CSR, Creating Shared Value and the Case of GlaxoSmithKline (GSK)

Prepared for MKTG90005 Marketing Strategy

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Presented by:
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By the end of the session, you should:

- Evaluate differing perspectives about the purpose of corporations and their role in society;
- Describe the similarities and differences between Corporate Social Responsibility (CSR) and Creating Shared Value (CSV);
- Identify the different levels of Creating Shared Value (CSV); and
- Apply the CSV concept to the prescribed case reading on GSK in the Philippines.
“Law is to justice, as medicine is to health, as business is to ...?...”
The Corporate Purpose

- If the purpose of a corporation is to create value:
  - Value for whom?
  - What form of value?

Friedman (Shareholder Primacy)

“There is one and only one social responsibility of business — to use its resources and engage in activities designed to increase its profits”

Freeman (Stakeholder Primacy)

“Managers have a duty to individuals and constituencies that contribute, either voluntarily or involuntarily to [a company’s wealth-creating capacity and activities]”

“Do you agree with Friedman’s or Freeman’s view regarding the corporate purpose?”
Corporate Social Responsibility is seriously considering the impact of the company’s actions and activities on society (beyond profit-making objectives)

- Note: Freeman doesn’t advocate for CSR, but his theory does illuminate the social embeddedness of firms.

Socially Responsible Brands?

Socially Irresponsible Brands?
CSR Models

Pyramid of Social Responsibilities  
(Carroll, 1991)

Triple Bottom Line  
(Elkington, 1994)

A Mini Debate:
“The only social responsibility of business is business”
Agree/Disagree?
Arguments against and for CSR

Classical economics
- Businesses not equipped
- Too much power already
- Global competitiveness

Enlightened self-interest
- Proaction against regulation
- Public support
- Resources available
Creating Shared Value (CSV)

“Shared value is not social responsibility, philanthropy, or sustainability, but a new way for companies to achieve economic success”

- Porter and Kramer (2011)

- Shared value is a management strategy
  - Business opportunities to solve social problems
  - Business models that differentiate companies from competitors
  - Working in partnership with stakeholders to create positive social change make profits

CSR versus CSV

- **Value:** doing good
- **Citizenship, philanthropy, sustainability**
- **Discretionary or in response to external pressure**
- **Separate from profit maximization**
- **Agenda is determined by external reporting and personal preferences**
- **Impact limited by corporate footprint and CSR budget**
- **Example: Fair trade purchasing**

- **Value:** economic and societal benefits relative to cost
- **Joint company and community value creation**
- **Integral to competing**
- **Integral to profit maximization**
- **Agenda is company specific and internally generated**
- **Realigns the entire company budget**
- **Example: Transforming procurement to increase quality and yield**


Video: CSV Explainer

‘Creating Shared Value: It’s the Future’. Retrieved from https://youtu.be/1vK3cxnP6l4?list=PL85B3155A0F0B30D0
Levels of Shared Value

1) Reconceive needs, products, and customers
   – Products and services that meet societal needs
   – Providing products to unserved or underserved customers and communities

2) Redefining productivity in the value chain
   – Accessing and utilizing resources, energy, suppliers, logistics and employees differently and more productively

3) Enabling local cluster development
   – Improving the available skills, supplier base, and supporting institutions in the communities where a company operates.
   – Enhance cluster sophistication in the sector.

CSV at GlaxoSmithKline: The Case of Ventolin Rotahaler & Rotacapsules

Company Profile

- Leading global pharma company
- Operates over 150 countries
- Employs over 100,000 people
- Main product categories are:
  - Pharmaceuticals
  - Vaccines
  - Consumer healthcare

“Which of the three-levels of CSV is the GSK case study focussed on?”
The Philippines: Some Stats

- Population of 103.3 million
  - Life expectancy: 69.41 yrs
  - GDP per capita: 2,951.07 USD

- An emerging market
  - Growing economy ~6-7% p.a
  - People moving up the income pyramid, but..
  - ~80 million still considered to be living in poverty

GSK Reach in Emerging Markets

- **TOP OF PYRAMID**
  - People earning: > USD $25k per year
  - 5% of the population (~205m)
  - Contributes to 30% of market value

- **MIDDLE OF PYRAMID**
  - People earning: < USD $25k but > USD $4k
  - 42% of the population (~1.6Bn)
  - Contributes to 58% of market value

- **BOTTOM OF PYRAMID**
  - People earning: < USD $4k
  - 53% of the population (~1.6Bn)
  - Contributes to 12% of market value

