Competing by Saving Lives:
Stories of Implementation

A conversation with:

- **Kyle Peterson**, Managing Director, *FSG*
- **Duncan Learmouth**, Senior Vice-President, Developing Countries & Market Access, *GSK*
- **Ole Kjerkegaard Nielsen**, Programme Director, Corporate Sustainability, *Novo Nordisk*
- **Kathy Pickus**, Vice President of Global Citizenship and Policy, *Abbott*
- **Karl Hofmann**, President and CEO, *Population Services International*

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About FSG, Shared Value and Global Health

- **Nonprofit consulting and research firm** founded in 2000 by Prof. Michael Porter and Mark Kramer

- Staff of 100 in Boston, Geneva, Mumbai, San Francisco, Seattle, and Washington DC

- Success in **strategic planning and evaluation** with over 400 foundations, corporations, and nonprofits

- **Thought leader**
  - *Competing by Saving Lives* launched in March 2012, examines in depth how pharmaceutical and medical device companies create shared value in global health

**FSG is driven by the same passion that drives our clients: a passion for greater social impact**
Today’s Agenda

Welcome & Summary of Findings
  Kyle Peterson, FSG

GSK: Developing Countries & Market Access
  Duncan Learmouth, SVP Developing Countries & Market Access

Novo Nordisk: Changing Diabetes in China
  Ole Kjerkegaard Nielsen, Programme Director, Corporate Sustainability

Abbott: Working with CARE Enterprises
  Kathy Pickus, Vice President of Global Citizenship and Policy

PSI: New Forms of Partnership – an NGO Perspective
  Karl Hofmann, President & CEO

Audience Questions & Answers

Wrap-up
Until Recently, Pharmaceutical & Medical Device Companies Have Focused Disproportionately on High-Income Countries

Summary of Findings

While this has created shared value in these markets, too often health needs low- and middle-income countries have been left unaddressed.

Source: WHO Global Burden Disease 2008; WHO The World Medicines Situation 2011
The Pharmaceutical Industry Has Responded to this Imbalance with Corporate Social Responsibility and Philanthropy

Value Estimate of Pharmaceutical Industry’s Corporate Social Responsibility Initiatives in Developing Countries (Donations and Capacity Building)

These programs redistribute profits to the underserved in low- and middle-income countries

Source: IFPMA Healthy Partnerships Survey
In the Next Decades, Low- & Middle-Income Countries Will Be the Fastest Growing Markets for Pharmaceuticals and Medical Devices

**Summary of Findings**

- **Global Pharmaceutical Market**
  - Value & Growth Rate by Region

- **Global Medical Device Market**
  - Value & Growth Rate by Region

**Shared value offers firms an opportunity to grow business and transform health outcomes for underserved populations in these countries**

Sources: IMS, Acmite Market Intelligence
Pharmaceutical and Medical Device Companies Can Create Shared Value in Global Health on Three, Mutually Reinforcing Levels

**Summary of Findings**

### Reconceiving Products & Markets
- Development of new products
- Adaptation of existing products
- Tailored portfolios

### Enabling Local Cluster Development
- Education & behavior change campaigns
- Health system strengthening
- Efforts to improve the policy / regulatory environment

### Redefining Productivity in Value Chains
- Collaborative and localized R&D
- Efficient, local supply chains & manufacturing
- Innovative sales, marketing & distribution
The Paper Identifies Five Principles of Shared Value Implementation

1. Focused and determined leadership at the CEO and country levels

2. A culture of innovation and learning reflected in structures and incentives

3. New approaches to measurement that track the link between business value and patient lives improved

4. New skills in identifying and acting on unmet health needs

5. New partnerships for shared value insights and implementation

Today’s discussion will focus on our panelists’ experiences with applying these principles to create shared value in global health
GSK Has Created the Developing Countries & Market Access Unit, which Focuses Exclusively on 50 Least Developed Countries

**Situation**

- **Large, urgent challenge:**
  - 800M people in 50 countries
  - 24% of global health burden
- **Very constrained capacity**
  - 50% of people live on <$1 / day
  - 3% of global health workforce
  - 1% of global budget
- **Long-term opportunity for GSK**
  - Health spending growing faster than GDP
  - Early movers will build brand recognition advantage

*DCMA’s goal is to increase the volume of medicines sold in these countries five fold over the next five years*
Pursuing These Goals Demands a New Way of Doing Business

**Affordable Products**
- Patented medicines & vaccines capped at **25% of UK price**
- Smaller **pack sizes** to reduce unit purchase cost for patients

**Realigned Incentives**
- **Volume-based sales incentives** focusing on new customers
- **Longer time horizon** to achieve a return on investment

**Infrastructure Investment**
- 20% of profits reinvested in **healthcare infrastructure** in country (e.g., clinics, etc.)

