

European Markets



Stefano Pessina Deputy Chairman

“The benefits of our international exposure are becoming increasingly obvious to our manufacturer and pharmacist customers alike.”

Alliance UniChem’s ability to change as its markets do, and its agility in implementing that change, has been a major driving force behind our success. In 2000 we have again adapted to remain at the forefront of our industry.

The most significant change we are seeing in our markets is in pharmacy retailing, where the trend towards deregulation of pharmacy ownership is spreading across Europe. Different European governments adopt different policies towards retailing in general as well as to the provision of healthcare services through retail pharmacies. However, a number of common themes are emerging. Governments are increasingly appreciating the positive role pharmacists can play in promoting healthcare and in reducing the rate of increase in the cost of health provision.

Governments are also beginning to appreciate the benefits that can be derived, in terms of increased efficiency and consistency of service, from allowing the development of pharmacy chains. Our strategies, aimed at providing support for independent pharmacists, sponsoring the development of independently owned virtual chains, and, where permitted, establishing our own chain in close cooperation with independent pharmacists, are consistent with the emerging trends in public policy.

Another area in which we are seeing change is in the increasing interest that is being expressed in electronic prescribing. A number of governments have been looking closely at the benefits of transferring prescriptions between doctors and pharmacists by computer, improving both security and efficiency. This approach has already been introduced in Holland and Switzerland. In the UK trials are scheduled to commence, for which we have been short-listed for participation, to study this method of prescription handling. We believe that some form of electronic prescribing is almost certain to be introduced. In preparation for this we are ensuring that all our systems, as they are updated, have the functionality and flexibility to move to electronic prescription handling.

In the European wholesaling market there have been a number of significant trends. We are seeing a significant swing towards generic prescribing and increased substitution of generic for branded drugs. Although there are variations by territory, this tends to be profit-neutral for the Group. Our focus is to help our pharmacy customers adapt to the changes to procedures, reimbursement and stock management brought about by generic prescribing.

“Alliance UniChem’s ability to change as its markets do, and its agility in implementing that change, has been a major driving force behind our success.”

The market is also seeing increased harmonisation of drug pricing across Europe, although there is still some way to go before we have fully standardised prices. This will have the progressive effect of reducing the benefit to be gained from parallel importing between the countries of Europe, and returning market share to the full line wholesalers.

We have seen further action by some governments in Europe to raise healthcare taxes. Most notable among these are industry-specific retrospective taxation in France, and proposals for directly competitive state intervention in the Swedish market. Whilst it has always been the case that governments seek to control the growth of national healthcare spending, government action has been necessary, if at times arbitrary. Government action which destabilises the markets has the potential to be significantly detrimental to all concerned, particularly to the universal provision of medicines, and we are confident that no government will wish such destabilisation in what are critical supply chains.



Pre-wholesaling continues to be a nationally based activity for the time being, but we have seen increasing numbers of manufacturers recognising the potential benefits of outsourcing their pre-wholesaling activities, and we see this trend continuing. At the moment there is no pre-wholesaling service provider offering a pan-European service, and as a result there has not been the opportunity for a manufacturer to outsource on more than a market-by-market basis. We believe that as the markets across Europe converge there will be considerable potential to work internationally with the manufacturers.

Our markets are intrinsically stable and predictable. Our understanding of these markets, and the ability to spread our business and income across a portfolio of territories, has allowed us to spread the risks and impact of Government action and regional economic fluctuation. It is clear that the strength of our specialist skills and experience can be applied to maximum benefit in an international arena, and the benefits of our international exposure are becoming increasingly obvious to our manufacturer and pharmacist customers alike.

A handwritten signature in blue ink, which appears to read 'Stefano Pessina'. The signature is fluid and cursive.

*Stefano Pessina
Deputy Chairman
20 March 2001*