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SIMPLIFYING EU DISTRIBUTION TO MAXIMIZE COST EFFICIENCY AND SPEED TO MARKET FOR PATIENTS AND MANUFACTURERS

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COVID-19 ignited a spark of innovation in the healthcare industry, forcing global markets to reconsider drug development and commercialization processes. The European Union (EU), specifically, is taking carefully planned steps into a new phase of pharma with recent changes, including the *Pharmaceutical Strategy for Europe*. But one element of the European pharma industry that remains constant is product distribution through **parallel trade.**

Parallel trade was established to **promote treatment affordability for patients** through pricing competition. As this practice improves healthcare in the EU, parallel trade continues to increase. In 2012, parallel trade activity rose by up to 25% in some countries; but distributing a product across territories with diverse regulations, cultures and languages is complex.[i]

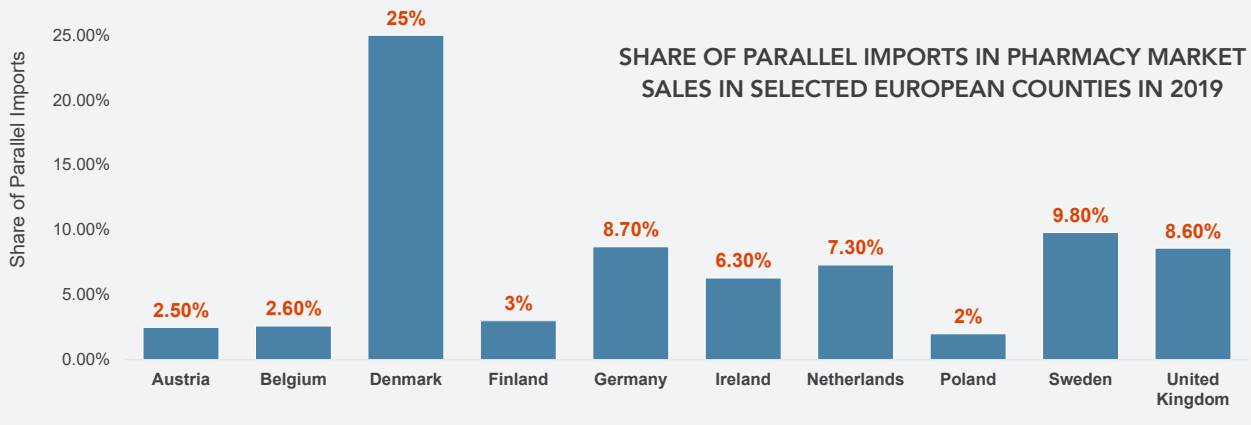
To enter the EU market, manufacturers can choose to sign one or multiple partnerships with companies to commercialize their product in Europe, rather than doing so on their own. Often, this choice is seen as a way to avoid large investments risks, to prioritize R&D investments, or to find the simplest route to commercializing in the EU and U.K.

Now, there is an even more efficient way for manufacturers to distribute treatments in Europe. The answer is **one end-to-end commercialization provider with a network that can reach patients and providers globally.**

EXAMPLE SCENARIO:

A large pharmaceutical company launches a product across Europe, but reports are showing decreasing sales. Most likely, parallel trade is happening from places with the lowest prices to places with the highest prices. The pharma company can control the trade by shipping quantities of the product that meets the exact patient need to the country with the lower prices, but this tactic is challenging as wholesalers can still choose the customers they sell to.

If the company ships less product to specific regions and the wholesaler sells the product to parallel traders first before local phamacies, this could result in a potential treatment shortage for patients. If they ship what wholesalers are forecasting, some quantity will inevitably end up in another European region if there is a price difference that incites parallel traders to trade. In this situation, the company must try to minimize financial losses while ensuring patient access, without hindering parallel trade activities.



https://www.statista.com/statistics/315921/parallel-import-share-in-pharmacy-market-sales-by-select-countries/ ii

Revealing Regional Gaps in Patient Health

The reality is, at times, global manufacturers do not see parallel trade as a cost-efficient distribution method for their products. Dubois and Sæthre point out that "cross-country price differences can be as large as 300%, driven by regulatory caps or strict government rules for price setting." For instance, without parallel trade, Pfizer could have doubled their profit from atorvastatin (Lipitor) in the EU.[iii]

Rather than spending resources on multiple distribution vendors in a lowest-price market, global manufacturers may simply choose not to distribute their product in the EU and U.K., ultimately hindering treatment availability for patients.