**New Structure:**
- Separate business unit reporting into Emerging Markets
- Dual focus: CR and long-term growth
- 640 employees
- P&L responsibility but modified return expectations
DCMA’s Strategy Is Built around Four Key Pillars of the Business

1. Vaccines
2. Registration/Portfolio
3. Healthcare Infrastructure
4. People
Novo Nordisk Is Creating Shared Value around Diabetes in China through Market Expansion and Cluster Development

**Key Challenges**

- **92M** diabetics – growing due to aging population
- **70%** undiagnosed
- Only **1 in 10** of diagnosed patients successfully manage their condition
- Low levels of **physician awareness / training** present a key challenge
Novo Chose to Grow into Underserved Segments by Working with the Health System to Improve Diagnosis & Disease Management

How to Grow in China?

**Zero-Sum Game**
Compete for share of 3% of population currently being diagnosed and treated

- 3%
- 97%

**Grow the Market**
Expand access to reach underserved 97% of people with diabetes in China

- 3%
- 97%

OR

Where to Start?

- Hospitals in 45 tier 2 & 3 cities
- Total population 230M
- Focus on improving diagnosis & disease management

Getting patients in control of diabetes in China could have huge societal value through life-years saved, and through avoided complications
Understanding Shared Value Drivers, Segmenting the Market and Measuring Progress Have Been Critical

1. Understand the link between health impact and business success
2. Segment population to find opportunities for greatest impact per RMB invested
3. Track progress to adjust and optimize program for best results
Abbott Is Working with CARE to Expand Access to Affordable Medicines and Health Products in Rural India

Key Challenges

- **Lack of access** to essential medicines
- Existence of a large “grey” market for **counterfeit medicines**
- Limited access to quality health **infrastructure** and healthcare professionals
- **Poor healthcare outcomes** in rural areas relative to urban areas and among poorer segments
- **Low level of public spending** on healthcare
- **Significant disease burden** in infectious diseases as well as chronic conditions
This Work Is an Example of a New Kind of Corporate-NGO Partnership

- CARE – *traditional NGO partner with new approach* (CARE Enterprises). Looking at social innovation as a solution to improve access to health for the long term

- **Leveraging lessons learned** through Abbott’s True Care business

- Providing beneficiaries of CARE’s traditional work with **tools to ensure inclusion** in global economy

- Networks and franchises of women-owned micro-businesses to extend the supply of quality health products and services.
• Hand washing promotion in Vietnam, Kenya & Zimbabwe

• Household Water Treatment in Vietnam & India

• Funding new hand washing metric (DALY)

• WIN-WIN
Unilever reaches new markets
PSI generates demonstrable health impact
• Sale of at-cost malaria meds in Malawi to increase access in segment of private sector

• Hope to expand relationship to new products and countries
• Merck Executives with long-term dedicated pro-bono fellowship commitment to PSI

• Develop private sector practical business solutions for field

• Mutual learning from different perspectives
Focused and determined leadership at CEO and country leadership levels

- Merck – Fellowship funded and supported by former CEO
- Unilever – Sustainable Living Plan at core of business plan

A desire for mutual learning and shared innovation

- Novartis - Market incentives will determine success of partnership, a true P&L driven exercise
- Merck – Win-win nature of fellowship to drive markets and improve health

New approaches to measurement that track link between bottom line and health impact

- Unilever - Hand-washing DALY modeling will address longer-term PSI requirement

New partnerships for shared value insights and implementation

- Unilever’s Sustainable Living plan allow PSI insight into consumer behaviors
- Merck Fellowship understands impact of private sector on global health impact
Audience Questions

Karl Hofmann
Population Services International

Ole Kjerkegaard Nielsen
Novo Nordisk

Kyle Peterson
FSG

Duncan Learmouth
GSK

Kathy Pickus
Abbott
Thank you!

• Thank you for joining in the shared value conversation today

• Please fill in the brief electronic survey that you’ll receive after today’s event to share your feedback with us

• For more information on shared value, please visit www.fsg.org or contact us at info@fsg.org

• To download the report, and to access the slides and archive from today’s webinar visit www.fsg.org/competingbysavinglives

Today’s webinar presented with in partnership with GBCHealth