

# The Opportunity of Unity

CBS Case Competition Open 2020

Infinitem Consulting



INFINITUM  
WITHOUT LIMITS



ново nordisk

# The Pharmaceutical Industry presents opportunities and threats that can be leveraged or minimized through the effective integration of communities



### Situation

- Diabetes becoming increasingly common across all social classes
- Benefits of sustainability growing in the collective consciousness
- Competitive advantage stems from R&D and supply chain

### Complication

- CO2 emissions stem largely from 40,000 external suppliers
- Increased competition forcing margins to lowest since 2015
- Low community engagement, leading to patient isolation

### Question

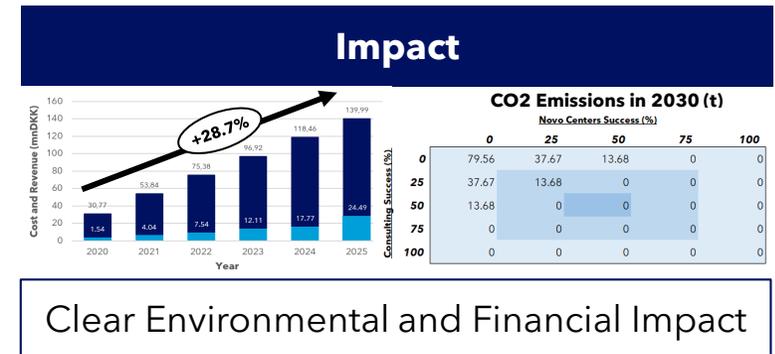
“With SDG’s and KPI quantification in mind, where and how can Novo Nordisk leverage the circular economy within their supply-side and consumer communities to reach zero environmental footprint by 2030, as well as adding value to existing and attracting new patients by 2050?”

### Optimizing with Consulting

Supplier Consulting for Sustainability

### Unifying with ‘Novo Centers’

Community through Branded Centers



**Where to Play?** Asia, North America and Europe

**Who to Impact?** Novo Nordisk Patient Community

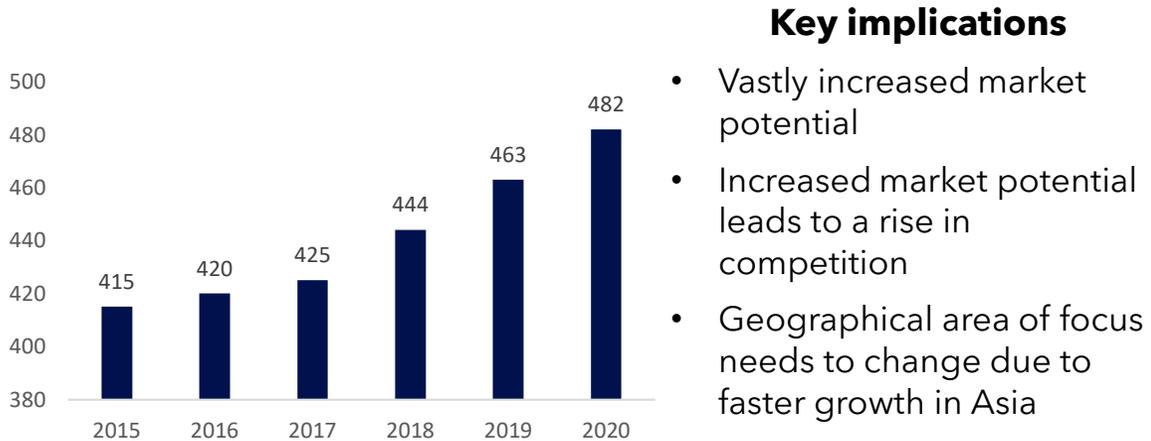
Sources: Team analysis, Case material



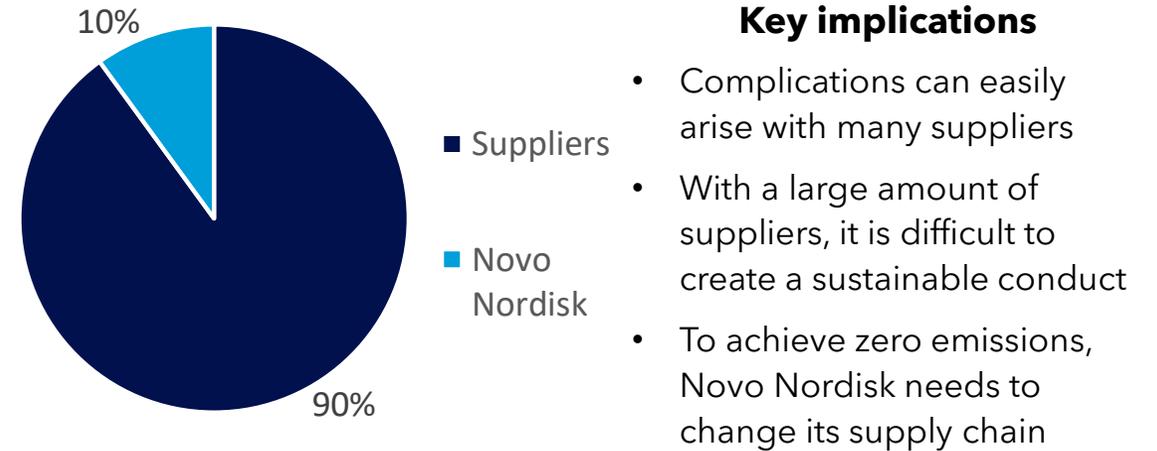
# The complexity of the Novo Nordisk supply chain threatens the ability to sustainably capitalize on a growing yet increasingly competitive market



