

Distribution chain challenges for pharmaceutical and medical device products in the African non-premium primary health care market

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The True Size of Africa

A small contribution in the fight against rampant *immappancy*, by Kai Krause



United States



Europe



India



Japan



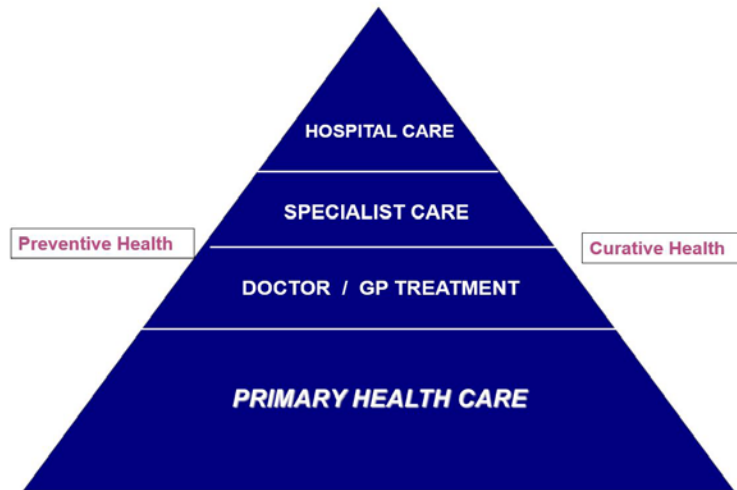
China

Initial Market Analysis South Africa

High Potential in the Primary Health Care Sector

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Primary Health Care - The Biggest Sector You've Never Heard Of



Primary HealthCare Clinics	Step Down Clinics	Nursing Agency - Homecare	Occ. Health Factory / Industry
Corporate Wellness	Retirement Homes	HIV / NGO	University Clinics

- Approx. 15.000 PHC facilities in South Africa offering a level to getting faster and facilitated access to customers
- Nearly no competitive products of similar quality are in place and demand on the customer side can currently not be fulfilled.

No comparable product in the market

- Current solutions available are outside availability and affordability of customers in the private and public sector
- Demand for affordable and high quality is great according to the opinion of a national well-know audiologist and a current Phonak distributor, a number of retirement village operators and primary healthcare clinics managers.

The market is ready for a solution that meets customer needs and affordability

- Tested indicative price range for a single product 250 to 300 USD
- 400 USD is the lowest price range for competitor products
- Current distributors only have limited to no knowledge about the primary health care sector

A solid distribution and local marketing & sales approach is key

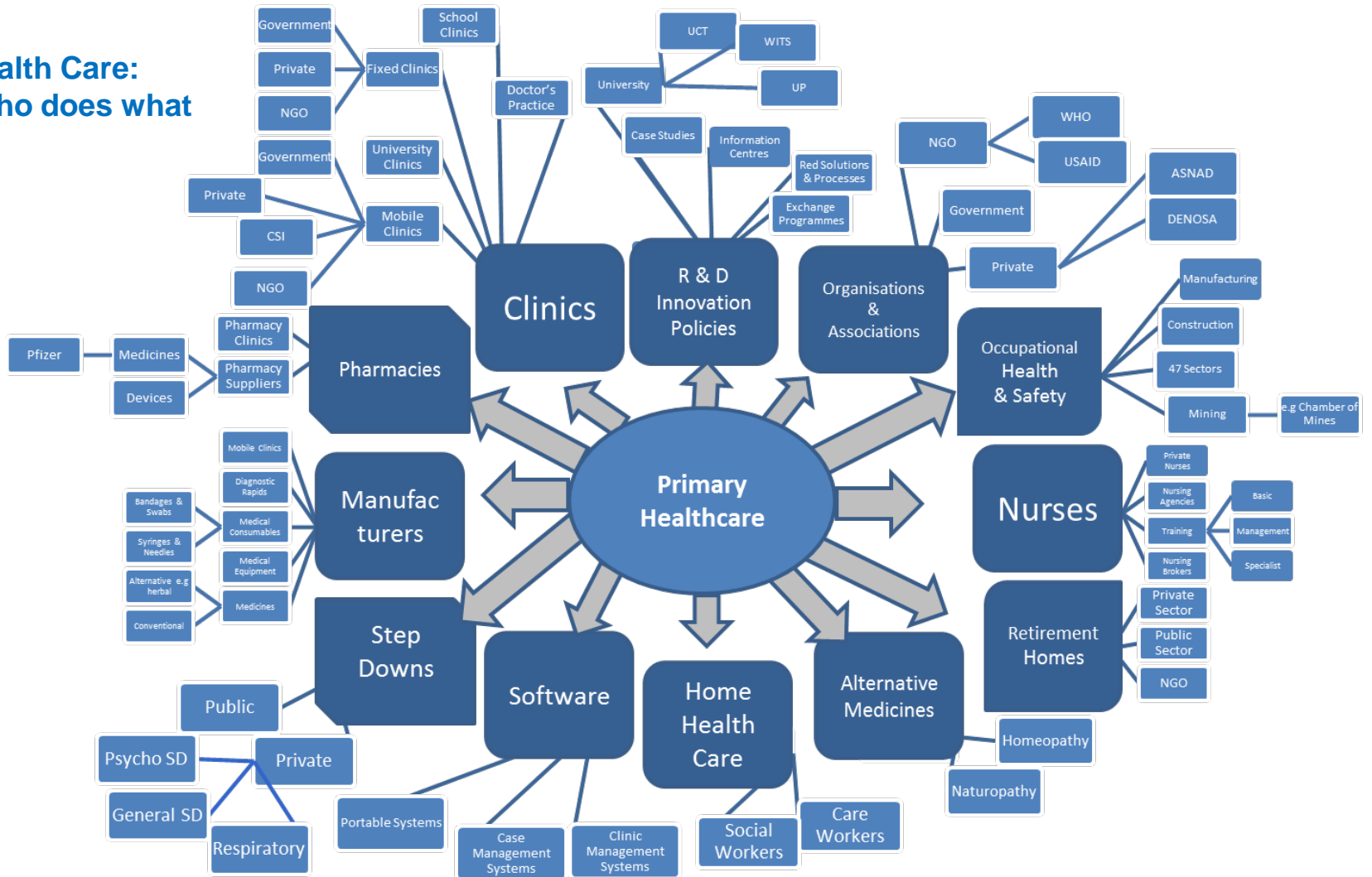
- Setting everything up from scratch would increase initial product launch costs significantly
- Enough experienced and already established distributors on the ground that could be leveraged on to conquer the market, by offering them as well new market growth potential

