



# Mechanisms of power and action for cause-related marketing

## Perspectives of enterprise and non-profit organizations

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### Abstract

**Purpose** – This study aims to examine why cause-related marketing (CRM) can develop, and how can the social system and enterprise link with nonprofit organization (NPO) to form a closed path to prompt the maximization for three parties' benefits, in order to provide a general framework to explore the mechanisms of power and action for CRM.

**Design/methodology/approach** – The logic deduction approach was used for an overview and conceptual paper based on research experience.

**Findings** – The paper stresses CRM should be a good marriage between a nonprofit and its sponsorship firm both organizations stand to benefit. Its mechanism of power is the result of the combined effect by the enterprise's push, NPO's pull and social system's supervision, and mechanism of action is under the social system's supervision, enterprise linked with NPO to form a closed path.

**Research limitations/implications** – A major weakness is that the influences of CRM on the enterprise and the NPO are only explained qualitatively, there are short of some data to test the validity of theories above. Further, investigation into this construct in the context of CRM would be helpful in understanding what are the role and the impact of CRM on firm and NPO in this domain. The main implication is that, this study presents an example and direction of how the enterprise, NPO, and social system are able to maximize their economic and social benefits.

**Originality/value** – This study contributes to examine the inter mechanisms of CRM from the perspectives of enterprise and NPO. The findings of this study are useful to and provide managerial implications for administrators of enterprise, NPO and social system aiming to make optimal decisions under the dual driven of institutional rationality and economic rationality.

**Keywords** Cause-marketing, Non-profit organizations, Social responsibility

**Paper type** Conceptual paper

### Introduction

In 1981, American Express Company, in order to help San Jose Symphony in San Francisco to raise funds, promised to donate \$5 cents to several art organizations every time its consumers using credit card of American Express. Moreover, this company would also donate \$2 cents by each of its customer increasing; and this marketing campaign lasted not long, but it worked well. In 1983, American Express Company cooperated with Ellis Island Foundation to raise donation of Statute of Liberty refit, in three months time, money collection raised to \$1.7 million and that is three times more than its original anticipation, and the company's card usage increased 28 percent. Since, its inception in 1983 with American Express highly successfully cooperated with Ellis Island Foundation to help to restore the Statute of Liberty,



which lead to a \$1.7 million donation to the renovation campaign and a 28 percent increase in card usage. As such, several companies including Avon, American Airlines, Ocean Spray, Polaroid, Ramada Inns, Arm & Hammer and Wal-Mart have entered in this kind of marketing campaign. The firms in China are not excepting, for example, Nongfuspring Ltd donated ¥1 cent for each sale of pure water to Chinese Olympic Games Organizational committee from January 1 to July 31 in 2001 on behalf of consumers on contributing for the applying for the Olympic Games of Beijing. Within the half year, the sale of its Olympic packing form is nearly 500 million, which is one time more than the same period of last year. Furthermore, with the continuing progress of society and the improvement of people's living quality, consumers are becoming more concerned with corporate social responsibility (CSR) (Benezra, 1996), which also influence their daily consume behaviors. In these marketing processing, firms found that consumer's perceptions of this responsibility influence their beliefs and attitudes about new products manufactured by a company, so marketing campaigns and promotions with a social dimension have become more visible (Drumwright, 1996).

Cases above show that more and more firms are taking holding social responsibility and donating for social causes as a marketing tool and a way of their brand constructions, and this mode is called cause-related marketing (CRM). CRM was firstly defined as:

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 and Menon, 1988, p. 60).

CRM is a horizontal cooperative promotion, which is sales promotion is done together through combining the product brand and nonprofit organization (NPO), which belongs to integrated marketing mode. The most common practice of CRM is an offer from a part of profit purchasing the firm's products or service to contribute a specified amount to a designated cause, for achieving to improve corporate performance as well as to help the worthy causes. Therefore, CRM is an effective marketing tool, which does not only improve consumers' perception to donation firms, but also help the valuable causes.

