Corporate Social Responsibility with Cause-Related Marketing

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Abstract

Corporate social responsibility (CSR) is an important wave of the business practice. Many companies have already done CSR activities for two reasons. First, they pit business against society, when clearly the two are interdependent. Second, they pressure companies to think of corporate social responsibility in generic ways instead of in the way most appropriate to each corporate’s strategy. (Porter & Kramer, 2006, p.78) Specifically, the business case for virtue is strongest for companies that have made CSR part of their strategy for attracting and retaining; consumers, employees, and investors, and for highly visible global companies that have been targeted by activities. (Vogel, 2005)

CSR programs have h e n becoming increasingly popular marketing tools since in the sixties and seventies, such as Andreasen’s (1975) work on the disadvantage consumer, empirical studies of socially responsible consumers (Miller & Sturdivant, 1977), and more general analyses of the relevance of CSR to marketing (Patterson, 1966; Webster, 1974). CSR and marketing research has increased importantly in this decade (Bhattaacharya et al., 2004; Ellen et al., 2005; Lichtenstein et al., 2004; Luo & Bhattaacharya, 2006; Magrann & Ferrell, 2004; Mohr et al., 2001; Yoon et al., 2006)

In the interim, cause-related marketing (CRM) has become a popular and unique promotional tool for CSR activities and marketing tools for marketing practitioners (Polonsky & Wood, 2001). CRM campaigns rely on consumers to make purchases in exchange for a donation from the sponsoring firm to a cause has become a popular and unique promotional tool for CSR activities and marketing tools for marketing practitioners. Early research has showed that consumers’ responses to CRM tend to be positive. In addition, many previous researches have stated that CRM initiatives have as many concerns in CSR component as there are potential benefits, such as, Cause Important, Brand–Cause Fit, Donation Framing, Time Frame Campaign, and Campaign Disclosures.

Keywords: Corporate Social Responsibility, Corporate Social Initiatives, Cause Related Marketing

Introduction

Corporate social responsibility (CSR) is an important wave of the business practice. Many companies have been used CSR to address their social and environmental concerns. CSR reporting has been steadily rising since 1993 and it has increased substantially in the period of BC. 2002 – 2005. The majority of Fortune Global 250 corporations increasingly published CSR information as part of the annual report from 52 percent in 2002 to 64 percent in 2005 (KPMG, 2005) CSR is one of today’s core issues in business management. CSR has emerged as an inescapable priority for business leaders in every country. Many companies have already done CSR activities for two reasons. First, they pit business against society. Second, they pressure companies to think of corporate social responsibility in generic ways instead of in the way most appropriate to each corporate’s strategy. (Porter & Kramer, 2006, p.78) Specifically, the business case for virtue is strongest for companies that have made CSR part of their strategy for attracting and retaining; consumers, employees, and investors, and for highly visible global companies that have been targeted by activities. (Vogel, 2005)

For example business case in Thailand, Cerebos (Thailand) Ltd. has used CSR concept to build brand loyalty of BRANDS’ Essence of Chicken for over 20 years. In the period of November 2005 to January 2006, the company had launched CRM campaign “Buy every a BRANDS gift basket the company promise to donate 10 bahts to The Mother Princess Medical Volunteer Foundation.” The company reported that as a result of CRM campaign there was 1.42 million baht for donation(www.brandworld.co.th/cms www/main.asp?sid=377).

This article seeks to review the literature in CSR and CRM academic research. One direction has contributed to the conceptual development of
the concept, the second seeks to understand the nature of consumer responses to cause-related marketing initiatives.

**Corporate Social Responsibility Concept**

CSR is a broad concept, there are a variety of definitions given to this term and goes by many names. which include: corporate citizenship, corporate philanthropy, corporate giving, corporate community involvement, community relations, community affairs, community development, corporate responsibility, global citizenship, and corporate societal marketing. Here’s the ultimate definition as provided in Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause (Kotler & Lee, 2005)

Kotler and Lee (2005, p.3) define CSR as "a commitment to improve community well-being through discretionary business practices and contributions of corporate resources". The word “discretionary” is a key element of this definition. A business must be contributions as socially responsible with voluntary commitment.

From the last decades the CSR has initiated other related concepts and arguments. Friedman (1970) debated against the concept of social responsibility. A business person who acts “responsibility” by cutting the price of the company’s product to prevent inflation, or by making expenditures to reduce pollution, or by hiring the hard-core unemployed instead of better-qualified available workmen to contribute to the social objective of reducing poverty. In each of these cases, is spending the shareholder’s money for a general social interest. By taking on the burden of these social costs, the business becomes less efficient. Insofar business may reduce returns to shareholders that cause to raise the price to consumers. Business is spending the consumers’ spending money and employees’ income if has actions to lower the salaries.

