

Sustainable Customer Relationship

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Abstract

The paper aims at tracing sustainability issues of customer relationship. Referring to macroeconomic requirements and management application of the sustainability theory it analyses its integration into marketing concepts. The concepts of value delivery, societal marketing and relationship marketing have served as theoretical bases to identify new orientations in business philosophy and behavior related to salient elements of sustainability, including issues on the level of customer relationship policy. A particular attention is paid to the aspect how business performance may be reconciled and alloyed with social performance. Theoretical approach is complemented with sustainability issues taken from the pharmaceutical and the ICT industries.

Introduction

Evaluations of business behavior often qualify social responsibility as both the greatest force and the greatest weakness of companies. Sceptic people usually say that social responsibility of companies has no real meaning; moreover, it is a marketing trick. Optimistic people trust in im-

provement of companies' behaviour in relation to social interest and environment requirements. Consumers are increasingly ready to buy products of companies, which adopt social responsibility, and to work for these companies. Moreover, they demand and participate in actions aimed at sustainability. Governments and international organizations have increasingly engaged and supported to sustainability requirements.

Under pressures coming from different directions companies seek after how reconciling financial performance with social performance and try to transform social responsibility into competitive advantage. The marketing approach reflects this problematic. The endeavor of adopting sustainability in business policy may be revealed through recent marketing concepts. Sustainable customer relationship will be analyzed in the light of these concepts, with some issues on company management level and industrial cases.

From macroeconomic sustainability to its microeconomic concepts

Marketing approach of sustainable customer relationship falls in with the wide range of applied sustainability concepts, which enjoy a remarkable proliferation since the term of sustainable development has been introduced in economic thinking. Proliferation is marked by applied concepts such as sustainable product development, sustainable production, sustainable tourism, sustainable infrastructure, etc.

Sustainable development means economic development that meets the needs of present generation without compromising the ability of future generations to meet their own needs - according to the definition of the World Commission on Environment and Development. It defines a complexity of social requirements conceived in order to maintain economic development over generations, to promote responsible

and efficient use of natural resources, protection of environment, and social equity.

Sustainability problematic of development denotes new thinking in economic theory and *appeals for radical changes in business behavior. It requires responsible behavior from consumers and different formal communities considered as stakeholders, as well.* Traditional economic thinking on development comprises theories of innovation, production and consumption growth without well-defined environment impacts, as well as threats of social inequity in many fields. New thinking considers development as a complex, multidimensional, and interdependent global process, and stresses on a general responsibility. However, it faces a great deal of barriers, such as the pure logic of market economy, the lack of global governance, or the constraint of cost and benefit considerations in businesses, for instance.

Following the first warning presented by the “Report of the Club of Rome” at the end of 1960s (Peccei, 1982), many other analyses have appealed for the formal responsibility of governments and international organizations (those of UN among others). They have given birth to a great number of voluntary organizations (NGO, e.g. Non Government Organizations) engaged to this cause.

There is no economic development without business development, but traditional business aimed at “growth for profit anytime, anywhere, at any way and any price” has been fundamentally compromised under the light of the sustainability concept. Under the pressure of regulation at the beginning, then later due to intensified

calls for social responsibility, and finally due to visible consequences (deletion of forests, acid rains, loss of the atmospheres ozone layer, water and air pollution, toxic waste and litter with harmful effects on health etc.) companies have been increasingly forced to recognize their concern. They have started to undertake seriously their own responsibility, even if macroeconomic definition of sustainability has not provided enough guidance on how this concept should be put into strategy and operations at the company level.

Contemporary management literature appoints the pivotal role of sustainability requirements in shaping how business operate in the 21st century. It interprets social expectations as viewing businesses as responsible actors in determining economic, environmental and social well being, all together. Moreover, it has been recognized, that integrating sustainability into business plans and actions at companies requires well formalized models, and these models have to be based on fundamental requirements of sustainability. Consequently, management literature suggests *to adopt the concept of balancing traditional economic or financial goals with environmental and social concerns.* These principles are adequate to a triad of macroeconomic concerns of sustainability: economic growth, environment protection and social equity (see Figure 1). Aimed at management application at companies sustainability literature have introduced the term of “the triple bottom line” developed by J. Elkington (McDonough and Braungart, 2002).

