

Tactical Considerations For The Effective Use of Cause-Related Marketing

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Abstract

This study measured how consumers feel about firms that use cause-related marketing (CRM) and the charitable organizations that benefit from CRM. Respondents (N=225) were interviewed concerning cause-related marketing campaigns. Most respondents felt CRM was a good way to raise money for the cause, had purchased a product to help support a cause, and expressed favorable attitudes toward both the firm and the charitable organization. Women had more favorable attitudes toward both the firm and the cause than did males.

Introduction

In a recent article Varadarajan and Menon (1988) noted that cause-related marketing (CRM) is distinct from other types of marketing activities and is "characterized by an offer from the firm to contribute a specified amount to a designated cause when customers engage in revenue-providing exchanges that satisfy organizational and individual objectives". Numerous companies have begun including cause-related marketing as either a strategic or tactical tool to accomplish objectives such as increasing sales and market share, continuing or improving corporate social responsibility (philanthropy), and improving corporate and product image.

In a typical cause-related marketing effort, an extensive advertising campaign highlights a non-profit group's benefits to the community, how the public can assist the group, and links fund raising to the purchase of the company's products and/or services. It is easy to see how (CRM) could allow a company to promote its products/services while at the same time benefiting nonprofit organizations with cash donations and extensive publicity (Braedon 1985; Freeman and Walley 1988; Haugh 1981; *Business Week* 1983; Josephson 1984; Kovach 1984; McIlquham 1985; Rosenfeld 1985). Consequently, CRM, allows corporations to benefit from their philanthropic investments by combining charitable contributions with innovative marketing techniques.

According to Varadarajan and Menon (1988), cause-related marketing can be viewed as the alignment of

corporate philanthropy and business interest. It is basically a marketing program that has the dual objectives of improving corporate performance and helping worthy causes by linking fund raising for a cause to the purchase of the firm's products or services. In most cases contributions to the cause do not come from the company's philanthropic foundation budget; rather, funds are drawn from advertising and marketing budgets. Thus, firms view their involvement with the cause as part of marketing strategy.

Conceivably the most ambitious and successful cause-related marketing project to date was the Statue of Liberty/Ellis Island restoration. The philanthropic objective of preserving a national monument, coupled with the sale of specific products, generated profits and favorable publicity for many corporate sponsors including American Express, Stroh Brewery, Coca Cola, Kellogg, and Chrysler Corporation. The overwhelming success of this project has precipitated a continued increase in the use of cause-related marketing as both companies and causes have benefited.

The literature on why cause-related marketing works, the best approaches to use, and consumer perceptions of cause-related marketing is lacking, and research-based articles are virtually non-existent (Varadarajan and Menon 1988). The purpose of this research is to empirically investigate selected variables associated with cause-related marketing, and to provide guidance to marketing practitioners and directors of charitable

organizations considering the use of CRM.

The Practice and Theory of CRM

The Practice of CRM

There are numerous articles indicating that many companies have been successful in accomplishing at least part of their objectives with the use of CRM. However, the focus of most articles is descriptive in nature, defining and providing numerous examples of cause-related marketing (Alsop 1985, 1987; American Express Company 1987; *Business Week* 1982; Hansler 1987; Higgins 1986; *Business Week* 1983; Josephson 1984; *Marketing News* 1984, 1987; McIlquham 1985; Rosenfeld 1985; Schwadel 1986; Wall 1984; *Wall Street Journal* 1984; Williams 1986).

Examples of marketing and fund raising campaigns that fit the definition of cause-related marketing include General Foods support of MADD, Scott Paper support of Ronald McDonald Houses, and Coca Cola support of Hands Across America. Perhaps the best known example of CRM is the effort by American Express to raise funds to restore the Statue of Liberty. Each time a card holder charged a purchase, American Express donated a penny to the Statue's restoration. For each new card application, the company donated \$1 to the restoration. The Statue of Liberty Foundation received \$1.7 million while American Express realized a 28 percent increase in credit card use and a 45 percent increase in credit card applications (Bailey 1987).

