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Can your third-party logistics (3PL) partner grow with you?

Five make-or-break questions to ask your 3PL provider to ensure you are partnering for success

By Krystal Haynes, Director, Business Development, ICS, and Joe Macias, Vice President, Client Relations, ICS.

We are faced with choices daily, and some certainly have greater repercussions than others. Choosing your third-party logistics (3PL) provider is certainly high up there on the list of high-stakes decisions. As more so-called pharmaceutical logistics providers emerge each day promising exceptional service, when it comes to choosing the right one, it can often be make-or-break for your pharmaceutical product.

When you get it right, you will see yourself excel over the competition. Get it wrong and you may be faced with jeopardized product safety, damaged customer relations, and a brand reputation that has seen better days.

In this paper, we will help you set yourself up for success – both in the long and short term – by asking the right questions from the start. We will lay out the five key questions to help get to know your next 3PL provider better, covering their experience, whether your business goals are aligned, whether they are a good product/distributor fit, what success looks like, and importantly what is next as you grow.

The right provider will not be taken aback by such questions. On the contrary, they will relish the opportunity to prove themselves and demonstrate just how they can help take your distribution to the next level and grow alongside you as you scale up. We will also guide you in what to look out for in their response so that you can make the choice with confidence.

Introduction

With new pharmaceutical logistics providers emerging every day, it can be difficult to determine which will serve you and your product's needs best.

Making the wrong choice of partner can result in a sub-standard supply chain solution that can lead to process shortcomings that can jeopardize product safety, your customer relationships and brand reputation.

In this blog series, we will explore the five questions manufacturers should ask to uncover whether your provider is the right choice for your business, now and in the future.

What does “the right experience” look like in 2023?

A lot has changed in the pharma logistics market over the last decade. Technology, healthcare, global transformation, and evolution in our understanding of the importance of diversity and inclusion have all had their impact, changing what is required from a transport partner and also pushing the envelope of what is possible from a pharmaceutical supply chain.

One thing has not changed, though. There is no substitute for expertise and experience in pharmaceutical distribution. Shortcomings in any area can result in substantially negative consequences for your business:

- Cold chain products going outside the temperature range
- Delays in getting vital medications to customers
- Improper billing and account reconciliation
- Inefficient inventory management.

A logistics partner with the right experience will:

- Take a consultative approach to meeting your needs that will progress and evolve as your product moves from its clinical journey to commercial
- Level up its business development talents to ensure client success with in-depth connection points on 3PL savings, growth plans and program support factors
- Adapt its business model to meet evolving pharmaceutical industry needs – for example, expanding cryogenic and large-volume specialty cold storage to provide for the new generation of cell and gene therapies (CGTs)

What does “the right experience” look like in 2023?

With the right partner, a drug developer can maximize existing customer profitability through enhanced supply chain efficiency, as well as investments made in intellectual and physical assets.

Here are a few elements to consider when assessing whether your partner has the experience to match your expectations:

01 Right infrastructure

Is the logistics partner equipped to address a full range of product needs? Those needs might encompass different temperature control requirements, controlled substance storage, systems and processes to manage interactions with all types of healthcare provider customers—from pharmacies to wholesalers to physician offices. Does it have access to the latest technologies to support you in further enhancing supply chain efficiency? For example, machine learning can offer considerable advantages in terms of learning from existing supply chain models to refine them and make them more effective and resilient in the future.