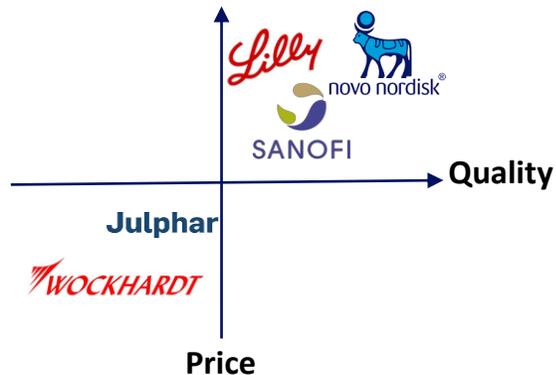
## Worldwide adults ages 20 - 79 suffering from diabetes



## 90% of CO<sub>2</sub> emissions come from 40,000 suppliers



## Novo Nordisk remains market leader but faces price pressure



## This leaves Novo Nordisk in a leading, but vulnerable position

Although Novo Nordisk faces an immense market growth, especially in Asia, it is being threatened by low-cost producers

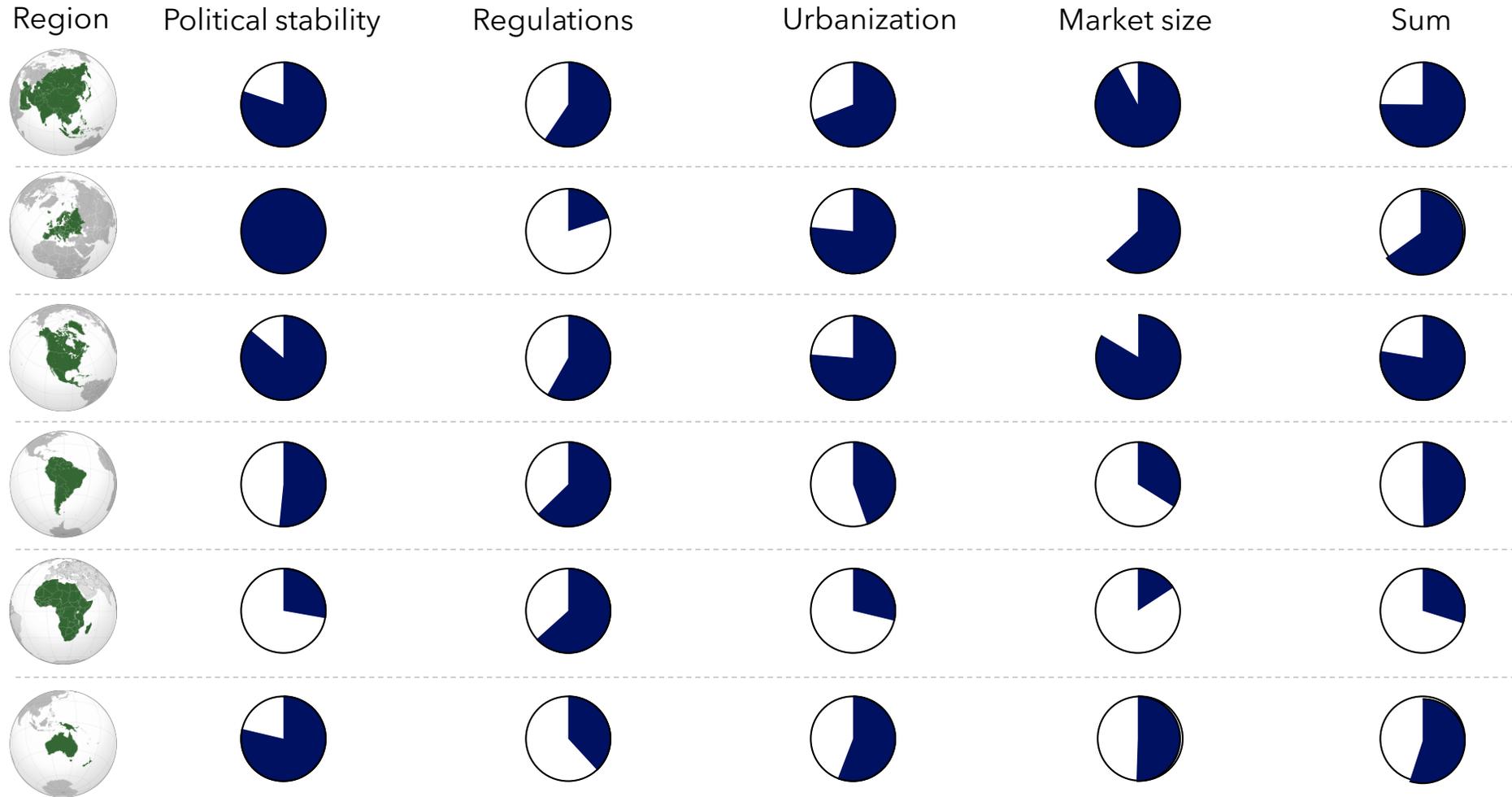
As Novo Nordisk itself only accounts for 10% of the firm's CO<sub>2</sub> emissions, it cannot focus only on its own operations to achieve sustainability

Novo Nordisk must make fundamental changes in its supply chain, encouraging greater efficiency which will naturally reduce the number

Sources: International Diabetes Federation, American Diabetes Association, Envision Intelligence



# Regional socioeconomic factors point towards Asia being a vital future market, with Europe and North America likely remaining important Cash Cows



## Key implications



North America and Europe still represent two very lucrative markets. Novo Nordisk should continue to cement its position.

Currently, South America, Africa, and Oceania provide only a relatively small market potential.