The marketing people at American Express coined the phrase "cause-related marketing"; however, they were not the first to introduce the concept nor were they the first to link contributions for the Statue of Liberty to marketing. When the Statue of Liberty first arrived from France, Joseph Pulitzer solicited contributions from the public for her pedestal by offering to put the donor's name in print. The money for the pedestal was raised and the circulation of his newspaper expanded (Caesar 1986, 1987).

The Theoretical Basis for CRM Behavior

Although companies and causes may view CRM as a tool to achieve economic and social objectives, consumers may view CRM as a combination of a purchase decision and some form of altruistic or donor behavior. If so, a number of streams of research converge to facilitate the conceptualization and prediction of CRM consumer behavior.

In a recent article Burnett and Wood (1988) reviewed the literature on donation behavior and developed a comprehensive model of the donation process. A cause-related marketing campaign includes an explicit promise that a donation will be given to a specified cause. Provided that consumers perceive their CRM purchase as including a donation, then the research associated with donation behavior (prosocial behavior, social exchange theory, and equity theory) should provide guidance as to some of the variables that may influence CRM purchase behavior.

Prosocial behavior is generally considered to be those acts that are perceived as having positive social consequences and are voluntary, without the anticipation of external rewards (Bar-Tal 1976). Although a CRM purchase is clearly not strictly prosocial behavior, the research on prosocial behavior and gender does suggest that the predisposition and extent of assistance one individual is willing to provide to another is related to perceived sex roles (Bar-Tal 1976). One of the basic elements of the female sex role in the United States is an emphasis on nurturance and life-preserving activities (Schaffer 1981; Smith & Midlarsky 1985). Research on consumer behavior and sex roles also indicates that females are more favorable toward self and other-oriented appeals than their male counterparts (Meyers-Levy, 1988). Given a CRM campaign that promotes products targeted toward females and a strong symbolic nurturance cause, women would be expected to have a higher valence toward the cause than men and thus greater intention to purchase the product and hence support the cause.

One other variable of interest emanating from prosocial behavior research concerns the physical distance between the donor and the recipient (Bar-Tal, 1976). In general, the closer the recipient to the potential donor, the more likely the potential donor will engage in some form of prosocial behavior. However, much of the research on prosocial behavior was experimental with subjects in relatively close proximity. In a CRM campaign the proximity may be differentiated as local, regional or national and the differences on consumers' affective and behavioral responses may not be as strong and need to be investigated (Varadarajan and Menon, 1988).

Social exchange theory looks at human interaction in terms of a dynamic social process in which parties exchange commodities, resources or skills in an attempt to maximize their rewards and minimize their costs (Burnett and Wood, 1988; Foa & Foa, 1980). According

to Bagozzi (1975) marketing exchanges may fall into one of the three categories: utilitarian, symbolic or mixed. In a CRM campaign there is a complex utilitarian economic exchange between the consumer, the firm, and the cause. Additionally, there may be a symbolic social exchange between all three parties that adds to the perceived value of the exchange. A firm offers to donate to a cause if the consumer engages in the exchange process, thus increasing the perceived value of the exchange at no additional perceived cost to the consumer.

Equity theory is similar to exchange theory in that individuals are assumed to attempt to maximize their resources. However, equity theory postulates that cognitive dissonance will occur when one party in the exchange receives either too much or too little in the exchange (Burnett and Wood, 1988; Bar-Tal, 1976). An individual might engage in a CRM purchase if: (1) in the past they have perceived the purchase to be inequitable and the donation by the firm helps balance the equity equation, (2) they perceive the purchase and donation will help balance the equity between themselves and the recipient of the donation, or (3) both perceptions may occur.

