The Vitals of the Healthcare Supply Chain

Top three insights from the annual UPS Pain in the Chain Survey

By Robin Hooker | UPS
From new regulations to the growth in large-molecule temperature-sensitive products to the frequency of disruptions, healthcare companies are operating in a risk-inherent environment that is at the same time rich with new opportunities.

There are favorable demographics on the horizon as populations age, become more affluent and expand in a diverse set of geographies. Meanwhile, the supply chain must stretch to accommodate new distribution channels, product specialization and innovation.

The annual UPS Pain in the (Supply) Chain survey takes the vitals of the healthcare supply chain around the world, identifies pain points and reveals top strategies of logistics executives at pharmaceutical, medical device and biotech companies across the world.

“Fewer than four in ten healthcare logistics executives report success in contingency planning.”

This year’s survey revealed many interesting findings. I’ve boiled these down to three key insights that emerged from the survey:

1. While the healthcare supply chain is vulnerable to disruption, contingency planning has not been an industry priority.

However, low-probability, high-impact disruptions can greatly impact companies’ business. Now, more than ever, it’s time to make business continuity a priority. Highlighting the issue recently, the U.S. Food and Drug Administration (FDA) has begun seeking input on minimizing disruptions to the medical device supply chain during extreme weather events.

Executives that feel their company has a good handle on contingency planning cite the following key strategies they have employed:

- Conducted scenario planning and recovery exercises (59 percent)
- Leveraged a third-party logistics provider (3PL) for alternate/additional distribution infrastructure (59 percent)
- Invested in secondary/multiple distribution infrastructure (50 percent)
- Consulted with 3PLs to develop contingency plans (44 percent)

While business continuity should be top of mind in healthcare, only 26 percent of healthcare logistics executives cite it as a top concern.

Meanwhile, fewer than four in ten report success in contingency planning. The industry needs to prioritize this as an integrated strategy combined with expansion and optimization efforts to enhance agility. With companies developing more highly-sensitive and extremely valuable biologics, it’s crucial to prioritize contingency planning as a part of current and future product development, manufacturing and distribution strategies.

2. Regulatory compliance is becoming more complex. Partnerships and collaboration are top strategies for staying ahead.

As companies look to global markets and expansion opportunities to drive growth, regulatory challenges are at the forefront. For the third consecutive year, regulatory compliance is the top supply chain issue for healthcare executives globally, as cited by 60 percent of those surveyed. Changing and increasing regulations is also the top trend that is driving supply chain change.

Executives are also grappling with existing regulations, which can vary widely based on region, country and even specific products. Simultaneously, they are preparing for upcoming regulations, like the Drug Quality and Security Act here in the U.S., which goes into effect in just a few months, and the recent changes to the European GDP guidelines from last year.

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Between the recovering economy and uncertainty around regulations, and other industry pressures, healthcare executives are operating in a risk-inherent environment.

Among executives who are seeing success in addressing regulatory compliance challenges, 57 percent are hiring regulatory consultants, 54 percent are utilizing local native distribution firms and 38 percent are engaging large multinational distribution firms.

Companies are accessing compliance expertise rather than building it organically – the most efficient models tend to leverage virtual infrastructure and regulatory expertise shared across the industry, which optimizes the supply chain’s utilization.

3. Technology investment, global market expansion and the increased use of new distribution channels are top strategies on the horizon for the coming years.

According to the survey findings, medical device, biotech and pharmaceutical companies plan an increased strategic focus in the following areas:

- Investing in a variety of technologies
- Tapping new global markets to expand their customer bases

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- Increasing usage of new distribution channels/models

Each of these endeavors can be capital-intensive, and to the degree that technology investment, global market access and channel strategies can be leveraged virtually, companies can balance the competing needs of their three-to-five-year strategies by aligning with experts that have proven platforms for new market access, regulatory compliance objectives and solutions to mitigate supply chain vulnerabilities.

A recurring theme revealed in this year’s survey is that executives reporting high success in addressing supply chain issues are often willing to leverage third-party capabilities through deeper relationships with healthcare logistics experts. Moving forward, collaborative models will be among the most effective platforms for facing future challenges and capitalizing on new opportunities in the healthcare supply chain.

Robin Hooker is UPS Director of Healthcare Sector Marketing. He is responsible for developing and executing UPS’s healthcare marketing strategy to serve the unique logistics needs of the healthcare sector focusing on creating special capabilities and solutions that bring value to the healthcare supply chain.

The Seventh Annual Pain in the (Supply) Chain Survey

Embracing Risk:
It’s Time to Capitalize on Untapped Opportunities

North America

The study was conducted by TNS in January and February 2014.

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