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Miguel Valdés, director of Fedifar, the Spanish wholesaler federation, highlights the challenges impacting the local wholesaler network and the unique nature of Spanish wholesaler ecosystem, with the majority of players being cooperative-owned pharmacies. Furthermore, he sends a message about the long-term sustainability of the industry and what must be done to improve market conditions.

Can you begin by giving us an overview of the wholesaler ecosystem in Spain?

There are 20 key players in the industry which represent about 98 percent of the sector; all of which are members of Fedifar. These companies are full-line wholesalers which purchase and deliver all of the products marketed in Spain; including drugs and medical device which total to over 30,000 products. As of today, these 20 companies have approximately 140 facility warehouses, delivering to pharmacies 2.5 times per day on average, and have around 3,000 routes. Wholesalers play a critical role in the access of medications to patients throughout Spain.

Under the solidarity model, we use the returns made from delivering high-turnover, expensive drugs, and we supplement the costs of delivering low-rotation, deficient products. Similarly, we use the revenues earned by delivering to easily accessible urban pharmacies to ensure delivery to distant rural sites.

How does the Spanish wholesaler environment differ to other European countries?

An significant aspect of the Spanish wholesale environment which must be considered is the importance of cooperatives. Of the aforementioned 20 companies, approximately 90 percent are cooperative organizations. A cooperative has no shareholders or external investors and belongs to the pharmacies which pay a small membership fee; they are comparable to an association.

This is why the wholesalers are so dedicated to serving pharmacies as best as possible. The development of the sector today is to provide pharmacists with tools, so they can achieve the highest level of accessibility and deliver patient solutions.

What trends are impacting the wholesaler environment in Spain?

The most notable trend is the polarization of drugs prices. Generic products are becoming very cheap and there is a high number of players in the sector. As a wholesaler, we need to work with all the companies to deliver the brands requested by pharmacies.

On the other hand, the newer high-value drugs are for a smaller patient group. The market is moving away from big blockbuster drugs but for more specific computations. These very expensive, specific drugs need special storage and delivery conditions. Additionally, some drugs, for example, oncology treatments, require patient follow up and data collection; it is no longer as simple as the distribution of a box of medication being the end of the chain.

The special financial agreements for medication are also changing. The reimbursed prices often depend on the number of drugs which are sold and the patient results. This is a trend that we are already seeing which the industry will have to adapt to; the government paying for quality results not necessarily quantity sold.

How does the wholesale the market navigate the fragmented nature of the Spanish health care system?

This is not an easy system to navigate. For example, in Andalucía when patients go to a pharmacy with a prescription from a public institution, which is a majority of the cases, the pharmacy has to dispense the prescribed brand. Therefore, pharmacies need to have a large stock of the tendered brands which means wholesalers must be prepared to deliver a large number of supplies. The supply atmosphere is vastly different from Andalucía to Madrid.

There are unique delivery models for different regions which are a challenge when some operations have only one warehouse to cover several areas. Special protocols are needed for each region and in the same warehouse, it must be taken into account how each drug is handled for delivery.

On one hand, specialization in regions could be beneficial in this sense, however, wholesalers still need to develop services and work well with pharmacies. To do this, large investments are necessary which can be difficult to source with a highly fragmented sector. Therefore, consolidation brings strength in numbers and greater investment resources.

The wholesaler sector is becoming very complicated not only in Spain but the whole world. There is an increase in consolidation and players are trading amongst each other. Due to market shortages, there is a lot of discussion about wholesalers needing to find products outside of the traditional market. When a product is unavailable in Spain the authorities allow the product to be imported from other countries.

Overall, the supply chain networks of the sector are very complex. There are up to 26 different distribution methods in which a product can flow through before reaching patients. The polarization of prices, product shortages, and varying marketing strategies all impact the final supply chain aspects.

What is the relevance of direct sales from the laboratories to pharmacies?

