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Lexicon & Marketing Essay

Has a checkout cashier or bank ATM ever asked you to donate money to a charitable cause? As a child or parent, did you prove your loyalty for certain cereal brands by participating in Box Tops for Education? Have you ever noticed a NFL team wearing nuances of pink in honor of breast cancer awareness month? If you answered “yes” to any of these questions, then you have experienced a form of cause-related marketing. Cause-related marketing (CRM) is a marketing strategy that engages a for-profit business and a non-profit organization in a collaborative effort of brand promotion. This essay explores the various components of CRM in an attempt to expose the goals and outcomes associated with its use as well as the pros and cons of employing such a cooperative-dependent strategy. As we take a closer look at cause-related marketing, I frame my analysis with a selection of *lexicon terms* in order to construct a critical evaluation on this particular marketing strategy.

Cause-related marketing, although often associated with corporate philanthropy, is in fact in a league of its own. Cause-related marketing may be broadly defined as “a strategy designed to promote the achievement of marketing objectives via company support of social concerns” (Barone et al., 2000, p.248). A more narrow definition suggests that cause-related marketing is “the process of formulating and implementing marketing activities that are 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” (Varadarajan & Menon, 1988, p. 60). The motive behind a company's use of CRM is fueled by the notion that consumers are more inclined to purchase products and/or services from companies that support causes in line with their own morals. In this sense, CRM is effective when its outcome produces a positive impact on consumer conscious. *Impact*, which can be defined as the degree of influence resulting from a choice in action, is an important element of CRM. Marketing impacts the way we think by appealing to our emotions, needs, curiosities, weaknesses, and beliefs; cause-related marketing takes this notion a step further by placing these

emotions at the heart of each consumer's financial transactions. CRM maintains the dual agenda of achieving specific marketing and corporate objectives while raising funds for a worthy cause.

According to *Business Week* (1982), funds set aside for CRM do not usually come from a company's philanthropic foundation budget, but rather “a portion of the marketing budget that normally would have been expended for advertising and/or sales promotion is instead earmarked for contribution to a cause on behalf of those customers who engage in revenue-producing transactions with the firm during a specified time period and comply with other terms of exchange” (Wall as cited by Varadarajan & Menon, 1984, p. 69). This suggests that while CRM is in tune with issues of corporate social responsibility, it is nevertheless a strategy that requires forward-thinking and acting. Another leading characteristic of CRM is that it involves an exchange of goods and services for money.

One of the earliest and most widely recognized cases of a successful cause-related marketing strategy was the national promotion campaign employed by American Express to raise \$1.7 million for the Ellis Foundation for renovation of the Statue of Liberty in 1983 (Wall as cited by Varadarajan & Menon, 1988, p.59). In a way, this campaign was ahead of its time for it ran during a period when businesses weren't exactly held to high standards of social consciousness. American Express, who actually copyrighted the term “Cause-Related Marketing”, increased demand for their brand by promising to “donate a penny to the renovation for each use of its charge card and a dollar for each new card issued in the U.S. during the fourth quarter of 1983” (Varadarajan & Menon, 1988, p. 59). The company's efforts proved successful for card usage increased by 28% and a significant amount of new cards were issued during the campaign (Varadarajan & Menon, 1988, p. 59). Yet, as is the case with most any success story, criticism to a certain degree was not far behind. As people began to question the motives behind American Express's interest in helping restore the State of Liberty, many realized the relationship between the two were not very clear. While some viewed it as a genius marketing ploy fueled by patriotism, others saw it as “the franchising of a national symbol to corporate interests” (Gratz and Fettmann as cited by Varadarajan & Menon, 1988, p.69). Honest intentions or not,

companies subject themselves to critique when they claim their marketing strategies to be cause-related. This is where *transparency*, the degree to which a company discloses information to the public, comes into play and is an issue I will address in more detail after an analysis on the various uses and time frames of CRM.

When you think of an arts advocate, who comes to mind? An artist, an educator, an administrator? Did you consider an entire organization to be an *advocate*? I like to think of advocates as devoted protagonists, people who build support in the public sphere. A company is just as liable as an individual to dedicate itself to the advancement of an idea or movement. However, serving as an advocate is hard messy work, even on an organizational level, and it calls for active participation in the techniques of persuasion. Cause-related marketing is rooted in those techniques. CRM is a strategy that is used to help achieve the following outcomes: “gaining national visibility, enhancing corporate image, thwarting negative publicity, generating incremental sales, promoting repeat purchases, increasing brand awareness and recognition, enhancing and reinforcing brand image, and broadening customer base by reaching new market segments and geographic markets” (Varadarajan & Menon, 1988, p. 60). The Coca-cola Company achieved a vast majority of these outcomes in its Arctic Home campaign. In this case, the company donated a matching fund contribution (an amount equal to the amount of product sales) to the World Wildlife Fund in an effort to help the plight of the polar bears. During a Cause Marketing Forum interview with Coca-cola's Senior Manager, Anne Weaver, she states the company “saw a growth in share, a tremendous growth in our brand love metrics (favorite brand), and our reputation metrics are also improving. General opinion of the Coca-cola Company was up two points” (Weaver, 2012, Cause Marketing Forum). In Coca-cola’s efforts to increase awareness about the issues faced by polar bears in the Arctic, they both boosted product sales and improved the company’s reputation.