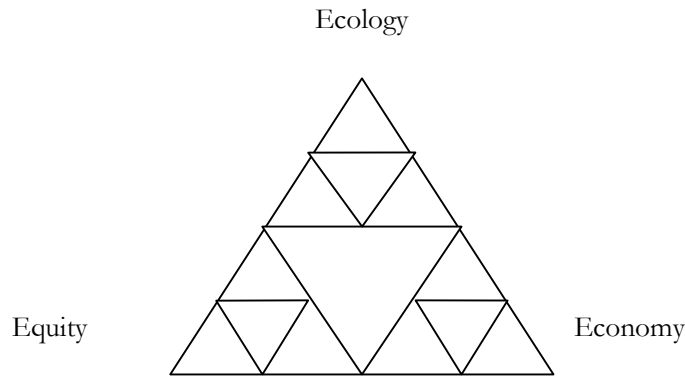


Figure 1. “The Triple Bottom Line”

Besides of legal and social pressures also *requirements of competitiveness* are increasingly pushing companies to define appropriate strategies and implement actions in order to respond to this new challenge (Drucker, referred by Jeurissen, 2003). While companies usually strive to achieve financial performance, now also social performance is becoming a central endeavor. Furthermore, many leading companies started to *evaluate effects of social performance* among business performance indicators (Kaplan and Norton, 1996; Doyle, 2000). Aimed at *compensating high cost of sustainability investments* a range of cost-efficient management systems, methods and organizations, as well as new product development models have been developed and employed (Epstein and Roy, 2001; Maxwell-Vorst, 2003). Nowadays *public reporting on achievement in social performance* including environmental performance belongs to communication policy of many companies, especially to that of big ones (Sustainability Reporting Guidelines, 2002).

In the range of the related management theories the marketing approach treats sustainability problematic as included in business philosophy and policy in relation to customers. Recent paradigms of the marketing concepts argue for increased value delivery to customers and building of longrun mutually beneficial customer relationship. They also reveal opportunities of mak-

ing customer relationship profitable and sustainable.

Integration of sustainability in marketing concepts — features of sustainable customer relationship

The evolution of the marketing theory is a straight outcome of seeking after new, appropriate responses to continuous transformation of social, economic and technological environment, resulting in new requirements of competitiveness. This evolution follows changes of business organizations, such as the emergence of collaboration in networks as well. The essence of the recent evolution may be recapitulated in four main orientations that serve as framework for sustainable customer relationship:

- (1) increasing role of added value delivery to customers;
- (2) shift toward societal marketing concept;
- (3) adoption of the relationship marketing concept e.g. building of long-run and mutually beneficial relations with key customers
- (4) building networks for close cooperation, based on partnership with key customers along the supply chain.

According to Kotler (2000) from company’s view marketing is traditionally considered as the task of creating, promoting and delivering goods and services to consumers and businesses. A

more accurate definition of marketing is “meeting customer needs profitably, more effectively and efficiently than competitors”. Kotler (2000) points out, that today’s customer and competitors are different from yesterdays ones. Companies have confronted with empowered customers and new competitors, and have had rethink their business models. While customers substantially increased their buying power, companies have to seek after newer values to offer and newer competition strategies.

Added value delivery to customers

The concept of added value delivery to customers anticipates that “customers are value-maximizers, within the bound of search cost, limited knowledge and income” (Kotler 2000). Companies may successfully compete with each other and attract customers by increase of the difference between the customer delivered value and the customer cost.

