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Algosaibi, Saudi Arabia



Saudi Arabia is the heart of the Arab and Islamic world, an investment powerhouse and the hub connecting continents. Its geographic, cultural, social, demographic, and economic advantages have enabled it to take a leading position in the world

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Khaled Harb, general manager of Saudi distributor Abdulrehman Algosaibi, highlights the changing distribution landscape in Saudi Arabia, the importance of offering comprehensive solutions that go beyond traditional services, what the updated role of procurement body NUPCO means for the industry, and shares his perspective on the Vision 2030 transformation.

Can you begin by introducing Abdulrehman Algosaibi, its business model, and the guiding principles of the company?

Abdulrehman Algosaibi GTC was built on a legacy of more than 75 years of excellence in pharmaceutical sourcing and wholesale distribution. Naturally, such a long track record would not be possible without abiding by the fundamental principles of integrity, mutual respect, responsiveness, accountability, and collaboration.

Our ultimate goal is to establish solid relationships built on mutual trust and led by transparency with all our business partners. For decades, we have consistently held high standards and values and communicated them appropriately to partners in the pharmaceutical industry, patients and patient organisations, health professionals, consumer organisations, civil society organisations, wholesalers, hospitals, and competent authorities.

Today, we impact millions of lives by applying innovation toward everything we do; from the way pharmaceuticals are accessed to their delivery solutions. Our company is a strategic distribution partner to thousands of healthcare accounts in Saudi Arabia including hospitals, polyclinics and community pharmacies and a wide spectrum of providers rely on us for accurate and efficient deliveries. Through our diversified portfolio we are considered a reliable marketplace for product sourcing and distribution, while we continue to partner with manufacturers to bring innovative products to the Saudi market.

AlgoSaibi's team is made up of over 2,000 people that cover the entire Kingdom of Saudi Arabia. We have different business models including the traditional hosting model in which we provide sales and distribution support to partners. The other model is the end-to-end model in which we take care of promotion and create the demand. The third model is the authorized distributor model working as an authorized distributor for companies who already have a legal entity in the country. Also, we work as a third-party logistics (3PL) distribution; The company is extremely dynamic and has adapted to the myriad changes happening in the industry and distribution market.

How do you reconcile the interests of different partners that are often each other's competitors and how has AlgoSaibi adapted to the changes in the internal processes and systems of multinational organizations in recent years?

AlgoSaibi's 75-year history has grown alongside the pharma industry, allowing us to witness the transformation of companies first-hand. Many of our partners have merged, changed names, or switched therapeutic areas, and we have had to manage the overlap in products for a long time.

Regarding the changes of systems and processes, the company understands that it must be up to date with international and local requirements. Fortunately, the Saudi FDA (SFDA) has been very active and pushed us to implement rules and procedures that are advanced even compared to those in Europe.

One particularity of the Saudi market is the fact that almost every multinational works with local distributors. How would you compare AlgoSaibi to other distributors, some of whom have manufacturing as well?

First, I would say that there is healthy competition in the Saudi market. We are all trying to provide top quality distribution services to the end-user. Although there is fierce competition in the market,

we represent different companies and portfolios; there are areas like oncology, antibiotics, or OTC where many players are present, but the market size is around USD eight billion, so there is always room in which to compete.

We are helped by the fact that the company has mobilized huge resources during its history, forming one of the first nationwide distribution networks for the wholesale of medical and pharmaceutical products. Around 25 pharmaceutical manufacturers and thousands of healthcare providers rely on us. With our state-of-the-art network of four compliant distribution centres, we work on streamlining logistics for our manufacturer partners and ensuring our customers receive their products quickly and safely. Our relationships in the industry span nearly 100 percent of hospitals and 99 percent of retail pharmacies in the country.

Do you foresee greater consolidation in the Saudi distribution industry in the coming years?

Greater consolidation is a definite possibility. Multinational pharma companies and manufacturers opted to consolidate in order to optimize their approach in various markets and such a trend could also come to the Saudi distribution industry. As the largest market in the region, with the highest purchasing power, such trends will probably reach here before filtering down to the rest of MENA.

Can you elaborate on the changing dynamics and trends of the Saudi Arabian distribution market?

We had a single distribution model 15-20 years back, a traditional 'hosting' model where the distributor did sales and companies took charge of promotion and marketing. Since then, outreach has become significantly more important, as has operational excellence that allows for uninterrupted and high-quality business operations.

