

CAUSE-RELATED MARKETING: CURRENT ISSUES AND FUTURE RESEARCH DIRECTIONS

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ABSTRACT

Cause-related marketing (CRM) integrates concepts and ideas from promotion, fund raising, corporate philanthropy, public relations, and social responsibility. The paper focuses on the current promotional and public relations issues of this interesting marketing philosophy. To do this, it is important to show the emergence of this concept in the field of marketing, illustrate what CRM is, show support for CRM as a source of competitive advantage, and identify areas for future research.

INTRODUCTION

The evolution of cause-related marketing began with Kotler and Levy's (1969) article "Broadening the Concept of Marketing." In this article, the authors make the contention that traditional marketing does not have to be limited to for-profit business firms, Marketing, the authors argue, can be expanded to the marketing of political candidates, higher education, social causes, or any other non-business organization. In this regard, the organization involved is concerned about its "product" in the eyes of certain "consumers" or "publics."

During the same time period, the concept of social marketing was emerging (Kotler and Zaltman 1971; Lazer and Kelley 1973). Social marketing was defined as "the design, implementation, and control of programs calculated to influence the acceptability of social ideas and involving considerations of product planning, pricing, communication, distribution, and marketing research" (Kotler and Zaltman 1971). This concept revealed that non-profit businesses can and do use traditional marketing in their organizations, Just as in for-profit firms, non-profits have customers, competitors, etc.

Both definitions established social marketing as an approach for planned social change, but the implication of the broader definition also included accountability and responsibility for the consequences of marketing activity (Levy and Zaltman 1975).

Also during the same time period, there was a growing debate about the accountability and social responsibility of business and marketing. One noted author, Milton Friedman (1970), wrote that the only social responsibility business had was to increase profits. Additionally, it was Friedman's view that the concern for "social" purposes should be reserved for the government which has the authority to impose taxes and determine expenditures for such things. This view was met with much skepticism. Many countered Friedman's view calling once again for the social responsibility of business, particularly Christopher Stone (1975) in his book, *Where the Law Ends*.

Stone refutes four "antiresponsibility" arguments presented by Friedman and his followers: the promissory argument, the agency argument, the role argument, and the "polestar" argument. First, the promissory argument contends that management "promised" the shareholders maximum profits. Stone refutes this argument by asking, does this mean that management will

even go so far as to break the law for profit maximization? According to Stone, this is the most widespread but least persuasive argument. Second, the agency argument is based on the idea that shareholders hired the managers as their agents and as such, profit maximization is a must. Legitimate agents would actively consult the shareholders to determine how it is they should act and then act accordingly. However, this argument is somewhat unrealistic given the natural distance which often exists between agents and shareholders. Third, the role argument assumes that managers have an obligation to a specific constituency just like parents have to children or doctors have to patients. Nonetheless, even if there is an assumed obligation it does not have to extend so far as to damage other facets of the individual or the organization.

Finally, the strongest of the four antiresponsibility arguments is the "polestar" argument. In this case managers are using their skills and expertise to run the business. This utilization of skills is best for society; these people are specialists. However, there are those that are specialists on societal matters, as such, they would use their skills as public officers thus diluting the antiresponsibility claim.

It is apparent from the above discussion that this topic area was open to considerable debate. As can be seen in Figure 1 (omitted), Environmental Impacts on Company Planning (Steiner and Steiner 1985), society, social issues, or social forces are just one of the many elements external to the firm.

The controversy raged on and it was apparent that the role of society had become an increasingly difficult external environmental variable to define, but one the corporation could not ignore (Constantin, Evans, and Morris 1976).

The debate continued into the 1980s with rhetorical questions such as can a corporation be made moral (Andrews 1983) and can a corporation have a conscience (Goodpaster and Matthews 1982)? The main thrust of such questions was to give human characteristics to an artificial entity, the corporation, by way of the managers.

To help make the transition to socially responsible behavior, some authors even went so far as to attempt to show managers how social responsibility might be used in practice (Robin and Reidenbach 1987).

While these issues were being discussed, another external environmental variable, government, or the political environment (see Figure 1, omitted), was taking on a different shape (Caesar 1986; Mescon and Tilson 1987). A new president, Ronald Reagan, had just been elected and he, in a sense, voiced his view of the debate. It was Reagan's belief that "private initiative" was preferable to government as a way to address social problems; this during a time when major corporations were cutting back on their public contributions (Kinsley 1985). It was from these changes in the external environment that the concept of "cause-related marketing" was seen as a strategic window of opportunity by some firms to link social responsibility with revenue providing functions to enhance the bottom-lines of both the for-profit and non-profit organizations.

