Perceptions of cause-related marketing tactics

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Business Owners’ Perceptions of Cause-Related Marketing Tactics

Study reveals that small business owners in Nebraska are reluctant to make judgements about tactics intended to manipulate customers but are surer about genuine charitable action.

Cause-Related Marketing (sometimes “Social Cause Marketing”) has received research attention since at least the 1980s. Nearly all of the research has focused on the effectiveness of Cause-Related Marketing at increasing sales. There is little attention to the ethics of the tactics used by businesses in Cause-Related Marketing. This study presents small business owners in Nebraska with seven scenarios of typical tactics in Cause-Related Marketing. The business owners were reluctant to make judgements about tactics intended to manipulate customers but were surer about genuine charitable action.

CRM, philanthropy and social entrepreneurship

Cause-related marketing (CRM) merges the interests of for-profit businesses and not-for-profit charitable organizations. An often cited early incident of CRM is the 1983 advertising campaign by American Express that raised $1.9 million for the refurbishment of the Statue of Liberty by providing a contribution for each customer who signed up for a credit card. More than 30 years after its introduction, CRM is widely practiced.

For some, CRM is a practice of Corporate Social Responsibility (CSR). Also, a late 20th Century concept, CSR is the idea that for-profit companies have obligations to promote social well-being. CRM ties advertising campaigns to charities and to causes advanced by the for-profit companies themselves.

The growing diversity of CRM tactics blurs distinctions between CRM and philanthropy and social entrepreneurship. Small businesses now practice CRM tactics. For instance, there are small businesses that make a profit by promoting a charitable cause and taking a cut of the receipts.
Most research on CRM is not concerned with the ethics of the practice or the blurred distinctions between CRM, CSR, philanthropy or social entrepreneurship but with the effectiveness of CRM at increasing sales.

Lii, Wu and Ding (2011) divide CSR initiatives into sponsorship, CRM, and philanthropy. Liu and Ko (2011) consider sponsorship and philanthropy to be part of CRM and to be integrated into broader implementation of CSR strategies. Brenn and Vrioni (2001) assert that CRM must support CSR as an objective distinct from increasing sales.

Some CRM research papers found that consumers are not as sensitive to the size of contribution a corporation makes to a charity when a product is purchased as they are to the size of discount offered on a purchase (Strahilevitz, 1999). Sciulli and Bebko (2008) contend that firms need to improve their efforts to distinguish marketing campaigns that rely on support of social causes from campaigns that market the attributes of the product or service. Mohr, Webb and Harris (2001), using in-depth interviews, found that most respondents did not use corporate social responsibility as a purchasing criterion.

Kim and Johnson (2013) found culturally related differences in responses to CRM messaging between undergraduate students in the United States and Korea. Whether consumer response or societal expectation, CRM is widely practiced in the developed world. In Eastern Europe, for instance, Sasu and Sasu (2010) identified adoption of CRM in Romania, though they found little systematic measurement of results. Carrigan, Moraes and Leek (2004) suggest that small and medium size firms in Europe engage in social causes, particularly in promoting environmentally sustainable behavior. They found significant impact by a single small business on environmentally sustainable behavior in a single community. However, despite making up 99 percent of all enterprises and providing 53 percent of all private employment in Europe, there is little study of SCM participation by small businesses in Europe.

Liu (2013) identifies two targets of CRM, customers and stakeholders. The term “stakeholder” is generally used for constituencies that have a relationship with and interest in the company other than as a customer. These stakeholders include supplier companies, governments, charities that depend on the company, and residents of the community or communities in which the company has operations. Liu asserts that these two orientations result in different approaches to CRM.

