

LOGISTIC CHAIN OF DISTRIBUTION AT PHARMACEUTICAL MARKET OF RUSSIAN FEDERATION

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Key words: distribution chain, pharmaceutical market of Russian Federation, pharmaceutical establishment, logistic center, pharmaceutical production, additional medicine provision (AMP), security medicine.

Pharmaceutical market is actively developing and has a positive trends in its development. Pharmaceutical market can be divided into 3 segments: production, wholesale and retail. The activity of each is licensed and administrated by standards of Ministry of Public Health and Social Development. It was researched the segments on main participant of pharmaceutical market, analyzed turnover of pharmaceutical products.

The logistical chain in a pharmaceutical industry is not different from distribution networks of other spheres but it has some peculiarities. In is explained first of all with historical aspect of development of this sphere in a frame of socialistical economics, and also some market problems. Also the fact of undeveloped insurance market generally and insurance medicine influenced on it. Polices of VHI (voluntary health insurance) still is a prerogative of urban people but the number of them no over 5% in a total number of citizens. The main form of health insurance is still polices obligated health insurance (OHI) what support just little variety of services.

That is why the state is still the biggest player on a pharmaceutical market of Russian Federation.

Annually pharmaceutical market outstrips the inflation in 20-30% and ins amount became 15 milliards dollars. This fact is very attractive for investors.

All participant of pharmaceutical market can be divided into 3 segments: production, wholesale and retail.

Production segment is presented by 3 types of the participants:

The producer (local or foreign) whose production is placed on the territory of Russian Federation and demand of requests of federal law. All this product are certificated. Also for local producers some tax privileges are given and priority participation in state tenders.

Branch of local producer. As a rule the branch is organized in a legal form - LTD with the same name what mother company has but in Russian language.

Firms-importer with exclusive right in Russian federation. It is an organization with the same functions like a branch but it is legally independent firm and also from the producer. As a rule the trade name is registered or assortment on exclusive distribution on the territory of Russian Federation and also firm-importer is responsible for registration and certification and also producer have rights on distribution of Russian market.

Wholesales segment. This market sector is performed by two parts: of large wholesales and wholesales.

National distributor. Large wholesales companies (its share in a market not less then 5%) and branch chain what is presented not less then in 30 regions. It is distinguished on large variety on every parts of pharmaceutical market. It means that the have a low level of prices and also opportunities for reducing policy. The disadvantage is lack of flexibility in making decision, slow reaction on changes in a market. Wholesales segment is performed by branches in different regions.

medicine has an address distribution and strong quantity control.

Logistical distribution centre of drugstore network. The main task is rhythmical provision connected with direct tome and quality of distribution.

Regional distributor. Independent agent realizing the pharmaceutical distribution in one or more regions (having more over 10% of market share in a region of represented. Main advantages are the mobility and flexibility in decisions making, more intimate contacts with customers. The disadvantage is the low percent of direct contacts with producers what restrict in

