

receiving department at the wholesale distributor DC would not detect the substitution. They also had duplicate seal numbers that matched the trailer manifest.

My friend also told me of truckloads of a popular erectile dysfunction drug being hijacked. The bad guys knew that there were stolen vehicle-tracking devices placed on the trailer (i.e., LoJack). They also knew that they had approximately 30 minutes before police would be notified and arrive at the scene. They would stop the tractor trailer, unload the shipment, split the shipment into four smaller shipments, and load the four smaller shipments onto four other trucks. The four smaller shipments would go into different directions. The bad guys would then reintroduce the erectile dysfunction drug back into the legitimate supply chain through willing wholesale distributors at 40% of the original cost. All the bad guys had to do was alter the pedigree paperwork to make everything look legitimate. The police would find the original tractor trailers, but the pharmaceutical drugs were long gone.

There were smaller examples described to me. In one situation, cartons of pain pills were being broken on purpose in transit. When the shipments would arrive at the wholesale distributor DC, the broken cartons would be refused by the wholesale distributor receiving department. The broken case would be repackaged and returned to the manufacturer. However, most of the pain pills would never make it back to the manufacturer. The driver and the receiving supervisor were working together, providing the pills to a local drug dealer.

SUMMARY

The pharmaceutical drug wholesale distributor industry is very large, with the dominant market share (85%) controlled by the big three: McKesson, AmerisourceBergen, and Cardinal Health. The industry as a whole has a rich history, with many companies tracing their origins to the 1800s and being led by pharmacists, doctors, and innovative risk-takers.

This industry has large revenues and asset bases but razor-thin operating margins. If their stockholders had it all over to do again, I am sure that many would deploy their investments into other industries that provide greater returns and less risk.