In addition to the outcomes mentioned above, CRM helps a company achieve *differentiation*. Differentiation, or the state of being different, is established by companies that want to stand out and

gain a competitive edge in the marketplace. With regards to advertising, differentiation is realized through market segmentation strategies as companies seek to understand the unique needs of various types of consumers. According to marketing researchers, “organizations use CRM to support a variety of causes and obtain a source of differentiation for both the firm and its brands, as well as to expand their corporate social responsibility programs” (Kotler et al. as cited by Vanhamme, 2011, p.260). Although rarely publicized as a motivating factor, it is clear that companies use cause-related marketing strategies to distinguish themselves from competitors in a comparatively positive light.

Aside from the broader outcome of enhancing corporate image, CRM is understood to have a direct effect on the purchasing decisions of consumer. Research in consumer behavior suggests that when people buy products, performance and price are important factors and that CRM has less of an influence on decision making (Barone et al., 2000, p. 250). This evidence makes it seem as if CRM strategies have minimal influence over the judgments of consumers, yet to regard this notion as truth in every case would be a mistake. Research conducted in the field also reveals that when consumers are limited to alternative options they will take into account all relevant information available, and “if consumers do engage in such trade-offs, research indicates 'moral' attributes are given particular emphasis during choice processing suggesting that brands with positive CRM associations may be selected despite being dominated by competitors on product based dimensions” (Barone et al., 2000, p. 250). In simpler terms, consumers may be willing to accept lower performance or higher price if a brand is strongly associated with the charitable benefits of cause-related marketing. CRM strategies may also be used in the broader sense such as providing support in the form of “event sponsorships, sales promotions, volunteering, or public relations” (Duff as cited by Vanhamme et al., 2011, p. 261). It is important to remember that while this particular marketing strategy may take on many forms, in every instance of use CRM should be beneficial to both the for-profit organization and the charitable cause. Kotler and Lee suggest, “Furthermore, the cause-related marketing offer usually runs for a specified period of time, for a particular product, and to benefit a specific charity or cause” (Vanhamme

et al., 2011, p.261). Cause-related marketing is tailored to the needs of each participant – the for-profit company, the non-profit organization, and the consumer. As the strategic manner of CRM application varies, so does the length of its implementation.

Strategy, the art of thinking, involves a structured plan of action. Strategy is helpful when we have a goal in mind and we are trying to figure out the best way to achieve that goal. Careful strategy takes every variable into account – how much time, what are the resources, the various avenues, the possible outcomes, the challenges? In order to devise an appropriate marketing plan, companies make strategic predictions about consumers. Depending on the target audience and the duration of time realistically available to make an impact on that audience, a cause-related marketing strategy may be implemented with either a short-term or medium to long-term focus. CRM strategies operating under a short-term time frame are very popular; an example of this would be a grocery store promotion before Thanksgiving or Christmas where a promise is made to “donate a certain percentage of the sales on a specified date to the local food bank for the hungry” (Varadarajan & Menon, 1988, p.63). Another example comes to mind when I think of my current internship experience at Swahili Imports, a local African art wholesaler company here in Eugene, OR. For every purchase of a select product during the course of three months, Swahili will donate a set percentage of its profits to Toastan, an African-based human rights organization dedicated to the abolishment of female genital mutilation. While the organizational goals of Swahili are very different from those of Toastan's, the cause-related marketing strategy connects these organizations through a shared agenda – to improve the lives of individuals in Africa. In each of the examples just mentioned, short-term CRM has a positive impact on the development of the organization for its use promotes the sale of products while also permitting the customers to feel empowered through community support and/or social justice.

