Maziar Mike Doustdar – Executive Vice President of International Operations, Novo Nordisk (Part 1)

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In part one of an exclusive interview (part two here), Novo Nordisk's Maziar Mike Doustdar explains the significance of the 141 countries in the company's IO region to global operations and the varying strategies for success in these geographies.

Novo Nordisk's International Operations (IO) region groups together some 141 different countries – basically the entire world, except for the United States, Europe, Japan, China and Australia. Comparatively how significant is this region for the company in terms of revenue generation, workload and growth potential?

We constitute the largest region both in terms of geography and production; one third of everything that the company produces ultimately gets sold and consumed within IO. We are also by far the biggest growth driver in terms of growth percentage, as some 210 million out of the 415 million known diabetes sufferers worldwide inhabit the IO countries. We're talking about an area in which 4.7 billion of the world's 7 billion people reside, so IO is highly significant with regards to actual and potential customer base. For absolute sales value, however, we rank number three behind the United States and Europe.

The original concept of ‘emerging markets’ has been thrown into question in recent years with underdeveloped markets increasingly resembling mature ones in terms of generics penetration, prevalence of non-communicable disease and market access barriers. How would you therefore describe the evolution of Novo Nordisk’s strategy with regards to emerging economies?

Continuity has very much been the name of the game. Novo Nordisk is proud to have been a very early mover into emerging markets. Starting out as a small Danish company, Novo Nordisk quickly realized that it was going to need to reach out beyond its home market of 5.5 million people if its business was to prove enduring and impactful over the long run. Expansiveness and a willingness to follow the patients wherever they may be has become part of our corporate DNA and an endeavor that we have been engaged with for the past 90 years.

Unlike many companies, whose interactions with emerging markets tend to be characterized by kneejerk reactions and sudden strategic shifts, Novo Nordisk has not deviated in its approach to emerging and underdeveloped nations. It’s true that emerging markets were subjected to a lot of hype in the early 2000s and that in recent years we have witnessed a bit of a drawback on the part of some multinational pharmaceutical companies. The skeptics have been quick to point out the discrepancy between volume and value generated when compared with mature markets like the US, and view a lack of affordability and purchasing power as major obstacles to generating high returns in less mature markets. Novo Nordisk, however, has always taken a much more optimistic outlook.

How would you describe that outlook?

When you consider that at least 10 percent of the 4.7 billion people living in IO countries have equivalent purchasing power to many consumers in mature markets, you are actually presented with a financially and strategically very important market opportunity that it would be shortsighted to overlook. We’re talking about growth of a one billion-strong middle class and, if out of that, 500 million are able to afford latest generation, state-of-the-art therapies, then that in itself is a larger customer base than either the United States or Europe. It’s thus a tremendously important market segment to be present in.

Given that IO encompasses some of the world's poorest countries, and also some of its wealthiest, how exactly does Novo Nordisk go about ensuring success and launch perfection over such a diverse area?

The secret to success is being very patient and persevering with a long-term vision. When you're dealing with not one FDA, but 141 separate regulatory entities each with their own distinctive characteristics, it is obviously going to take time to perfect your market access approaches. Equally when you're dealing with a vast, but fragmented geography that covers most of the land on earth, and are going to have locally savvy representatives that can cover every corner, then that will also require a certain amount of time to put in place. The amount of educational awareness raising that has to be conducted as a prerequisite to placing products on many IO markets further elongates time lines. All of this means that you have to be comfortable with a return on investment (ROI) that is going to take longer than in more conventional, stable markets such as the United States or Western Europe.

Personally I feel blessed to work for a company which adheres to a long-term perspective. Irrespective of the seasonality and cyclical nature of emerging markets, we don't perform major strategy shifts. Our engagement with developing and underdeveloped nations has very much been one of continuity. In 2008, when many investors lost hope on emerged or developed markets and were pulling their money out of Greece, Ireland and Italy and redirecting it towards China, Vietnam and Indonesia, we were already well embedded in those markets.

