



**LifeScience**  
Logistics®

# Guide for Pharmaceutical Manufacturers:

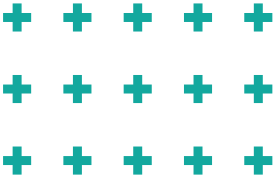
Choosing the best 3PL  
solution for your needs

# Overview

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Whether you are a start-up or a Fortune 50 company, you may benefit from a trusted provider of healthcare 3PL solutions. This guide walks through how to evaluate whether you need a pick, pack, and ship partner at all, which parts of your supply chain to outsource, and how to select the right 3PL service provider for your organization.

The reality is, you can outsource as much as or as little as you need. Whether you are looking for a partner for a product launch or reevaluating your current 3PL situation—this guide can help.



# Do I Need a 3PL Partner?

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## CONSIDERATIONS BY COMPANY SIZE

Every organization's need for 3PL services is unique. We find that the level of 3PL support needed depends on the size and stage of your company. Below we outline the three major business phases we encounter often and what to consider as evaluate whether to outsource any part of your supply chain.

### Emerging Manufacturers (Developing a New Drug)

As an emerging pharmaceutical company, you are focused on developing your product and getting it through the regulatory process. Since implementation of warehousing and distribution services can take 2-4 months, you want to secure a trusted partner so you can be prepared for distribution when your product is approved. You seek a partner who can help get your product to market efficiently, compliantly, and in the most cost-conscious manner possible.

Your team is likely made up of scientists and researchers focused on product development and approval. At this stage, outsourcing all logistics is an efficient way to keep your team focused on the most valuable tasks at hand rather than building out the infrastructure needed to support full scale distribution.

By outsourcing to a healthcare-focused 3PL you not only avoid building out a distribution center and customer service team, but you also operate more efficiently because you benefit from the 3PL's economies of scale and breadth of knowledge built over years of helping companies like yours.

This gives you a major advantage when it comes to navigating the nuanced process of compliant pharmaceutical distribution. A specialized 3PL can handle:

- Compliant product launches
- Storage
- Distribution
- Accounts receivable
- Chargebacks
- Contract management
- Title-model state licenses
- Full order-to-cash services

The time and money you save working with an outsourced 3PL can be spent on getting your product licensed, approved and ready for market.

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## Key Takeaways for Emerging Manufacturers

- ▶ The best use of your time and resources is drug development and getting your product to market.
- ▶ At this stage, it is more resource-conscious to work with an outsourced 3PL to handle all or most of your pick, pack, and ship services.
- ▶ If you have a product in stage three of clinical trials, it's a suitable time to find a partner to help get your product from manufacturing to your patients in a cost-effective manner.

## Mid-Sized Manufacturers

Mid-sized pharmaceutical manufacturers typically have the most questions about whether and how much of their supply chain to outsource. Depending on your size, you may be on the borderline between outsourcing order-to-cash and/or pick, pack, and ship services or continuing to handle them in-house. If you're a growing company, you have reached your current level of success with your existing solution. You may be considering when and if you will outgrow that solution and what the most effective approach will be as you continue to grow.

You may have your own temporary manufacturing and storage space, or you rely on contract manufacturers to store your product until it is ready to ship. Perhaps you have a 3PL partner and wonder if building out your own infrastructure will make more sense as you scale. Your current 3PL's solutions may not be flexible enough to support your evolving needs.

If any of these situations sound familiar, it could be time to start searching for a flexible 3PL partner that can fill your supply chain gaps. As you grow, you will hit a scale where your logistics needs exceed the capacity of your internal network. Your growth speed may stall without

expanded capacity and support.

An important consideration if you are on the fence: an outsourced 3PL does not need to reinvent your logistics process if it is working (although they can if you are looking for a fresh start and optimization). A strong 3PL can leverage what is working well for you now and assist you in navigating growing pains as you tackle your next growth curve.