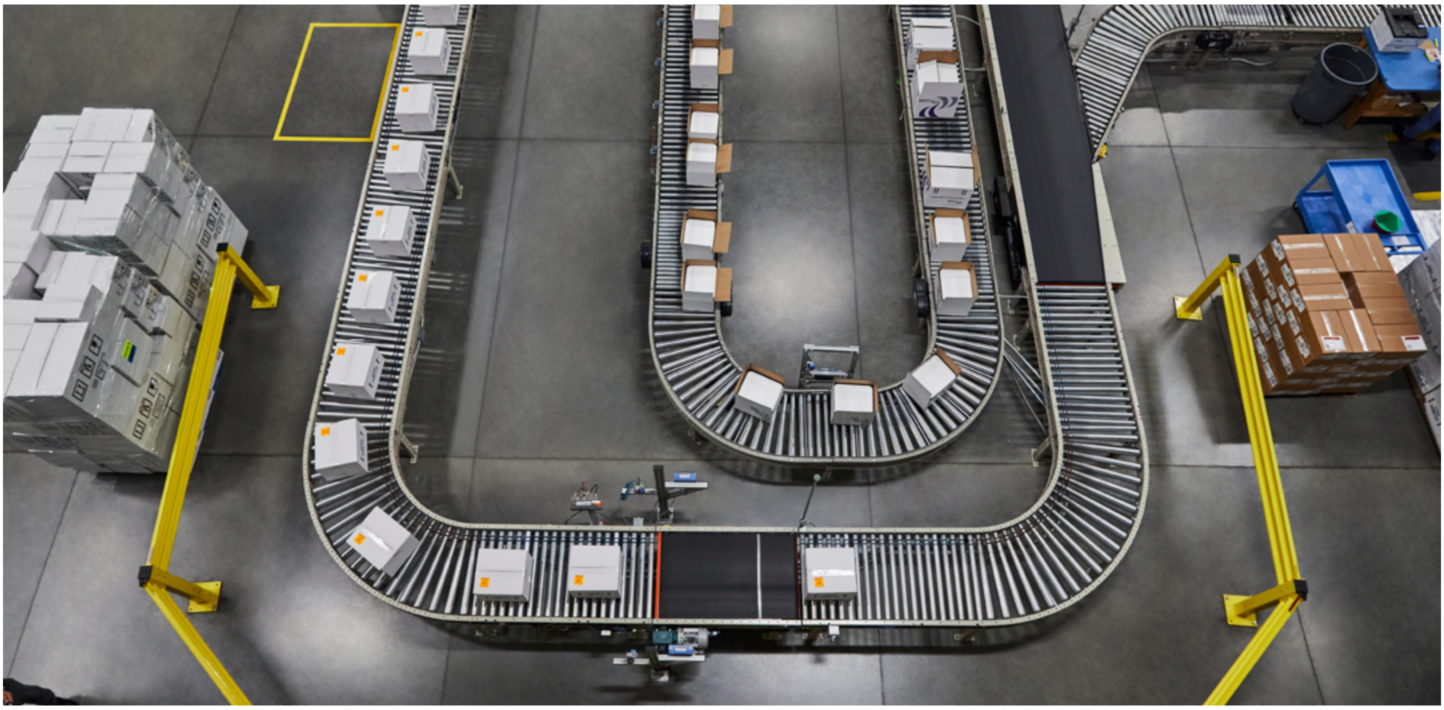
02 Right knowledge

New regulations like the Drug Quality and Security Act (DQSA) will impact how your products are received, stored, tracked and shipped. Is your partner actively informing you of the steps it is taking to ensure timely compliance with new regulations? Is the company offering guidance on the preparations you need to make prior to deadlines?

03 Right service model

Does the team that launches your supply chain program stay on to serve your account, or are you continually passed from person to person and team to team? Does the 3PL provider serve as an extension of your business to give you insight into billing, product handling at the delivery point and other customer considerations? Having a service model that aligns with how your work allows you to gain a greater line of sight into your entire supply chain, whilst giving you a strategic and operational partner that will be responsive and accountable.

What does "the right experience" look like in 2023?



04 Right value

Does your provider go beyond the basics to bring solutions that save you time and expense? Can the company show ongoing investment in resources or improvement in quality that help manufacturer clients reach their customers more effectively? Whether it is offering services like relabeling and re-kitting or implementing continuous improvement programs like ISO-certification, a partner with the right experience brings premium value to the relationship—even if there is not an associated premium cost.

05 Global reach

Does your partner offer well-established and reliable infrastructure to support global transport, even for treatments with cryogenic or other specialty transit needs? Does it have experts with local regulatory and logistical knowledge in key international markets? These attributes are vital to ensuring that your product can get from your home market to patients in another country with minimal delay.

06 Associate engagement and corporate partnerships

Does your partner have effective working relationships with reliable corporate partners? Can it collaborate with external companies efficiently to develop customized transport solutions to meet the unique needs of individual treatments?

Growing your business starts with a logistics partnership that addresses all the elements above—with a base of experience that combines quantity and quality to drive your success. In part two of our five-part series, we will examine how your short-term and long-term business goals can influence decisions about 3PL selection.

What are your business goals?

When logistics companies line up to win your business, your goals quickly become their goals.

