

Interview: Jan Denecker – Marketing Director Healthcare, UPS Europe



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Jan Denecker, marketing director healthcare at UPS Europe, introduces the logistics heavyweight’s broad portfolio of specialized services for the pharmaceutical industry, the significance of recent M&A activity, and what sets UPS apart from its competitors.

Can you introduce UPS’s overall capabilities in healthcare logistics and how you deliver a high-touch service to pharmaceutical developers and CROs in Europe?

At UPS, we offer solutions that address the logistical challenges and complex regulations that are unique to the healthcare industry. We focus on integrated logistics solutions; parcel delivery of course but also freight solutions, be it air, roads, or oceans, and we also handle warehousing and distribution. The focus is mainly on seeing how we can enhance the service or the quality of service for our customers, and ensuring compliance and control of their supply chain. If we look at, for example, warehousing, we have over 50 licensed healthcare dedicated warehouses, covering more than 600,000 sqm of dedicated healthcare distribution space around the world. We also train our people, be it in operations, customer solutions, or other departments to make sure they understand the specific requirements pertaining to the healthcare sector. We offer dedicated healthcare services and solutions that can, for example, allow pharmaceutical companies to better manage their temperature sensitive shipments. Healthcare is one of UPS’s top three strategic initiatives, the others being B2C and emerging markets. Those are the three top strategic initiatives and as an organization we are committed to investing and developing capabilities that are specific to these environments.

UPS has invested heavily in recent years to expand the scope of offering to the life sciences industry with a number of high profile acquisitions including CEMELOG and Marken. What synergies has this inorganic growth brought? To what extent can UPS now claim to possess a complete chain of custody capabilities?

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If you look at the emerging trends in healthcare, both as an industry and as a supply chain, it has been coming under pressure from different fronts. You refer to Switzerland as one of the best healthcare systems in the world, true, but it is also one of the most expensive. As in other European countries, there is a lot of pressure on cost where we see governments taking cost-containment measures. If you ask our customers what the number one challenge is in terms of supply chain leadership, it comes down to balancing supply chain cost with the excellent service that is expected and required in healthcare.

We are also seeing increasingly stringent regulatory requirements. Switzerland is very export-driven and it exports all over the world. Regulatory requirements are very different from one country or region to another, and suppliers need to be able to manage a lot of complexity. In terms of product development, there is an increasing need for temperature-sensitive logistics. When we look at these different trends, the acquisitions we have made help address the requirements that result from these trends.

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For example, one response to reduce the burden on hospitals and clinics is to scale back the amount of time patients are treated in hospitals especially those with chronic conditions and to shift that treatment into their homes. In that kind of set-up, we are talking about a lot of low-volume deliveries to hundreds or thousands of patients. UK-based Polar Speed, which we acquired a few years ago offers very specific capabilities on direct-to-patient supply chain distribution and homecare, and they brought to UPS this ability and experience of managing the complexity of handling direct-to-patient deliveries. The Marken acquisition builds on multiple acquisitions UPS has made in the healthcare logistics space and provides greater depth and tailored clinical trials expertise in some geographies.

Tell us more about the new service lines such as UPS Temperature True Cryo and UPS Proactive Response Secure. What has their impact been in Europe?

Starting with temperature-sensitive logistics, we have an integrated solution that we call UPS Temperature True which is for both air and ocean freight. It is also used for small packages, for example, thermal packaging. Obviously with that need for temperature sensitive logistics we need to continue to look for new solutions. We see that healthcare manufacturers are sometimes struggling to keep control throughout the supply chain. If you look for example at the pharmaceutical supply chain, about 20 percent of pharmaceutical products are damaged during transportation due to a broken cold chain resulting in an estimated USD 15 billion of lost product every year. We offer different ways to manage complexity that can enhance control. UPS Proactive Response for example is a 24-7 proactive monitoring and intervention service. We obviously have technology in place where you can track online where the shipment is, but this service goes beyond that. We have a proactive response desk, which is a dedicated group of people that actively monitors shipment, is more granular on where the shipments are, and can also take action when we see that a certain milestone is not reached. Different interventions can be initiated by this desk which again adds another layer of control for these critical shipments. When we look at thermal packaging, another trend we see is a growing interest in better managing costs, as well as having more sustainable

solutions in place and better serving the end customer. These are two examples of products that address emerging trends.

What are the main revenue drivers in the life sciences segment today? And how is the trajectory of demand evolving over time?