**Estimated Healthcare Expenditure in Emerging Markets = USD $271Bn**

An Experiment:
What is asthma?
Approx. 10.7 million people suffer from asthma in the Philippines

- Estimated the 98% of suffered lack proper treatment
- Asthma accounts for ~2.3% of total deaths (~21.2 deaths per 100,000)
- Has significant impact on people’s quality of life
- May contribute to numerous other co-morbidities

“It is hard to comprehend that in this day and age in the Philippines, when a child is diagnosed with asthma the parents start creating a cocoon around the child. They cannot play, they cannot get tired, they cannot stay out in the sun, they cannot bathe thinking that asthma limits the activities of their child”

- Francis Del Val, GM for GSK Philippines
Asthma: The Social Issue

- Asthma is a treatable disease
  - Treatment has been available since 1968 and used in clinical practice for 45 years
  - **Multi-dose inhalers (MDIs)** are the gold standard treatment for asthma sufferers
  - However, in poorer nations, people tend to opt for inferior cheaper oral therapies (tablets and syrup)
In light of the social issue described, write a business opportunity statement for GSK in the Philippines.

<table>
<thead>
<tr>
<th>Strategic Foundations of the Product</th>
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</thead>
<tbody>
<tr>
<td><strong>Vision Statement</strong></td>
</tr>
<tr>
<td>Ventolin (Rotahaler &amp; Rotacapsules) to be the treatment of choice for asthma patients in the lower socio economic group.</td>
</tr>
<tr>
<td><strong>Brand Positioning</strong></td>
</tr>
<tr>
<td>Ventolin Rotahaler brings a gold standard reliever medicine to a population who routinely use oral medications and wait days before they achieve symptom relief. Ventolin Rotahaler/ Rotacapsules are for asthma sufferers who cannot afford the outlay to buy a monthly inhaler.</td>
</tr>
<tr>
<td><strong>Treatment Evolution</strong></td>
</tr>
<tr>
<td>Maximise appropriate use of inhaled medication versus potential inappropriate use of oral options by introducing an affordable unit dose inhaler</td>
</tr>
<tr>
<td><strong>Payer Value Proposition</strong></td>
</tr>
<tr>
<td>Ventolin Rotacapsules are designed specifically to meet the needs of the financially challenged by offering a means to afford inhaler medication (through small pack dispensing).</td>
</tr>
<tr>
<td><strong>Investment Category and Guidance</strong></td>
</tr>
<tr>
<td>Invest to grow</td>
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</tbody>
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Product Innovation: VRH/RC

Poverty Line (Philippines): 100,534 (2,458AUD) per year (equiv. $6.90/day)

- **Ventolin Rotahaler**
  - Inexpensive inhaler device
  - Price at ~50p (1.22AUD)
  - COGS @ 20p (0.49AUD)

- **Ventolin Rotacaps**
  - Inexpensive capsule dispersed in the VRH
  - Price at ~4p (.10 AUD)
  - COGS @ 3p (0.49AUD)

Video: Demonstrating the product
The Business Rationale

- The VRH/RC made good business sense
  
  - **Efficiency gains:** Limited R&D investment required. The capsule itself involved limited pharmacological innovation and leveraged the GSK’s strength in respiratory medicines.
  
  - **Increased market share:** Philippines has a large population of low-income earners. VRH/RC provided an affordable alternative to salbutamol tables/syrup.
  
  - **Expanding market:** Economy in the Philippines is growing, people are moving up the income pyramid and people will demand better treatment options which GSK can service.
Group Discussion:
Is pricing the single biggest barrier for access-to-market? Discuss.
GSK’s 5A’s of Patient Access

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What do you think are some challenges GSK will face in relation to their product in the future?
Potential Future Challenges

- **Potential channel conflict:** Portfolio of high value and low value products targeted at different levels of the income pyramid.

- **Economies of scale:** Production costs are relatively high. More volumes required.

- **Supply chain complexities:** Challenges with distributing to rural communities where the poorest people live.

- **Knowledge of retail systems:** Retail network for low value products can be fragmented.

- **Acceptability and awareness of product:** Community engagement may prove too demanding.

- **Financial performance:** Will the product be viable if it's not profitable?

Some takeaways

- The purpose of a corporation is a contentious topic with no ‘objective’ answer.
- CSR is concerned with a corporation’s focus beyond that of profits.
- CSV is a management strategy comprising of 3-levels: (1) Reconceiving products/needs/customers, (2) Redefining productivity, (3) cluster development.
- GSK is an example of reconceiving needs, customers and products.
- While CSV has strong intuitive/moral appeal, its implementation is fraught with many challenges.
Thank you