Altruistic CRM occurs when firms have a low stakeholder focus and a low customer focus. Such firms usually have no formal CRM objectives. Causes are selected informally and usually include employee volunteers. Social CRM is pursued by firms with a high stakeholder focus and a low customer focus. Causes are formally selected by the firm, are charitable, and are long-term. Commercial CRM is pursued by companies with a high customer focus and a low stakeholder focus. Causes are selected to appeal to customer interests and are supported by advertising campaigns designed to influence customer behavior. Integrative CRM is pursued by firms with both a high stakeholder focus and a high customer focus. Causes are selected in a strategic manner to appeal to all constituencies of the firm. These firms usually have several campaigns of different lengths that are related to a common strategy.
This typology is useful because it helps to clarify the different reactions to corporate CRM efforts. Some research has found CRM marketing to be unpersuasive because consumers were “less-involved” (Grau and Folse, 2007) or because they had become skeptical of corporate motives for CRM campaigns (Manuel, Youn and Yoon, 2012; Chang and Cheng, 2013). Robinson, Irmak and Jayacgabdrab (2012) found that consumers prefer some degree of personal control in selecting the cause that their purchase supports. This may be an indication of mistrust of corporate motives. However, Lichtenstein, Drumwright and Braig (2004) found that some consumers are more likely to give independently to a charity if it has been endorsed in a CRM campaign. That likelihood, interestingly, increases if the corporation conducting the CRM campaign had not been previously regarded as socially responsible.

The Liu matrix is also helpful in contemplating the ethics of CRM and, particularly, of the various tactics used in CRM. Is a successful Integrative CRM campaign an indicator of social responsibility or is it an indicator of successful manipulation of customers?

CRM research themes include: 1) descriptions of implementation by large corporations, 2) evidence of effectiveness in increasing sales or in improving perceptions of CSR, 3) exploration of cultural differences in implementation of CRM, and 4) corporate strategic implications of CRM. Largely missing is any exploration of the ethics of CRM and, particularly, CRM tactics. Nor is there much attention to small businesses and CRM.

Where there has been consideration of small businesses, it has been their activity related to 21st Century causes like sustainability (Carrigan, Moraes and Leek, 2004). Yet, small businesses have long engaged in efforts that could be considered CRM, such as sponsoring little league teams, purchasing ads in the high school yearbook and building floats for the local Homecoming parade.
Ethical attitudes of small business owners

The aim of this research is to discover the ethical attitudes of typical small business owners regarding CRM. The Liu typology implies that some forms of CRM are purer as ethical tactics of CSR than others. When attempts to influence or manipulate stakeholders are low and attempts to influence or manipulate customers are low a corporation engages in altruistic CRM behavior. When influence and manipulation rise motives become commercial or social. Or, they become both social and commercial in the integrative stage. Are the motives ethical?

The objectives of the research are to:

• Determine the attitudes of small business owners regarding their responsibilities to improve the social condition of persons in their communities, and
• Determine the perceptions of small business owners regarding the ethics of tactics used in cause-related marketing.

Small businesses differ significantly from large businesses in the consideration of tactical ethics. The owners of small businesses design and implement CRM tactics autonomously. There are no committees, layers of management or multiple departments involved. Small business owners constitute an interesting population for CRM ethics exploration.

Social mores have changed

Entertainers who give no money to a cause themselves are touted as charitable because they perform at an event in which others give. Television performers give themselves credit for being charitable when they sell their own books and videos with the promise that profits will go to charity. CRM is just one element of changing perceptions about social responsibility. This research is designed to find out what how these changing mores effect the ethical perceptions of small business owners. Thus, these hypotheses are proposed:

• First hypothesis: Small business owners no longer suppose that support of a charity must come from their own pocket. (Sasu and Sasu, 2010)
• Second hypothesis: Charitable contributions unrelated to cause-related marketing focused on customers or stakeholders is the more truly altruistic. (Liu, 2013)

To test these hypotheses, a survey was conducted of small businesses in Nebraska. An e-mail was sent to 6,600 small business owners. Of these, 387 responded (a response rate of 5.86%). Nebraska depends on small businesses as employers more than does the U.S. as a whole. In 2013 unemployment in Nebraska was the second lowest and labor participation was the second highest in the U.S.

The survey instrument presented two general questions about CRM and then seven case models of CRM tactics. Of these, three are tactics that would be used by retail firms. Four are tactics that could be used by any firm. Respondents were asked about the appropriateness of each tactic and about the perceived effectiveness of each tactic in increasing sales. The statements as they appeared in the questionnaire are presented with the responses in the survey results below.
Survey tests perceptions of social responsibility

For each question, survey respondents were asked to indicate, on a scale of one to ten, their disagreement or agreement with the statement. Those that indicated a response of 1 to 3 are aggregated as in disagreement with the statement. Those that indicated a responses of 8 to 10 are aggregated as in agreement with the statement. Those that indicated a response of 4 to 7 are aggregated as ambivalent about the statement. For each description of a case model the mode and mean of the responses is indicated.