Further Considerations

Although it appears from a marketing standpoint that CRM can be quite successful, a number of researchers have raised serious issues concerning cause-related marketing (Bailey 1987; Caesar 1986, 1987; Gottlib 1985a,b, 1986; Gratz and Fettermann 1985a,b; Gurin 1987; Kinsley 1985; Kovach 1984; Neiman 1987; Robins 1986; Simpson 1987; Varadarajan and Menon 1988). Some observers worry about the possible threat to traditional philanthropic gifts that companies make to charities, as well as the potential negative image toward the nonprofit firm that links itself with "selling" a product (See Figure 2). Gurin (1987) proposes that a philanthropic gift should cost the donor something; it should not provide the donor a profit.

FIGURE 1 Potential Adverse Effects of Cause-Related Marketing	
<p>1. The cause must exploit constituency because the corporation must be convinced that members can be converted to consumers.</p> <p>2. Cause-related marketing generally targets popular risk free causes and ignores less popular, high-risk causes.</p> <p>3. Consumers have less need to examine causes that may be very deserving of support.</p> <p>4. Consumers might feel that their small individual effort has fulfilled their philanthropic obligation.</p> <p>5. Cause-related marketing promotes "painless giving." The consumer makes a purchase, not a gift, and is therefore not a true donor.</p>	<p>6. Cause-related marketing could replace rather than add to traditional philanthropic giving.</p> <p>7. The public might assume a "Let Business do it" attitude.</p> <p>8. Cause-related marketing may cloud the public understanding of philanthropy.</p> <p>9. Commercialization of the charitable organization could result in a negative attitude on the part of the consumer.</p> <p>10. Charity organizations may be tempted to change their objectives to meet the demands of organizations.</p>

Source: Gurin, Maurice, Advertising Age, July 27, 1987.

As with many new concepts in the field of promotion, the very uniqueness of CRM may lend to its success. However, as more and more companies begin promoting their products with CRM the practice may become commonplace and may no longer be unique or effective. CRM seems to be particularly suited to special events such as the restoration of the Statue of Liberty or to well established causes. Yet, as everyone rushes to support the "big name" causes and events they overlook numerous other causes that are just as deserving and may also need support. From a marketing perspective, the fear that support of lesser known causes may result in not reaching the sales objectives of the organization may be sufficient to dissuade organizations from supporting those causes. Additionally there is the possibility that an organization may intentionally misrepresent its intentions and defraud the public. This type of activity might reflect on all CRM campaigns and could hurt both legitimate causes and CRM campaigns.

Research Questions and Methods

Study Objectives

The purposes of the study were to measure how consumers feel about cause-related marketing in general and to provide guidance to practitioners concerning the effective use of cause-related marketing. Specifically, the study was designed to answer the following questions: (1) Can consumers remember having seen a cause-related advertisement?; (2) Have consumers purchased a product or service because of a CRM promotion?; (3) Do consumers believe CRM is a good way to raise funds for charitable organizations?; (4) Does the amount of the contribution to the cause make a difference in the consumer's decision to purchase?; (5) Will CRM attract nonusers of a brand?; (6) Are consumers more attracted to charitable organizations that have a local or national focus?; (7) What types of causes are consumers likely to support?; (8) Are some demographic groups more inclined to support CRM than others?

Sample Populations and Methods

The population studied consisted of residents of a major metropolitan area in the southwestern United States who were 21 years of age or older and not enrolled as a full-time student at any school or university. From this population a convenience sample of 225 respondents were questioned in personal interviews. Interviewers were trained in techniques designed to elicit objective responses and a structured format was used to obtain responses. Respondents were provided with a definition of cause-related marketing at the beginning of

the interview.

Respondents ranged from 21 to over 55 years of age, with the largest group falling in the 25 to 34 age category. Most were married (59.1%), and the sample had more women (68%) than men (32%). The most common income category was \$15,000 to \$25,000. Whites made up 81 percent of the sample compared to 14 percent and 3 percent for hispanics and blacks respectively. The education categories that described most of the respondents were "some college" (32%) and college graduate (33%).

Findings

Can Consumers Remember One or More CRM Ads?