We find our mid-sized clients benefit from outsourcing most of their 3PL needs, especially if they are frequently adding new customers, products, and patient populations. Benefits include:

- More time to focus on manufacturing, selling, and R&D for new products
- Economies of scale and lessons learned from dozens of leading healthcare manufacturers across the country
- Expert support navigating new challenges with new customers and patient populations (which equal new requirements)

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## Key Takeaways for Mid-Size Manufacturers

- ▶ Outsourcing all or some of your logistics does not need to disrupt or reinvent what is working for you now. You can use outsourced 3PL to fill gaps or help you scale more efficiently.
- ▶ Working with a healthcare-specialized 3PL can help you cut unnecessary costs and avoid pitfalls or hurdles as you grow because they apply lessons learned from dozens of companies like yours.
- ▶ Outsourcing 3PL gives your internal team more time to focus on R&D of new products and sales of the current portfolio to drive company growth rather than getting bogged down in product distribution and back-office functions like chargebacks and government reporting.

## Larger Manufacturers

Larger manufacturers with robust supply chains typically have well-established internal logistics processes and use 3PL for their storage and distribution services. They may also rely on 3PL partners to fill specific holes in their warehousing and distribution network. The larger the company, the more complex the supply chain requirements, and the more logistics needs to fill.

Our larger clients often use our services to augment a specific aspect of their portfolio's warehousing and distribution needs. For example, they may acquire a drug that doesn't fit into their portfolio or their current storage capabilities. Maybe their facilities are Controlled Room Temperature (CRT), and they need frozen storage for a new product. These highly specialized gaps are the perfect place for larger, well-established manufacturers to plug and play outsourced 3PL experts without distracting their internal teams

from their core mission. As a larger company, you may consider a 3PL partner as a release valve to tackle specific needs so that you can focus more on high-value tasks.

Another common 3PL application for larger pharmaceutical manufacturers is building a network of outsourced suppliers to support unique overflow storage and business continuity needs. For instance, it is valuable to have a trusted 3PL partner in place if something disrupts your internal network. For example, if one of your warehouses goes offline and you can't ship product, or a cyber-attack on your local ERP system disrupts your supply chain. Having 3PL overflow lined up ensures these situations do not disrupt your product flow.

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### Takeaways for Large Manufacturers:

- ▶ 3PL partners are a valuable release valve for larger manufacturers if you need overflow storage or storage for specifications that are not part of your current portfolio.
- ▶ It may also be beneficial to leverage a trusted 3PL partner to build a network for outsource suppliers for business continuity purposes.



## PRIMARY BENEFITS OF OUTSOURCED 3PL – NO MATTER YOUR SIZE

### Limit Risk by Ensuring Compliance

When you outsource warehousing and distribution services to a healthcare-focused 3PL, you benefit from their extensive quality assurance and compliance infrastructure. A strong 3PL partner will ensure you have all the necessary distribution licenses needed to launch and distribute your product(s) compliantly.

### Maximize Efficiency

A specialized 3PL has economies of scale and the benefit of lessons learned that would take many years to build as an individual company. A 3PL has the resources to help you commercialize products efficiently without the capital or infrastructure needed to support full-scale distribution.

### Free-Up Time to Focus High-Value Initiatives

When you outsource some or all your pick, pack, and ship services, you expand internal resources available to focus on endeavors that drive business growth, like product approval and demand creation.



# What to Look for in a 3PL Partner

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## Healthcare-Specific Expertise

As a pharmaceutical manufacturer, the first non-negotiable characteristic we recommend seeking in a 3PL partner is healthcare-specific expertise. When a 3PL has proven healthcare experience, you can rest easy knowing that they have the accreditations necessary to support the warehousing and distribution needs of the healthcare industry. They are also likely to have healthcare-specific storage capabilities such as cold chain and controlled room temperature storage space. Avoid working with a 3PL that operates in many different verticals. The more niche your 3PL, the more likely you are to have compliant and efficient 3PL services. Choose a partner with tenured individuals who understand your industry, business, and distribution strategy.