### Review of literature

On this account, an increasing number of scholars begin to concern and research on this marketing mode. Ross *et al.* (1992) found that CRM led to favorable attitude toward the firm by an empirical study, and women were more favorable toward CRM than men. Berger *et al.* (1996) found that CRM led to favorable attitude toward the product involved. On the basis, Strahilevitz and Myers (1998) researched moderating role of product types to CRM and consumers' purchasing intent. Deshpande and Hitchon (2002) used experimental study to analyze comparatively the influence of three ads to brand image, the results shown CRM ads produced more favorable responses than brand ads prior to PSAs. Lafferty *et al.* (2004) empirically tested a model to evaluate the impact of cause-brand alliances on subsequent attitudes toward both partners. The results of the study ( $n = 463$ ) support the assumption that attitudes toward both the cause and the brand can be enhanced, furthermore, the cause appears to benefit from the alliance to a greater extent than the brand. Maria (2005) considered CRM

as a strategy that links a company, brand or product to a NPO for a mutually beneficial purpose, and it can enhance the reputation of a corporate entity, differentiate a brand, and build the emotional bond between the consumer and a brand. Janice Marie Cagnno (2001) studied the five development courses of corporate philanthropy by historical-critical approach. Susan (2005) explored how marketing can be used to derive significant benefits from philanthropy activity. Walter (2006) analyzed the three ways of corporate philanthropy: corporate giving, sponsorship, CRM. Moreover, in the field of obtaining competitive advantage by firm collaborating with NPO, Ning *et al.* (2006) argue, the special social networks that arise from the collaborative behaviors between firms and NPOs can help them obtain competitive advantage from two aspects. First, obtaining social capital; second, learning from NPOs.

From what has talked above, we can find the existing literatures mainly research on influences of CRM on consumer's purchasing behaviors, brand construction, and the motivation and mode of corporate philanthropy, etc. Moreover, there is general support that consumers and firms view CRM campaigns in a relatively positive light. However, CRM allows the marketer to reach these publics and help consumers to distinguish one company from the other by tying a company's "economic activity to a higher social purpose" (Kotler and Levy, 1969). Therefore, why do companies select CRM to implement their CSR, and once this pattern is selected how does each party involved in this campaign exert its influence in order to ensure the success of such CSR initiatives? Research in marketing addressing this question generally falls into two categories:

- (1) the effects of CRM on a company, NPO, and other participating parties; and
- (2) the mechanism of actions of CRM on these engaging parties.

We contribute to this stream of research in that we examine the impact of the cooperation between the NPO, company and social system in CRM. The framework proposed here suggests that three key powers play an instrumental role in ensuring the success of a CRM campaign: push of the firm, pull of the NPO, and supervision and support of the social system. Furthermore, this paper explores the mechanisms of action from the perspective of synergetic development between firms and NPOs, which can provide some directions and implications for prompting their synergetic development.

### **Power mechanisms of CRM**

From the definition of CRM, actually it is a horizontal integration between firms and NPOs. However, why can they integrate, except for achieving their goals, the authors consider which is also the result of social system's restriction and expectation to them. In other words, that is the alliance among social system, firm and NPO promote CRM to succeed and obtain such benefits. CSR associations (e.g. corporate giving and community involvement) influence the overall evaluation of the company, which in turn can affect how consumers evaluate products from the company (Brown and Dacin, 1997). For example, Timberland's President and CEO Jeffrey Swartz stated that:

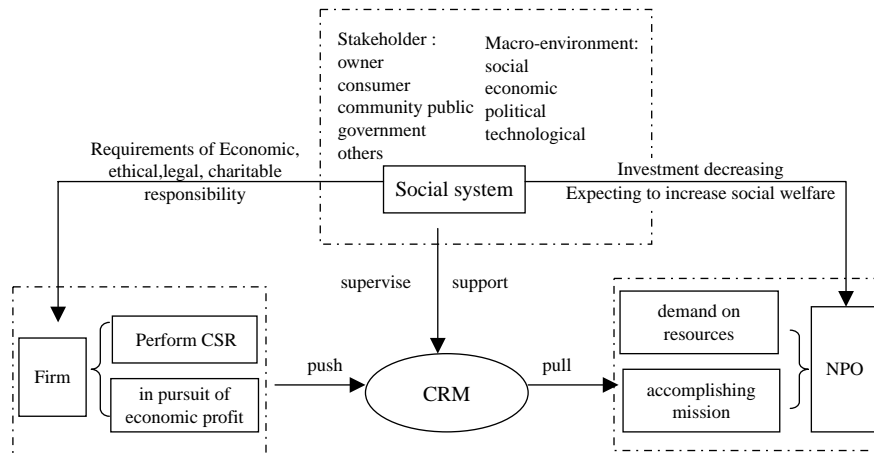
... our goal is to sell more boots, and we believe that letting customers know about our values will strengthen the brand and connect with our customers on a deeper level (Fellman, 1999).

Shimp (1991) describe these consumer processes as “associative learning” the mechanism by which consumers generate thoughts and feelings towards brands (Figure 1).

As shown in Figure 1, powers of CRM developing derive form the three parties of firm, NPO and social system, and its benefits are the results of their combined effect. The detail explanations are as follows:

*Push of the firm*

Since, the last decade, companies are under mounting pressure to take responsibility for the effects of their corporate conduct on society, especially when these effects go beyond the firms’ direct commercial interests (Macleod, 2001; Mohr *et al.*, 2001). As a result, an increasing number of companies, small and big alike, has developed CSR programs (Maignan and Ralston, 2002). Therefore, though as a profit organization, its main target is certainly to pursue the maximum economic profit, many noticeable and disputable social problems are brought when they pursue benefits of their own, because ethics and social rationality require firms to undertake wider social responsibilities. Generally, product quality, competitive pricing and customer service are all important components of a company’s reputation. However, a business that is the best at providing quality products and services at competitive prices may not be doing enough in the eyes of the consumer (Mason, 1993). A business that demonstrates responsiveness to social concerns and gives proportionately more to charity than other firms receives higher reputation ratings by its publics (Fombrun and Shanley, 1990). In addition, three-quarters of consumers say they will switch brands to a company involved with a charitable cause, if price and quality are equal (Lorge, 1998). According to Shapiro (1982), as a firm’s reputation improves, so do its sales. Equity theory (Walster *et al.*, 1978) states that, equity theory also assumes individuals try to maximize positive results in an exchange. Equity theory differs though because it assumes that “society rewards people for being equitable in their relations with others.” This can serve as the reason that firms engage in corporate philanthropy in general and CRM programs specifically. A company profits from consumers and as such should give back some of these resources to society as a whole. Indeed, CSR is



**Figure 1.**  
Power mechanisms  
of CRM

important to consumers. This logic could also extend to consumers where they feel compelled to give something back to the community in order to justify their purchases.

Moreover, social responsibility can upgrade employee's morale and organizational cohesiveness (Solomon and Hanson, 1985), reduce corporate cost and improve corporate image, etc. (Min and Galle, 1997). Consequently, firm will undoubtedly take a measure that not only can perform social responsibility, but also can increase its economic profit and social capital. The previous studies show sponsorship, free donation and CRM can achieve the aims above, but the three modes' behavioral motivation, promotion mode and effects are different (Table I).

The comparisons of the modes for corporate cause in Table I show CRM can gain higher direct economic benefits (DEB), but also can generate higher indirect economic benefits (IDEB) by performing social responsibilities, and then impel employee to form stronger sense of social responsibility, ultimately the interaction between performing social responsibilities and pursuing economic benefits is coming true. That is to say, under the push of motivation, that firm is able to perform wider social responsibilities far from sacrificing by instead of increasing economic benefits. Thus, CRM is becoming a favorable marketing campaign by various types of firms at home and abroad which integrate public behavior and commercial promotion.