When asked if they could recall a CRM ad, over 53 percent of the respondents said that they could recall one or more. Although over 40 different companies were named along with numerous causes, the CRM ads that were recalled by most respondents were: McDonald's promotions to raise money for Ronald McDonald House, Miller Beer and Proctor and Gamble's promotions to raise funds for Special Olympics, Seven Eleven's promotion to raise funds for the Muscular Dystrophy Association, and Safeway Grocery Store's efforts to raise money to place Apple computers in public schools.

Have Consumers Purchased a Product or Service Primarily Because of a CRM Ad?

Slightly less than half of the respondents (48.7%) stated that they had purchased a product or a service primarily because of their desire to support a cause. More women (51%) than men (42%) said that they had purchased a product or service primarily to support a worthy cause.

Do Consumers Believe CRM is a Good Way to Raise Funds for Charitable Organizations?

Most consumers (67.6%) believe CRM is a good way to raise funds for charitable causes while 17 percent have no opinion and 15 percent did not approve of CRM. As shown in Table 1, women were slightly more receptive to CRM than men. More women thought CRM was a good way to raise funds for charitable causes and fewer thought it was a bad idea. Crosstabulations of this question with the other demographic variables captured in this study showed no other important relationships.

Does the Amount of Contribution Make a Difference to

the Consumer?

Over 47 percent of the respondents said that the amount of the contribution would influence their purchase decision; however, 37 percent said that they would not be influenced by the size of the contribution. The remaining 16 percent were undecided as to how the amount of the contribution would affect them. When this question was crosstabulated with the demographic variables gathered in this study, no significant differences were found.

Will CRM Promotions Attract Nonusers of a Brand?

Respondents were asked to give the likelihood that they would purchase a brand advertised in a CRM promotion when they normally purchase the product category but had not tried the brand featured in the ad. More than half of the respondents (54%) said they would be tempted to try a new brand as a result of a CRM promotion if they regularly use the product category. Once again, there were rather large differences in the responses given this question by men and women. Over 58 percent of the women stated they would most likely try the brand compared to only 46 percent of the male respondents. Table 2 shows even larger differences between men and women in the unlikely to try and the undecided categories. When the responses to the question were crosstabulated with gender, the chi square test of independence was significant at the .01 level. The results of crosstabulations with other classification variables such as age, marital status and ethnicity did not provide any additional insight.

When respondents were asked if they would try the sponsoring firm's brand and had tried it and did not like it, only 17 percent of the responses said CRM could influence their decision to buy the brand. There were no major differences noted among the various demographic groups.

Are Consumers Attracted More to Local or National Causes?

Table 3 shows that people are more likely to support causes that have a local or regional focus. Fewer respondents were willing to support causes that were national or international in scope.

Which Type of Cause Will Consumers Support in a CRM Ad?

Table 4 shows that people are more likely to support causes aimed at curing a disease or supporting disaster

relief. Organizations that provide shelter for the homeless or protection of the environment also received high ratings.

Discussion

Cause-related marketing appears to be a good way to raise funds for charitable organizations. Almost half of the respondents indicated that they had purchased a product or service primarily because of their desire to support the cause. Interestingly, women were more apt to think CRM is a good way to raise money than were men. Women were significantly more likely than men to try a new brand as a result of a CRM promotion if they regularly used the product category. This finding may suggest to fund raising organizations that they tie their fund raising efforts to companies that sell products primarily purchased by women. However, the convenience sampling technique used in this study does limit any conclusions to the sample studied and should not necessarily be generalized.

Most respondents were able to recall at least one CRM ad, and were more likely to support causes that are local or regional than national or international. For example, ads associated with raising funds for Special Olympics were among the CRM ads recalled. While some of these ads may have been national in scope, Special Olympics also has a local image. Likewise, Seven Eleven's promotion to raise funds for the Muscular Dystrophy Association and Safeway Grocery Store's efforts to raise money to place Apple computers in public schools reflect a regional or local approach to fund raising since both companies are regional in scope. Consumers are most willing to support causes aimed at curing a disease (cancer, muscular dystrophy, and birth defects) or to support disaster relief, followed by providing shelter for the homeless and protection of the environment. These findings suggest that the charity should emphasize that donations go to support local or regional causes. Also, certain types of causes are more likely to result in a purchase (and donation) than others.

