

commercials, which showcase a series of events when people are not perfect. For example, a man drives into his closed garage door thinking he is in reverse gear but is really in forward; another man cuts down a big tree limb, crunching his neighbor's car below the tree. The overriding theme is that Liberty Mutual is there to help when imperfect humans make mistakes in an imperfect world.² (We must have seen these commercials a couple of dozen times, yet they are still funny—and the message resonates with us each and every time.) Reverse logistics providers are similar to Liberty Mutual—they are there to help when imperfect humans in the pharmaceutical drug supply chain make mistakes.

ENTER STAGE RIGHT: REVERSE DISTRIBUTORS AND THIRD-PARTY LOGISTICS PROVIDERS

Most supply chain participants can provide the services of a reverse distributor, but the nature of the reverse activities lends itself to these services being outsourced to a third party. The sheer size and volume of activity in the forward supply chain discourages participants from performing the returns activities. Reverse distributors actually perform an array of value-added services, depending on who is contracted to them as a client. For pharmacy retailers and wholesale distributors, these services can range from simple product consolidation, sortation, and evaluation for shipping back to the manufacturer to the authorized destruction of the returned pharmaceutical drugs and the creation of debit memos. For clients that are manufacturers, comarketers, etc., reverse distributors often serve the purpose of reconciling a retailer/wholesale distributor's debit memo with what was actually shipped. The result of this reconciliation is the manufacturer or the reverse distributor issuing a credit memo to the wholesale distributor (see Figure 7.3).

WHY DO REVERSE DISTRIBUTORS EXIST?

While government regulators and activist clinicians might have you believe that excess supply is not a problem, the reality in the United States is that billions of dollars of “unsalable” pharmaceutical drugs become nothing more