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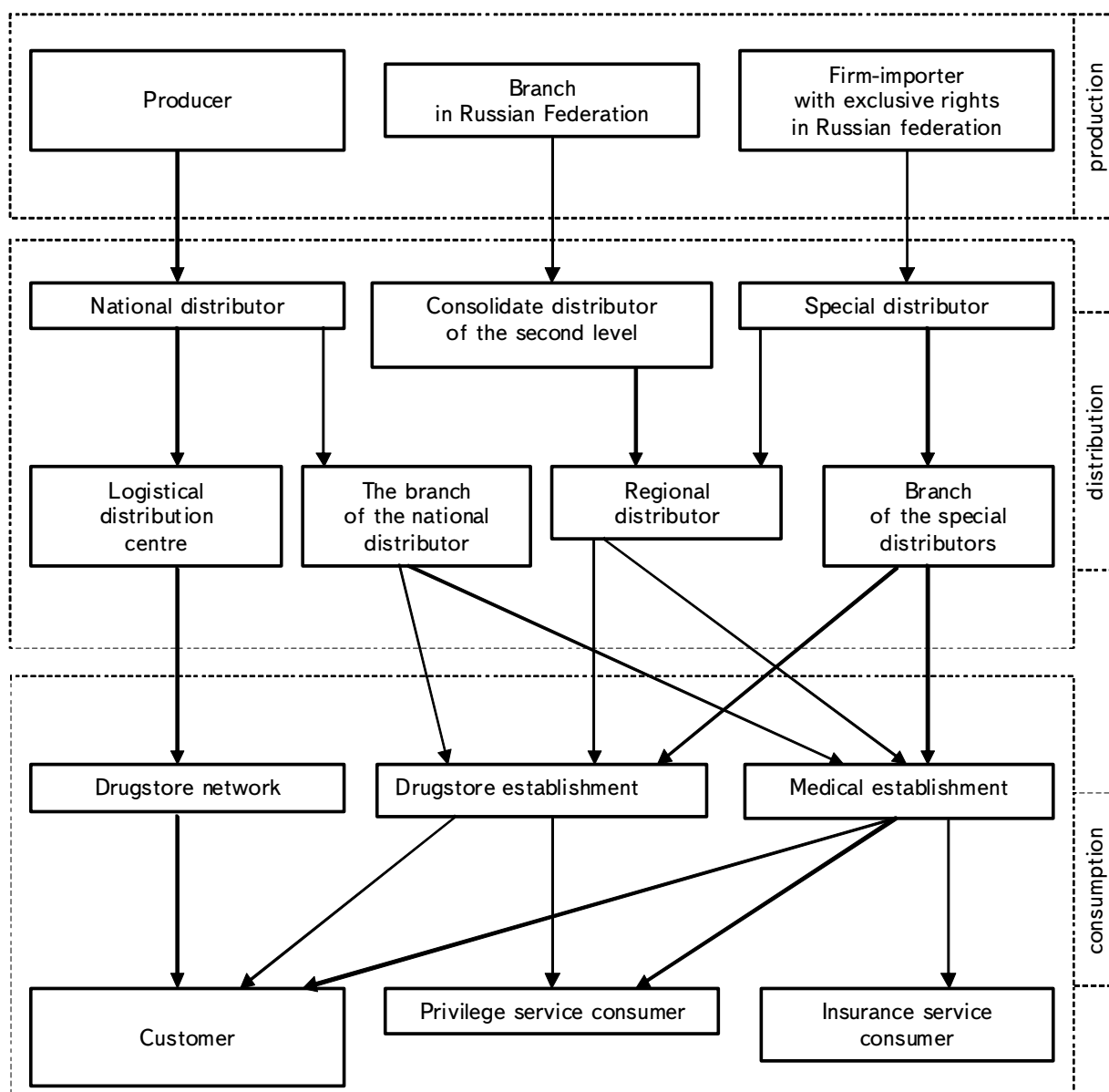


Fig. Scheme of interaction of participants of pharmaceutical market of Russian Federation

ability of effective price competition with bigger distributors.

Retail segment also has dual character because it consists of the retail (drugstore establishments and drugstore chains) and hospital sector with hospital establishments what offer different medical services connected with consumption of pharmaceutical products.

Drugstore establishment. Retail distribution on a pharmaceutical market of Russian Federation is obligated to have a license. In other case it is accounted as a crime. And also the employees of the drugstore have to have a special high of pharmaceutical education. The process of medicine sales is strongly restricted.

Drugstore chains. It is a unit of the drugstore establishment with unified marketing, logistic and administrative structure with one price policy and strategy of development.

¹ Federal law from August, 22 of 2004 № 122-FL.

² Federal law from July, 21 of 2005 № 94-FL about "Placement of orders of the distribution of goods, provision of services for state and municipal needs"

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