

OMNICELL/SURGICHEM

Summary of hearing with Shantys Ltd on 29 May 2014

The organisation

1. Shantys Ltd (Shantys) was a provider of compliance aides for medication in the UK and internationally. It started to produce reusable pill boxes in the 1990s.
2. Shantys produced Monitored Dosage Systems (MDS) in single- or multidose formats. Shantys' disposable products were introduced three to four years ago in response to a gap in the market for a disposable product that could be bought through wholesalers in smaller quantities than was possible direct from suppliers.
3. Pharmacies bought Shantys' products, including the disposable 'PillMate MD Pack', through wholesalers and distributors.

Competitors and customers

4. Surgichem, MTS, Venalink and Biodose were Shantys' main competitors. Manrex was a lesser competitor in the UK.
5. Shantys thought that the volume of its sales of PillMate amounted to about an eighth of that of its main competitors that produced card-based products. Biodose offered another option for potential customers as it could accommodate both liquid and solid medications.
6. Customers included wholesalers and distributors spread across the UK, who in turn sold the product to pharmacies. Shantys believed that it was the only company in the UK that supplied through wholesalers, and it was always seeking to negotiate with new potential distributors of its products.
7. Shantys did not supply to pharmacies directly. If a larger pharmacy chain were to approach Shantys directly, it would be asked to negotiate with a wholesaler in the first instance with no consideration given to direct supply.

The adherence packaging market

8. Shantys believed that its prices were comparable with other producers of plastic-based adherence packaging systems, although its margins had been squeezed in recent years. Transport costs in particular had risen markedly.
9. Shantys considered plastic-based systems to be of better quality than cardboard blister packs, in terms of aesthetics and being less cumbersome to use.
10. Product quality and service were the most important factors that customers took into account when choosing a supplier.
11. Some pharmacists were reluctant to switch suppliers because they had been in business for many years and were sometimes risk averse in terms of changing suppliers.

Barriers to entry and expansion

12. Shantys felt that it was unlikely it would seek to sell to pharmacies directly due to the additional staff costs involved, and due to its strategic plans.
13. It had considered developing a product suitable for use in care homes, but had taken the view that doing so would require time and effort. For the time being, therefore, it preferred to focus on achieving organic growth in the domiciliary sector.

Future developments in the market

14. It was likely that there would be increasing division in the market between pharmacies looking to save money who were more likely to opt for the card-based products and buy in volume, versus those looking to provide greater customer service and enhance patient experience by providing a plastic product. It noted that companies were undertaking research into the development of automated packaging solutions, with robots being used to fill packaging.
15. Shantys anticipated that its market share might be affected by smaller pharmacies being bought by chains. It did not supply to multiple pharmacy chains as they tended to buy directly from suppliers at a lower cost.

Impact of the merger

16. Shantys thought that the merged company would be able to offer products at discounted prices for a period of time, thereby diminishing competition in the

market. The merged company could then raise prices due to the subsequent lack of competitors.