

recovery of the R&D and advertisement, etc., to produce the drug. As evidenced by the change in price once a drug goes generic, the price, including R&D, is very different than the actual cost of the drug, which may be destroyed. This also reinforces the belief that the pharmaceutical drug returns business is really a finance-driven business, enabled by a logistics-driven activity.

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## **WHAT ARE THE CRITICAL INHIBITORS?**

### **Organizational Levels Involved**

To make the adjustments to supply to meet the demand and reduce inventory in the supply chain, the executives (C-suite) must be involved. This especially means the office of the chief financial officer (CFO), where the profits and losses (P&Ls), balance sheet, and sources and uses of funds for the pharmaceutical drug company come together. Currently, the reverse distributors and the wholesale distributors work with low to, at most, middle management personnel managing returns for the pharmaceutical drug companies. At the low and middle management levels, the personnel work primarily with an expense budget. Their focus is to manage returns down to under the target level (identified earlier as approximately 2.5%). We have seen instances where their approval of returns (and payment for the returns) is held over month to month to make sure their targets are met. We think this is wasteful, because it only adds cost through additional storage and sometimes handling charges.

### **Availability and Access to Relevant Data**

The why behind returns resides in a few specific areas of the pharmaceutical supply chain. The pharmacist has the best knowledge of the reason(s) for the return. When he or she logs on to the web portal of the reverse distributor (or in some cases, the wholesale distributor), the reason code should be keyed in for all returns. The wholesale distributors will be in the center for most, but not all, returns. Usually they have a good view of the why behind returns. The reverse distributor will have the second-best knowledge of the why behind unsaleable returns after the pharmacist. This includes saleable returns that go to an aging graveyard to become