Types	Behavior and motivation	Promotion mode	As for firm	Effect As for NPO
Sponsorship	Considering from firm interest to achieve common benefits	For commercial ads	Higher DEB moderate IDEB weaker sense of social responsibility	Higher acquisition amount of resource higher cost produced by contract restriction not high in organizational initiative
Donation	Considering of the interest of performing CSR to achieve common benefits	Advertising by public cause	Moderate DEB higher IDEB stronger sense of social responsibility	Lower acquisition amount of resource lower cost produced by contract restriction not high in organizational initiative
CRM	Mutual promoting between corporate benefit and CSR	Mixture of the two modes above	Higher DEB higher IDEB stronger sense of social responsibility	Acquisition amount of resource is positively related to organizational effective the lowest cost the highest organizational initiative

**Table I.**  
Comparison of modes for corporate cause

**Note:** DEB, is benefit gained by ads effect; IDEB, is benefit gained through influence of social reputation

*Pull of the NPO*

According to Kingston and Bolton (2004), a large number of charitables and NPOs have neither substantial, nor regular sources of income; in addition, they often face intense competition from a growing number of newly registered NPOs. Furthermore, with the decrease of governmental donation and investment, and increase of public requirements of social services provided by NPO, NPO needs to seek the indispensable resources to achieve organizational mission and to improve social welfares. We can see from Table I, NPO can acquire more sponsorships and donations from the firms to release its fund pressures. But on the other hand, by accepting sponsorships, NPO may be restricted by commercial contract, then have to put some resources such as people, time and costs on implementing corporate commercial assignments, and its public missions is affected to some extent. While accepting donation, NPO has no contract restriction. However, corporate ultimate goal is to achieve maximization of economic profit, and it will never perform social responsibilities through donation at the cost of sacrificing its benefits. Moreover, even if donation, the enterprise may select the public causes which more attention are paid by their present and potential consumers and can bring ads effects and can influent on consumers' behaviors, which is led to the resources most of NPO raised by this approach are limited surely. Different to the two modes aforementioned, CRM integrates their strengths, and it can effectively encourage NPO's employee to acquire more development resources from corporate causes through their participation efforts. Then which in turn can be used to develop the public good in order to meet social public's welfare demands, and can promote the consumers to form favorable attitude toward the firm, and its products. Thus, it can be seen that the fund requirement of NPO's development and request of implementing organizational mission have become a power for CRM, which is a reason for most of companies selecting NPO to form social alliance. In addition, CRM alliance presents enormous opportunities to the NPO. The primary opportunity for the nonprofit is the marketing arm that becomes available in linking up with the corporation (Shell, 1989). Therefore, CRM alliances appear to be strong positive for NPO's development, because of the type of advertising exposure afforded by the partner firm, and this exposure can deliver inestimable value for the NPO. Considering this, the NPO is also bound to pull the formation of CRM alliance.

*Supervision and support of the social system*

As we all known, trust can have a significant effect on the consumers' intentions to support a corporation adopting a social or environmental cause (Nowak, 1999; Osterhus, 1997). Consumers may become skeptical of CRM claims when advertising and source credibility are questioned (Thorson *et al.*, 1995). For example, business and industry, usually because of their conflicts of interest, are considered the least believable sources of information on environmental issues (Ottman, 1992; Stisser, 1994). However, because of information asymmetry, the consumer and the cooperative NPO are difficult to distinguish the firm's real intent and motive of engaging into a social alliance. Therefore, some constraint mechanism is required to ensure the alliance to success, which is social system in this research.

Social system comprises many different stakeholders including half-autonomous and autonomous groups and macro-environment lived by organizations.