Initial Market Analysis Africa

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High degree of fragmentation in the Primary Health Care Sector

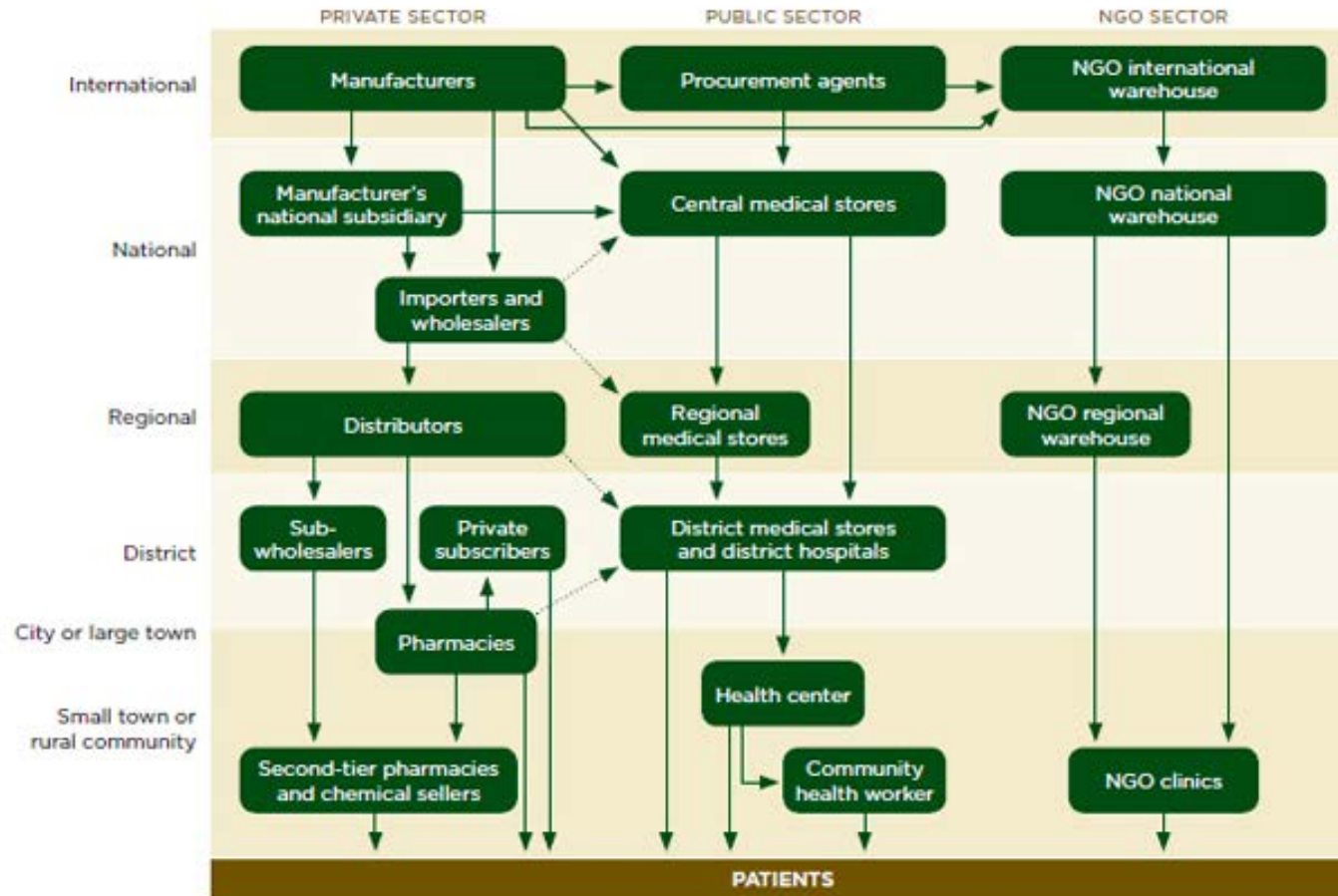
Primary Health Care:
mapping who does what



