

Frequently asked questions – Regional Distribution Centers

Q. What is a regional distribution center?

A. Regional distribution centers (RDCs) are state-of-the-art warehousing facilities that operate in Ghana, Kenya and South Africa and which store and distribute the most frequently requested essential medicines and other health products. RDCs provide shorter delivery times than ordering directly from the manufacturer, trimming the turnaround time from three to four months to between two to six weeks for planned orders.

Q. What are other benefits of going through an RDC rather than just shipping directly to the client?

A. There are many potential benefits of shipping through a regional distribution center.

- **Avoid expiration.** Regional distribution centers manage and rotate stock to ensure that shipments are made based on shelf life of products to avoid expiration.
- **Increase security.** Regional distribution centers closely track the chain of custody to avoid theft and introduction of counterfeit products.
- **Lower cost.** By “pooling” procurement and consolidating appropriate shipments, Regional Distribution Centers can leverage lower costs of commodities and shipping.
- **Consolidated deliveries.** RDCs can consolidate a number of products into a single shipment, e.g. to supply all ARVs in one consignment, rather than multiple deliveries from different vendors, thus reducing administration and processes such as customs clearance.
- **Assure quality.** SCMS partners with North-West University in South Africa to routinely test pharmaceuticals that move through our supply chains.
- **Help in emergencies.** By storing “buffer stock” of frequently used commodities, SCMS can help clients avoid potential stockouts.
- **Increase warehousing capacity.** Many countries currently have limited warehousing capacity and therefore cannot accommodate large shipments from international manufacturers. Regional distribution centers can shift the burden of storage to a nearby location where stock can be drawn in smaller quantities as needed. Smaller more frequent shipments enable in-country supply chains to increase their throughput of product without new investment in increased physical capacity.

SCMS Project Team

Q. Why are the RDCs located in Ghana, Kenya and South Africa?

A. RDCs are strategically placed close to point of use, taking advantage of local transport hubs to serve several countries from one point.

Ghana was chosen as the best location for the RDC in West Africa due to a number of factors, including the nearby port facility, relative economic and political stability, receptivity of the government in having the facility located there and proximity to Nigeria and Côte d’Ivoire (two PEPFAR countries).

Kenya was chosen in East Africa for similar reasons, including the receptivity of the government to the RDC and the country’s proximity to a number of PEPFAR countries and a good aircraft hub.

In South Africa, PHD, one of SCMS’s 13 team member organizations, already had a large warehousing facility; therefore the RDC was located adjacent to existing facilities for continuity of management and services.

Q. Do the RDCs create parallel systems that could compete with or threaten existing supply chains?

A. No. The RDCs provide an intermediary point for bulk storage between the originating supplier and the national systems of the countries the RDCs support. No similar pharmaceutical facilities that meet the same standards exist in West or East Africa. In fact, we feel that the existence of the RDCs is helping raise standards for temperature control, security and other best practices for warehousing in the two regions.

Q. Why do you feel the RDCs are helping raise standards elsewhere?

A. We have been told anecdotally by our providers of air conditioning and sprinkler systems that they have been approached by other warehousing companies that have heard about the RDCs to come look at other facilities in preparation for upgrades.

Q. In addition to regular shipments of ARVs, have you assisted with preventing stockouts?

SCMS has used the RDCs to fill numerous emergency orders, including these examples:

- After a fire that gutted a warehouse serving Harvard’s AIDS Prevention Initiative in Nigeria (APIN), SCMS provided an emergency order of three ARVs from two RDCs to avoid interruptions in treatment for patients who rely on the Harvard program. Many other organizations, including the Clinton HIV/AIDS Initiative (CHAI), Institute of Human Virology Nigeria and International Center for AIDS Care and Treatment also assisted APIN at this difficult time.
- At the request of the Ethiopian Ministry of Health, SCMS procured an urgent order for Stavudine, to cover a potential gap while the country transitioned to fixed-dose combination

ARVs. SCMS delivered the order 18 days after the initial request (ten days ahead of the requested delivery date).

- SCMS filled an emergency order from Zimbabwe's Ministry of Health and Child Welfare for Zidovudine 300mg tablets to avert a potential stockout. This antiretroviral drug, used by second-line patients, is of vital importance to the national program. The SCMS RDC in Ghana responded with a three-month supply from its strategic stock.
- Facing an imminent stockout of four key ARVs, the government of Swaziland contacted SCMS for help in an emergency. In less than two weeks, SCMS shipped slightly less than \$200,000 of ARVs from the Ghana RDC. The drugs went first to South Africa by air and then to Swaziland by road. SCMS' response time was less than two weeks.

Q. Is there additional cost associated with using an RDC rather than ordering directly from the manufacturer?

A. There is about a four percentage point premium to use the RDC for ARVs from the additional shipping, handling and storage costs, but we're finding that savings in shipping can reduce the extent of the additional cost. For example, shipping by land rather than air freight from the RDC to the final destination can more than recoup the additional cost.

Q. What's the relationship between the RDC and the manufacturer, and the RDC and the end client?

A. Sometimes manufacturers stage consignments at the RDC at their own cost because they consider it a competitive advantage to have stock closer to the end user. Some clients specifically ask to use the RDC because importation processes can be onerous. By consolidating requirements into a single shipment clients receive their full requirement at one time, and importation and customs requirements need only be dealt with once rather than multiple times. Once an RDC has shipped into a country a few times it works out the import regulatory requirements and can be faster in importing drugs to a recipient country.

Q. Other than SCMS, what other customers are using the RDCs?

A. SCMS's RDCs are operated by PHD, based in South Africa, and are designed to provide a sustainable private-sector solution to improve pharmaceutical supply chains on the African continent. We hope that at some time in the future SCMS will be one of many clients for the RDCs. The RDCs already have a number of other clients, including:

- **Ghana:** Vestergaard Frandsen Group for mosquito nets
- **Kenya:** Merck for pharmaceutical products and the Clinton Foundation
- **South Africa:** AIDS Access for Africa (AA4A) for ARVs on behalf of the Dutch government and Aspen for pharmaceutical products

Where does the RDC staff come from?

All RDCs are staffed from the country of operation and comply with regulatory procedures of having a qualified pharmacist on the premises (our branch managers).

Why was PHD chosen to operate the RDCs in Ghana and Kenya rather than a local company?

PHD is the largest privately owned warehousing and distribution company for pharmaceuticals in Africa. It has attained ISO 9001 (International Standards Organization) certification, meaning that its processes and procedures are vetted by a globally recognized entity. Because PHD maintains a rigorous set of standard operating procedures, it was well prepared to replicate its existing operations in South Africa in other locations.

More questions?

Contact us, or see our other FAQs:

- About SCMS <http://scms.pfscm.org/scms/about/faq>
- E-catalog <http://scms.pfscm.org/scms/ecatalog/faq>
- Antiretroviral pricing <http://scms.pfscm.org/scms/communitycenter/library>
- Counterfeit products <http://scms.pfscm.org/scms/communitycenter/library>

August 2009