Friedman (1970) refer to the social responsibility of business as a “fundamentally subversive doctrine” and stated “There is one and only me social responsibility of business to use its resources and engage in activities designed to increase its profits so long as it stays rules of the game, which is to say, engages in open and free competition without deception or fraud.”

Carroll (1979, p.500) present corporate social responsibility as a construct that "encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time". Economic responsibilities are the first and foremost social responsibility of business to produce goods and services of value to society. Legal responsibilities are the obligation of companies to abide by the rules of law. Ethical responsibilities are the society has expectations of business behavior in society and above legal requirements. Finally, discretionary responsibilities are the purely voluntary obligations a corporation assumes. (Carroll, 1979)

Carroll’s pyramid of corporate social responsibility model had been developed in 1991. Companies should not pursue the discretionary (Called "philanthropic" in the pyramid model) if the other elements are not accomplished. (Carroll, 1991)

Schwartz and Carroll (2003) presented new CSR model to describe CSR as actually being composed of three domains – economic, ethical and legal by overlap with each other. Therefore, the best business strategy is to focus on the part of diagram where all three domains overlap.

CSR has also been described as a business tool to build good corporate reputation. Lewis (2003) found that public perception on the role of companies’ in society has changed significantly. CSR can become a competitive edge / core competence for companies where can exploit it properly. However, when CSR is seen business strategy, companies should treat their corporate stakeholders also. Freeman (1984) defined stakeholders as “any individual or groups who can affect, or is affected by, the achievement of the corporate’s objectives”. Stakeholder theory does not accept that shareholder must always be given primacy. A company’s activities affect many other components including the employees, consumers, suppliers, environment and society. So, according to stakeholder theory, a company has a responsibility to society just as much as it has responsibility to its shareholders.

Hopkins (2003, p.10) is quite specific about the relationship between CSR and stakeholder management when he defined CSR as “treating the stakeholders of the company ethically or in a responsible manner”. In the same way, Smith (2003, p.52) stated that CSR is “obligations of the corporate to society, or more specifically, the corporate’s stakeholders – those affected by
corporate policies and practices". According to Smith (2003) explained, business practitioners prefer to discuss the specific activities that constitute CSR rather than debating the concept of CSR. (Bhattacharya et al., 2004; Ellen et al., 2005; Lichtenstein et al., 2004; Luo & Bhattacharya, 2006; Maignan & Ferrell, 2004; Yoon et al., 2006)

Kotler and Lee (2005, p.3) issued "corporate social initiatives" to describe major efforts under the corporate social responsibility umbrella and offer the definition. Corporate social initiatives are major activities undertaken by a corporation to support social causes and to fulfill commitment to corporate social responsibility.

In the concept "doing well and doing good", more companies picking a few strategies areas of focus that fit with corporate values; selecting initiatives that support business goals; choosing issues related to core products and core market; supporting issues that provide opportunities to meet marketing objectives, such as increased market share, market penetration, or building a desired brand identity; evaluating issues based on their potential for positive support in times of corporate crisis or national policy making; involving more than one department in the selection process, so as to lay a foundation of support for implementation of program; and taking on issues the community, consumers, and employees care most about. (Kotler & Lee, 2005)

In the well-known case of Siam Cement Group (SCG), one of the leading conglomerates in Thailand and ASEAN, comprises 5 core strategic business units which include SCG Chemicals, SCG Paper, SCG Cement, SCG Building Materials, and SCG Distribution, the company adheres to the philosophy of conducting its business with a commitment to promote sustainable growth in every community and society as well as creating value for its consumers, employees and stakeholders everywhere it operates. SCG has organized itself largely around the concept of being a good corporate citizen. SCG believes that conducting an accountable, business with society and all stakeholders can contribute to sustainable business growth. SCG has, therefore, initiated numerous socially beneficial activities designed to improve the quality of life in line with SCG’s business philosophy regarding “Concern for Social Responsibility”. SCG continuously supports activities, especially the development of potentiality in the area of education, not only in Thailand, but also in other countries of ASEAN. SCG has encouraged its employees to contribute in socially beneficial activities.