The African Health Care Supply Chain Landscape

Highly fragmented and Difficult to Control

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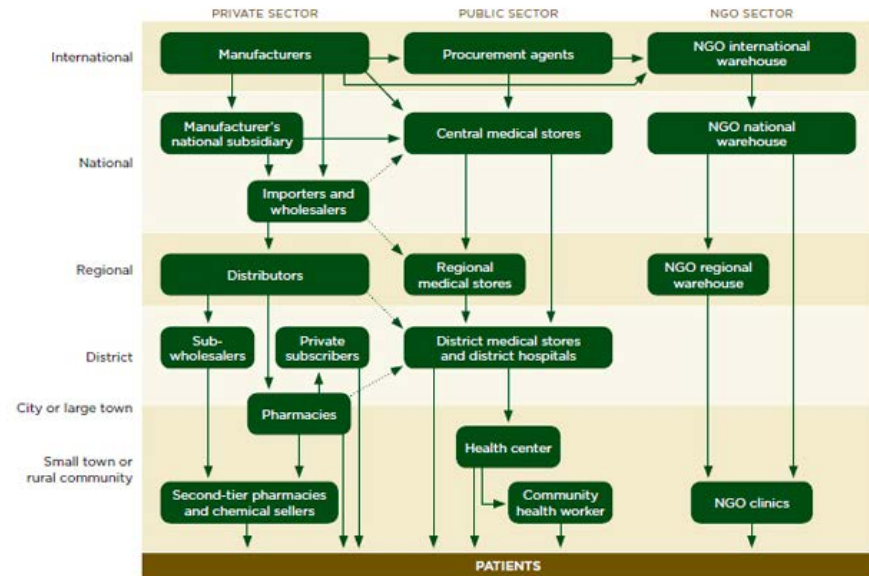
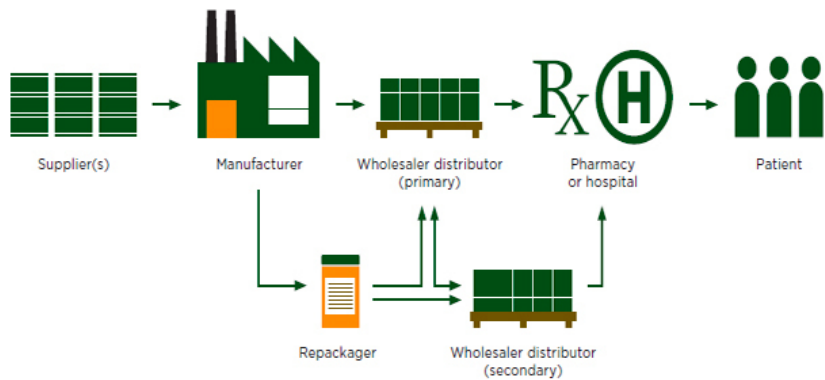


Source: Yadav *et al.* (2011), "Countering the Problem of Falsified and Substandard Drugs", National Academies Press

Distribution Chain Risks in Africa

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Required: Solutions that Accommodate the African Reality



Developed Markets

- A few national firms control most of the wholesale market
- Processes are standardized and regulated
- Retail chains and public channels are well established and organized
- Distribution chain reaches the whole market

African Markets

- Distribution chains are often fragmented and complex
- Sufficiently large number of firms control tiny market shares
- Many small chains with many small companies at every step
- Distribution, especially the last mile is exceptionally expensive and inefficient

Source: Yadav *et al.* (2011), "Countering the Problem of Falsified and Substandard Drugs", National Academies Press

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and measurable impact
in primary healthcare