Value proposition of many companies is increasingly including benefits related to environment-friendliness of their products, such as durability, energy saving, or taking back of the used product, etc. But customer cost of environmental attributes is usually high on short-run, and only restricted number of customers is ready to evaluate long-run benefit and pay for it immediately. This is a crucial contradiction of consumer behavior regarding individual and social interests in relation to environment-sound products. This is also the principal argument at many companies when cost/benefit considerations have to be applied in business decisions.

Societal marketing: socially responsible marketing

The societal marketing concept calls upon companies to build social, ecological and ethical considerations in their production and marketing practice. Companies must balance the often conflicting criteria of company profits, consumer want satisfaction and public interest. *According to the society’s view marketings role is to deliver higher standard of living.*

The evolution toward socially responsible marketing is marked by different notions and interpretations, such as enlightened marketing, cause-related marketing, green marketing, ecological marketing, environment-friendly marketing, etc.

The notion of “*enlightened marketing*” (Kotler at al. 1996) has a close meaning to societal marketing, but it comprises also the principle of the “*sense-of-mission marketing*”. This principle highlights that companies define their mission in broad social terms rather than product terms. Social terms concern interests of every stakeholder, including shareholders, employees, suppliers, and others in the “world of community” (Vágási, 2001).

“*Cause-related marketing*” is defined as activity which a company with an image, product or service to market builds a relationship or partnership with a “cause”, or a number of “causes”, for mutual benefit (Pringle and Thompson, 1999). Cause-related marketing may afford an opportunity for companies to enhance their corporate reputation, raise brand awareness, increase customer loyalty, build sales (Kotler, 2000). According to this thinking customers are increasingly looking for demonstration of good corporate citizenship. Research among consumers undoubtedly underpins this latter consideration (see Figure 2; Lewis, 2003).

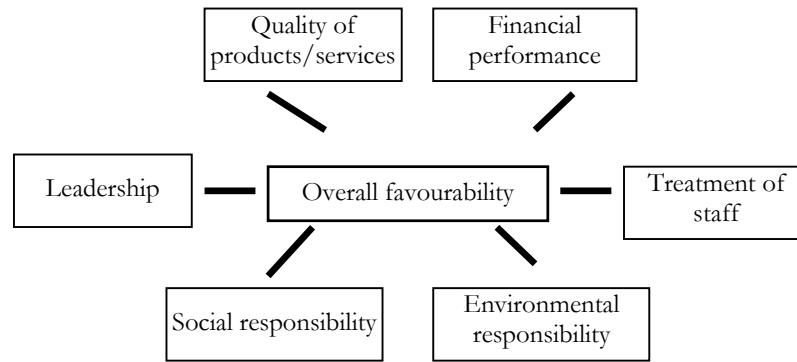


Figure 2. The Make-up of Brand Reputation

Cause-related marketing is often considered as brand attribute or tool of identifying social mission objectives. In the view of P. Drucker this policy helps companies to transform social problems into commercial opportunities, and to define their related policy as adapted to their competitive strategies (Jeurissen, 2003). Environmental performance is often used as positioning tool of products and firms in the market.

Green marketing is the best known and most frequently applied designation in the management practice. This refers to the leading role of environmental considerations compared to that of the principle of social equity as basic elements of the sustainability concept.

Environmental approach deals with marketing effects on the environment and costs of serving consumer needs and adds further considerations to the concept. Environmentalists are organized movement of citizens and government agencies striving for protecting and improving peoples living environment. Kotler et al (1996) emphasize that environmentalists are usually not against marketing and consumption, but they press for more care for the environment. According to this approach the goal of marketing at companies should not be maximize consumption but rather maximize life quality. Life quality means not only the quantity and quality of consumer goods and services; it also means the quality of environment. Environmentalists want

environmental cost included both producer and consumer decision-making.