Solutions are offered up to meet any needs you mention — sometimes even when the solution does not currently exist.

Wise manufacturers dig deeper. They go beyond the guidance offered by their advisors and consultants because they know that their specialty partner will ultimately serve as an extension of their business. And as that extension, the company must be able to execute immediately, scale with the manufacturer's business and grow to accommodate long-term goals.

Selecting a partner that has this flexibility allows you to avoid the time and expense of switching 3PL companies as your product line, business model or distribution strategy evolves. It allows you to minimize your long-term supply chain risk and focus instead on building your business, expanding the reach of your current products or diversifying your product line.

Based on our experience working with dozens of manufacturers over the course of more than 15 years in the specialty logistics space, ICS recommends that you examine any partner through the lens of your short-term and long-term business goals. Doing so can ensure a right fit from the start — and create a clear path for enduring success.

What are your business goals?

So what might success look like?

Product launch and short-term impact

Now more than ever, pharmaceutical manufacturers need to seek a partner that provides more than just pick/pack expertise. Partners should be able to help you understand your options, build the ideal distribution strategy, as well as tailor their services to meet your goals, providing the right technology and infrastructure.

The best partners will work closely with you to develop efficient, high-quality supply chain strategies. They can also provide a range of solutions to meet the unique needs of your project — from finished goods warehousing and order management, to real-time customer inventory monitoring and tracking, as well as reporting capabilities to drive business decisions. You should consider whether the partner is committed to creating a culture of learning and growing to allow both parties to adapt the supply solution as needed to optimize effectiveness

You have one chance to launch your product. If you want the launch to be successful and for your product to fulfill its potential, you and your partner need to start the commercialization journey two years before the target launch date. This will give you ample time to achieve key milestones and use specific achievements as a record for any FDA filing.

Product growth, company growth, and mid-term support

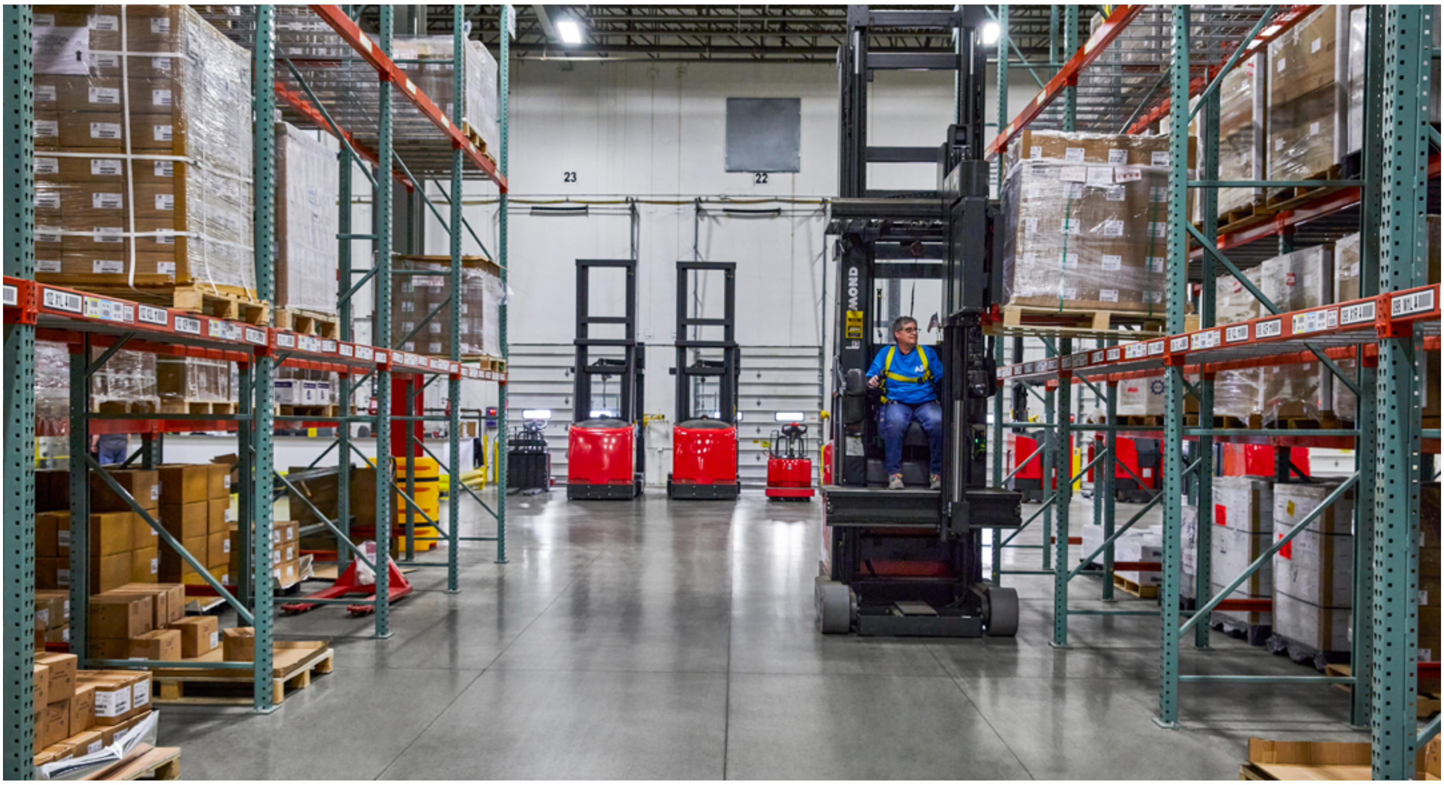
The right provider can help you build your product brand in the market post-launch – with this in mind, you need to team up with a partner that can grow with you over the long term. When selecting a partner, you need to ask yourself a number of questions:

