

unsaleable returns. As our readers can see, the pharmaceutical drug companies are absent from this information flow until the application for returns credit is made. By this time, the reasons behind the returns are genericized and aggregated, so meaningful data are limited to the pharmaceutical drug companies. A couple of reverse distributors sell raw data to pharmaceutical drug companies, but the conversion from data to information to relevant knowledge on what it all means to the C-suite executives appears to be missing with several companies.

Incentives

Right now the incentive with reverse distributors and wholesale distributors is to increase, not decrease, the volume of returns and try to expedite payment from the pharmaceutical drug manufacturers for the returns. The only exception we can find is the storage charges assessed for returns, which are barely compensatory for the space the returns utilize. We asked a couple of wholesale distributors about this concept. We heard one manager at a wholesale distributor say, “Why do we want to ever reduce the volume of returns? We make money on returns.” Enough said!

SUMMARY

Reverse logistics is defined as the supply chain in reverse. Returns occur because of excess supply or saleable returns, unsaleable returns, and recalled product. The companies that handle returns are called reverse distributors. The big three reverse distributors are GENCO, Inmar, and Stericycle. These three companies have rich histories and offer a wide variety of services to the pharmaceutical drug manufacturers, wholesale distributors, and pharmacies. Title II of the Drug Quality and Security Act, through its mandated product identifiers and product tracking, will provide an opportunity to track and trace pharmaceutical drugs to and from the pharmacy to reverse distributors, enhancing the ability to determine the why behind returns. There is a real opportunity for pharmaceutical drug companies to reduce their overall returns cost by avoiding the returns through adjustments in their forward supply chains. Sometimes, there are unintended benefits from new regulations, not just unintended consequences.