

# PHARMACEUTICAL COMMERCE SERIALIZATION SURVEY

Industry speaks: Interest in developing serialization solutions remains high among manufacturers, but low among trading partners -By Nicholas Basta

## KEY FINDINGS

- Two out of three manufacturers (67%) have serialization projects underway or in planning
- The No. 1 benefit of a serialization project: “to enhance our reputation with customers and the public”
- Eight out of ten manufacturers see business value in serialization; one out of ten do not, and one out of ten have no opinion
- “Uncertainty of legislative deadlines and timing” is the No. 1 organizational challenge to serialization
- Retailers and healthcare providers plan no additional staffing for handling serialized products

**OVER THE PAST YEAR OR SO**, the ongoing wrangling over pedigree rules, anti-counterfeiting initiatives and industry standards has settled on one technology: serialization. By having a unique serial number on each package of products leaving manufacturer warehouses, brand owners and their trading partners have the potential to address all these issues, as well as business processes like reimbursements (especially in single-payer countries in Europe), chargebacks and rebates and supply chain visibility.

With this in mind, with funding support from data-management firm, Blue Vector, Inc., *Pharmaceutical Commerce* launched a survey in the middle of last month. We now have sufficient responses (just under 200) to paint what we feel is a realistic picture of the serialization mindset.

## DEMOGRAPHICS

Fig. 1 shows the breakout by industry, and Fig. 2 by job function. We also asked for size of company, and the results showed that 27% of respondents worked at companies larger than \$5 billion in annual sales, and 42% at ones smaller than \$250 million in sales, which we interpret to signify that we’re getting good representation of both Big Pharma and Little Pharma.

Fig. 1 Respondent industry

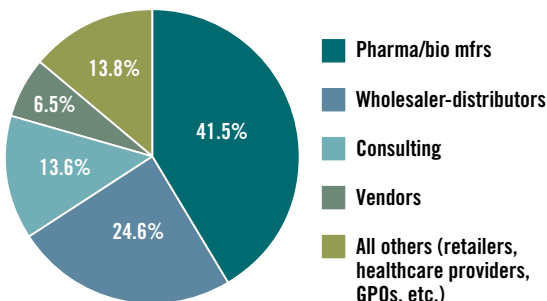


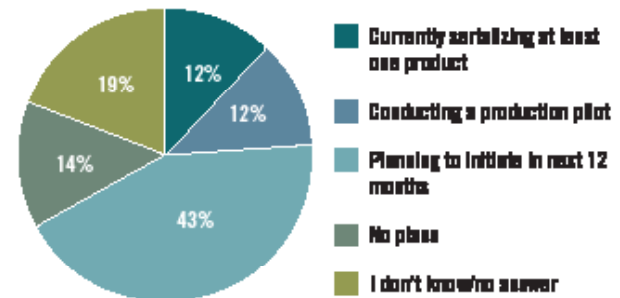
Fig. 2 Job Function

Commercial operations & mfg	42%
DC operations & supply chain	20
IT operations & planning	17
QA and regulatory affairs	11
Other*	10

\*Other includes executive management, government, consulting

In a separate breakout, we asked manufacturers only to characterize their level of activity in serialization. Two out of three (67%) said that they had some level of activity going on. How much? See Fig. 3.

Fig. 3 Manufacturer implementation status



We also asked “all other”—wholesale/distributors, retailers, healthcare providers—about implementation plans: 53% indicated that they had a plan or project in place.

## PERCEPTIONS OF BENEFITS/PROBLEMS

Whether or not an actual project is in place, it’s valuable to get a sense of how the pharma supply chain looks on serialization. We asked respondents about their perceptions of the technology; 10% believe it to

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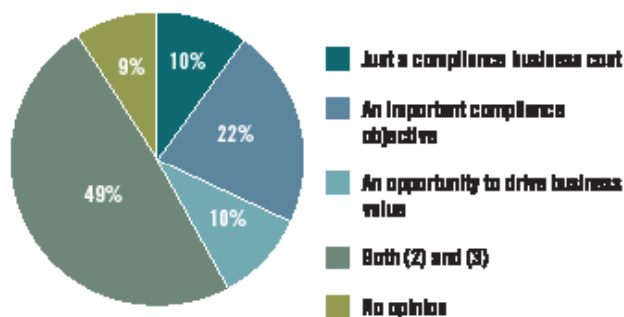
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Fig. 4 Perception of serialization as



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be a business cost to be complied with quickly; 81% see varying degrees of value (Fig. 4).

We asked respondents to check any and all business benefits they thought arose from a serialization system. The No. 1 benefit—chosen by roughly one out of six (17.6%)—is “enhance our reputation with customers and the public.” The next highest is “detect and eliminate counterfeits” (15%). There was roughly equal value to detecting gray market activity, higher order fulfillment accuracy, inventory visibility, and improved recall/returns processes (11-12% each). About 4% saw no value whatsoever.

Another perceptual issue is the effect of the California pedigree program delay (the survey was performed just before the California legislature voted

to postpone from 2011 to 2015). One out of three respondents says the California schedule has no impact; 23% said they will be delaying, but 4% said they are proceeding with an expanded effort regardless.

We asked whether a serialization project would require “significant” process changes, and 46% said yes, while 11% said no (the rest had no opinion or didn’t answer).

Finally, we asked what the organizational challenges are in rolling out serialization. While the No. 1 reason is “uncertainty of legislative mandates and timing,” there was no one dominant challenge.

TRADING PARTNER PERSPECTIVES

We were able to slice the data into three categories by type of respondent: manufacturer; wholesaler-distributor and retailer/healthcare provider (including GPOs). We wanted to elicit a sense of how these entities are approaching serialization, given the different tasks each would have (Fig. 5). We think there is a significant message in these data: while roughly 20% of wholesaler-distributors indicated that they would need to add staff, and 10% of manufacturers said the same, retailers/healthcare providers indicated NO additions to staff. If serialization is coming to retail and hospital pharmacies, it is expected to be an all-automatic process. **PC**

Fig. 5

Most significant process changes	Manufacturer	Wholesaler-Distributor/3PL	Retailer/Healthcare Provider
Changing mfg line	1		
Changing facility layout	6		
New automation in mfg	3		
New automation in DC/stockroom	2	1	1
Changing DC/stockroom layout	4	2	2
Hire more workers	5	3	3*

\*no hiring indicated

Highest Capital Expenditures	Manufacturer	Wholesaler-Distributor/3PL	Retailer/Healthcare Provider
Drug pedigree system	1	1	1
Device management system	2	2	2
Event management system	4	3	3
Consulting	3	4	4