- How will it adapt as your company grows?
- Will they provide more support — more order volume processed or different types of customers served (specialty distributors, specialty pharmacies, health systems, specialty providers)?

For example, companies that could grow from a single, cold-chain product to a mix of ambient, cold-chain and deep frozen products would be well served to select a provider that can handle products across the range of storage and transport conditions. Otherwise, they face situations where some of their products are processed through one 3PL and other products through another. That presents an unnecessary challenge on many fronts — from data aggregation to supply chain strategy to sales and product management.

When choosing a long-term logistics relationship, you should consider whether they can become a true extension of your team. They should offer participation in monthly and quarterly business performance reviews as a means for you both to collaborate and identify solutions to optimize the supply chain. Open communication and knowledge-sharing are key to a solid partnership.

What are your business goals?



Long-term vision

It is a global healthcare market – what are your aspirations beyond the U.S.? If you do not have a clear answer or cannot envision a path that takes your company to foreign markets (other than out-licensing your product to a larger manufacturer), perhaps your 3PL can help. Increasingly, supply chain partners are helping clients broaden their horizons. Whether it is expansion into nearby markets, like Canada, or into emerging markets, like Brazil, even small and mid-size manufacturers are realizing that they can reach millions of potential patients outside the U.S. if they have the right supply chain and commercialization partners in place.

Enduring success stems from a long-term, scalable partnership with a company whose services drive you toward your strategic distribution goals. The first steps for any manufacturer are identifying what those goals are – and then making sure they sync up with the partner's expertise and core competencies. In part three of our five-part series, we will explore in greater detail how product profile impacts 3PL selection.

What is your product profile?

If your product does not arrive where it should, on time and within the specified temperature range, you are losing time and money in duplicated distribution efforts and wasted product. And if delays and other issues happen regularly in your supply chain, operational inefficiency could damage your business.

Considering this, every supply chain partner that serves your product should be tailored to your product's specific features. After all, a supply network that works smoothly can maximize your opportunity for growth.

You already know how a logistics partner with experience in the distribution of specialty pharmaceutical products can help you drive success, and why it is also important to keep your business goals top-of-mind. But eliminating waste by selecting the right provider for your product also requires looking closely at your product's needs—from temperature control to ordering processes and regulatory requirements. It is critical to ask the questions up-front that will determine if your logistics partner has the flexibility and scale to accommodate your product—and thereby enable your success.

So what are you looking for?

When it comes to matching your product with a partner, keep the following in mind:

Supply

A company that understands the nuances of both high-volume and high-value products and what they mean for your customers is vital to meet your needs. An expert who can harness years of industry knowledge and global reach can anticipate where challenges might arise to help you forecast supply and move your business in the right direction. The right partner can also expedite products directly to the customers that need your products most, even in times of short supply. As the number of products requiring cold-chain transit and storage grows, and the industry shifts towards more cryogenic and specialist exports, a company that can support both fresh and frozen transfer can help support your business as it evolves and adapts to a changing pharma landscape. At these moments, it is about scale and experience – flexing to accommodate both your product's needs and your market's demand – with the goal of improved product access at the forefront.

