

IFPW Service Member Spotlight

KNAPP's Approach to Changing

Requirements

a Zero Defect Warehouse Philosophy and Making Complexity Simple



The pharmaceutical industry is occupied with numerous questions about new market requirements, changes in the law and new sales channels: how can companies continue to process the incredibly fast-growing range of items efficiently and securely? How can complete traceability for each medicinal product, from manufacturer to patient, be seamlessly and securely integrated into the existing supply chain? How can the demands of e-commerce be combined with the high demands of the sector with regard to quality and cost-efficiency? How can costs in the health care system be reduced without lowering the quality for the individual?

What affects the sector also affects KNAPP. As industry partner, we constantly take on the trends, demands and issues in the sector and deliver the right answers with specially tailored solutions. Decades of tradition link KNAPP to this sector, ensuring long-term success and growth for its partners through its experience, know-how, innovative spirit and far-sighted vision.

Error Free – Zero Defect – the key to a successful supply chain

With the zero defect philosophy, KNAPP can cater to the latest trends. KNAPP meets the conflicting demands of quality, performance and efficiency using a mixture of tried and tested technologies, such as the Central Belt System or smart shuttle solutions, as well as innovations such as the Pick-it-Easy Robot, KiSoft Vision or the KNAPP-Store. The smart blend of all these technologies combined with the new KiSoft One WMS-WCS software produces the zero defect warehouse: the warehouse that combines highest quality and process reliability with maximum efficiency.

A contradiction? Not necessarily. By utilizing the image recognition and image processing technology KiSoft Vision in all major processes, from goods-in through to goods-out, automated checks are integrated into every step of the process without compromising throughput. Alongside greater efficiency, cost reduction and improved employee satisfaction, the zero defect warehouse establishes the foundations for legal conformity, improving patient protection.

Based on the Six Sigma method, the zero defect warehouse follows the principle of quality checks in process. The zero defect warehouse unites the demands for quality, efficiency and performance that are usually in conflict with each other and thereby helps to develop a self-learning organization.

Furthermore, the zero defect warehouse creates the basis for legal conformity with such guidelines such as in the USA the Drug

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In Brief...

- ◆ **McKesson Pharmacy Systems** announced the integration of medication synchronization and mobile delivery into its portfolio of pharmacy management systems, including their *EnterpriseRx*, *PharmacyRx* and *Pharmaserv*. Pharmacies using these enhancements can expect improved patient medication adherence and measurement as well as further streamlining of pharmacy workflow, mobile delivery and tracking capabilities.

- ◆ **AmerisourceBergen's** third party logistics provider **ICS** has been awarded certification under ISO 9001:2015 by the **International Organization of Standardization**. ISO's standards define requirements for quality management systems so that companies can achieve better efficiency, higher satisfaction from their customers, and improved patient safety. Receiving this certification recognizes ICS for their efforts and commitment to the safety and security of the pharmaceutical supply chain.

- ◆ **McKesson's** annual **ideaShare Conference** in New Orleans is expected to attract nearly 1900 independent pharmacies and is on pace to set record attendance. The conference will shine the spotlight on connecting customers with industry experts and peers, and will featuring 124 networking sessions, as well as seminars, workshops and continuing education classes. The event will help attendees improve their performance and profitability in their own stores.

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China's Reforms Attract Investment

(Source: China Daily)

State-owned financial institutions and private fund managers are investing in pharmaceutical company shares, which are benefiting from a series of reforms. Both State-owned funds and private funds purchased common A-share stocks of 4 pharmaceutical companies.

Each fund has assets worth more than 10 billion yuan (US\$1.5 billion) under management and each has allocated substantial funds to the pharma sector from September to March, according to investment consultant platform Qiantougu. The stocks included Yunnan Baiyao Group Co Ltd, Zhejiang NHU Co Ltd, Sany Heavy Industry Co Ltd and China Yangtze Power Co Ltd.