Sustainable consumption has also become the aim of environmental policy. Sustainable consumption aims at fulfilling the needs of the current generation without neglecting those of future generations. Antonides and Raaij (1998) define environmental attributes of consumer behaviour as following:

- to avoid harmful products to the natural environment (spray cans, batteries, etc.)
- to reject products which deplete natural resources (products with high energy consumption)
- to reject harmful products to one's health (meat from animals submitted to hormone treatment)
- to return to original taste of food
- to adhere to animal friendliness

Environment concern of consumers may be defined as an attitude regarding environmental consequences of consumption. Different stages of consumer attitude are:

- great worries over environmental consequences
- involvement with the environment
- internalization of environmental values
- willingness to change consumption behaviour into an environmental-friendly direction
- searching out and processing information about environment

- being member of environmental organization.

All these considerations serve as further arguments for establishing a closer and more formalized cooperation of consumers and producers, moreover, every group of stakeholders.

Customer relationship marketing

Relationship marketing is aimed at building long-term mutually satisfying relations with key parties, e.g. with customers, suppliers, distributors. Adoption of customer relationship marketing permits companies to build close economic and social ties with key customers, and focus on valuable, profitable customers, at the same times. This marketing concept clearly expresses a new orientation of the contemporary business philosophy, e.g. to find out newer competitive advantage under the pressure of changes in business environment, including sustainability requirements.

This concept is based on the recognition that a major driver of company profitability is the value of the company's customer base (Kotler, 2003), and much of the company's market value and competitive advantage comes from intangible assets, including their customer base, distributor and supplier relations.

While traditionally companies have preferred to attract continually more new customers, this concept compels for policy of customer retention and building of customer loyalty. There has been realized that the cost of customer retention is lower than that of acquisition of newer customers. Loyal customers are ready to buy more products or services from the preferred company and often become their "advocates". They appreciate both individual and social value delivery, as well as sharing of benefits between company and customers. They are often ready to pay even premium prices. Additionally loyal customers may be retained for their entire lifetime. "Customer lifetime value" (CLV) is becoming an

important financial indicator in the evaluation of customer relationship (Reichheld, 1996; Kotler, 2000).

This concept underpins the importance of financial indicators even for intangible assets such as customer relationship or societal marketing. Measuring of customer life time value falls in with is the general business endeavor to create financial indicators and controlling methods for the evaluation of marketing efforts, including performance in customer relationship. As regards another methods, while the Balanced Scorecard method (Kaplan-Norton, 1996; Epstein et al, 1999) helps to measure stakeholder-performance, the concept of Shareholder Value (Doyle, 2000) views marketing as an ensemble of value-based marketing actions that is a determining factor of the company's shareholder value.

Customers may be retained by mutual benefits. Benefit proposition includes both financial and social benefits. Typical financial benefits include credits, rebates or free services in the framework of clubs, frequency programs or customer cards. Among social benefits membership may have the meaning of belonging to communities, permit to identify themselves as important and responsible individuals for the company's business, e.g. as stakeholders. Loyal customers are considered as clients provided by individualized relationship.

Sustainability concern of customer relationship marketing includes the opportunity to make loyal a customer base by means of higher satisfaction, including environment-friendly products and services, and consequently the social value and reputation of having environment conscious consumer behavior (Antonides and Raaij, 1998). Companies may target loyal customers and engaged them as partners for more actions related to sustainability requirements.

It is to notice, that definition of customer relationship includes relations not only with con-

sumers but also with organizations as buyers, as well as with suppliers and distributors, namely with the majority of stakeholders groups of a company. Relations with these latter groups will be treated in the next paragraph.

Cooperation in networks based on partnership with key customers along the supply chain

According to Kotler (2003) marketing network consists of the company and its supporting stakeholders (especially customers, suppliers, distributors) with whom it is built mutually profitable business relationship.

Lambert et al. (1996) define partnership as a tailored business relationship based on mutual trust, openness, shared risk and shared rewards that yields a competitive advantage, resulting in business performance greater than would be achieved by the firm individually. Partnering with specific suppliers and distributors may generate a value delivery network that is also called supply chain or value chain. Supply chain inserted in network organization gives a higher level of integration of business processes from end user through original suppliers that provides product, services, and information that add value for customers.

