

2011-12 Economic Report on Pharmaceutical Wholesalers and Specialty Distributors

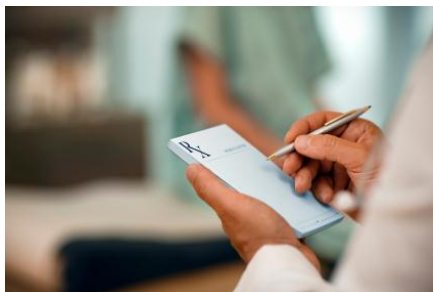
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Full report available at

<http://www.pembrokeconsulting.com/wholesale.html>



ABOUT THE AUTHOR

Adam J. Fein, Ph.D., is the founder and president of Pembroke Consulting, Inc., a management advisory and business research firm based in Philadelphia.

Dr. Fein is one of the country's foremost experts on pharmaceutical economics and channel strategy. He consults with clients in the pharmaceutical and healthcare industries. Eight of the 15 largest biopharmaceutical manufacturers have called on Dr. Fein for his experience, analyses, and insights to help them improve profitability and make better strategic decisions. He offers clients the perspective and judgment for solving challenging business problems in today's evolving healthcare environment.

Dr. Fein inspires audiences to think strategically with his fact-based and entertaining keynote speeches. He has presented to more than 55,000 executives across a wide range of industries.

Dr. Fein has published hundreds of academic and industry articles, has authored and edited ten books, and writes the popular and influential Drug Channels website (<http://www.DrugChannels.net>). The media frequently seek his industry expertise, and he has been quoted in such leading national publications as *The Wall Street Journal*, *The Financial Times*, *The New York Times*, *Pharmaceutical Executive*, *Drug Benefit News*, and many others.

Dr. Fein earned his doctoral degree from the Wharton School of Business at the University of Pennsylvania and a B.A., *summa cum laude*, from Brandeis University. He lives in Philadelphia with his wife and their two children.

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Visit Dr. Fein's Drug Channels website for the latest industry updates!



DrugChannels

Expert insights on pharmaceutical economics and the drug distribution system

INTRODUCTION AND GUIDE TO THE REPORT

The \$300 billion U.S. drug wholesaling industry is evolving faster than ever. The biggest wholesalers are positioning themselves as indispensable intermediaries in the supply chain and staking out a powerful position in high-growth channels for specialty drugs. Understanding the implications of this industry's evolution has never been more crucial.

No single resource exists to help wholesalers, pharmacists, businesspeople, drugmakers, employers, benefit managers, healthcare policy analysts, and investors understand and benefit from the economic forces reshaping this understudied industry.

The 2011–12 Economic Report on Pharmaceutical Wholesalers and Specialty Distributors provides an up-to-date, fact-based analysis of pharmaceutical wholesalers and specialty distributors and their interactions with other participants in our healthcare system. I have synthesized a wealth of statistical data, research studies, and my own unique business consulting experience into a definitive, nonpartisan state-of-the-art resource.

This year's report—49 pages longer than the 2010-11 report—includes expanded coverage of the specialty market, a new chapter on wholesaler profitability, and more detailed company analysis of the Big Three public wholesalers—AmerisourceBergen, McKesson, and Cardinal Health.

The 2011-12 Economic Report on Pharmaceutical Wholesalers and Specialty Distributors will:

- Increase your understanding of key industry trends, such as the competitive battle over the fast-growing specialty drug market
- Illuminate business strategies in the industry by explaining the complex ways wholesalers and distributors earn profits from pharmaceutical products
- Improve your ability to negotiate and collaborate successfully with wholesalers and distributors
- Validate and challenge your assumptions about the risks and opportunities facing the industry

This report is the most complete resource available for analyzing the economic and business relationships of wholesalers within the U.S. pharmaceutical industry.

The report analyzes the industry in six major chapters:

- **Industry Overview** (page 7) identifies the biggest pharmaceutical wholesalers and specialty distributors and explains their different business models.
- **Channel Role for Traditional Drugs** (page 14) examines wholesalers' vastly different services for smaller vs. larger pharmacies, explores their little-understood participation in the pharmacy-PBM relationship, and explains the wholesalers' role in financial flows with non-retail healthcare providers.
- **Channel Role for Specialty Drugs** (page 29) looks at the complex channel system for specialty pharmaceuticals, in which wholesalers and distributors play multiple roles.
- **Wholesaler Profitability** (page 38) delves into the industry's underlying economics to explain the true—and growing—profitability of the wholesaling business.
- **Forces of Change for Wholesalers and Distributors** (page 55) analyzes five significant trends that will impact the market structure and economics of the pharmaceutical wholesaling and specialty distribution industries:
 - Pharmaceutical Market Growth
 - Pharmacy Industry Consolidation
 - The Outlook for Independent Drugstores
 - The Generic Wave
 - The Battle for Control of Specialty Drugs
- **Wholesaler Profiles** (page 75) examines each of the Big Three public wholesalers. We scrutinize each company's business history, business mix and profitability, and company-specific business trends for traditional and specialty pharmaceuticals.

Please contact me if you have any questions or comments about *The 2011-12 Economic Report on Pharmaceutical Wholesalers and Specialty Distributors*.

Adam J. Fein
September 2011

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