

## **OMNICELL/SURGICHEM MERGER INQUIRY**

### **Summary of hearing with Alliance Boots GmbH on 16 April 2014**

#### **The organisation**

1. Alliance Boots GmbH (Alliance Boots) was an international supplier of health and beauty products. It had 2,800 stores in the UK, of which approximately 470 used adherence packaging via a pharmacy in the store for the care home market and about 600 stores had a dispensing room specifically to administer Medisure adherence packaging. It spent £2.3 million a year on adherence packaging.
2. It supplied the Medisure product for domiciliary patients and a product produced under licence from the Canadian company, Manrex, for care homes.
3. The Medisure offering was split into two different products: the duo and trifold packs, of which Alliance Boots supplied 1.7 and 4.8 million packs respectively to domiciliary patients in 2013/14.

#### **The supply of Medisure adherence packaging to Alliance Boots**

4. In 2012, Alliance Boots held a tender to source the card-based adherence packaging for the Medisure product. The tender was won by MTS. The other bidders were Venalink, the Nelipak Corporation and Plastique. Venalink was the previous supplier to Alliance Boots.
5. MTS had provided the best overall offer to Alliance Boots in terms of value for money and value-added services such as the ability to change the product design in future if required. MTS had also offered a lower price than Venalink. Nelipak and Plastique had only offered to make the blister part of the product.
6. The decision to tender for a card-based product was made to ensure that the product remained close to the previous Medisure product and would not be too big a change for customers. Alliance Boots considered card- and plastic-based adherence packaging to be generally interchangeable. As such, it was open to considering future bids for plastic-based packaging as long as this was judged to be appropriate for customers.

## **The supply of Manrex adherence packaging to Alliance Boots**

7. The Manrex product was produced by combining blisters that were self-supplied by Alliance Boots and plastic dividers which were supplied by Robinson Plastic Packaging.
8. For approximately 155 medicine lines, Alliance Boots used an automated machine to fill the packaging and seals to ensure that the correct medication stayed in each blister. The seals were purchased from a company called Folienwerk Wolfen GmbH.

## **The supply of ancillary adherence packaging products to Alliance Boots**

9. Alliance Boots bought adherence packaging trollies from SurgiChem and cabinets from W Shuttleworth. It was considering a review of existing supply arrangements for these products and preferred to source them directly from suppliers rather than going via a third party such as MTS.

## **The adherence packaging market**

10. Pharmacists and general practitioners played a role in determining whether domiciliary patients would benefit from adherence packaging. Care homes typically decided which particular type of adherence packaging was most appropriate for their patients. Alliance Boots responded to the preferences of care homes even if that meant ensuring that local Boots pharmacies stocked and supplied other suppliers' products.
11. Cost was the most important factor when tendering for a supplier. Other important factors included the process of ordering and ensuring all products were in that supply chain, and flexibility of pricing in response to variable demand patterns.
12. Alliance Boots had significant bargaining power in the adherence packaging market due to its size, the growth of its care services division and the strength of its brand.
13. Alliance Boots would consider any supplier – whether a new entrant to the market or overseas-based – as long as it could meet the relevant product specification. It was straightforward to switch adherence packaging suppliers. Alliance Boots used the logistics company Bunzl to manage the delivery of adherence packaging to its stores and most customers. For some customers, Alliance Healthcare managed the delivery of adherence packaging directly. Another consideration when switching supplier was patient views. In this

respect, Alliance Boots had not received any negative feedback following the change in Medisure supplier.

14. Alliance Boots could, if required, self-supply the blister component of the Medisure product but would require a company to manufacture the card element. [✂]

### **Future developments in the market**

15. Alliance Boots said that any changes to the Manrex product would be dependent on the demands of customers and developments in the wider market. The use of Manrex had declined in Scotland in favour of original packaging. It had not noticed that same level of decline in the rest of the UK.
16. It also noted that the development of electronic Medication Administration Records (eMAR) for care homes within the next 18 months would [✂].
17. Alliance Boots had also considered the use of electronic smart cards for domiciliary patients but was not aware of the costs associated with this solution.

### **Impact of the merger**

18. The merger would have little or no impact on Alliance Boots if it was approved. It would expect to have negotiations with the merged company to obtain improved prices for the ancillary products it purchased from SurgiChem.
19. It was comfortable with the number of alternative suppliers of adherence packaging in the market and expected that the merger of the two companies would bring a better service through a sharing of expertise and the realisation of efficiencies from merging the two companies.