
CAUSE RELATED MARKETING – TRUE HEART-FELT CORPORATE BENEVOLENCE?

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Abstract:

Nowadays, globally, consumers' expectations have reached a new high, as they expect companies to act responsibly in changing the world. More than often these expectations are not met solely out of the kindness and generosity of corporations, but they are mixed in with corporate social responsibility programs and cause-related marketing. Consumers want more of the products and services they buy to support worthy social and environmental issues.

Keywords: Cause Related Marketing, Corporate Social Responsibility, Consumption Philanthropy, Corporate Philanthropy.

1. Introduction

The United States gave birth to cause marketing in early 1980s, which has today become a mainstream business strategy for driving sales and building brand affinity. Cause Related Marketing (CRMk) started to take form in 1983, when American Express practically coined and perpetuated this concept, through its campaign in restoring the Statue of Liberty. Everytime an American Express card was used or a new member subscribed a small donation was being made for the restoring project. In just 3 months, 1.7 million dollars were gathered for the cause and the usage rate of AmEx cards increased by 27%, while the new subscription rate rose by 45%. This is how cause marketing was born.

Kotler describes Cause Related Marketing (CRMk) connects a company's contributions to a certain cause, in order to incite customers, directly or indirectly, to participate in profit-driven transactions. Cause Marketing is part of Corporate Societal Marketing (CSM).

Cause Related Marketing (CRMk) is without a doubt one of the first "areas" that has brought together the profit area and the non-profit area, in order to achieve mutual benefits. Consumer brands can serve as catalysts and critical platforms for the target public's engagement and support for a cause or organization. Marketers can certainly use the tools available to incite involvement from consumers in certain social causes and to raise awareness on important issues (Kotler, 2009, p.792).

Strategies that combine consumption with philanthropy have skyrocketed in the last two decades. Among corporate sponsors, cause marketing expenditures went from almost zero in 1983 to an estimated \$1.3 billion in 2006, according to IEG Inc., a Chicago-based firm that tracks cause-related activities in the United States (Eikenberry, 2009).

For a long period of time executives wondered if they even have any responsibility as they followed renowned economist Milton Friedman, who argued that the only "social responsibility of business is to increase profits". But now more than ever, consumers are primed to use their purchasing power to make a difference.

2. Cause-related marketing or shopping with a conscience

A 2011 Cone/ Echo Global CR Opportunity Study showed that consumers across the globe want to shop with a conscience. Out of 10 000 respondents to the designated survey for the aforementioned study, 94% of consumers are likely to switch brands to one associated with a good cause, when price and quality are about the same. This staggering number reflects that companies are doing a good job in competitive differentiation through responsible business behavior and in communicating their positive affiliations and practices to their target consumers (Cone, 2011).

However, companies should take CRMk and CSR practices very seriously because just as many people (93%) are prepared to boycott a company for irresponsibility. Therefore, companies should be careful in associating their name to a cause or take on responsible initiatives if they are not part of a long-term program or if the commitments are not truthful and transparent, in order to avoid a backlash.

Cause-related marketing offers enormous opportunities for business and society. One example of this is Nokia's 'Make a Connection' campaign with the International Youth Foundation. This campaign provided materials such as teaching packages to assist children with learning difficulties, while flexible working arrangements at Nokia allowed hundreds of employees to work with young people on educational projects (Burns, 2000). Nokia's promotion of this campaign provided them with a unique opportunity to 'make a connection' with the youth segment of the mobile

phone market, illustrating the power of cause-related marketing campaigns to assist with brand differentiation.

In an article published in Stanford Social Innovation Review (Summer 2009), entitled The Hidden Costs of Cause Marketing, the authors propagate the term *consumption philanthropy* as a synonym for cause related marketing (Eikenberry, 2009, p.52). Consumption philanthropy pairs the support of a charitable cause with the purchase or promotion of a service or product. One might argue that consumption philanthropy represents a customer's effort and choice to buy a "socially responsible" product represents the intention. In the table below there is a presentation of the different types of cause marketing (Table 1).

Transactional CRMk	Being the most widespread model of consumption philanthropy, it implies that a company contributes with a certain proportion of the proceeds for each product or service unit associated to a pre-determined social cause. Two of the most famous examples are the pink products associated with Susan G. Komen Breast Cancer Foundation and Product Red campaign, supported by Bono and Robert Shriver. Consumers buying a products associated with either of these two campaigns are also supporting breast cancer research or the battle against HIV/AIDS, malaria, and tuberculosis in Africa.
Promotion-Based CRMk	Companies promote a cause and make charitable contributions. However, in this case the donations are not necessarily business transactions or monetary exchanges, but they promote the cause as well as the corporation in question.
Licensing CRMk	In this case, a charity licenses the use of its name and logo to a corporation. In exchange, the company donates a percentage of every transaction associated with that the licensed name and logo.

Table 1: Different types of Consumption Philanthropy or Cause-Related Marketing

(Adapted from Eikenberry, 2009, p. 53)

For a better understanding of the concept of cause-related marketing a delineation from the concept of strategic philanthropy is required. Thus, strategic philanthropy implies:

- Alignment of community involvement and philanthropic activities with basic business objectives;
- Usage of basic skills and customization regarding the focus on customer needs;
- Moving from "one-time sale" to focusing on long-term strategic effort.