Asia, and China in particular, provide the largest market potential and will continue to grow in the future.



Sources: Statista, World Bank, WHO

Setting The Stage

Insights

Solution

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# Current policies point towards not reaching the emission objective in 2030, failing to realize emerging consumer trends and the increasing urbanization



## Novo Nordisk are continuously at the forefront of sustainability

**1993**

Novo Nordisk was the first Danish company to publish an environmental report

↓

While Novo Nordisk is at the forefront and is proactive, its ambitions are an immense task to fulfill

**2007**

Novo Nordisk partnered up with Ørsted to provide renewable energy to its facilities

↓

**2020**

Novo Nordisk will reach its goal of all electricity used in production coming from renewable sources

↓



### Key implications



Using emission data from 2018-2019 and extrapolating, the goal of zero emission by 2030 will not be reached



## Emerging patient trends will define how to enter new markets

It is of increasing importance to understand the impact of social factors on the risk of chronic diseases

↓

In low- and middle-income countries, treatment of chronic diseases has not been the primary subject of attention in treatments

↓

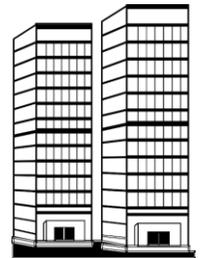
Consumers in low- and middle-income countries are demanding more information about their treatment

↓

**Key implications**

There is a need for Novo Nordisk to establish very close ties to consumers in new markets. A change of consumer strategy is required.

66% of diabetics live in urban areas



For the best possible outreach, Novo Nordisk needs to focus its attention on large urban areas

Sources: Novo Nordisk Annual Report 2019



# Introducing the dual integration strategy will allow Novo Nordisk streamline the supply chain and create consumer lasting relationships



## This is Jasmin

- Jasmin is CEO of one of Novo Nordisk's 40,000 suppliers
- Jasmin receives consulting from the re-purposed Novo Nordisk Consulting, which helps her sustainably grow her business and reduce CO2-emissions
- Through the consulting process, Jasmin has built a long-term relationship with Novo Nordisk, and increases commitment



Continuous education and motivation through community



Individual treatment plan to control disease



Fitness and dietary advice



## This is Rakesh

- Rakesh is one of Novo Nordisk's 30 million patients suffering from diabetes
- Rakesh regularly attends his local Novo Center, where he receives treatment plans, insulin prescriptions as well as diet and fitness consultation which all significantly improves his life quality
- Through the Novo Center, Rakesh is connected to a strong community of patients and experts, which provides motivation and informs about his illness



Specific case examined by consultant



Sustainable solution developed in collaboration with supplier



Solution implemented and monitored

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# Revisioning Novo Nordisk Consulting to ensure sustainable conduct and lower complexity in a currently jumbled and oversaturated supply chain



 <b>Identifying Key Issues</b>	 <b>Custom Solution-Development</b>	 <b>Implementing Solution</b>	 <b>Monitoring Compliance</b>
<ul style="list-style-type: none"> <li>An 'inefficient supplier' is a supplier emitting excessive levels of CO2 with poor financial justification.</li> <li>Two consultants will thoroughly investigate the main causes of unnecessary emissions and will identify the main risks and opportunities faced by the supplier.</li> </ul>	<ul style="list-style-type: none"> <li>In collaboration with the supplier, the consultants will tailor a firm-specific solution and long-term plan to significantly decrease environmental footprint.</li> <li>Novo will restrain from implementing a one-fits-all policy due to the complexity of the supply chain.</li> </ul>	<ul style="list-style-type: none"> <li>The agreed long-term plan will be broken down into realistic, measurable actions and milestones with deadlines for each goal.</li> <li>In the implementation phase, Novo Nordisk Consulting will offer extensive advising and provide the supplier with useful managerial tools.</li> </ul>	<ul style="list-style-type: none"> <li>Once the initial implementation phase is passed, suppliers are expected to continuously meet their set goals at their deadlines.</li> <li>Suppliers who show little improvement and compliance will be warned and ultimately replaced.</li> </ul>

Sources: Team analysis, Case material

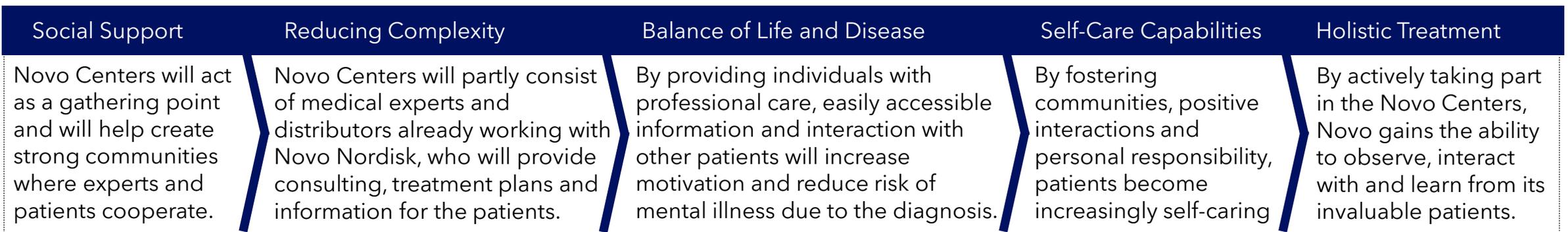


# Injecting a sense of community to improve lives through a sociopsychological approach that satisfies the five core patient needs



-  • Physical centers located in large cities reaching out to new and existing patients.
-  • Withholding and establishing strong customer relationships through intensified consumer interaction.
-  • Facilities adapted to local wants and needs.
-  • Facilities will hold recycle-stations for pens.

