Sources: External interviews (September – October 2023) – Smart Pharma Consulting analysis

<sup>1</sup> Only 1 collaborator in charge of the relationship with the agent –

<sup>2</sup> Quite never proposed by pharma companies to retail pharmacists for non-substitutable Rx-bound drugs



## Indirect distribution (through wholesalers)



Pros	1 to 5*
<b>Pharma companies</b>	
<ul style="list-style-type: none"> <li>▪ Costs (e.g., transportation, clearance, storage, logistics) and risks (e.g., preparation errors, breakage in transport, unsold items, unpaid invoices) outsourced to wholesalers</li> </ul>	5
<ul style="list-style-type: none"> <li>▪ Wholesalers' expertise in each territory</li> </ul>	4
<ul style="list-style-type: none"> <li>▪ Outsourcing of complexity (e.g., relationship with local carriers, cash collection)</li> </ul>	4
<b>Retail pharmacists</b>	
<ul style="list-style-type: none"> <li>▪ Access to all retail pharmacies (~230 in La Reunion, ~140 in Guadeloupe and ~130 in Martinique)</li> </ul>	4
<b>Patients</b>	
<ul style="list-style-type: none"> <li>▪ Product availability secured by wholesalers</li> </ul>	4

Cons	1 to 5*
<b>Pharma companies</b>	
<ul style="list-style-type: none"> <li>▪ No tracking of sales and prescriptions</li> </ul>	4
<ul style="list-style-type: none"> <li>▪ Wholesalers' reluctance to build up stocks of new expensive drugs (pharma companies most often asked to take over all unsold items during the first six months after product launch)</li> </ul>	4
<ul style="list-style-type: none"> <li>▪ Individual contracts to be signed with each wholesaler subsidiary (one per territory)</li> </ul>	3
<ul style="list-style-type: none"> <li>▪ No transfer of products between wholesalers' subsidiaries</li> </ul>	3
<b>Retail pharmacists</b>	
<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>	
<b>Patients</b>	
<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>	

\* Importance for high-priced drugs – From 1 = Low to 5 = High

## Direct distribution (through carriers)
























Pros	1 to 5*
<b>Pharma companies</b>	
<ul style="list-style-type: none"> <li>▪ Monitoring of sales at retail pharmacy level</li> </ul>	4
<ul style="list-style-type: none"> <li>▪ Direct relationship with retail pharmacists (e.g., information gathering / training)</li> </ul>	3
<ul style="list-style-type: none"> <li>▪ Possibility to retain up to 100% of the wholesaler margin</li> </ul>	2
<b>Retail pharmacists</b>	
<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>	
<b>Patients</b>	
<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>	

Cons	1 to 5*
<b>Pharma companies</b>	
<ul style="list-style-type: none"> <li>▪ Need to sign contracts with carriers (e.g., DHL, FedEx, Géodis)... ... Or to have deported stocks (as there is no agent in Overseas France)</li> </ul>	5
<ul style="list-style-type: none"> <li>▪ Logistics complexity (e.g., unforeseen events, local partners heterogeneity, need for a specific follow-up of each delivery)</li> </ul>	5
<ul style="list-style-type: none"> <li>▪ Risk of unpaid invoices</li> </ul>	4
<b>Retail pharmacists</b>	
<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>	
<b>Patients</b>	
<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>	

\* Importance for high-priced drugs – From 1 = Low to 5 = High

Eurapharma (CFAO, Toyota Tsusho Corporation), Ubipharm (Planet Pharma) and CERP Bretagne Atlantique are the 3 main wholesalers leading the distribution market in Overseas France

Mapping of main distributors present in Overseas France

	The Caribbean & Guyana	Indian ocean	Pacific ocean
	 		
	  		<p>No presence identified</p>
		 	
<p>Other distributors</p>		 	  

Sources: External interviews (September – October 2023) – Smart Pharma Consulting analysis

The preferred distribution strategy of pharma companies would depend on volumes to be distributed, parallel export and drug shortage risks, as well as patient program priorities

## Recommendations for pharma companies



### Metropolitan France

- There is no clear benefits of **direct distribution through an agent** vs. **indirect distribution through a wholesaler**
- The net price difference for high-priced drugs is marginal (<0.5%) and not perceived as a key decision-making criteria
- The decision to adopt a direct distribution strategy in Metropolitan France will mainly depend on:
  - The risk of **parallel exports**<sup>1</sup>
  - The need to limit **the stock in distribution**<sup>2</sup> if there is a risk of shortage
  - The willingness to partner with **retail pharmacists** to carry out **patient usage** and **compliance programs**

*“Direct distribution is a **bit more expensive**, but it enables to:*

- ***Limit parallel exports***
- ***Better manage the stocks in distribution”***

*“We decided to change our distribution strategy from direct to indirect distribution for two main reasons:*

- ***Externalize the risks** associated to drug distribution*
- ***Build a lean and agile distribution organization”***

**Distribution through wholesalers should be preferred in Overseas France due to the fragmentation of the territories, the limited population, and the associated complexity and extra costs**

Recommendations for pharma companies



**Overseas France**

- Direct distribution would lead to too much **complexity** in Overseas France for high-priced drugs that are in general indicated for a **limited number of patients**
- Therefore, it is preferable to select **local distributors** having a **strong presence** in the retail pharmacy network
- Such a strategy allows to **outsource** many:
  - **Costs** (e.g., transportation, clearance, storage, logistics)
  - **Risks** (e.g., preparation errors, breakage in transport, unsold items, unpaid invoices)

*“Going through **wholesalers** is the **most economically viable solution** for pharma companies in Overseas France,...*

*... in particular for expensive drugs that retail pharmacists are not ready to stock”*

*“The wholesalers' **lobby** is **very strong** in these territories, where they have always preserved their monopoly”*

Sources: External interviews (September – October 2023) – Smart Pharma Consulting analysis

Consulting firm dedicated to the pharmaceutical sector operating in the complementary domains of strategy, management and organization

### Market Insights Series

- The Market Insights Series has in common to:
  - Is well-documented, leveraging the latest publications relative to business management
  - Proposes innovative concepts developed by Smart Pharma Consulting
  - Focuses on easy to implement managerial recommendations
- Each issue is designed to be read in 15 to 20 minutes and not to exceed 24 pages

### Evaluation of Pharma Distribution alternatives...

#### ... for high-priced drugs on the French retail market

- This position paper describes and evaluates the pharma distribution channels in France
- A special focus is given to the distribution of high-priced drugs to the retail pharmacies in Metropolitan France and Overseas France
- Smart Pharma Consulting has evaluated the pros and cons of direct and indirect distribution alternatives for pharma companies, retail pharmacies and patients
- Recommendations are also proposed to distribute high-priced drugs to retail pharmacies in Metropolitan France and Overseas France

### Smart Pharma Consulting Editions



- Besides our consulting activities which take 85% of our time, we are strongly engaged in sharing our knowledge and thoughts through:
  - Our teaching activities in advanced masters (ESSEC B-school, Paris Faculty of Pharmacy)
  - Training activities for pharma executives
  - The publication of articles, booklets, books and expert reports
- Our publications can be downloaded from our website:
  - 41 articles
  - 72 position papers covering the following topics:
    1. Market Insights
    2. Strategy
    3. Market Access
    4. Medical Affairs
    5. Marketing
    6. Sales Force Effectiveness
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- Our research activities in pharma business management and our consulting activities have shown to be highly synergistic
- We remain at your disposal to carry out consulting projects or training seminars to help you improve your operations

Best regards

Jean-Michel Peny