The first two questions sought general feelings about CRM:

In addition to its responsibility to provide a fair wage to employees and to provide a return of profit to its investors, a business has a responsibility to support charities or non-governmental organizations dedicated to improvement of the human condition.

21% Disagree  32% Agree  46% Ambivalent  Mode = 5  Mean = 5.89

It is appropriate for a business to use charitable causes as a way to win favor with customers.

29% Disagree  26% Agree  45% Ambivalent  Mode = 1  Mean = 5.35

Following the first two questions, respondents were presented seven case scenarios that described typical tactics used by businesses in CRM. The scenarios were designed to work from high customer and stakeholder focus in the Liu typology to low. Respondents were asked if each tactic was a genuine charitable effort and if it was an effective marketing tactic. Responses to the question regarding their opinion of the tactic as a genuine charitable effort responses were also divided by those that accepted CSR as an appropriate business practice by answering from eight to ten on the first question and those that did not (answering one to three).

**CASE A:** Company A has arranged with a charity to place a donation jar for the charity at each of its checkout counters. The jars will be in place for two months. Clerks are instructed to encourage customers to put their change in the donation jar.

This is a genuine charitable effort by the business.

29% Disagree  22% Agree  49% Ambivalent  Mode = 5  Mean = 5.29

25% Disagree  29% Agree  of those accepting CSR

41% Disagree  19% Agree  of those not accepting CSR

This is an effective way to win customer loyalty.

52% Disagree  5% Agree  43% Ambivalent  Mode = 1

**CASE B:** Company B has arranged with a charity to raise donations for its cause. Each customer is asked to contribute one dollar to the cause when they pay at the checkout. The company accumulates the donations and writes a check to the charity “from the company and its customers.”

This is a genuine charitable effort by the business.

33% Disagree  20% Agree  48% Ambivalent  Mode = 1  Mean = 4.96

30% Disagree  28% Agree  of those accepting CSR

51% Disagree  16% Agree  of those not accepting CSR
This is an effective way to win customer loyalty.

53% Disagree  6% Agree  41% Ambivalent  Mode = 1

CASE C: Company C is advertising the introduction of its new ham and cheese melt by pledging one dollar to a major charity for each sandwich sold.

This is a genuine charitable effort by the business.

15% Disagree  41% Agree  44% Ambivalent  Mode = 8  Mean = 6.45
15% Disagree  43% Agree  of those accepting CSR
25% Disagree  36% Agree  of those not accepting CSR

This is an effective way to win customer loyalty.

24% Disagree  25% Agree  51% Ambivalent  Mode = 5

CASE D: Company D is owned by a person with a son who has a debilitating disease. He tries to help the not-for-profit association that works on increasing awareness for the disease by sponsoring their annual “walk-for-a-cure.” The sponsorship is in the form of a water bottle with the company logo on it. The water bottle is given to each participant.

This is a genuine charitable effort by the business.

8% Disagree  44% Agree  47% Ambivalent  Mode = 7.5  Mean = 6.99
4% Disagree  57% Agree  of those accepting CSR
16% Disagree  42% Agree  of those not accepting CSR

This is an effective way to win customer loyalty.

15% Disagree  27% Agree  58% Ambivalent  Mode = 5

CASE E: Company E supports a well-known charity with an annual contribution taken from its operating funds.

This is a genuine charitable effort by the business.

3% Disagree  76% Agree  22% Ambivalent  Mode = 10  Mean = 8.49
2% Disagree  86% Agree  of those accepting CSR
8% Disagree  71% Agree  of those not accepting CSR

This is an effective way to win customer loyalty.

16% Disagree  36% Agree  47% Ambivalent  Mode = 10

CASE G: Company G has created a charitable giving committee and places a budget amount into a charitable contributions account. The amount budgeted is based on projected revenue. Charities who wish a donation are instructed to prepare a brief proposal for use of the funds. The proposals are due by August 30 of each year and the donations are announced on October 1 of each year.
This is a genuine charitable effort by the business.