## Covering the 5 core patient needs:



Sources: Team analysis, Case material



# Applying the principles of Circular Economy to reach the objectives behind Circular for Zero and reap the prospective benefits of sustainability



Information	Added Value	Locally Responsive
<ul style="list-style-type: none"> <li>Gives access to direct information channels.</li> <li>Allows for mass-observation of patient behavior.</li> </ul>	<ul style="list-style-type: none"> <li>All treatment-related activities centralized.</li> <li>Prevention against mental illnesses through personal interaction.</li> </ul>	<ul style="list-style-type: none"> <li>Facilities will adapt offerings to fit local consumer needs.</li> <li>Stations will encourage recycling of Novo products.</li> </ul>

**Novo Stations,  
Ensuring a Circular Product  
through communities**



**Novo Nordisk,  
A Circular Company**



**Novo Nordisk Consulting,  
Enhancing and developing  
Circular Supply**

Using Size for Good	Lowering Complexity	Raising Commitment
<ul style="list-style-type: none"> <li>Requiring suppliers to improve their sustainability.</li> <li>Efficient suppliers will provide more value for Novo.</li> </ul>	<ul style="list-style-type: none"> <li>Inefficient suppliers who do not improve will be identified and eventually replaced by more committed alternatives.</li> </ul>	<ul style="list-style-type: none"> <li>Builds long-term relationships with environmentally conscious suppliers, which might become a future competitive advantage.</li> </ul>

Sources: StateOfGreen, Team Analysis, Case Material



# The relationship between Novo Nordisk and the Dual Integration Strategy is consistent with company policy and make SDG progress



## Sustainability



### Patients

The Novo Centers will establish communities that enables self-care and increases patient convenience, while encouraging to give back to Novo Nordisk by recycling materials to create a more sustainable production.

### Suppliers

By seeking mutual benefits, Novo Nordisk Consulting will seek ways to reduce the overall CO<sub>2</sub> emission of Novo Nordisk's supply chain. Consulting is utilized as it is assumed that no one-policy-fits-all can deal with the complex task of reducing the emission's of Novo's 40,000 suppliers.

## Culture / HR



### Company values

In alignment with Novo Nordisk's company values, the Dual Integration Strategy ensures high-quality, patient-focused business approach, where both consumers and suppliers are key components in achieving mutual success.

### Talent recruitment

To reach zero environmental impact, Novo Nordisk will need to recruit new consultants to guide suppliers. This offers a great opportunity to attract young talents, who in turn gain rapid experience and business-insights, which is consistent with Novo's undergraduate program.

## SDGs



### Company Policy

Novo Nordisk is a forerunner in sustainability and has committed towards using only renewable energy as of 2019. Through various partnerships and projects, Novo is fighting for the betterment of society and the environment.

### Dual Integration Strategy

This strategy incorporates both Novo's concern for the well-being of their patients, the broader society and the environment. All of this will be achieved through cooperation, and will touch upon several goals, e.g. partnerships (SDG 17), climate action (SDG 13) and sustainable cities (SDG 11).

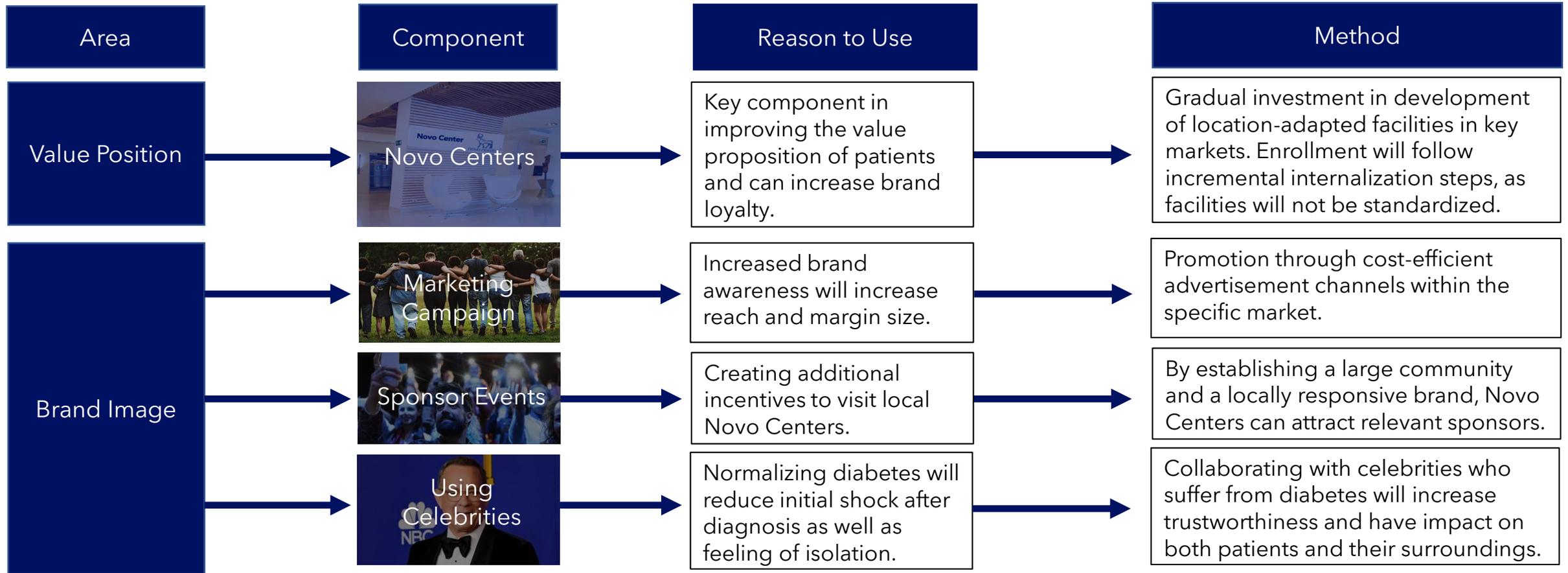
Sources: United Nations, Novo Nordisk Annual Report 2019, Team Analysis