This impact in Spain is very minimal when compared to other countries. Interestingly enough, there is a higher level of direct sales for generic drugs rather than branded products. This is vastly different in markets like France or Germany where patented protected products are often delivered directly. I would say that 99 percent of the delivery of products under patent in the pharmaceutical retail market are delivered by wholesalers. There is a strong relationship of trust between the pharmaceutical laboratories and the sector in Spain.

How do your members adapt to the pricing pressures imposed by the health system when operating under the solidarity model?

There are two key factors in responding to these pressures; providing a full range of products to pharmacies and delivering as much product as possible. The costs of operations are not fixed, and the price of each drug must be taken into consideration. Regardless of product price the drugs must be delivered, therefore, the business model revolves around efficiency and cost spreading.

For this reason, there are almost no multinational wholesalers in the Spanish market. The business model here is very efficient and nearly impossible to deviate from. The main players in Europe and the United States are not present within the country.

How do your members manage the fluctuating prices of drugs?

Today there are no fluctuating prices in the retail market, only in the hospital market. FEDIFAR and its members are considering how to achieve this in the future and create special agreements within the industry. These agreements need to come otherwise we will lose the market; products that can be dispensed in pharmacies will be dispensed in hospitals if the pharmacies cannot provide sufficient financing agreements.

Do you feel the current model is sustainable for the future and if you had to change anything in this type of model what would you?

The model is sustainable, and I am quite optimistic about the future. The service we are offering is important and still needed. If there is a need there will continue to be room for growth in the sector.

On the other hand, companies have to adapt to the changing environment, for example in the face of new drug financing models. An introduction of a minimum margin which satisfies both the needs of the wholesalers and manufacturers is key to sustaining both players.

In the reference price system of Spain, drug manufacturers are free to reduce the price of a product at will. When patients go to pharmacies with a prescription, the pharmacist is obligated to dispense drugs at the lowest price, which incentivizes some producers to reduce prices. This is understandable, however, we believe that a reasonable minimum margin, such as 30 cents item, should be in place to benefit the entire system and create a more fair and balanced market for the future.

Is the home delivery of pharmaceuticals a viable possibility for Spain in the future?

This is a discussed topic, however, the conditions under how home delivery can be executed must be closely examined. For example, the level of supervision a pharmacist has when dispensing drugs versus in a home delivery must be considered. Additionally, with a large number of pharmacies in the country, these delivery points can be more convenient for patients to receive their medication on their own schedule.

This is a possibility in the future to be discussed carefully among stakeholders. There is, of course, the added value of service being provided by the pharmacists who are dispensing medication; something that should not be overlooked.

How is the wholesaler sector taking on the digital trends of verification and tracking?

The sector in Spain is very well prepared for this new technology; nearly all deliveries are ordered through electronic procedures. A standard electronic protocol is used and every pharmacy, through its own software, has a one on one interface with distributors.

Statistics are provided to pharmacies about their purchasing practices and additional services like optimal stock suggestions are also available. The next step we are expecting is the use of big data. While the cooperatives are well prepared for these trends, there is a need for a legal framework as the data being used is very sensitive; something which still needs to be developed and finalized.

How was the wholesale market recognized in Spain especially from stakeholders throughout the healthcare ecosystem?

The stakeholders appreciating our work, not only at an association level but at a business level as well. Wholesalers interact well with the manufacturers. pharmacists and other players as well. On an administrative level, we work alongside with them to make our actions known and there is an appreciation for the mission we have as health providers.

How do you envision the changes in the industry in Spain within the next five years?

In the continued direction of consolidation, I imagine a few big players in the sector along with some local experts covering niche areas. Additionally, we are considering the distribution channels and the importance of the pharmacies. Pharmacies can offer patients a better, faster, and more convenient experience than a hospital distribution model. Finally, there will continue to be the need for adaptation to cost pressures and changes in public expenses to keep the health ecosystem sustainable.

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