

OMNICELL/SURGICHEM MERGER INQUIRY

Summary of a call with Dexapack B.V on 20 May 2014

The organisation

1. Dexapack was a producer of blister and high-visibility packaging for the pharmaceuticals industry and produced a wide range of Monitored Dosage System (MDS) products.
2. Dosebliss was a trademark of Dexapack and had been in existence for three years. It supplied adherence packaging to customers across Europe but did not yet sell products in the UK.

Dexapack and its plans for the UK market

3. Dexapack was due to sell card-based adherence packaging in the UK in the next few weeks under the name 'MedTime'. It was also in the later stages of testing a plastic-based adherence packaging product for sale in the UK (possibly by July 2014).
4. The MedTime product would be distributed by a UK based company called A Wise World Ltd to pharmacy wholesalers. The product was very similar to the card-based products currently sold by MTS and Venalink and would be manufactured in Istanbul, Turkey. The packaging could be branded with the logo of the pharmacy it was being sold to and was aimed at large and small pharmacies.
5. Dexapack's unique selling point was that it could offer customised blister packs and other add-ons such as child-resistant blister packs. Whereas MTS required significant volumes to be ordered before it would provide customised artwork, Dexapack would be able to provide customisation on packs of 5,000 (these would have a price of €[~~8~~] per tray to a pharmacy).
6. The product could also have an electronic-chip integrated into the packaging to provide electronic notification of when and where the dose was taken and the temperature. This technology was currently only being used in clinical trials. However, Dexapack believed that it would be able to launch a disposable version with an electronic chip within a year.

7. The price of the MedTime product would be [REDACTED] than packaging that was sold by MTS. A standard MedTime tray would cost €[REDACTED] per tray and a MedTime product with an electronic solution would cost €[REDACTED] per tray. These were prices for pharmacy wholesalers. It aimed to sell 5–15 million packs over three years following its launch in the UK.
8. The plastic-based product would be very similar to Surgichem's Nomad product. It would also be possible for an electronic solution to be integrated into the product as per the MedTime product. The standard plastic product was currently being tested for compliance with regulations in order to gain a safety certificate and was due to be launched in the UK in July 2014. Dexapack said it had an agreement with a company for the supply of seals for the plastic packaging.
9. The plastic product would be distributed by [REDACTED] and an additional distributor that would allow Dexapack to sell its product to the Irish market. It would cost €[REDACTED] per tray to a pharmacy wholesaler. Dexapack did not have any predictions of sales in the UK for its plastic product.
10. Dexapack aimed to sell its products at a mark-up of [REDACTED] on the cost of its manufacture.

Barriers to entering the UK market

11. Dexapack did not foresee any barriers to entering the UK market and noted that the UK market was very price-sensitive. For Dexapack to be successful in the UK market, it would need a distribution centre in the UK. It also noted that there would be limited barriers for a customer to switch supplier.
12. There was a significant amount of adherence packaging products entering the UK market from China at low-prices, but these often did not comply with regulatory requirements. However, as pharmacies were concerned about the cost of adherence packaging, the Chinese products were being purchased in the UK and Dexapack expected other suppliers would enter the UK market using Chinese manufacturing.
13. [REDACTED].
14. The use of electronic solutions within adherence packaging products was two to three years away from having a significant impact on the market, and Dexapack anticipated it growing to around 5% of its adherence packaging sales.

The adherence packaging market in the UK

15. Whilst it offered similar card-based products as MTS and Venalink, it did not aim to compete directly against them, but instead offer a customised and innovative product to its customers. It regarded itself as also being in competition with Surgichem and the supply of packaging from China for its plastic-products.
16. It regarded plastic and card-based packaging as part of the same market and interchangeable based on the choice of the individual pharmacist, although they did each have some advantages which meant that some purchasers had preferences for one or the other.

The adherence packaging market in mainland Europe

17. The market for blister-based adherence packaging had only developed in the UK and North America. The use of blisters across Europe was only just developing due to legislative restrictions such as in Holland where, until recently, pharmacists had not been allowed to remove drugs from the manufacturers' packaging.
18. Blister packs were not commonly used in Europe as pouch-based packaging was more common. Pouches were a cheap system, but they had a number of disadvantages, in particular the inability to change medication.
19. Companies from mainland Europe such as [X] and [X] specialised in pouches but also produced blister packs. Dexapack noted that pouch and blister based packaging were separate markets. Dexapack thought it was likely that [X] and [X] would enter the UK adherence packaging market in the next three years.

Impact of the merger

20. Dexapack did not have a negative view of the merger. However, it did not think that the merged company would be able to offer the level of customer service that other organisations could offer due to its size.