From Figure 1, we can find social system is also a power for developing CRM between firm and NPO, this power is a combination of three aspects as follows:

To begin with, social system requires the firm to perform much wider social responsibilities while pursuing economic profits. On one hand, theory of stakeholders considers that the firm should be responsible for the whole stakeholders including the investors, employees, suppliers, consumers and communities, etc.; and have to consider on the benefits of whole stakeholders in its business strategy and governance frame (Freeman, 1994; Blair, 1998). The social responsibilities it taking on shall not be less than "bottom line" of any stakeholder. On the other hand, under the macro-environment of the firms, with steadily increasing of social wealth standard, improving of demotic disposable income and living standard, continually advancing of citizens' educational degree, steady perfecting of law and rule system, and fast developing of various technologies, the economic, social, political and technological environments of the firm has been changing. In addition, these have heightened the expectation of social system to the firm and accelerated to form firm's criticism atmosphere, which has become important strategic concerns for businesses and their consumers. In this context, if a firm wants to develop, it has to find out the equilibrium between right and obligation, that is some responsibilities should be performed for social system at the time of capital accumulation. The preceding part of the text has analyzed the push of social responsibility to CRM, while social system plays a direct role on social responsibility, so it infers that social system exerts indirect drive effect on CRM.

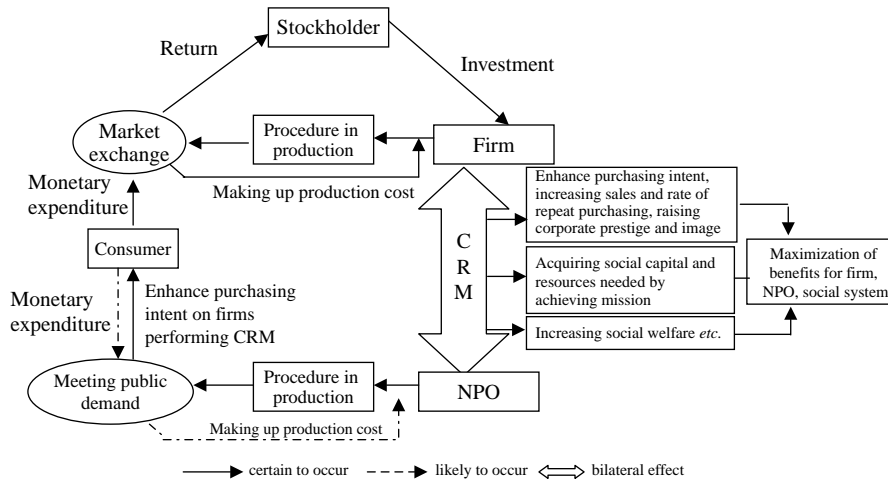
Secondly, society expects NPO can search more resources by itself and provide more and more social welfares. With the continual development and change of macro-environment, social welfare originally taken on by governments and other public sectors in the social system is gradually transferring to NPO. However, the recourses provided by the governments do not increase but rather decrease, which require NPO to acquire any kind of resources through other means, of which an important mean is from the firm by the market behaviors. Therefore, social system indirectly pulls the development of CRM.

To end with, social system directly supervises and supports the whole process of CRM. As we know, CRM is a campaign between the firm and NPO. However, managers of the firms or NPOs are likely to produce the tendency of managerial opportunism under the drive of economic benefit, which leads to the loss of social welfares. While according to laws, rules, social ethic, public voice and supervision, various regulations and so on, social system has the function of restricting the speculative activities above, so we can conclude that social system is able to supervise and support the benign development of CRM.

To sum up the above arguments, push of the firm, pull of the NPO and supervision and support of the social system are the power sources of CRM.

#### **Action mechanism of CRM**

From what has discussed above, we understand the nature of CRM is a social alliance between the firm and NPO, but a question to be pondered over is how CRM can exert influence between the two parties. The authors consider that its action mechanism is as shown in Figure 2.