# Through a focused marketing plan, Novo Nordisk can strengthen their brand identity and awareness while empowering local communities and their USP



Novo should use a diverse marketing mix to improve brand image and create awareness of the Dual Integration Strategy policies



Sources: TheBalanceSMB, Entrepreneur, Case Material

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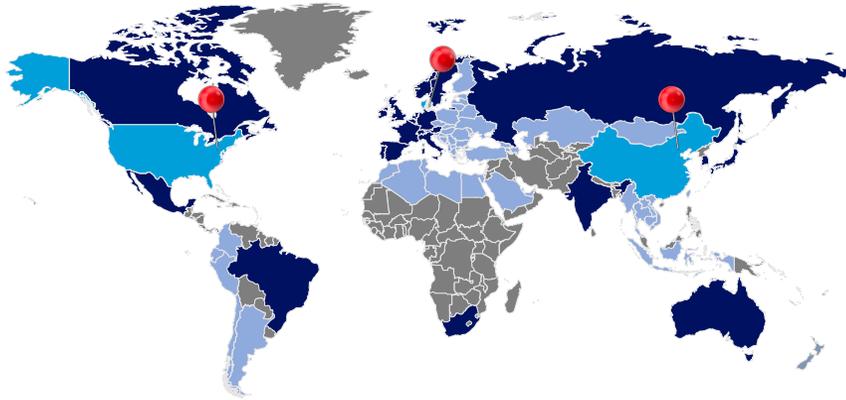
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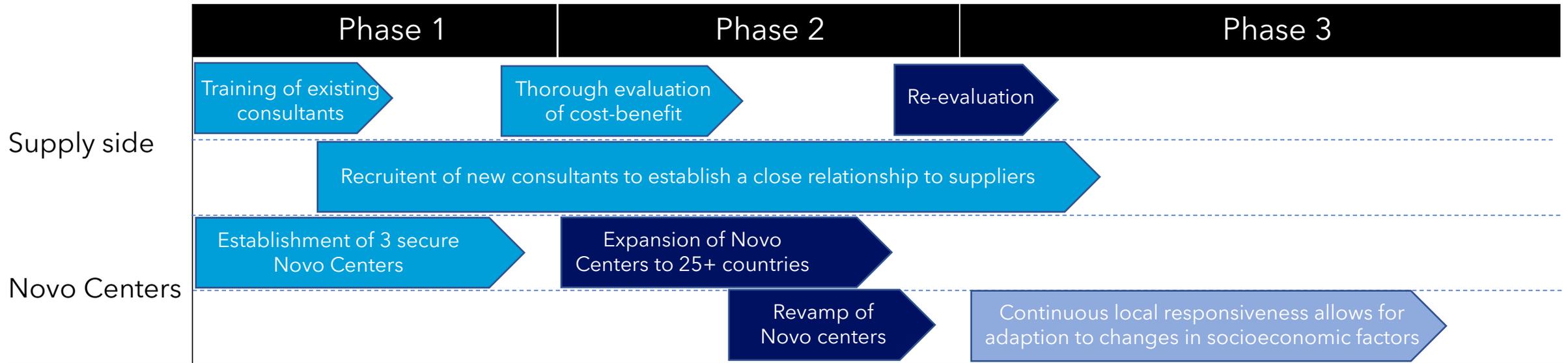
# Via three phases, the dual integration strategy will be scaled to secure Novo Nordisk a market-leading position in the most lucrative regions



- Phase 1: 2020 - 2025
- Phase 2: 2025 - 2035
- Phase 3: 2035 - 2050
- First 3 centers established in Phase 1



- Phase 1 → Creating a foothold for Novo Centers by establishing 3 facilities in secure markets. Re-purposing of Novo Nordisk Consulting.
- Phase 2 → 2 Novo Centers implemented each year and Centers are revamped. Consulting efforts has foregone a cost-benefit analysis and is adapted to findings.
- Phase 3 → Local responsiveness and long-term relationships with suppliers secures future.