In general, the amount of the contribution that the company makes to the cause does not necessarily affect the consumer's purchase decision. Unfortunately for the cause, this may mean that companies can agree to a smaller donation to the cause and still get the consumer to purchase the product.

More than half the respondents said they would be willing to try a new brand as a result of a CRM promotion if they regularly use the product category, while only seventeen percent said CRM could influence their decision to purchase the brand if they had previously

tried the sponsoring firm's brand and did not like it. This finding indicates that firms engaging in CRM promotions should aim such promotions at users of the product category that currently use a competitor's brand and/or current, satisfied users of the sponsoring firm's brand. It also indicates that CRM may be a good way to get users of the sponsoring firm's products to try a new product from the sponsoring firm. As a tactical tool CRM would seem to be just as, or perhaps more, effective than economically based promotions such as couponing. Figure 2 summarizes some tactical considerations for companies and/or charities wanting to use cause-related marketing.

Future research in the area of cause-related marketing should investigate why men appear to be less favorable than women toward CRM as a way to raise funds for charitable organizations. Also are consumers less willing to donate

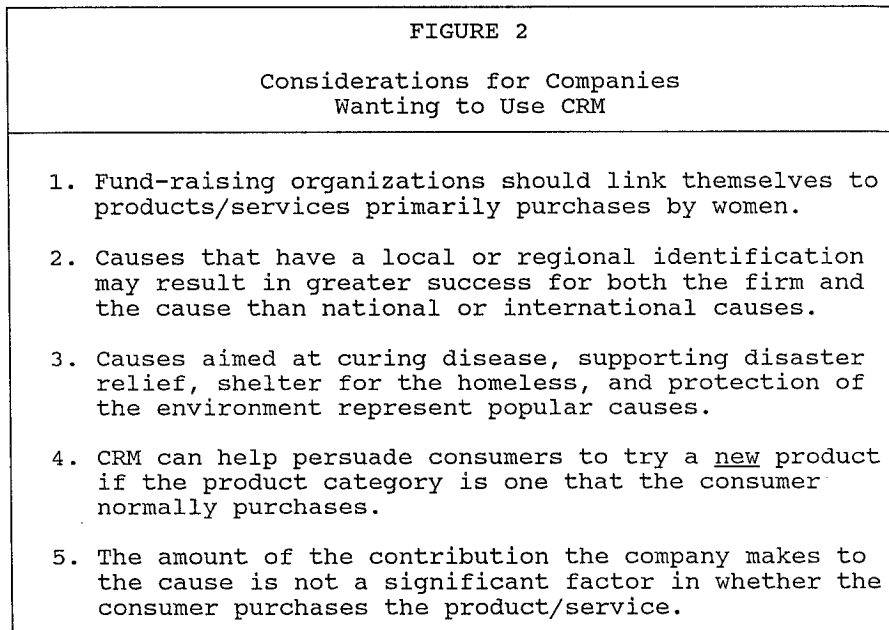
Responses	Overall Percentage	Percent Male	Percent Female
CRM is a good idea	67.7%	66.2%	68.7
Unsure about CRM	16.9	16.9	16.1
CRM is a bad idea	15.4	16.9	15.2

Likelihood of Purchase	Overall Percentage	Percent Male	Percent Female
Likely	53.5%	46.5%	58.6%
Undecided	18.3	9.8	24.2
Unlikely	28.2	43.7	17.2

Scope of Cause	Percent Likely to Support	Percent Undecided	Percent not Likely to Support
Local	83.0%	8.5%	8.5%
Regional	63.3	21.9	14.8
National	45.7	25.6	28.7
International	28.0	24.3	47.7

Types of Causes	Percent Who Would Probably Support
Restore an Historic Site	37.1%
Support your Favorite University	49.3
Shelter for the Homeless	65.2
Research to cure a Disease	77.9
Disaster Relief	74.1
Protect Environment	64.6

cash and time to worthwhile causes because they feel they have already donated via the purchase of a product/service?



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