An ageing global population and a changing disease landscapes drives the need for healthcare innovation and will accelerate the pace of specialised therapies which require careful handling. Storage and transportation processes need to be adapted to ensure products are protected from spoilage throughout the supply chain. A lot of the revenue that we generate for healthcare supply chain solutions comes from parcel delivery. Freight is also important. Last but not least, through our network in Europe, we have 15 healthcare-dedicated distribution facilities that also offer services such as repackaging and relabelling. In terms of revenue generation, those are the three main areas.

There are two matters I wanted to ask your opinion on. First of all, drones. Swisspost told us that, in collaboration with Matternet, they have embarked on using drones for delivery of medicines between hospitals. The pilot test in Ticino is going very well and secondly, we have Amazon stating they will enter into the distribution of medicines in the US, a move which was welcomed by several Big Pharma CEOs. What are your thoughts on these game-changing matters?

For drones, we see promising uses and different applications. One example is internal; we have been using drones inside some of our warehouses to check stock levels or available space among other tasks. So they can increase efficiency in internal operations. Externally, drones can be used to transport products from one location to another that might be more difficult to reach otherwise. We have a project in Rwanda for example, where we use the drones to deliver blood products to different transfusion centres across the country, as it is not always easy to get blood products on time because of poor infrastructure. So we have 15 drones that are used for postpartum haemorrhaging. In this case, the transfusion centre sends an SMS, and within half an hour they can get the required blood. Here we are working very closely with some partners and of course, the government, as one of the major challenges that drones face today is around the legal framework. In many countries drones are prohibited, and we will need to set a legal framework for drone development to occur. In the US we have also tested drones to deliver packages in very rural settings. We have developed a delivery vehicle with a driver and a drone. The vehicle goes to deliver at one location while the drone delivers a package to a different location. This actually increases delivery efficiency.

We see drones as very promising, but as I mentioned, the lack of a clear legal framework is the main challenge. And while we see a lot of promise from drones, they can't ever replace our uniformed service providers, who can make thoughtful judgments about whether a package can be left securely, receive a confirmation of delivery signature, move heavy items, or enter a multi-tenant building to leave packages with the mailroom attendant.

What about your thoughts on Amazon?

Amazon is of course one of the biggest players in B2C, which is a top priority field for UPS. Today, Amazon is an important customer and partner to UPS, and we will continue to look for ways to leverage this partnership.

At a moment when global supply chains in the life sciences industry are becoming increasingly complicated and costly, what tangible steps is UPS taking to embrace frugal innovation, the art of stripping away complexity to generate revenue savings for your clients?

I am passionate about disruptive innovation such as drones and 3D printing, but at the same time, also passionate about frugal innovation, be it in a healthcare setting or in a supply chain setting; it is important to have a good balance in terms. I believe we can learn from the mindset of "doing more with less" both in healthcare and in the supply chain environment. As an organization, UPS is very committed to innovation at large. We were established in 1907 and have a long history of innovation as we've had to adapt to trends. With frugal innovation, we are encouraging our employees to come up with ideas on how we can be more efficient or how we can provide better customer service. At the end of the day, we are a customer service company, and our people are still our most important assets. We have been training our drivers at UPS to save even seconds when they make deliveries. We have over 100,000 delivery vehicles worldwide, so small, incremental improvements like saving a few seconds for each driver on a delivery can add up to huge cost savings. How do we do this? These can be little things. For example, when drivers leave the truck, they take out their key and put it on their pinkie finger so they don't have to search for the key. Optimizing delivery routes, cost savings and sustainability are all very important areas for UPS.

What does Switzerland mean to UPS Healthcare Europe and globally?

Switzerland is very export-driven and UPS's core strength is our global network. So being able to support our customers with their needs for export being just infrastructure or services like brokerage, compliance in different countries, etc. So Switzerland for us is one of our most important markets and is a critical one due to the presence of global pharmaceutical leaders, and over 30 regional headquarters of international pharma companies. We have established, and continue to look to establish, close partnerships with such healthcare suppliers to deliver innovation together.

How do you make sure UPS is the partner of choice?

We believe healthcare is a strong strategic fit for UPS based on our engineering culture, precision and our deep regulatory compliance expertise. Our customers are looking for strategic partnerships and innovative strategies to help manage complexity, risk and costs. We want to deliver innovation together, through close collaboration with our customers and by looking at innovative solutions. This can mean optimising solutions that have been around for a while like supply chain segmentation in a pharmaceutical environment, or other concepts like end-to-end visibility or postponement. And it also means closely following disruptive technologies which are still emerging like internet of things, big data, drones, etc. Our strategy is to look into how we can partner with our customers to manage complexity and create value for them through solutions that lower costs and improve service, and to deliver innovation together in the short and long term.

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