

# Generic Drugmaker to Pilot RFID

Mallinckrodt Pharmaceuticals is reportedly in the early stages of deploying an item-level tracking system to improve its internal and supply chain operations.

By Mary Catherine O'Connor

Sept. 20, 2005—Mallinckrodt Pharmaceuticals, a company that formulates, manufactures and distributes generic pharmaceuticals, will develop and deploy an RFID solution to improve its internal operations and track its prescription drugs through its supply chain. Based in St. Louis, Mo., and owned by Tyco Healthcare, the company says it will start by piloting an RFID solution early next year.

Mark Pilkington, Mallinckrodt's associate director of professional and trade relations, says his company will first develop a passive-tag RFID system to improve its internal operations. Eventually, as its supply chain trading partners become RFID-enabled, the company plans to assert tighter control over its supply chain and boost efficiency.

Mallinckrodt has been placing UHF EPC tags on bulk bottles of select strengths of its generic oxycodone and acetaminophen painkillers shipped from its Hobart, N.Y., distribution center and headed for select Wal-Mart locations since last summer. "We're not doing this to comply with a mandate from Wal-Mart; it was a request from Wal-Mart," says Pilkington, "and we've learned a good deal about the technology through the project, which is of value to us." Mallinckrodt has learned enough, he says, to feel confident it can reap benefits through initiating a system of item-level tagging.

For its Wal-Mart tagging initiative, ADT Security Services, a Boca Raton, Fla.-based unit of Tyco Fire & Security, provided Sensormatic Agile 2 UHF readers and antennas, and also assisted Mallinckrodt in testing tag performance. ADT says it will provide these services for Mallinckrodt's larger RFID system rollout, as well, and that Mallinckrodt is in negotiations with OATSystems to have the company provide its OAT Foundation Suite of software products for EPC data management. Outside of these two announcements, however, the pharmaceutical company has not indicated any other likely technology partners—or even whether it will use high-frequency (13.56 MHz) or ultra-high-frequency (915 MHz) tags.

"Mallinckrodt is looking at any application that brings the company value," says Randy Dunn, director of RFID for ADT. "That's going to be item-level tagging, and it could be with UHF or HF tags."

Both ADT and Mallinckrodt's parent company, Tyco Healthcare, are owned by Tyco International, but Pilkington says there was no corporate directive for Mallinckrodt to partner with ADT. "Our [systems] engineer surveyed all of the passive RFID systems on the market and interviewed a number of other vendors," he says, adding that Mallinckrodt will continue to seek the best RFID partners for its expanding RFID deployment. "If they have the solution we need in the marketplace, they will be selected."

According to Pilkington, the cost implications of installing an RFID system can be as much as four times higher for a maker of generic drugs than for a maker of brand-name drugs. "We're a generic drug firm, so the unit cost of our product is much lower than for brand-name drugs, but our cost for deployment of RFID

technology is the same as for brand-name drugmakers," he explains. "Brand-name drugmakers can also pass along some of the cost of using RFID to their customers, but generics have too much price competition from other firms."

For this reason, Pilkington needs to deploy a system that is as cost-efficient as possible, while providing the highest possible yield in benefits. One area where he thinks the technology can contribute to Mallinckrodt's ROI is through simplifying and increasing the accuracy of its rebate-reconciliation process with its retailers.

"We establish terms and conditions on each sales contract, and these might include discounts if the party sells a certain amount of product by a certain date, or buys a certain amount of product from us," says Pilkington. If that party later returns a quantity of that product—because it has expired or is under recall or another reason—then requests a rebate, Mallinckrodt must determine what that party paid for the product.

Without RFID, Mallinckrodt can determine the lot or batch number of each individual bottle of returned product, but there's no easy way to trace it to the invoice under which it was purchased—and, thus, no easy way to determine the amount due back to the retailer. If that bottle carries an EPC tag, however, and if Mallinckrodt links EPCs to invoices, the company can quickly determine the correct rebate price and avoid lengthy and contentious rebate negotiations with retailers.

"The entire supply chain is going to have to use RFID technology in order to allow for the data capture and analysis [through EPC reads] to arrive at what we suspect is the full benefit of RFID technology. But in the short term, we think we've identified some areas where internal use of RFID will result in wins for us," says Pilkington.

Copyright ©2005 RFID Journal, Inc. All Rights Reserved