However, in The Competitive Advantage of Corporate Philanthropy, Michael Porter and Mark Kramer talk about corporate philanthropy instead of strategic philanthropy. They state that philanthropy can often be the most cost-effective way for a company to improve its competitive context, enabling companies to leverage the effort and infrastructure of nonprofits and other institutions (Porter, Kramer, 2002).

A corporation should carefully analyze the elements of its competitive context and identify areas of overlap between social and the economic. That is where the companies should focus their corporate giving. Furthermore, the new creation of value will lead to a greater social and economic impact, creating mutual benefits.

Porter considers the limitations of cause marketing, mentioning that at its best, CRMk can improve the reputation of a company by linking its identity with the admired qualities of a popular cause or nonprofit.

3. The giving and receiving of CRMk

The typical *Fortune* 500 company contributes 1.3% of pretax earnings to charity and then there are the most giving companies that are devoting 5% or more. Companies should not just increase their giving, but what they really need to do is increase the types of support and better leverage their existing assets. (Cone, Feldman, DaSilva, 2003) Companies that demonstrate a sense of social responsibility stand out in a world of increasingly undifferentiated goods and services.

A cause marketing campaign can have different business objectives from increasing sales, developing new business relationships, improving customer loyalty to enhancing overall reputation and retaining and attracting valuable talent (Figure 1).



Figure 1. Benefits of Cause Related Marketing

However, finding a cause that satisfies business and philanthropic objectives, but does not conflict with the brand identity is a highly complex challenge that companies must tackle.

Today, there are more than 1.6 million nonprofit organizations in US alone, with plenty of causes to choose from, however companies go for the most popular ones, particularly education and poverty. One survey found that over 300 companies had associated themselves with breast cancer charities, the majority of whom became "lost in the sponsorship clutter" (Belch and Belch, 2001, p. 608).

4. Critics

Despite its major advantages, cause-related marketing does have limitations and pitfalls. For instance, companies view CRMk as a great branding or PR strategy, however, cause marketing works best to make a brand even stronger.

Critics identify cause related marketing as a hybrid of product advertising and corporate public relations, as today companies sell pink ribbon pins, yoghurt or soup to “fight” breast cancer.

Today, there are more than 1.6 million nonprofit organizations in US alone, with plenty of causes to choose from, however nonprofit organizations that do not fit a predetermined corporate profile or do not appeal to target buyers, even if they are undertaking vital issues, are not taken into consideration.

One cause related marketing example that promised a lot but went terribly wrong is RED Campaign. (Product) RED started with the main objective of gathering a team formed of the biggest companies in order to raise money for Global Fund, to Fight AIDS, Tuberculosis, and Malaria in Africa. Major companies like Apple, Gap, Motorola, Converse, Dell, Emporio Armani, and others manufactured products that either were red or were promoted under the RED campaign. The campaign was initiated by Bob Shriver and highly promoted by Bono from U2, but it also involved many other celebrities promoting the products: Steven Spielberg, Oprah Winfrey, Chris Rock. Other than celebrity marketing, RED implied also event marketing through the RED room at the Grammy Awards.

So, the marketing outlay created a lot of buzz, with some estimates that Gap, Apple and Motorola, collectively, spent up to \$100 million on marketing, in just a few months from the launch of the campaign. However, the money raised for the Global Fund did not come near to that. A year after its launch, AdAge claimed the RED campaign raised only \$18 million, to which Bob Shriver said it was not true and that the campaign raised at least \$25 million in a year. So skewed a ratio casts doubt on the sincerity of the companies' commitment to this particular cause and on the celebrities who associated themselves with this campaign.

Another example is Upromise, a program that brings together corporations like Exxon Mobil, Coca Cola, and McDonald's, to help people afford a college education and gather money through a college savings service. More explicitly, each time the future student, a parent, a friend or extended family shop within a registered system of Upromise affiliates, which involves more than 600 online retailers, 8000 restaurants and different grocery and drug stores, a small proportion of the purchase is saved in the Upromise account.

The contribution of the program's partners varies, with a few partners that donate as much as 25%, while most of them donate just one percent of the purchase's value. So, in the least optimistic scenario relatives and friends would need to purchase \$100,000 of goods and services, in order to earn \$1,000 for the college fund. This program also gathered several critics from a cause-related marketing perspective, because even though the chance to raise sufficient money for college seems a bit

distant, through the purchases the corporations involved in this program get invaluable and very relevant demographic and behavioral information about the purchasing patterns of their target market. And with more than 10 million registered potential students, not including their relatives and friends, corporations are definitely extending their marketing database.

Basically, organizations, whether they are for profit or nonprofit, should expect a scrutinization of their campaign, just like all of their business practices are monitored, such as labor or environmental initiatives.

Especially today, with the ubiquity of the web, bad and unflattering news travel even faster, and that is why corporations should adhere to every standard they promote or associate themselves with.

5. Conclusion

Consumers are primed to use their purchasing power to make a difference. Therefore, a common denominator seems to evolve: if a product is tied to a cause, globally, consumers are more likely to buy it.

There is no doubt consumers are idealistic in their intent and in order to maximize the effects of cause related marketing, companies' initiatives require a thoughtful and holistic approach. Making use of the emergence of new media, it is a pivotal time to earn trust of motivated consumers in order to ensure positive social media coverage very early on in a CRMk campaign.

In order to ensure long-term customer engagement, companies should be transparent with their cause marketing initiatives and report metrics on the undergoing CRMk initiatives. CRMk programs should be taken into account as a long-term strategy, rather than a fixing a damaged company image.

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