What is your product profile?

Safety

Patient safety should be just as much a priority for your provider as they are for your R&D team. A potential partner needs to have the ability to meet your product's specific temperature control and other transport needs. Not only does your partner need to be able to store and package your product correctly, but it also needs to be able to offer the highest levels of regulatory compliance support. In November 2023, for example, regulations will be rolled out enforcing serialization at every stage of the drug journey to optimize track and trace of drugs - a strong partner will already be taking steps to upgrade its systems to ensure continued compliance. In addition, do not overlook your partner's ability to comply with the (DQSA). Proving supply chain safety and product integrity will continue to grow in importance — especially for specialty medications —in the years ahead.

Storage

Knowing exactly how your product is stored, as well as the protocols around how it is accessed can make a significant difference for many manufacturers. Does your partner have the range of infrastructure and expertise to support the storage needs of your sensitive specialty product — even those that require cryogenic storage? Can your 3PL support your disaster recovery plans by storing products in multiple locations? You should consider how your logistics provider is investing to ensure business continuity by upgrading their support with additional redundancies (facilities and back-up power supplies for example).

Sustainability

Finally, as concern about the environmental footprint of the pharma industry moves up the agenda, it is important for you to consider how your partner supports your efforts to minimize your carbon emissions and enhance the sustainability of your supply chain. A strong and reliable partner will work closely with you to identify all carbon emissions in your supply chain, from the packaging to the cold-chain shippers and to take steps to reduce them to meet Paris agreement goals. Collaborating with your partner as early in your development journey as possible will ensure that your product's supply network will have the smallest possible footprint from the moment it launches.

What does success look like?

As a pharmaceutical manufacturer, you know the value of value. It is something you have to prove relative to your product's performance every day. It is only logical, then, that you demand value out of your partners as well. And when you invest in a partnership with a provider for the distribution of your product, it is essential to know what success will look like – where the value is and how your logistics partner defines it.

The logistics landscape is not what it used to be 20 years ago – what is needed to ensure the successful delivery of pharmaceutical products has changed. While it is important to select a logistics partner that has the right experience, as well as one that can scale to meet your business goals and product profile, measuring those qualities is often as much qualitative as it is quantitative. But there are a number of ways you can look to measure your partner's success – not just for you, but also across the company's business and customer base.

How do you evaluate a supply chain partner?

What are the important success metrics (on your end and theirs) to keep in mind?

The investment

The lowest-cost provider is not always the best choice. In the same vein, the most expensive is not always the most robust service provider. When you are looking at metrics like price versus performance, think about the savings a qualified provider can win you in terms of the infrastructure you will not have to construct. Consider the staff you will not have to hire and look at the license you will not have to obtain. The cost of these quickly adds up, and those numbers can be a great "tell" for the value of a logistics partnership.

It is also important to measure the more intangible aspects of your investment, such as the time a great logistics expert can save you – and the advantage it can offer you – when it lends industry expertise to your distribution management functions. For example, what consultative guidance does your partner offer when it comes to channel strategy or supply chain optimization? How much time and money are you able to save by having this trusted voice also be able to execute all recommendations and be accountable for them?

Based on a combination of a deep understanding of your product profile, market knowledge and experience in your industry, the right 3PL should act as a thought partner in determining how logistics can drive your business.

What does success look like?

The discipline

Operational discipline and rigor are table stakes for any provider, to ensure it has the best interests of all parties and is able to be proactive in preventing issues getting your products where they need to be.

Your partner should be able to provide its benchmarks and service level standards. Does it keep accounts receivable (AR) at 96% current or better? Is on-time delivery and inventory accuracy at or above 99.9%? If not, why?

The data

Your 3PL should be constantly reviewing the performance of every aspect of their supply chain in real-time, from the infrastructure, their capabilities and their people. This way, they can quickly identify areas for further improvement to get your products to their destination faster and more efficiently.

Data is central to all of this. If you are not getting a useful set of even the most general reporting from your provider on a regular basis, something valuable is missing from your relationship. At a minimum, you should know your revenue, accounts receivable status and delivery.