Two of the first scholars to write about the concept of cause-related marketing, Varadarajan and Menon (1988), suggest that CRM “can constitute a tactical and a strategic approach” (Vanhamme et al., 2011, p.261). A tactical approach is 'more focused on consumer behavior as it aims to increase revenue

through short-term strategies such as sales promotions, whereas a strategic approach is more focused on long-term effects such as improving corporate image and creating a positive consumer attitude' (Berger et al. & Dowling as cited by Vanhamme et al., 2011, p.261). Long-term CRM strategies may yield additional benefits such as “the prospect of realizing a tangible end product (e.g. a completely renovated historical landmark, a new park)...and an opportunity for public relations activity during the entire course of the promotion” (Tinsdall as cited by Varadarajan & Menon, 1988, pp.63-64). Above all, CRM helps companies increase exposure. Proctor & Gamble proudly publicize their long-term CRM scheme as they describe a partnership with the International Olympic Committee (IOC) in their 2010 Annual Report:

“We are working across our businesses and markets to leverage P&G scale. A good example is the global sponsorship agreement we signed in July with the IOC. The partnership gives P&G global sponsorship rights for the next five Olympic Games, from London 2012 through the 2020 Olympic Games, enabling the Company to take the Games to the more than 4 billion consumers worldwide served by P&G brands today. The breadth of P&G’s portfolio and the depth of our reach make this the most far-reaching Olympic partnership. It demonstrates the powerful appeal of our brand portfolio and its tremendous global scale. No other consumer products company could create a comparable partnership with the IOC” (The Proctor & Gamble Company, p.6).

This quote highlights several of the benefits that may be gained from a partnership in cause-related marketing. Proctor & Gamble discuss the advantages from their own perspective (providing an investment opportunity to increase company scale and strengthen appeal) and from the perspective of the IOC (increased exposure for the Olympic Games and the unparalleled support of a product company). While a long-term CRM strategy requires a lengthier commitment, there are some advantages that may only be reached through the continuation of a lasting cooperative partnership.

Marketing analysts believe CRM can “leverage gains in reputation and legitimacy, improve

consumer behavior, attract talented employees, and have a positive effect on the organizations' financial performance" (Vanhamme et al., 2011, p.260). One of the most profound benefits of a successful CRM strategy is that the consumers are granted the opportunity to participate in a form of social activism. Today, words like "participation" and "engagement" are repeatedly surfacing in discussions revolving around marketing. Organizations are trying everything they can to ensure consumers are not just attending their performances, but experiencing them; not just purchasing a product, but developing investment in it; not just donating money, but truly making an incredible difference. By providing the *experience* of cause-related marketing, companies are helping people relate to and comprehend the world around them on a sensory and emotional level (Morton, 2013, Lexicon Post). After all, it can be argued that "experience is ultimately what generates a connection between institutions and the people they serve" (Morton, 2013, Lexicon Post). When companies integrate experience, or involvement, into their marketing campaign they create value.

In this sense, cause-related marketing connects organizations to people through a means of participatory culture. Henry Jenkins defines "participatory culture" as one with "relatively low barriers to civic engagement...where members believe that their contributions matter and they feel some degree of social connection with one another" (Jenkins, 2007, p.7). CRM presents a way for companies to engage consumers, to empower them with opportunities to make positive choices, and to provide the experience of participation. As companies are increasingly expected to demonstrate transparency in their everyday operations, ethical standards are more important now than ever before. This being said, building and sustaining a cause-related marketing relationship is not always easy as it operates between two different worlds – the commercial and the voluntary. Both organizations must be able to come together in the spirit of transparency and commitment. With the bar of expectations raising each year in the department of business ethics, intensified even more by the all-seeing-eyes of watchdog organizations, companies running CRM campaigns must make it a priority to maintain transparency in their operations. Because if they don't, they risk the danger of exploitation accusations and public

backlash, an issue no company wants to face. Varadarajan & Menon state, “Though CRM can be used to nullify negative publicity about the firm and its offerings, and/or to pacify customer groups offended by its past actions, such use of CRM could backfire if it were construed as opportunistic. Hence, firms must exercise caution. More importantly, not-for-profit organizations must guard against being criticized for allowing commercial exploitation in such contexts” (Varadarajan & Menon, 1988, p. 62). For this reason, it is of utmost importance that organizations chose to participate in CRM partnerships for the right purpose.

A large part of effective CRM is making sure the two organizations involved are a good fit for each other. The closer related the cause is to the business, the more successful the campaign will be. For example, research suggests “if there is a strong correspondence between what a company does (e.g., manufacture and market sporting goods) and a cause that it sponsors (e.g., a sports program for disadvantaged youth), this relationship between the company and the cause may enhance consumer responsiveness to the CRM if the matchup promotes perceptions that the company is lending its expertise (as well as financial support) to the charity” (Barone et al., 2000, p.258). There are many factors of which to consider before implementing a CRM strategy; target audience, partnership goals, length of strategy, cost, risks, and benefits all play into the decision. If executed correctly, CRM may yield a plethora of mutual benefits for the organizations involved. However, as the public becomes more critical and openly concerned about social issues, it becomes easier for cause-related marketing to walk a thin line between corporate philanthropy and exploitation.

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