Network organizations permit business partners to share their resources, costs and benefits, and provide more effective and efficient solutions for sustainability efforts. Most products are manufactured using a number of companies involved in a supply chain. Different suppliers of raw materials or components have to cooperate for achievement of sustainable products. The effect of different suppliers on sustainability requirements is different. Company, which is responsible for the overall quality, needs to determine most important suppliers and cooperate with them.

Sustainability requirements may result in different business benefits. Products may be produced with reduced volume of raw materials, reduced energy usage and waste generation. Besides of cost saving improved product quality, competitive advantage and corporate reputation may be achieved. It often leads to better supplier or customer relationship.

Mutually profitable partnership in value chains of network organizations may be considered as the highest level of sustainable customer relationship. But it is not to forget that direct actors of this relationship — suppliers, fabricants or service providers, intermediaries, customers — are both partners and concurrents. Distribution of costs and benefits is effected by negotiations.

Companies have to apply appropriate information technologies and techniques to coordinate collaboration within the network. With the help of IT companies are able to overcome the complex info-communication.

Environmental management issues

Environmental management at companies may be defined through the following tasks (Kotler et al. 1996: 52-53):

- Assessment of current environment performance of the company
- Commitment to monitoring, measuring and reporting of performance or improvements
- Development of achievable environment policy with clear goals and action program
- Monitoring changes in requirements
- Investment in staff training
- Consumer assistance and education programs to increase consumer's responsibility
- Supplier education programs
- Building coalitions or bridges between the various interests
- Contribution to environmental programs

- Greater adherence to marketing values, such as selling benefits, not products, and preservation of corporate, not just product values.

New product development has been given a crucial role in environmental management. There are increasing legal, market and financial pressures on manufacturing industries to develop sustainable products, furthermore to make products and services in a more sustainable way throughout their *entire life cycle*, from conception to end of life. Traditional criteria have required functionality, meeting customer expectations and cost effectiveness. Sustainability criteria now include balancing economic, environmental and social aspects. (Maxwell – Vorst, 2003). Companies' actions for product development may follow eco-efficiency criteria (Timberlake, 2002), see ICT case, below.

Environmental Management Systems (EMS). These systems provide guidance to define and implement environmental strategy. Epstein and Roy (2002) points out, that using EMS companies may systematically identify, measure and manage their environmental obligations and risks. Earlier most companies have implemented EHS (Environment, Health and Safety) programs, now they are increasingly introduce EMS and report on achievements. Another recent development is integration of sustainability requirements, including EMS in *supplier selection criteria* (Friend and Olson, 2003). Strategic partnership with key suppliers often leads to *co-design sustainability* solutions, in different fields such as new products, packaging, logistics, etc. Interactivity may be developed with end consumers.

However, many research reports as well as management publications admit that relatively few companies have adopted these systems. Just so-called “high performance businesses” serve as examples and may be submitted to benchmark and follow leading practice.

Typical *issues or recommendations* for application of sustainability requirements in environmental management are:

- use of strategic level approach
- developing plans and programs to implement sustainability strategy
- use of the supply chain principle, e.g. choice of partners who will be cooperating most effectively
- integration of sustainability systems resulting in corporate commitment and incorporation of this criterion into all functions like purchasing, production, quality insurance and so on.
- systematic control and reporting of environmental/social performance

Among *possible effects* of environmental management and sustainable customer relationship Epstein and Roy (2003) call attention for the following ones:

- reducing time and investment required to bring new products and services to market.
- better access to capital, as the financial community pays greater attention to favorable company records
- cost reduction from material substitution or less packaging or lower energy consumption
- reduced material storage, reduced waste disposal
- positive reaction from customers who may benefit from this saving product improvements
- sending positive message to financial analysts and investors
- to show corporate ability to improve competitive position.