**Figure 2.**  
Mechanism of action of  
CRM between firm and  
NPO

As shown in Figure 2, CRM should be a good marriage between a nonprofit and its sponsorship firm both organizations stand to benefit. Though, the firm can form a process sternly close resource chain, to some degree the consumers can accept. Through CRM, social alliance can be built with the NPO. On one hand, the sponsorship firm should be able to sell products or promote services, perform the social responsibilities required by the social system, improve its citizenship, and upgrade its public image and consciousness; on the other hand, the NPO should receive money and sometimes marketing and public relations to help further its mission. By now, NPO should increase social welfare through its procedure in production (that is, the activities for accomplishing organizational objectives and missions) to meet the public's demands; and then the public may become a favorable attitude to the firm which help NPO to achieve its mission; after that the potential consumers may change brand or retailer and purchased consumers should strengthen their purchasing intent to repeatedly buy or increase its amount. These lead the firm to acquire more benefits, excellent brand images and bigger market shares. Moreover, the better performance the firm makes, the more active the firm engages in CRM campaign. Therefore, the NPO also obtains more resources in order to achieve its objectives and missions better.

In the endless circle, CRM integrates sternly close resource chain of the firm and non-sternly close resource chain of the NPO into a close path. Of course, if the role of close path wants to normally exerted, there must be supervision and support of the social system. At the meanwhile, marketing managers should focus on the basis when developing a CRM campaign: to build a general positive feeling toward their brand, to pick a cause that makes sense that consumer to be a partner in the alliance, and to make sure that the consumer does not think that your company is exploiting the alliance through too much promotion. Furthermore, the NPO should reasonably choose certain firm to form social alliance in order to accomplish effectively its targets and missions. Only following these basic rules, the close path of CRM above can satisfy all stakeholders among the firms, NPOs and social systems to maximize their benefits.



### Conclusions and discussion

In summary, this paper started with the idea that consumers tend to spend a reasonable amount of cognitive efforts considering and comparing their own identities and how it relates to the sponsoring company and related cause in a CRM campaign. According to the discussion above, CRM is the result of combined effects of the firm's push, NPO's pull and social system's supervision and support, its action mechanism is a circularly drive close path linking the firm with the NPO through CRM pattern and campaign. And then as for the firm, CRM may reduce implicit cost for coping with governmental regulation, improve employee morale and productivity, reduce R&D cost, overcome regulatory obstacles, increase market purchasing intent and repeat purchasing rate, and enhance brand consciousness and cognition. As for the NPO, CRM may produce diversified source of latent return, reduce the dependence of governmental donation, build excellent social credibility, and upgrade social cognitive degree. As for the social system, CRM may increase its social welfare, and relieve social pressure and conflict in order to stabilization for the society.

### *Managerial implications*

There is no doubt that CRM can affect consumers' overall attitude toward the sponsoring company or brand. Consumers suggest they are influenced in their share buying decisions by a company's participation in CRM activities and employees of companies involved in CRM activities suggest they feel a greater sense of value towards their employer than those who do not support a good cause in this way. Based on this, companies certainly look to associate with causes that generate feelings of goodwill among their target audience. From an associative learning perspective, attitude toward the company and/or the company's brands can be positively enhanced via pairing with positive causes, even though specific beliefs about the company and/or brand may not have changed. According to this change, people tend to feel better about the alliance, and therefore are more likely to purchase the sponsored products. Therefore, companies that take their CSR seriously may endeavor to win support for their efforts through a CRM initiative. This may also allow their customers and staff to participate and contribute to the good cause or program identified. Managers and marketers need to ensure their corporate activities can be seen and promoted as responsible corporate behaviors according to consumer opinions; businesses that are seen to "use the process" rather than embrace the concept and act accordingly are likely to suffer the consequences. Management also needs to accept that building relationships provides a natural vantage point that affects the company's bottom line performance.