In sum, the combination of broadening the concept of marketing, the call for social responsibility by business, and the need for "public initiative" as seen by the U.S. government created an opportunity for those in both for-profit and non-profit organizations to gain a radical departure

from the traditional means of corporate philanthropy and fund raising and into a concept that supported the objectives of both types of organizations.

DEFINITION OF CAUSE-RELATED MARKETING

Varadarajan and Menon (1988) were the first to write in the academic article about the concept of cause-related marketing. One of the underlying contributions of that article was the presentation of a clear definition of the term.

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.

CRM is the alignment of corporate philanthropy and general business practices. It is a marketing program that strives to achieve two objectives - improve corporate performance and help worthy causes - by combining fund raising for a particular cause with the purchase of the firm's product/service (Varadarajan and Menon 1988). It would seem as though everyone comes out a winner. The business enhances its public image by being associated with a "worthy cause" and increases its sales in the process. The nonprofit organization receives the cash benefits of the donations, along with the increased public awareness, courtesy of the marketing capabilities of the business (Caesar 1986).

EXAMPLES OF CAUSE-RELATED MARKETING

In 1983, American Express Company began a campaign entitled, "When Did You First Fall in Love With Her?" which became one of the most heralded CRM campaigns to date (Caesar 1986; Higgins 1986; Kinsley 1985; Mescon and Tifson 1987; Schiller 1988; Smith and Alcorn 1991; Varadarajan and Menon 1988; Wiegner 1985). The campaign was setup so that 1 cent would be donated to the Statue of Liberty-Ellis Island Foundation for each time the American Express Card was used and \$1 would be donated for each new customer application. American Express spent \$6 million on the campaign and was able to raise and donate \$1.7 million to the Ellis Island Foundation. In addition, card usage increased by 28 percent over the same period in 1982 and new applications increased by 45 percent during the promotion (Caesar 1986; Varadarajan and Menon 1988). One other potentially important benefit was the media exposure American Express gained from this venture. The campaign "made people feel good about American Express" and left the impression of a responsible, public-minded, even patriotic corporation (Mescon and Tilson 1987).

American Express is not the first, nor the only, company to use CRM campaigns. Another notable company that has had much publicity and success with a cause-related marketing program is General Foods. General Foods used its Tang brand orange drink to support Mothers Against Drunk Driving (M.A.D.D.) across the country (Caesar 1986; Higgins 1986; Smith and Alcorn 1991; Wiegner 1985). The Tang cause-related marketing program (CRMP) was a dual incentive program since it had a coupon redemption and a cause-related tie-in. In the program, General Foods offered to donate 100 for every coupon redeemed, up to \$100,000, thus the consumer had the economic and altruistic incentive to purchase Tang. During the promotion, the coupon redemption rate was well above the 2.13 percent expected and a "13 percent positive

movement in the brand" was tracked according to Ken Defren, Manager--Corporate Communications. In addition, this was the only promotion of the Tang brand at the time (Higgins 1986). This particular program was aimed at mothers, and other women, by design (Wiegner 1985), and according to General Foods, it seemed to have worked.

Members Only also put together a CRM program targeting women. The men's manufacturer of outerwear discovered through marketing research that approximately 70-75 percent of all men's apparel purchases were controlled or influenced by women. With this in mind, the company spent its entire \$12 million advertising budget to create and promote the "Education Through Communication" antidrug program. The company donated money from jacket sales to aid infants who were born drug addicted. The media responded to the program by supplementing the company's \$12 million promotional expenditure with \$70 million worth of print, broadcast, and billboard space. Sales increased by 20 percent as a result of the campaign itself and the additional media exposure (Goldsmith 1989).

From these examples it is apparent that more and more corporations have realized that helping others can be good for business. Increasing sales and spreading goodwill need not be mutually exclusive objectives (Mescon and Tilson 1987). Also, several noteworthy items about CRMPs come out of these examples. First, the funding for the campaign came from the firm's marketing or advertising budget, not the corporate philanthropy budget. This means that CRMPs are complementary to, and not in the place of, corporate giving programs. A recent survey of 30 companies and nonprofits found that cause-related marketing revenues usually add to, rather than undercut, corporate contributions (Schiller 1988).

Second, the added media support that can be gained from such a campaign is a critical element of the public relations aspect of CRM. In the Members Only example, the company received \$82 million worth of media promotions from its \$12 million investment. Not only that, but the degree of credibility would seem to be higher when the message was delivered by media publics not being financially supported by Members Only (i.e., newspapers, television broadcasts, etc.).

Third, the Tang and Members Only examples, specifically, demonstrate the targeting of women by such campaigns. A study done by Ross, Patterson, and Stutts (1992) revealed that women have a significantly more positive attitude toward the firm and the cause used in a CRMP than men supporting this marketing approach.