Aimed at seeking how industrial practice reflects sustainability concerns treated above, cases of the ICT sector and the pharmaceutical industry have been collected, especially by using website research. Research has been extended mainly on leading firms, without the purpose of completeness.

Resource efficiency issues of Information and Communication Technologies (ICT)

The life cycle concept — Contradiction between interests of producers and consumers

The ICT sector is expanding quite rapidly (Table 1) and results in increasing environmental impacts. Companies in IT sector can reduce the

impact on the environment by having high-performance, energy-efficient equipment, which will also decrease their total costs. Other important opportunity is to make the product life cycle longer. Nowadays consumers usually feel forced to change their mobiles, computers and computer peripherals at least in every third year. The compelling forces are coming mainly from two different directions.

Table 1: Sales growth forecasting of the ICT sector in the close future. Source: Technology Forecast Inc. (2002)

Segments	Growth
Telecom/Datacom	35%
Servers/Workstation	25%
Computers/peripherals	20%
Industrial	20%
Military/Aero	15%
Medical electronics	15%
Automotive	15%

One direction of compelling force is represented by big brand owners (such as Ericsson, Nokia, Siemens, Samsung, Alcatel etc.) who are interested in increasing sales volumes one year to the other. In Europe, Japan and US ICT markets are almost saturated, sales reached their maximum potential level. Therefore companies promote consumers to buy or change their products frequently. Nowadays the life time of a mobile phone or a computer is hardly longer than three years. This is in line with companies' sales objectives but not with environmental requirements.

Other compelling force is frequent replacement of IT equipments, originated in the extremely intensive technology push. Thanks to the large number of inventions every day a dozen of new technical novelty appear. Producers use these novelties as an opportunity to maintain their competitiveness. Companies are fighting for

consumers and offer new products having more options, better design etc. in order to acquire more clients. This quick product change may lead to incompatibility of application. Even those who do not want to change their IT equipment will be forced by their partners because without new IT application they can not work together. Otherwise the communication between partners (or even potential partners) will be stucked.

The above described reasons give evidence: the consumption will stay on a high level. There is no chance to eliminate any of the compelling force because parties are disinterested in it. The question is that weather producer companies can make or will make any effort to reduce environmental and social loading.

To illustrate behavior of producer companies we have examined major telecom companies: Al-

catel Ericsson, Nokia, Samsung, Siemens and their suppliers: Elcoteq, Jabil Circuit, Flextronics, Solectron. Out of the sustainability concept (triple bottom line theory) the economic issue is the most interesting in ICT sector.

Eco-efficiency

Within telecommunication industry the environmental impacts depend on the specific type of product not a specific production plant. Eco-efficiency is the management strategy that combines environmental and economic performance (Timberlake, 2002). It enables more efficient production processes and the creation of better product. Eco-efficiency has different strategic elements which are applied by telecom companies in order to achieve maximal productivity and minimal waste. There are three different ways to achieve this goal:

Dematerialization - this is a term means use of fewer materials to create better products. Years ago, a portable phone weighted 15 kilograms, has the size of a briefcase and delivered talk-only service. Today, mobiles weighing less than 200g, has a size of cigarette packet and can provide a variety of services: voice, text messages, fax and the internet.

Immaterialization and Service Extension – this term describes how technology can substitute the need for physical products by replacing them with services. For example, downloading a video over the Internet can save a travel to the video shop. Network services can replace the need of a telephone answering machine. Internet access can reduce traveling time, cost and offers extra services.

Closing Production Loop – this mean that, designers are aware of the whole life cycle of the product. The production cycle, from a designer point of view is a never ending cycle. After the usage of a particular product it must be taken back to the production process and use it again

for a new model. Customer can leave his/her old mobile telephone at the telecom company, which takes care of the recycling. In Hungary there is no applied system for used model recycling yet.