In order to ensure CRM success, we must seek for equilibrium and fit among the firm, the NPO, and the social system, which is effective to have a cause that is highly related to the target audience. Because while the fit among the three parties above through a certain cause may be the driving force in CRM success, having a related cause helps to maximize the three parties' effectiveness. So a firm successfully paired a NPO was perceived as a natural fit with a cause in which timely transfer and acquiring are important. Likewise, causes that choose to pair with firm are best advised to consider the degree of perceived fit or similarity between the firm and the cause. Such perceived fit needs to be considered from the point of view of the firm's target audience. While marketing managers will likely speculate as to the fit or belongingness of a

particular cause with their brand, such judgment needs to be with the target audience. Failure to test possible causes with the target audience may result in the selection of a cause which fits, from the point of view of the marketing team, but does not resonate or connect with the target audience. Therefore, one point needs to be stressed that the perceived fit, similarity, or belongingness should be an important consideration of a firm's selection of a cause with which to pair. Furthermore, in the course of there fit, the supervision and support function of social system requires to exert its optimal efficacy in order to avoid the occurring of the managerial opportunism and speculation behavior.

In conjunction with this conclusion, if corporate strategy and good citizenship are to become partners on the pathway to achieving success, rather than being seen as meeting at the intersection where a choice has to be made, it will be everyone who wins. However, for global managers working in different countries it is important to understand the different values that people hold, even if their expectations are similar, and consumer research can provide a valuable resource in this regard.

Certainly, CRM activities have been a strategically useful tool for many enterprises enhancing their brands (especially the enterprise manufacturing necessities goods for the consumers), for many NPOs obtaining more development resources, for the social system increasing more welfare. However, CRM activity is not right for every enterprise and NPO in every situation in practice. So when implementing CRM program, to ensure its success, managers of the enterprise, NPO and administrators of the social system should pay more attention to these principles. First, once the company decides to development CRM, it should determine whether strategic CRM or tactical CRM is adopted according to its setting objectives and the actual conditions, because their marketing effects and applying pretext are bound to have some differences to some extent. Varadarajan and Menon (1988) argue that strategic CRM is characterised by high senior management involvement, a substantial amount of invested resources and a long-term commitment of the firm or business unit towards the CRM campaign. Alternatively, Drumwright and Murphy (2001) and Till and Nowak (2000) characterized tactical CRM as a marketing activity that lasts for a short period of time and has scant employee involvement. Second, selecting a NPO as a cause-related alliance partner, this cause of the NPO involved must not already associate with other brands but keeping "surprising" or "novel" for consumers, and this potential partner should be tested among the target audience. Finally, in the implementing process, to gain the maximum value of a cause relationship for three parties, the enterprise should leverage the cause relationship in as many areas of the marketing mix as possible, and the whole process should be supervised by the social system effectively.

#### *Limitations and future research*

This study is limited in some ways, but these limitations pose interesting questions for future research topics in this area. Firstly, in the paper the influences of CRM on the enterprise and the NPO are only explained qualitatively, there are short of some data to test the validity of theories above. Further, investigation into this construct in the context of CRM would be helpful in understanding what are the role and the impact of CRM on firm and NPO in this domain. Secondly, the issue of "embedded" consumers raised by Scott and Lane (2000) presents a potential project comparing embedded

versus non-embedded consumers to see if there is any difference in the relevance of the company-customer fit and its influence on attitude and intent to purchase the sponsored CRM product. Thirdly, though we have addressed the importance of the fit among the three parties, in CRM campaign, if any one of the three parties fails to make efforts, the campaign must not generate maximum benefits for them, so how to fit effectively among these parties will prompt the campaign success. Finally, a broader range of issues, as well as topics need to be explored, such as how much does CRM's contribute to the enterprise and NPO's performance, and how do type, region and importance of cause influence the enterprise and NPO to develop this marketing campaign? These topics need to be further research.

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