Now there is a tendency on the part of some of the big pharma players to reverse course and redirect their money back to euro economies in reaction to the fadeout of the commodity price boom and currency instability. We, by contrast, continue to stick the course. Our steadfast belief is that the big winners from emerging markets will not be those actors that chase the money, but those that are genuinely in it for the long haul.

What has been the significance of the reversal in economic fortunes in emerging markets – the combined effect of the fadeout of the commodity price boom, currency instability linked to strong dollar and fiscal deficits – for your ease of doing business?

Last year, we had to deal with the challenge of what I refer to as the five 'C's: increased 'competition,' 'conflict' across the Arab world, 'China's' growth slowdown, the ensuing 'commodity fadeout,' and 'currency instability'. All of this contributes to a tougher business environment. A common feature of emerging markets is the rise of competition not only from multinationals, but

also from local entities that understand their home markets inside out. We welcome this form of challenge as it drives us to enhance our performance and optimize our offering ending in better health outcomes for end users of our medicines.

The other challenges are unwelcome, but have to be confronted. China’s growth rate has now declined from double digits to high single figures and, as the major trading partner to many emerging economies, sadly this does have an impact. As commodity producers witness a decrease in trade volumes and value, that soon translates into cutbacks in public health expenditure. Our response as a firm has to be to review our product portfolio and determine the best options for each market under the prevailing conditions. Sometimes we can provide discounts and reconfigure payment terms to align with the reduction in liquidity. Other times we can offer alternative, more affordable products. Each specific case is different.

You mentioned that the initial buzz of the early 2000s about emerging markets has now been tempered by a message of constraint and caution. Does the initially adopted “one-size-fits-all” approach to emerging markets retain any relevance given the diversity of these countries in their stages of development? Is there such thing anymore as a “prototype” emerging market?

Novo Nordisk serves the world’s richest nation but also serves the world’s poorest countries in IO. That means we certainly cannot adopt the sort of “one-size-fits-all” approach that might work well in a more cohesive geography such as Europe. You certainly can’t apply the same strategy you use for Qatar to a country like Sierra Leone. Nevertheless you might well be surprised by the similarities encountered across the IO economies once you start bundling these markets into different baskets. We therefore categorize bundles of similar markets according to tiers and deploy a series of simultaneous, parallel strategies that mutually reinforce each other.

‘Tier one’ countries are generally those that we consider strategically important in the short term for revenue generation and where we identify opportunities for high-end product launches. These include fast emerging markets such as Brazil, Russia, and India, alongside other high-performance markets like Turkey, Mexico, South Africa and comparatively mature ones such as Argentina. They are notable for having a certain level of infrastructure already in place that, though perhaps not quite as smooth as in Europe or North America, is nevertheless pretty functional and manages to get the job done.

‘Tier two’, meanwhile, will be those countries that are aspiring to reach a tier one level of maturity and where governments are investing heavily in healthcare. Examples right now would be places like Colombia, Vietnam, Indonesia and Iran. In many of these places the incumbent administrations are endeavoring to harness healthcare as a way to stabilize their respective countries politically and to provide mushrooming middle classes with the sort of welfare safety nets that citizens are demanding. These are the sorts of places where companies like ours are presented with a genuine opportunity to partner with national governments and to ride growth rates that can be as much as double those of the tier one countries.

Finally, you have the ‘tier three’ category composed of underdeveloped and immature markets such as those of Myanmar and Sub-Saharan Africa. Here the infrastructure tends to be poor or lacking, but there is nevertheless a compelling social responsibility to care for huge populations without access to healthcare and the means to purchase therapies.

One of the key characteristics for Novo Nordisk is that we have a full portfolio of products. That means we produce human insulin, modern insulin and the next generation products. What many don’t know is that Novo Nordisk is actually one of the world’s biggest producers of generic insulin and having the full portfolio of treatment options enables us to offer the right treatment mix to all countries. Many pharmaceutical companies have moved away from that strategy but to Novo Nordisk is it a matter of being patient-centric and living up to the social responsibility.

To read part two of this interview click here.

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