Finally, the key component in each of the above scenarios is the proposition that the firm's contribution depends on the customers' engaging in revenue--producing transactions. It is this distinction that separates CRM from basic corporate philanthropy or simple social responsibility (Varadarajan and Menon 1988). It is also this feature that allows managers to evaluate CRM programs just as they would any other business activity - marketing or otherwise. In other words, are we adding to our bottom-line with this particular campaign? It is this aspect of CRM that gives it managerial appeal and a form of short-term measurement, but the value of a CRM program should not stop there.

MANAGERIAL IMPLICATIONS

The main objective of any marketing strategy should be to gain a competitive advantage. Cause-related marketing, when implemented correctly, can provide a means to differentiate a particular

brand or an entire corporation from its respective competition because of its socially responsible overtones and positive effect on the corporate image.

For their survival and competitive advantage, corporations like American Express, and the others listed previously, are beginning to realize the long-term value of socially responsible actions. Stroup and Neubert (1987) discuss the evolution of social responsibility as it has been transformed in recent years.

Social responsibility at first connoted those actions corporations performed *voluntarily* for society. Corporations then experienced an era where responses to societal demands were *mandated*. Recently the third phase of evolution has occurred -- a newly emerging era of corporate social responsibility being viewed as an *investment*.

It is their view that the long-term benefit of conducting business in a socially responsible manner far outweighs the short-term costs (Stroup and Neubert 1987). In other words, corporate social responsibility is viewed as a long-term investment to be evaluated like other facets of business which carry long-term implications for the firm. To be more specific, the long-term gain from a CRM program is in terms of enhanced corporate identity and image.

The corporate identity is the most visible element of the corporate strategy, as well as the single most responsible element for a company's image (Chajet 1989). The socially responsible behavior of the firm, as well as the accompanying public relations and promotion of the specific behavior, enhances the corporate image. The positive impression that American Express has left on the general public following the Statue of Liberty campaign definitely has long-term implications on the image of American Express. The goodwill generated from this campaign offers a form of differentiation, separating American Express from other charge cards, traveller's checks, and travel services. More importantly, with this type of information and evaluation a firm can look not only at the short-term implications of their programs but also the long-term impact of the CRM program on the corporate image, the key to competitive advantage.

AREAS FOR FUTURE RESEARCH

For the concept of cause-related marketing several key areas remain uncovered. It is appropriate to point out areas for future study with both theoretical and managerial implications.

What is the primary goal/objective of CRM programs? It would be helpful to determine what should be the focus of such programs. The position of this paper was to make enhancement of the corporate image the main objective. Others view the accumulation of funds for the cause as the primary goal (Varadarajan and Menon 1988) while many companies focus on the incremental profitability or unit sales. Clarification on this issue is essential.

What are the underlying goals/objectives of CRM programs? Marketing executives are very forthright in admitting CRM is "just a marketing tool" leaving an impression of purely economic incentive and little, if any, altruistic motivation. If this is the case, should corporate image or altruism be considered important particularly from the consumer's perspective?

Would consumer's participate in CRM programs if management's goals are purely economic? The research cited above on CRMs assumes consumer involvement for altruistic reasons;

however, such evidence is not yet substantiated in the literature. Research on reasons for consumer's participation in CRM programs is needed.

What are consumer's attitudes toward firms and causes that use CRM? Studies by Ross, Patterson, and Stutts (1992) and Smith and Alcorn (1991) examined consumer's attitudes through a dual method of coupon redemption and altruistic incentives. Without the coupon as an incentive, does the consumer's attitudes differ greatly with those found in these studies. What is the on stock price? There is a great degree of interest for the shareholder in the debate of social responsibility by business. Will the shareholder of a firm that uses cause related marketing as a corporate strategy benefit financially from this strategy and its enhancement of corporate image? An interesting cross-disciplinary study between marketing and finance could be conducted by observing the new Domini 400 Social Index (Stovall 1992).

CONCLUSION

The area of cause-related marketing is apparently gaining acceptability in the business world for its dual objective approach to marketing, but the field remains very young in the academic literature. This branch of marketing that evolved through social marketing and changes in environmental forces seems to be the perfect marriage of fund raising activities and general business practices. The continued emergence of this area of marketing will most certainly be facilitated by the attention given to the strategic value of focusing on the long-term benefits of enhancing corporate image as a means of gaining competitive advantage. Cause-related marketing could indeed be, as stated by Smith and Alcorn (1991), the most creative and cost-effective marketing strategy to evolve in years. Proper use of such a strategy could have a significant long- term impact on the firm.

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