Eco-efficiency performance: Dow Jones Sustainability Group Index

Companies believe that adopting corporate sustainability concept ensure them long-term share-holder value by embracing opportunities and managing risks derived from economic, environmental and social developments. (Timberlake 2002) Ericsson, Nokia and Siemens have been already listed on the Dow Jones Sustainability Group Index. This index includes only companies that have engineered their technical and business processes on the basis of sustainability. Since the Dow Jones Sustainability Index was introduced (in 1999), related companies have developed much better in economic terms than the average for all companies in the Dow Jones Index. The reason may be that criteria for sustainable development contribute to a balanced relationship between benefit and risk. Furthermore, companies committed to sustainability seen to be more innovative than other businesses because they recognize trends and tendencies at an early stage and adjust to them proactively. Unfortunately suppliers of mobile brand owners are listed in DJSI while some of the mobile service providers are in DJSI list. We may assume that those companies who have direct contact with end users are more sensitive or feel greater compelling force to take into consideration sustainability concerns.

Corporate Social Responsibility — Indirect effects

The strong commitment to environmental sensitivity leads companies to arrange their productivity with minimum load on environment and work with employees and society at large to

improve their quality of life. Telecom application may make products more complex, with new and enhanced functionality.

The automotive industry uses a great quantity of ICT products which helps to increase the value of automobiles. Mercedes –Benz has significantly reduced maintenance costs on its passenger car models with the introduction of new maintenance program called ASSYST System. Car engines are equipped with a microcomputer that monitors the aging of engine and calculates an individualized and accurate maintenance program for the engine. The auto Pilot System APS, is a satellite supported navigation system, which will soon make it easy to get to the destination, saving time, fuel. TeleAid the emergency call system automatically calls for help when the driver has an accident somewhere on the road and no idea where he/she is. These examples are only just ones from the thousands of possible applications where ICT products are embedded in another product. By this way the product become “smarter”, has additional services and contribute to increase the quality of our life.

Some concerns of sustainability in the Pharmaceutical Industry

The pharmaceutical industry has reached its maturity stage. According to a research reported by the IBM Business Consulting Services (1998), if the top 20 pharmaceutical companies are to deliver sales growth of 7 % a year - in line with industry forecasts - they will need to dramatically improve their R&D productivity. This industrial pressure is combined with a changing social environment, with the growing power of consumer and other stakeholders. Patients must be treated as partners in the health providing chain. The government has an effective bargaining power through the reimbursement system of drugs. So the problem is already set: making affordable drugs to intelligent customers.

The Triple bottom line

Adopting the principles of corporate sustainability is a challenge which may create also competitive advantage for the pharmaceutical companies. Some big companies have already realized it, and are continuously making effort to balance the Triple Bottom Line. Company *Novo Nordisk*, a world leader in diabetes care implemented the three elements into its strategy along these key areas:

Finance: Corporate growth Investors National growth	Environment: Environment Animal welfare Bioethics	Social: Employees People whose healthcare needs we serve Local communities and the global community
<i>Johnson&Johnson</i> has translated the key dimensions in its Credo (Vision and Strategy) into a 3Ps strategy:		
Economic value	→	<i>Profits</i>
Environmental responsibility	→	<i>Planet</i>
Social equity	→	<i>People</i>

Industrial features of social responsibility towards stakeholders

Social responsibility is even more important in the pharmaceutical sector than in other industries. The most significant social issues for the pharmaceutical industry are defined as followings:

- employee health and safety
- employee development and consultation
- access to medicines in the developing world
- public concern about animal testing
- gene-based medicines.

Drug is a product of trust. Appropriate communication towards patients, patient groups, health-care professionals, and the government is a must in case of this special product. Major stakeholders in the pharmaceutical industry are numerous, such as: patients, communities of patient groups, healthcare professionals, government, authorities, investors, employees, neighbourhood, local communities, NGOs, business organisations, suppliers, universities, media

The sustainability concept emphasizes the principle of *transparency* as a basic requirement in the pharmaceutical industry. Nowadays stakeholders' need for transparency is increased. Companies realized that a long-term profitable business may only be sustainable if this demand of stakeholders is taken into account. The question is: how can the companies turn this demand into profit?