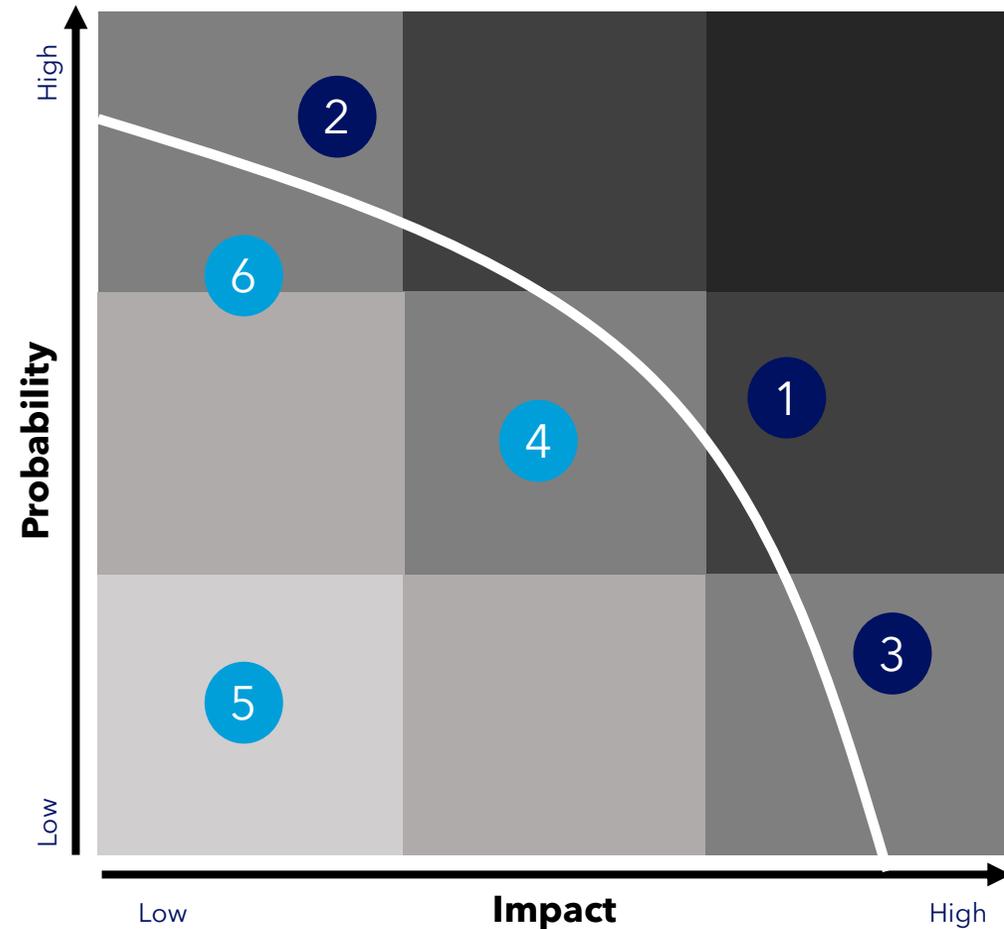
Sources: TeamGantt, Case Material, Team Analysis



# Using preemptive and responsive risk mitigation strategies, the associated risks of the dual integration strategy will be carefully contained and avoided



Only 3 contemplated risks cross the critical risk line...



These are implementation reliant...

- 1 Numerous suppliers reject or refuse the advice or entry of Novo Nordisk Consultants in their businesses.
- 2 Costs go over what was budgeted in the implementation and initial investment projections.
- 3 Novo Centers fail to attract significant footfall due to poor product offerings and adaptation.
- 4 Some consumers spread negative word-of-mouth following a poor experience, reverse snowball effect.
- 5 Shareholders believe sustainably focused solutions won't maximize value, leading to a stock fall.
- 6 Existing competitors copy the concepts behind the Novo Centers and consulting, limiting advantages.

And are averted through responses

- 1 Ensure a contingency is placed in concrete budget allocation and have clear individual accountability.
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- 3 Consistent contact with local affiliates during both planning and execution stages of every center.
- 4 Ensure community transparency is prioritized, with feedback welcomed and patients addressed.
- 5 Clearly communicate advantages to shareholders and transparency with initial positive results from phase 1.
- 6 Establish barriers to entry, such as trademarks while gaining first mover advantage via expansion.

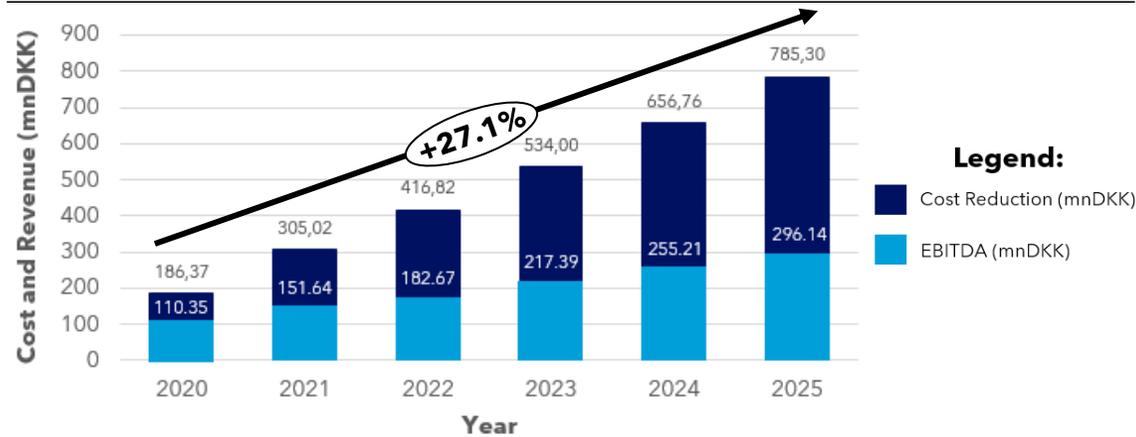
Sources: Team analysis, Case material



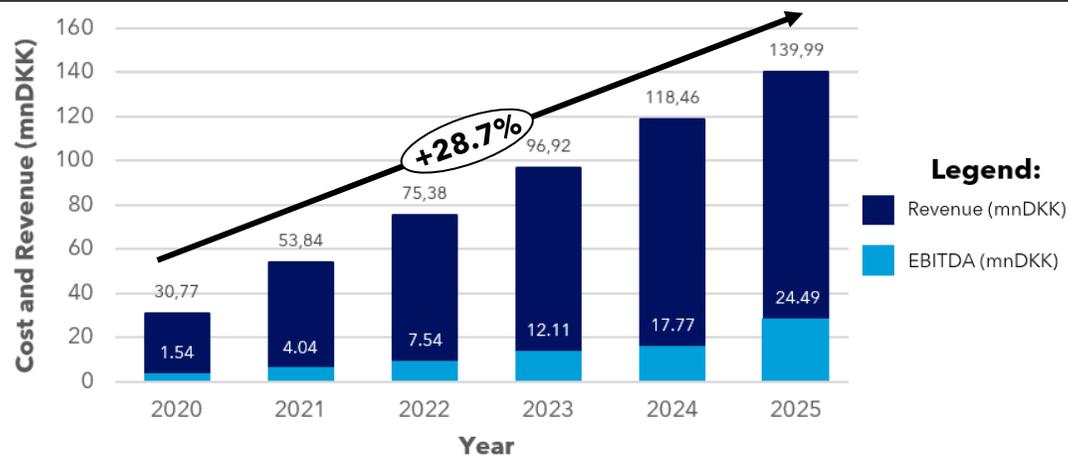
# Impacting both the supply and demand side in the long-run, Novo Nordisk can grow revenue and decrease cost to reverse profitability trend