"China's latest reforms in pharmaceuticals are shaping the industry and investors pay attention to related A-share listed companies with good performance," said Zhang Jinyang, an analyst at Dongxing Securities. One of the reforms was by the National Health and Family Planning Commission in January that said all public hospitals will stop adding their fees to drug prices and start selling drugs to patients at cost. This is expected to boost sales of drugs and profits of the companies as more patients might be able to afford the medicines.

In May, the China Food and Drug Administration unveiled four draft regulations to encourage innovation and research in the industry, which is expected to modernize the industry, making it world-class and improving its future prospects.

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China (cont.)...

In March, the CFDA released a draft regulation giving new foreign drugs easier access to the Chinese market as they enter other markets. Competition from world-class drugs is expected to also raise standards of local companies.

"State-owned financial institutions bought shares with good quality and low risk in the first quarter, and private asset management companies made the move earlier," said Zhang Xuan, chief investment consultant at Qiantougu. Eight of the 12 common stocks held by State-owned and private institutions have risen this year. For instance, shares in Yunnan Baiyao Group Co Ltd. and Sany Heavy Industry Co Ltd rose about 20% each from early January to June 16. State-owned financial institutions bought six A-share stocks in the fourth quarter last year, followed by large private fund management companies, data of Qiantougu showed.

In the first quarter of this year, State-owned financial institutions led by Central Huijin Investment Ltd. and China Securities Finance Co Ltd. purchased 73 A-share stocks. More than 40% of them were listed on the small and medium-sized enterprise board and the ChiNext board. The State-owned investors cashed out from 52 shares during the same period and almost 60% of them were listed on the SME and ChiNext boards.

WBA's Undertakings for Its 3rd Quarter

(Sources: the company; an article prepared by Michael Johnsen and published by Drug Store News; an Alex Gourlay interview by Drug Store News)

Walgreens Boots Alliance (WBA) generated fiscal 2017 third quarter net earnings of US\$1.2 billion, up 5.3%, for the period ended May 31. Sales in the third quarter were US\$30.1 billion, an increase of 2.1% from the year-ago quarter, and an increase of 5% on a constant currency basis. "Our results this quarter continued to meet our expectations as strategic partnerships brought more patients to our U.S. pharmacies," stated Stefano Pessina, executive vice chairman and CEO Walgreens Boots Alliance. Further stating, "This led to our highest reported quarterly retail prescription market share in the U.S.. Our ongoing cost transformation program continues to bear fruit and we remain confident in the long-term growth of our company."

Adjusted fiscal 2017 third quarter net earnings attributable to Walgreens Boots Alliance increased 11.9% to US\$1.4 billion, up 13.6% on a constant currency basis, compared with the same quarter a year ago. Adjusted diluted net earnings per share for the quarter increased 12.7% to US\$1.33, up 14.4% on a constant currency basis, compared with the same quarter a year ago. Retail Pharmacy USA had third quarter sales of US\$22.5 billion, an increase of 6.3% over the year-ago quarter. Sales in comparable stores increased 3.7% compared with the same quarter a year ago.

Pharmacy sales, which accounted for 69.9% of the division's sales in the quarter, increased 10.3% compared with the year-ago quarter. This was primarily due to higher prescription volumes including mail and central specialty following the formation of AllianceRx Walgreens Prime. Comparable pharmacy sales increased 5.8%, primarily due to higher volume. Reimbursement pressure and generics had a negative impact on comparable pharmacy sales growth, which was partially offset by brand inflation. The division filled 255.2 million prescriptions (including immunizations) adjusted to 30-day equivalents in the quarter, an increase of 8.5% over the year-ago quarter. Prescriptions filled in comparable stores increased 8.3% compared with the same

quarter a year ago, primarily due to Medicare Part D growth and volume growth from previously announced strategic pharmacy partnerships. The division's retail prescription market share on a 30-day adjusted basis in the third quarter increased approximately 110 basis points over the year-ago quarter to 20.5%, as reported by IMS Health. This was the division's highest reported quarterly retail prescription market share in the U.S.