## High Focus on Quality and Compliance

Following closely behind industry-specific, niche expertise, we suggest choosing a partner with robust and transparent quality systems. Ask prospective 3PL partners to describe their quality and compliance systems and ask if their facility and quality systems are open to audits. Your partner should have an excellent audit history and an NABP accreditation, cGMP compliance, and FDA registration. If you are a larger manufacturer, look for ISO 9001 certification and compliance with international regulation standards.

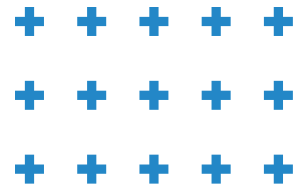
## Flexibility

Succeeding as a pharmaceutical manufacturer requires frequent evolution. This means it is important to select a 3PL partner that can tailor solutions specific to your organization's portfolio and policies. Additionally, your 3PL partner should be agile and able to implement solutions quickly to ensure business continuity. Avoid companies that only offer an off-the-shelf, canned solution. Instead, look for a 3PL partner that is open to a more personalized touch and customizing services to your unique and evolving supply chain.

## Ability to Scale

Your 3PL partner should offer a full suite of healthcare-specific 3PL services. That way, as your company changes and grows, you will not have to switch 3PL providers or piece together solutions. A full-service healthcare 3PL can provide additional services as needed, including, for example, sampling services, custom pharmacy solutions, kitting capabilities, relabeling, and DSCSA (Drug Supply Chain Security Act) serialization solutions. Find a 3PL that can scale and grow as your company grows.





## Strong Customer Service

Seek a 3PL partner that provides high-touch customer service, including a dedicated account manager or a team of cross-trained individuals to support your business. Look for a partner that is not just a vendor, but a trusted consultant. That means someone who listens to you and recommends unique solutions based on their industry knowledge and expertise, not an impersonal contact that does not get to know you and your business.

## Robust and Transparent Reporting and Analytics

A strong modern 3PL partner should offer transparent reports that help you make data-driven decisions to optimize your business. Look for a 3PL partner that can provide inventory, sales, and customer care reports that give you insights into your business that you may not have if you handled your distribution in-house. This may include inventory levels, inventory turns, open orders, and customer interactions. Ask your 3PL partner if they can provide real-time reporting on day-to-day operational and financial data.

## State-of-the-Art Technology

A solid 3PL partner should have state-of-the-art platforms for their ERP, WMS, DSCSA for serialization, EDI, OMS, and CRM. This, coupled with human expertise and automated operations is the ideal 3PL. Powerful technology allows you to improve compliance, offer efficient customer service, and make more informed decisions around trends in your supply chain.

# Conclusion

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Every pharmaceutical manufacturer's needs are unique. Smaller and mid-sized manufacturers benefit more from full-scale supply chain support. Larger manufacturers typically benefit more from leveraging a 3PL as a complimentary piece to bolster what they are already doing as they scale. Regardless of how much you outsource, a specialized healthcare 3PL can help your company focus on high value tasks, reduce risk, and maximize operational efficiency. The result is a more efficient supply chain, more bandwidth to focus on growth, and happier customers.

## ABOUT THE AUTHOR

LifeScience Logistics (LSL) is a leading national provider of healthcare supply chain solutions. For 20 years, LSL has delivered high quality, flexible, and compliant third-party logistics services to pharmaceutical and medical device manufacturers, government entities, and healthcare organizations across the country.

LSL's 6.5M SF of cGMP compliant warehouse space, 300+ licenses and certifications, robust technology solutions, and 600+ dedicated team members help pharmaceutical, medical device, and biotech clients distribute controlled room temperature, refrigerated, and frozen products while outsourcing as much of the process as they desire. Learn more at [lslog.com](http://lslog.com).



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