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CASE H: Company H wants to be a good corporate citizen in its community. It makes a strong effort to get each of its employees to contribute to the annual community united charities appeal. Though there is no policy at the company to penalize employees who don’t give, most employees believe that giving helps in their job security.

This is a genuine charitable effort by the business.

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This is an effective way to win customer loyalty.

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Responses reveal ambivalence toward CSR

In responding to the first question, Nebraska businesses were mostly ambivalent regarding their responsibility to do what is regarded as corporate social responsibility. Less than a third believed strongly in CSR. However, a little less than a quarter strongly believed that they had no obligation beyond providing good products and fair wages. The ambivalence continued when asked if case-related marketing was effective. It is interesting to note, however, that though the mean score was 5.35 out of 10, the mode was one. Clearly some who were ambivalent about the ethics of CRM did not believe that it worked anyway.

When asked their opinions about the tactics described in the seven cases, a clear tendency for ambivalence was exhibited in the first three cases. These cases described tactics in which the company clearly relied on the charitable inclinations of its customers rather than its own charitable inclinations. However, there was significant movement at the extremes in the third case. That was the one in which the company gave one dollar for each sandwich sold. Only 15% strongly disagreed that it was a genuine charitable effort.

Only eight percent of respondents felt that the business owner in Case D had not made a genuine charitable effort when he purchased water bottles with the company logo on them for a “walk for the cure” for a disease that his son suffered from. While 44% agreed that it was genuine charity, 47% were ambivalent, a level comparable to the first three cases.

The ambivalence nearly disappeared with cases E and G, in which the companies gave donations from their operating funds. It reappeared, however, in the case of the company that coerced its employees to give to the united fund.
Survey results appear to support hypotheses

With respect to the first hypotheses, only one third of the businesses responding disagreed that Case B was genuine charity. This was the case in which customers were asked to put money in a jar. The customers got nothing in return. The company took partial credit for the donation. In none of the other cases did disagreement with the position that the tactic was a true charitable effort reach more than 30%. Clearly the dominant feeling about all of the cases except E and G was ambivalence. This indicates acceptance, if not endorsement, of the idea that a company can take credit for socially responsible action that is really action by its customers.

The responding business owners were much surer about the charitable attribute of Cases E and G. These were designed to fit within the altruistic quadrant of the Liu matrix, thus confirming the second hypotheses.

The views of Nebraska business owners about social responsibility may not have changed. There was no survey of Nebraska businesses before the three decades of CRM. However, the supposition of this research is that attitudes have changed. That is, that business owners didn’t view social responsibility as a sales scheme before the ubiquitous presence of CRM strategies. If true, that may be why these business owners are ambivalent about the more troubling techniques. It isn’t that they embrace them. The small level of agreement responses to the tactics in Cases A and B indicate that, as does the high level of agreement responses to the tactics in Cases E and G. It appears that these business owners recognize true altruism when described but that they are reluctant to make judgements about social responsibility tactics that are more self-serving.
References


About the Author

Robert Bernier has served as state director of the Nebraska Business Development Center since 1979. Bernier is the longest serving state director of a small business development center program in the country. He held leadership positions in the Association of Small Business Development Centers, including president in 1990. He started the ASBDC national office in 1989 and oversaw its transfer to a Washington, DC location in 1996.

Bernier earned his Ph.D. in public administration and his MBA in finance from the University of Nebraska at Omaha. He earned the BA in journalism from Kent State University. He worked as a newspaper reporter in Ohio before joining the University of Nebraska at Omaha as assistant director of University Relations in 1974. His academic research focuses on the process of economic development, particularly small business development.

About the Nebraska Business Development Center

NBDC is a cooperative program of the U.S. Small Business Administration (SBA) and the College of Business Administration at the University of Nebraska at Omaha (UNO). NBDC partners with the University of Nebraska at Kearney, Southeast Community College, Wayne State College, Mid-Plains Community College and Chadron State College to provide consulting and business support services from offices in Omaha, Lincoln, Kearney, Grand Island, North Platte, Wayne, Auburn, Scottsbluff and Chadron. Learn more about NBDC at nbdc.unomaha.edu

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