Retail sales decreased 1.8% in the third quarter compared with the year-ago period, which includes the impact of the previously announced closure of certain e-commerce operations. Comparable retail sales were down 0.4% in the quarter, with declines in the consumables and general merchandise category and in the personal care category partially offset by growth in the health and wellness category and in the beauty category.

Walgreens Boots Alliance also announced a new definitive agreement with Rite Aid under which WBA will purchase 2,186 stores, three distribution centers and related inventory from Rite Aid in exchange for US\$5.175 billion in cash, the assumption by Walgreens Boots Alliance of the related real estate leases and the grant of an option to Rite Aid, exercisable through May 2019 and subject to certain conditions, to become a member of Walgreens Boots Alliance's group purchasing organization. Walgreens Boots Alliance will also assume certain limited store-related liabilities as part of the new transaction.

Retail Pharmacy International had third quarter sales of US\$2.8 billion, a decrease of 10.3% from the year-ago quarter mainly due to currency translation. Sales decreased 0.2% on a constant currency basis. On a constant currency basis, comparable store sales increased 0.2% compared with the year-ago quarter. Comparable pharmacy sales decreased 0.1% on a constant currency basis, primarily due to the negative impact of pharmacy funding in the U.K.. Comparable retail sales increased 0.4% on a constant currency basis, reflecting growth in the U.K.

Pharmaceutical Wholesale had third quarter sales of US\$5.3 billion, a decrease of 7.9% from the year-ago quarter, mainly due to currency translation. On a constant currency basis, comparable sales increased 3.7%, which was ahead of the company's estimate of market growth, weighted on the basis of country wholesale sales, with growth in emerging markets and the U.K. partially offset by challenging market conditions in continental Europe.

In an interview with Alex Gourlay, WBA's Co-COO and recently elected Chairman of NACDS, Mr. Gourlay outlined the basic business tenets of WBA: Improving systems; taking care of customers; pursuing corporate social responsibilities; developing networks and partnerships with industry stakeholders. With respect to modern pharmacy, he stated that one must take a holistic view of the offerings encircling the pharmacy counter, all designed for the development of wellness, beauty, wellbeing, and healthcare services. He also offered his view on the elements of success: thoroughly enjoy what you are doing, work hard, have patience, and listen.

Editor's Note: IFPW continuously monitors WBA's activities for a number of reasons. Among these reasons are: the top 3 management positions are filled by Europeans, two of whom have served as IFPW's chairperson; the company has an international pharmaceutical distribution division and an international retail pharmacy division; WBA has a financial investment in the US wholesaler, AmerisourceBergen; the company has a group purchasing organization, headquartered in Switzerland.

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and Supply Chain Security Act (DSCSA) of the FDA, or in Europe the 2001/83 EG of the European Parliament and the associated Delegated Regulation 2013/161 for the improvement of patient protection.

KiSoft One – the integrated KiSoft WMS-WCS solution

In line with KNAPP's zero defect philosophy, KiSoft One represents the new, evolutionary generation of KNAPP software in action – the integrated KiSoft WMS-WCS solution interfaces directly to any merchandise management or ERP system on one hand and automation equipment in the warehouse on the other hand. Making complexity simple is not only the fundamental idea behind all KNAPP's products and solutions: making complexity simple was even defined as a goal in the project implementation.



KiSoft One

An easy, methodical approach in close collaboration with our clients and using business process modelling installs KiSoft One successfully into any greenfield or existing warehouse.

“As a pharmacist, I had no previous experience with warehouse automation or warehouse automation software. The way in which KNAPP introduced me step-by-step to these highly modern system solutions and implemented them to my complete satisfaction impressed me,” reveals Henning Fichter on his first experience of KiSoft One.