Novo Nordisk presents an appropriate example of *translating the Triple Bottom Line* from the strategic level into the operation level in China. China is a rapidly growing market for diabetes care. The problem was the lack of awareness about diabetes among the general public, and the weaknesses in professional knowledge of doctors and nurses in different regions of the country. The

company designed an approach adapting the principles of being "socially just, environmentally sound and economically viable". *Novo Nordisk* invested in education, in training of employees, built up partnership with authorities, created a Chinese-language website dealing with this disease, etc. It started *NovoCare Club* for people with diabetes in 2001, and it had nearly 30000 members at the end of 2002. Due to this social investment not only the treatment has been improved (among other impacts), but also the prevention action have been increased, and the overall social costs of diabetes may decrease.

Environment protection has yet a priority among sustainability components at pharmaceutical firms in Hungary. Getting in the drugs from households is an unsolved problem for instance. This year a model experiment was conducted in which ten retail pharmacies and approximately 45000 inhabitants took part (*Pharmorient 2003*). The collection was initiated and carried out by the Ministry of Health, Social and Family Affairs and *Chinoin Hungary*, the third largest pharmaceutical company in the country. The experiment has given useful information and has helped to initiate the regulation on waste drugs. *Chinoin* took part in this experiment, because its aim met the company's philosophy: "Health is the most important!". In eleven countries of the European Union the waste drugs are collected in an organized way. The network is sponsored by drug producers, vendors, city councils and ministries.

Reporting on sustainability

Nowadays, there is almost no one a pharmaceutical company which does not present on its website what it does for sustainability. The world leading companies' websites were examined to reveal how the companies communicate their activity related to sustainability on their websites. The results are summarized in table 2.

Table 2: Forms of reporting about companies' activity towards sustainability on the companies' websites, in the pharmaceutical industry

Company	Listed in DJSI	Major information source of sustainability efforts
Pfizer (www.pfizer.com)	-	News for investors (<i>without Report</i>)
GlaxoSmithKline (<i>www.gsk.com</i>)	+	Environmental, Health, and Safety Report 2001
Merck (www.merck.com)	-	Corporate Responsibility (<i>without Report</i>)
AstraZeneca (www.astrazeneca.com)	+	Corporate Social Responsibility Report 2000
Bristol-Myers Squibb (<i>www.bms.com</i>)	-	Social Responsibility
Aventis (www.aventis.com)	-	Sustainability Report 2002
Johnson&Johnson (www.johnsonandjohnson.com)	-	Environmental, Health, and Safety Sustainability Report 2002
Novartis (www.novartis.com)	+	Novartis Foundation for Sustainable Development (www.foundation.novartis.com)
Wyeth (www.wyeth.com)	-	2002 Environmental and Safety Report

Concluding remarks

As the main motivation of socially responsible business behavior most literature directly or indirectly heightens requirements related to competitiveness. The principal goal is to reach or maintain profit and competitiveness through strengthening brand and company reputation, as well as maintaining and strengthening trust with community and advocacy groups, investors, consumers, and other stakeholders.

Anyway, companies are moving toward socially responsible behavior under pressures of legislation and social expectation, as well. Some companies focus on quantifying the link between sustainability actions, performance and financial

gain. Other ones act in socially responsive ways because they believe “it is right thing to do.” However, programs put in place solely for this reason are vulnerable and may fail due to the lack of institutionalization.

It is often asked whether different cause-related actions are aimed at the right targets? May or want companies select and support causes that are really important for society? Efforts of companies are usually inferior to social needs, and distribution of resources does not follow equity. Companies are not able or inclined to find or define priorities. But even commercial goals may mobilize new resources, which might not be reached in another way.

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