## Consulting drives cost reductions that lead to notable EBITDA



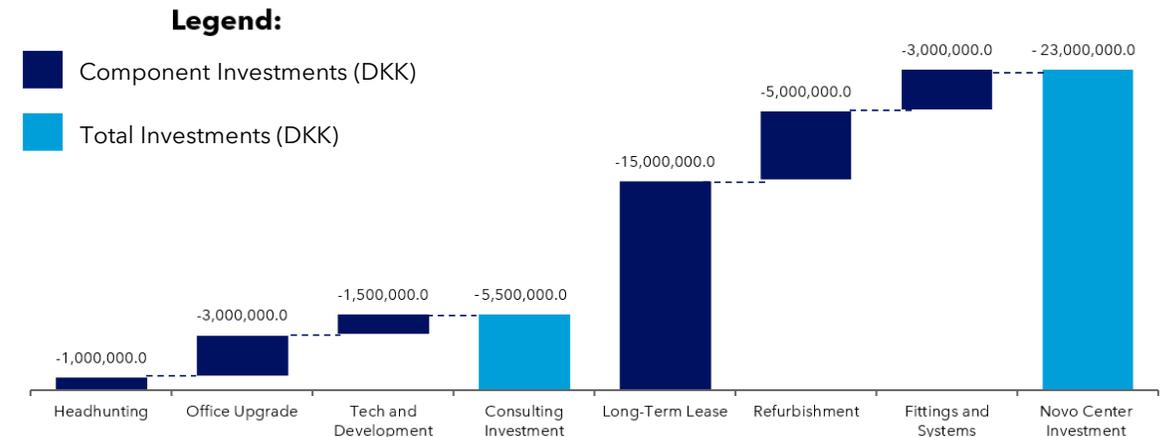
## Novo Centers are profitable but offer mainly qualitative value



## Consulting drives cost reductions that lead to notable EBITDA

Revenue/Profit Drivers		Cost Drivers	
	Prescription of products via Novo Center		Employee salaries, training and transport
	More efficient suppliers lead to cost reductions		Rent payments for facilities and real estate
	Added value improved, encouraging sales		Debt servicing from likely need for financing

## The dual strategy requires initial investment of DKK28,500,000



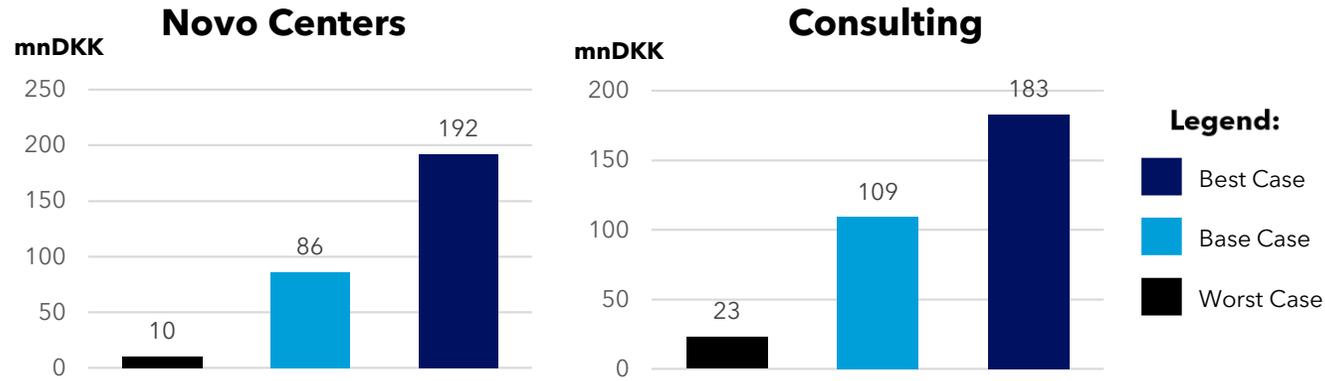
Sources: Statista, BLSCapital, Case Material



# Integrating communities, increasing efficiency, and reaching new customers ensures a positive NPV while securing market leadership and sustainability