KiSoft Vision – as the key technology...

The key technology in the zero defect warehouse is the KiSoft Vision image recognition and image processing system. With KiSoft Vision product family, KNAPP can provide a custom solution for every process in the warehouse. KiSoft Vision supports manual and automatic warehouse areas and ensures consistently high quality and efficiency.



KiSoft Vision Item Check

Special checks with Vision Item Check...

High demands for quality demand time and are usually achieved at the cost of throughput. With Vision Item Check, KNAPP offers the right solution for increasing efficiency in the successive

special check areas while still fulfilling the highest requirements for quality. Vision Item Check is used to automatically check, read and process security features, lot information, date marks or other article quality features. Using Vision Item Check is an easy and sure-fire method of integrating special check processes into the zero-defect philosophy of KNAPP.

Quality and performance with Vision Central Belt...

Vision Central Belt is available to make efficient and reliable checks of the automatic picking of the Central Belt System.

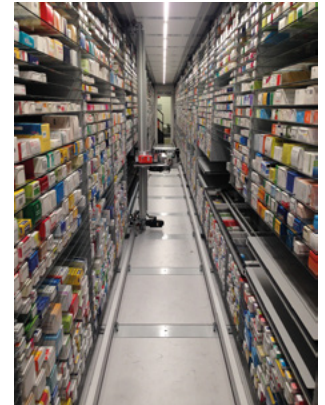


KiSoft Vision Central Belt

The high-performance camera system of Vision Central Belt is installed at defined reading points. The Vision Central Belt image recognition and processing software detects the bar code – for example the unique serial number – on packages of prescription medicines when the articles are transferred to the load carrier.

Vision Central Belt also provides the opportunity to check lot information as well as the date of expire of the products or other quality checks.

KNAPP designed the Vision Central Belt in that way that it can be integrated into existing KNAPP systems and is ideal for retrofits to increase quality and efficiency as well as to meet new demands and legal requirements.



KNAPP-Store

KNAPP-Store – new possibilities for a large article range...

The KNAPP-Store is an automatic storage and picking system that offers diverse possibilities for the space-effective storage and efficient picking of a wide article range. For the pharmaceutical wholesale or in e-commerce – goods-in, returns or slow-moving articles – the KNAPP-Store opens up new dimensions for articles that would otherwise have to be processed manually.

With the greatest possible storage density within a small space, scalability and a two-arm robot in redundant design, the KNAPP-Store increases quality and efficiency, as well as providing sufficient flexibility and performance required to respond swiftly to ever-changing demands.

The automatic scan of the serial number, the lot number or any other barcoded information on a pack during the automatic replenishment process of the KNAPP-Store complements ideally the requirements under the DSCSA requirements.

Ideally tailored to the wide range of demands and applications in wholesale and e-commerce, the KNAPP-Store is available in several designs. Integrated into a manual picking area or working as part of the central belt system there is always a right solution for each demand available.

With the right mix of smart technology and software KNAPP is able to fulfill all the needs from a small manual warehouse to a fully automated warehouse, keeping the customer's needs in mind.

In Brief (cont.)...

- ◆ **Advent International** will buy Endo's Mexico City-based **Grupo Farmacéutico SOMAR** a private generics leader, for roughly US\$124 million. The transaction is expected to close during the 2nd half of 2017. The deal will also involve an estimated US\$100 million pre-tax impairment charge due to the reclassifying of SOMAR's assets and liabilities as held-for-sale in the second quarter of 2017.

- ◆ **U.S. Food and Drug Administration** has released a draft version of guidelines that offer a grace period for manufacturers which cannot meet the November 26th deadline for product identifier requirements. The draft states that action for not affixing a product identifier to every package of prescription drugs will not be taken against these manufacturers, as the deadline has been deemed “unrealistic.”

(Sources: Drug Store News, Pharmatechnologist, & Press Releases)