That means your provider should, at any time, be able to report on how much of your product has been ordered, paid for and/or received.

Your customers demand data from you – whether it is efficacy info, outcomes data or shortage reporting. It is one important way you prove that your product not only works, but also that it is available. That is how your customers define value. Why should you expect less from a partner that is dedicated to demonstrating value to your supply chain operations?

Culture

Finally, great service requires a great team full of people who know what they are doing when it comes to logistics, and are passionate about their jobs. The culture within your partner's business is vital to achieve this goal.

The right culture can ensure that there is a diverse array of people with different backgrounds that can bring a range of experiences vital to finding creative solutions to logistical challenges. It can also ensure that expertise is prized and built by boosting staff retention, and can also nurture and encourage the passion for work that optimizes productivity. All of this, ultimately, benefits you and your product, giving you a fantastic service that constantly improves.

How your partner measures success – and how you measure its value to your business – should be something you continually evaluate and refine as your business grows. In the final installment of our five-part series, we will look beyond distribution to see what else the best 3PLs can offer.

What are your needs beyond distribution?

Distribution services can get your product moving through the supply chain effectively and efficiently. But what happens when you simply need more from your logistics partnerships?

Post-launch outcomes data can reveal new product indications and new commercial possibilities. Drug pricing fluctuations can create affordability challenges. You may want to access new international markets, bringing a need for multiple facilities across the globe to build in business continuity, as well as new secondary packaging considerations. Regulatory changes, such as upcoming serialization requirements, need to be complied with. Changing innovation landscapes, with the rise of cell and gene therapies (CGTs), mean that cryogenic storage becomes increasingly important. Then there are administration considerations and marketing messages to think about.

When you think about the future of your business, think about new ways to glean value from your transport and storage relationship. Think beyond your day-to-day distribution needs. As products move through their life cycles, your business needs will naturally change. Is your supply chain partner equipped to shift with you?

Here are a few final considerations from a strategic perspective:

More than logistics

Think end-to-end. Once your product is on the market, you are collecting real-world data on everything from its efficacy to demographics around the patient population it is serving. But even before that, you are engaged in strategic commercialization initiatives such as overcoming access barriers. Imagine the possibilities inherent in having a provider that can connect you with expertise in these areas. When you need commercialization support, a patient support program or access to payer data, can your partner provide integrated service offerings or connections to seamless partnerships across the product life cycle?

More than ordering

What happens to your product once it gets to the customer? Do providers or specialty pharmacies need education on how to administer the product? Does it need to be kitted with a syringe or other administration device? Are there site-of-care storage specifications that are critical to patient safety? Consider whether your logistics specialist has the expertise, experience, or forward-thinking ability to advise on best practices for ensuring your product is used properly once it is ordered. An experienced 3PL's capabilities should include quality assurance measures for product handling even after your product leaves its hands.

More than just a vendor

Is your partner able to work with you throughout your journey, from development to commercialization and beyond? The right partner will be able to support you from initial engagement, understanding the product, customer profile, and other requirements in order to support you in achieving a successful launch.

A consultative provider can advise on the best distribution channels and strategy. Particularly when indications expand once a product enters the market, make sure you are connected to a partner who can help you evaluate how to get your product into the hands of new patients in new disease state populations.

What are your needs beyond distribution?

Even if your product does not change, changes in global healthcare delivery are ongoing. Position yourself for the best possible product performance by partnering with a 3PL that stays abreast of these changes and can anticipate the impact on your distribution strategy.

More than a commercialization partner

Is the company capable of engaging with you and sharing knowledge to support your understanding of your supply chain and where it can improve post-launch? Do they have a proactive mindset to support you in continuous improvement?

A strong partner should be able to work with you to create a long-term post-commercialization strategy, harnessing the latest digital and automation tools to get your product to its destination faster. With the right support, you can ensure that the product scope is correct and continues to evolve along with the product, offering frequent touch points and business reviews to keep you updated.

The right partner is key

Whether you are evaluating an existing provider seeking out a new one, you will always want one who is more than capable of delivery. When you think 3PL, think partnership. And think of the five questions we have covered in this series:

- What does “the right experience” look like?
- What are your business goals?
- What is your product profile?
- What are your distribution success metrics (and what are theirs)?
- What are your needs beyond distribution?

With these five questions in mind, you will always know if your partner can grow — or if you have outgrown it.

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