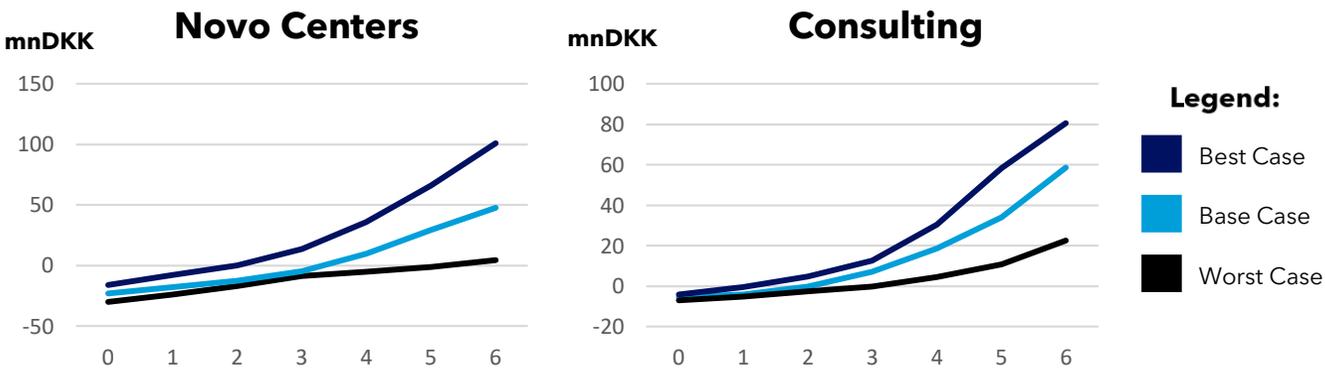
## Payback is ensured before 2025, providing an attractive ROI as a major KPI



## Insulin Market leadership furthered by 10% by 2025



## Payback is ensured before 2025, providing an attractive ROI as a major KPI



## CO2 Emissions are neutral in 2030 in almost all cases

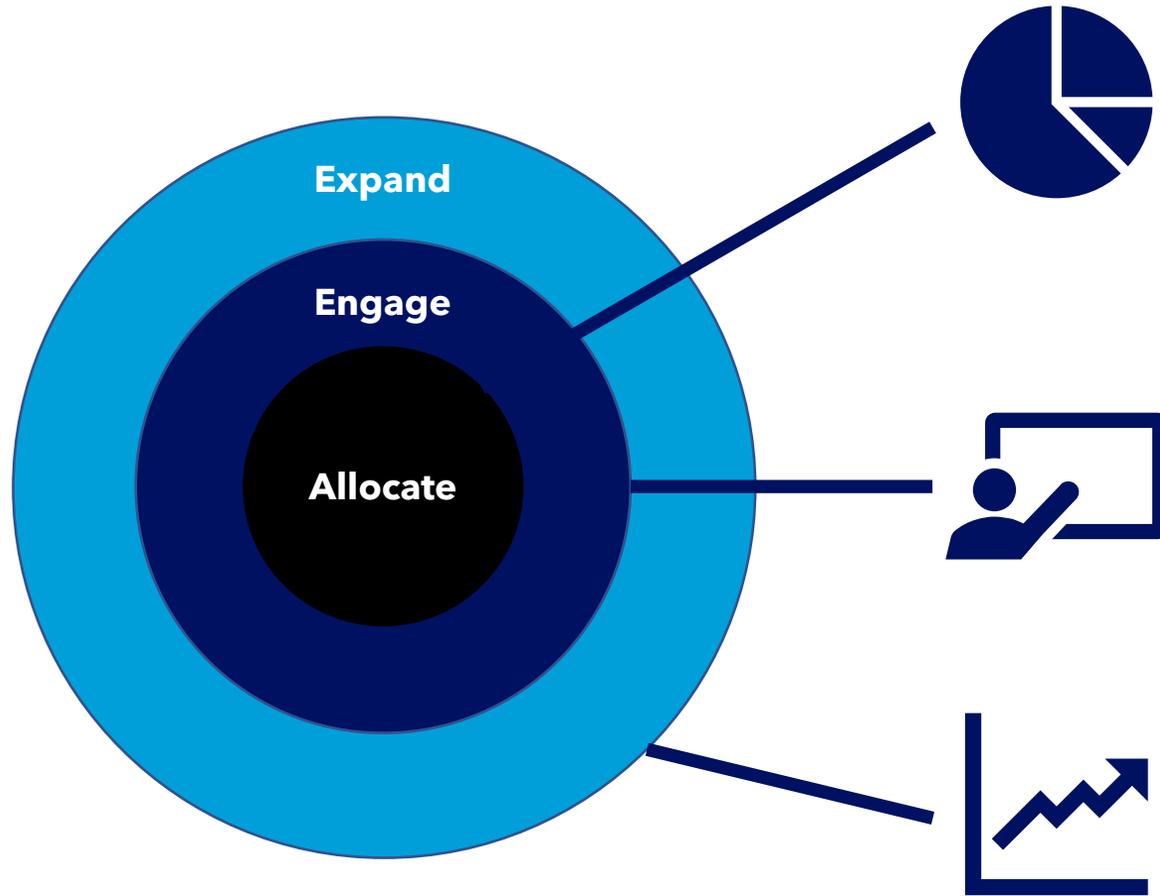
Consulting Success (%)	CO2 Emissions in 2030 (t)				
	0	25	50	75	100
0	79.56	37.67	13.68	0	0
25	37.67	13.68	0	0	0
50	13.68	0	0	0	0
75	0	0	0	0	0
100	0	0	0	0	0

**Key Assumptions** ? No unpredictable radical changes \* MAERSK Required investment consistent with examples 2019 as a statistical base year

Sources: World Bank, The Economist, Novo Nordisk, Team Analysis, Case Material



# We recommend Novo Nordisk to embrace sustainability, Circular Economy and the benefits it entails by implementing The Dual Integration Strategy



**Allocate**  
Optimize allocation through focus on the best markets and improving supply efficiency

**Engage**  
Engross patients and suppliers in distinct Novo Nordisk communities

**Expand**  
Grow profitability through a reengineered business model that shapes demand/supply



## Consolidated Impact

Prospect for long-term growth of consulting and center  
**28%**

Higher market share and brand equity  
**9.7%**

Combined base case NPV (mnDKK)  
**196.78**

Sources: Statista, Team Analysis, Case Material

