



## NHS Supply Chain

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Dear Sir/Madam,

### Re: NHS Supply Chain – Direct from Manufacture update to suppliers

You may be aware we have started a Direct from Manufacture (DfM) programme and have introduced an own label brand under the name 'Choice for Health'. As you are a valued supplier to NHS Supply Chain, we want to explain the rationale behind it.

The objective is to drive value for NHS trusts. This initiative is targeted to deliver significant cost savings over the next six years. The brand represents quality and value for money, and, where a contract has a DfM element, there are opportunities available to our suppliers to supply quality "Choice for Health" branded products, manufactured brands or supplier brands direct from factory.

### Background

*"The 2010/11 NHS treatments tariff will challenge hospital providers ahead of future funding reductions and a required efficiency saving of £10bn by 2012/13." (Source: Public Finance 11 February 2010.)*

As a result, there is a squeeze on public spending and an increased pressure which all NHS trusts are facing.

To date, because we purchase products to be used by others, NHS Supply Chain have always purchased a full service value proposition from its suppliers, including additional services such as a supplier sales force to promote and sell the product to our customers, provision of technical support, education and training courses and materials to our customers, sales marketing and promotion of the product and brand.

In essence, whilst we have offered customers a choice of brands, the value proposition we are offering is the same for every brand and, because we have traditionally bought this wider value proposition rather than just a core product, this has generally confined our purchasing to those suppliers with a presence in the UK.

During 2009, we launched a pilot project and in line with EU procurement regulations, procured a number of products direct from source, including the UK, the Far East and Europe. The pilot was successful and achieved significant savings. As a result, NHS Supply Chain has put together a specialist team to manage the DfM operation going forwards.

Directly sourced products will either be produced under our own label, "Choice for Health", generic manufacturer brands or an existing brand direct. This is not a new concept as it is a model which many organisations have successfully adopted over the years resulting in price reductions for their customers.

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### How will this impact on suppliers?

"Choice for Health" will only be considered for certain consumables, class one and two A medical devices (our NHS Supply Chain buying team will be able to share with you more detail). The tender process will be open to all suppliers including manufacturers and distributors. Existing suppliers will now be able to respond to own label tenders. The OJEU process will remain the same but with the addition of the own label specifications.

The mix of "Choice for Health" products versus supplier own branded products is likely to vary from one contract to another.

The DfM strategy is to establish the best supplier with all tenders evaluated against a number of criteria including quality and price. As an example, two "Choice for Health" products due for launch later this year are being sourced from UK SME's; and as part of our strategy, NHS Supply Chain are working with the UK suppliers on all aspects of the supply chain to benefit from the larger NHS Supply Chain volume based rates.

### The 'Choice for Health' brand

NHS Supply Chain has created a brand called "Choice for Health" under which to sell own label products.

### What does 'Choice for Health' stand for?

The 'Choice for Health' brand:

- is an integral part of the NHS Supply Chain channel and benefits from the same high service levels through the NHS Supply Chain delivery network and customer value proposition
- offers significant cash releasing savings and the choice of a competitively priced own brand alternative
- benefits from the knowledge and experience of DHL and its global supply chain expertise
- reassures customers of the quality of products sold under this brand, ensuring the quality meets the expected customer requirements
- is transparent and open as to where products are sourced.

### Summary:

- the "Choice for Health" initiative is an exciting opportunity for NHS trusts
- the initiative will deliver significant cash releasing savings to NHS trusts
- products are expertly sourced and quality is not compromised
- own label products will be procured through the OJEU tender process
- additional own label opportunities available for suppliers
- there has been a positive response from our customer base who are all very excited about "Choice for Health" and the associated savings.

If you have any further questions please feel free to respond through [dfm@supplychain.nhs.uk](mailto:dfm@supplychain.nhs.uk) or alternatively we will be providing further updates at our NHS Supply Chain Supplier Conference in October.

Yours sincerely,



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Vice President, Procurement Transformation and Strategy

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### Questions and Answers

**Q. Do DHL supply any own branded products to NHS Supply Chain?**

**A.** No – All products are supplied through suppliers awarded through the OJEU process.

**Q. How will you ensure product quality?**

**A.** Within NHS Supply Chain, we have recruited an experienced team of Quality Assurance and Control staff. This team will work closely with the manufacturing factories to ensure that the required levels of quality testing and control are maintained. A comprehensive quality policy is in place covering all key aspects. This includes the development of a product information pack for each product to ensure that manufacturers understand the specifications required by the customer. Prior to contract launch product samples will be evaluated by end users and task forces to ensure product suitability

All suppliers will be approved prior to product supply to ensure that they can continue to meet our minimum standards for supply. This will include the quality of the product, the control throughout the process, social accountability/ethical trading compliance, environmental control (being a good neighbour) and ensuring that the company is addressing health and safety issues for their workforce. Quality control is undertaken by the dedicated NHS Supply Chain Quality Audit and Control Team both during the manufacturing process and before the release or approval of the product. Where national/international product standards exist, testing will be conducted by accredited laboratories to confirm compliance. Ongoing monitoring and vigilance will also be conducted by the NHS Supply Chain Quality Audit and Control Team.

After leaving the factory, products will be transported, handled and stored according to comprehensive operating procedures throughout the supply chain including dispatch into and from seven Distribution Centres.

Warehouse Standard Operating Procedures provide for QC checking on receipt and dispatch into and from 7 Distribution Centres. All Distribution Centres are ISO 9001 (2008) accredited and ISO 14001 (2004) accredited. Operation of Quality Policy is to be audited 3 times per annum by ISO13485 accredited auditors.

**Q. Will I get the chance to supply from my factories?**

**A.** Yes. All potential suppliers can tender on both a delivered and ex works/FOB basis.

**Q. Can I co-brand 'Choice for Health' products?**

**A.** In certain circumstances, this will be considered dependent upon the individual contract strategy.

**Q. Will you be making lower margins on 'Choice for Health' products than branded products in order to buy market share?**

**A.** All products will be required to deliver commercially viable returns on a stand alone basis. At present, margins vary from product category to product category and are set consistent with the market dynamics to cover NHS Supply Chain's cost to serve.

**Q. Will you promote 'Choice for Health' products over and above other products on a contract?**

**A.** No. NHS Supply Chain is required to comply with EU procurement regulations and competition law, and treats all suppliers on a contract fairly and equitably.

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**Q. Which products are currently available under 'Choice for Health'?**

**A.**

Range of Bandages

Super Absorbent Gel

General Absorbents [Cotton Wool, Dressing Pads etc]

Personal Hygiene Products [October 2010]

Immobilisation products [October 2010]

Tray Wrap and Sterilisation To be finalised

Drapes and Gowns To be finalised

**Q. What is the remit of the brand, by category?**

**A.** The 'Choice for health' brand will be applicable to any product within scope of the NHS Supply Chain contract on the basis that it meets strict feasibility criteria (e.g. products type, clinical use, volume, brand loyalty, quality requirements). At this stage, it is envisaged that consumables and class one and two A medical devices will be appropriate.