The changes to that model have been underlined by Vision 2030 because it has allowed more flexibility to companies to establish their own legal entity in the market and choose the option that makes the most sense to them. Very few multinationals opted to have a full presence with their own warehouse and transportation, so they have partners with third parties that can do 3PL logistics. Most companies have a legal entity that is responsible for importing the products and use an authorized distributor.

In the old model, few distributors conducted marketing and promotional activities, but this has changed as companies are encouraged to take a business from end to end. Companies in our business often do distribution, sales, marketing, and promotion.

Another important change is that most multinational companies now have a trade license which were only given to Saudi companies in the past, so they can now import and sell.

How has the Saudization requirement impacted your company and business?

The SFDA has required that all medical reps be Saudi nationals and licensed pharmacists. June 2021 was set as the deadline, which was a big challenge for us, but we managed to get good results, moving to hire good talent that are performing at a high level.

What is your overall perspective on Saudi Arabia's Vision 2030 and the positive impact that it can have on the overall healthcare system?

Saudi Arabia is the heart of the Arab and Islamic world, an investment powerhouse and the hub connecting continents. Its geographic, cultural, social, demographic, and economic advantages have enabled it to take a leading position in the world. Vision 2030 has the ambition of building a progressive future for the country with a more sustainable economy.

The aim is to restructure the healthcare sector in the country, resulting in a comprehensive, effective, and integrated health system. The program depends on the principle of value-based care which ensures transparency and financial sustainability by promoting public health and prevention of diseases.

It also aims to improve access to health services through optimal coverage and comprehensive geographical distribution, expanding the provision of eHealth services and digital solutions, as well as improving the quality of health care services. Moreover, the healthcare sector transformation program is working on harmonizing and coordinating all private sector actors along with relevant government entities.

Private healthcare expenditure will increase from 25 percent to 35 percent of total healthcare expenditure by 2022, a change that is projected to increase the revenue generated from SAR three billion to four billion. In addition, the MoH plans to spend over SAR 23 billion on various initiatives over the next five years.

AlgoSaibi has adapted well to the regulatory reforms, strengthening our partnerships with the SFDA, and also helping our partners adhere to the reforms. The SFDA is very active and up to date with all requirements, from track and trace to pharmacovigilance and returns and recalls. Moreover, we are looking to improve administrative procedures that can enable more significant investments into areas like information technology and digital transformation.

On that last point, how is Vision 2030 impacting digitalization and information technologies?

Digital transformation and e-commerce are key parts of Vision 2030. The MoH has set the goal of having a unified digital record of 70 percent of Saudi citizens by 2021. In addition, information solutions will improve the performance and productivity of healthcare providers, enabling better quality of service.

Localization is another part of Vision 2030 through which the authorities are encouraging companies to make transfers of high-level technology in manufacturing, especially for niche products and blood derivatives. Also, localization means creating more employment opportunities for Saudi nationals and they are providing better education and implementing training activities.

How do you perceive the expanded role of procurement body NUPCO? How would you characterise the relationship between NUPCO and a distributor like AlgoSaibi?

NUPCO is one of our most important partners as they are the purchasing representative of the public sector, including the MoH, National Guard, Ministry of Defence, and all governmental and semi-governmental hospitals.

We do not compete with them but rather are partners. We supply our other partners' products to them directly. I believe that the future will be an integrated system that includes distributors that facilitate purchases from the public sector.

We understand that AlgoSaibi has already been working with Pfizer in the vaccines field for some time. Can you elaborate on the specifics of this partnership?

We have been working with Pfizer for over 35 years, distributing a tangible amount of Pfizer's products including vaccines; we have one of the best cold chain management systems in the country providing eminent value chain services across the process, from customs to warehouse to end-user. We master handling products within hot climate circumstances as we strictly adhere to cold chain policies and procedures and we have a great experience dealing with products that require storage conditions between 2-8 degrees as well as vaccines that require specific storage and handling conditions.

Is there a final message you would like to share with our international audience regarding the Saudi market?

Saudi Arabia is a USD 8-9 billion market, one of the largest in the region with the highest purchasing power. The country is very stable, allowing companies to plan for the long-term.

AlgoSaibi will continue to be an integral part of the Saudi healthcare sector in the future; through investing in the quality and expansion of its distribution facilities, our core area, to increase the level of efficiency and lower costs. This will enhance the business with current partners and attract new partners in the future. From the other side will continue our commitment to invest in 3PL and e-commerce as well as cultivate and employ local talents.

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