

Note to Self:

Check LifeConEx offer that reduces product loss by identifying and eliminating the key factors that compromise cold chain process.

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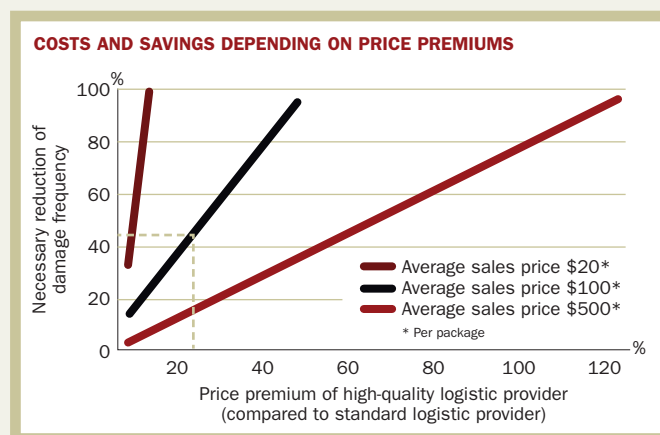
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Stay cool, cut costs

The growing number of high-value biologicals increases the need for advanced pharma logistics. Despite this, company management is often not aware of the real cost of low-quality logistics.

Pharma logistics are often not on pharmaceutical executives' main agenda. When it comes to logistics, it is mainly two issues which keep them awake at night: the danger of image damage and liability cases through adulterated products and/or the disturbance or delay of clinical trials. However, there are many other compelling reasons why pharmaceutical executives should take the issue of quality logistics seriously, even though distribution costs are estimated to range from only 1% to 3% of sales of a pharmaceutical company.

Improper handling of temperature-sensitive pharmaceuticals can compromise the efficacy and safety of drugs. The statistics of the British MHRA ranks improper cold-chain transportation among the top ten GDP deficiencies with an incidence of 7%. Most of the times, these incidences are handled between the respective agency and the pharmaceutical company. However, situations where a company's image is compromised or a company faces a liability case can occur. The financial risk is clearer when it comes to clinical trial supplies. As clinical trials are becoming more and more international, logistics



are ever more important. In the case of a \$1 billion blockbuster, a one-day delay to market translates into approximately \$25 million of lost cumulated sales.

Unexpected challenges

The hidden costs in daily operations of using an inferior logistics provider can often be overlooked. On average, pharmaceutical companies see a damage ratio in temperature-sensitive transports of approximately 0.5%. Perished goods have to be replaced, repackaged and reshipped. Adulterated products need to be destroyed. Insurance usually does not cover all of these cost items. Even more, there is a clear correlation between damage ratio of the logistics provider used and the insurance premium paid by pharma companies. Insurance companies state that they might reduce

premiums by as much as 30% if a customer uses a specialised high-quality logistics provider.

Another issue is lost sales. Especially in the case of difficult-to-produce, short-of-supply products, perished goods translate directly into lost top and bottom line. In most cases, this is buffered by inventories. The average pharmaceutical holds 47 days of inventory. These can potentially be reduced if a high-quality logistics provider guarantees reliable, timely and impeccable delivery. In addition, internal quality controls might be reduced, less administrative effort is necessary for the handling of damages and insurance claims.

Cold-chain cost savings

The graph shows the equation curves for cost savings and additional

logistics costs depending on a logistics provider's price premium and achieved reduction of damage frequency. For drugs with an average sales price of \$100 per package, for instance, a premium of 25% for a higher quality logistics provider pays off if this provider can reduce the frequency of transport damage by approximately 50% (from regular 0.5% down to 0.25%).

As expected, the model shows that even far higher price premiums are justified for the transport of high-priced pharmaceuticals (average price per package \$500). The growing number of biologicals, vaccines or selected products difficult to produce are at a high sales price and often require a proper cool chain at 2–8°C. **WPF**

Company profile

LifeConEx is the only industry-specific LLP of end-to-end temperature controlled transportation solutions for the life sciences industry worldwide. It systematically integrates and rigorously measures all supply chain partners to ensure the proper and regulatory compliant storage, handling and distribution of temperature-sensitive medicinal products, delivering shorter cycle time, fewer temperature excursions, and far fewer damages than typically experienced by shippers. For further information, visit: www.lifeconex.com.