According to an industry study from Simon-Kucher & Partners, treatments in the EU and the U.K. target every 2.6 patients out of 10,000, with an average cost of around 150,000 euros per year, leaving significant healthcare gaps.

When this happens, the results can including the following:

- Regional healthcare disparities
- Varied treatment plans within disease areas
- Non-global therapy distribution
- Potential product shortages or discontinuation
- Reduced investments in product quality or research and development.

If manufacturers choose to launch products only in specific regions, there will be an overall reduction in global welfare.[iv]

Shifting Commercialization Strategies for Cost-Efficient Product Distribution

The EU and U.K. have a reference pricing system in which prices are usually regulated in each country separately and can vary across Europe significantly. As a result, launching in Europe is unlike launching anywhere else. Manufacturers, especially first-time launchers, could face **lengthy launch delays (**up to two years) and **complicated pricing and launch sequencing.** On average, launching in the EU 4 and U.K. costs between 60 and 120 million euros per year, and the pay-off for manufacturers is not guaranteed.[v]

What does this mean in practice?

Working with multiple partnerships is complex and demanding to manage, and results in challenging hurdles that must be overcome to have a working European supply chain. This system becomes even more complex as companies try to navigate and strategize the most profitable launch sequences.

For example, when manufacturers work with multiple commercialization partners, they cannot be ensured that all of their partners are protecting their investments and product promotion. As a result, manufacturers are at risk of losing profit and facing product shortages. In a worst-case scenario, manufacturers may choose to cancel distribution agreements due to parallel trade pressures.

EXAMPLE SCENARIO:

A manufacturer distributing in Europe has multiple partners to cover every region and support diverse patient populations. Partner A is located in Greece, and Partner B is located in Norway.

Both partners request 100 orders of the product.

After one month, the manufacturer receives a report that shows the product demand in Norway was 80, but only 60 packs were sold. The extra 20 packs were probably shipped in from somewhere else, likely from Greece in this case.

If this situation continues, the manufacturer will have difficulties with its distributor in Norway, who, because of parallel trade, is losing profit by investing in marketing and sales and selling less than the actual demand generated. This scenario can lead to the termination of the partnership in Norway and a potential product shortage in the future.

According to an industry study from Simon-Kucher & Partners, almost 90% of industry participants did not think becoming an international biopharma company was worth the effort for launching one product.

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Rather than pouring time and resources into disconnected services, manufacturers can launch in the EU and U.K. with **one commercialization partner that has the necessary infrastructure and expertise to support global patients.**

Ensuring Patient Access to the World's Leading Therapies

Navigating global and regional launch complexities requires practiced strategy and an established infrastructure paired with industry-leading expertise, which is why EVERSANA developed EVERSANA™ COMPLETE Commercialization.

With this model, manufacturers have one partner to help develop global, evolving commercialization strategies. EVERSANA's team of international industry experts and pricing and launch sequencing platforms provide the support needed for more visibility, oversight and control of the European supply chain.

With team members located in more than 18 countries, EVERSANA COMPLETE provides a single touchpoint during all phases of the product life cycle, while meeting global patients' and providers' needs. Partnering with

EVERSANA allows manufacturers to:

- Have one service provider for global distribution.
- Remain in control of product pricing and supply chain.
- Improve launch sequencing strategies for Europe.

Most industry experts believe that pharmaceutical companies fail to plan a timely, regionally tailored, and well-executed launch in Europe; but this no longer needs to be the case. As healthcare continues to be a global priority, manufacturers do not have to develop launch strategies that meet EU and U.K. regulatory standards and serve incredibly diverse patient and provider populations alone.