For 2007, SCG has provided 635 million bahts to public benefit both social contribution and environmental conservation (http://www.siamcement.com) In summary, SCG pursues CSR because SCG vision is “by the year 2015, SCG will be well recognized as an innovative workplace of choice, and a role model in corporate governance and sustainable development”.

Corporate Social Initiatives (CSI): Six options for doing well.

Kotler and Lee (2005) identifies CSR programs manifestly as the following six strategies:

1. Cause Promotions: A corporation provides funds, in-kind contributions, or other corporate resources to increase awareness and concern about a social cause or support fundraising, participation, or volunteer recruitment for a cause. The corporation may initiate and manage the promotion on its own, it may be a major partner in an effort, or it may be one of several sponsors.

2. Cause-Related Marketing: A corporation commits to make a contribution or donating a percentage of revenues to a specific cause based on product sales. Most commonly this offer is for an announced period of time, for a specific product, and for a specified charity. In this scenario, a corporation is most often partnered with a nonprofit organization, creating a mutually beneficial relationship designed to increase sales of a particular product and to generate financial support for the charity. The consumer thinks of this as a win-win-win, as it provides consumers an opportunity to contribute for free to their favorite charities as well.

3. Corporate Social Marketing: A corporation supports the development and/or implementation of a behavior change campaign intended to improve public health, safety, the environment, or community well-being. The distinguishing feature is the behavior change focus, which differentiates it from cause promotions that focus on supporting awareness, fundraising, and volunteer recruitment for a cause. A corporation may develop and implement a behavior change campaign on its own (tobacco and alcoholic beverage companies are good examples), but more often it involves partners in public sector agencies and/or nonprofit organizations.
4. Corporate Philanthropy: A corporation makes a direct contribution to a charity or cause, most often in the form of cash grants, donations, and/or in-kind services. This is perhaps the most traditional of all corporate social initiatives.

5. Community Volunteering: A corporation supports and encourages employees, retail partners, and/or franchise members to volunteer their time to support local community organizations and causes. This activity may be a stand-alone effort or it may be done in partnership with a nonprofit organization. Volunteer activities may be organized by the corporation, or employees may choose their own activities and receive support from the company through such means as paid time off.

6. Socially Responsible Business Practices: A corporation adopts and conducts discretionary business practices and investments that support social causes to improve community well-being and protect the environment. Initiatives may be conceived of and implemented by the corporation or they may be in partnership with others.

According to Friedman (1970) state that the company’s only responsibility is to maximize shareholder profits, but fail to acknowledge that there are several methods of doing so, not all of which provide easily measurable returns. Marketing is widely acknowledged as being one such measure; a well-defined CSR strategy is another.

However, some CSR initiative has often been called a waste of shareholders' investment. It has never been referred to what it actually is; an integral part of a corporate’s marketing strategy. Companies need to become more comfortable with its use as a means of marketing and learn where to benefit financially from its impact.

Among the six categories of corporate social initiatives, cause-related marketing (CRM) is only one which directly measure financially impact of the marketing campaign. A well-known CRM program has been, Avon, ongoing worldwide fund for women's health. In the United Kingdom in 1992, Avon conducted a comprehensive research study amongst its consumers and representatives to better understand women's needs, interests, and motivations. The results showed clearly that breast cancer was the issue of leading concern to these women. This led Avon UK to create the Avon Crusade Against Breast Cancer later that same year, and led Avon in the United States to create Avon’s Breast Cancer Awareness Crusade in 1993. The mission of both initiatives is to raise awareness of the breast cancer cause, and to help Avon sales representatives raise money for breast cancer organization through the sales of special fundraising products. (Adkins, 2005)

The CRM Model that was first create in Avon UK has been successfully exported to more than 50 countries. From 1992 until July 2008, Avon’s Breast Cancer Awareness Crusade has raised and awarded more than $550 million for awareness and education, screening and diagnosis, access to treatment, support services, and scientific research (http://www.avoncompany.com)

From the according example, CRM is a very effective socially responsibility marketing tool. It is also becoming an increasingly significant contributor in addressing social issues and the needs of charities and causes. CRM works by integrating the core trading objectives and activities of a business with the needs of a particular cause or charity. Indeed, when done well, CRM provides a win for the charity or cause, a win for the consumer, a win for shareholders and other stakeholders and a win for the business.

Cause Related Marketing (CRM) Concept

Varadarajan and Menon (1988) categorized CRM among Corporate Social Initiatives that "Do Better by Doing Good." In other words, CRM not only increases the company’s revenues but also contributes to societal welfare. They stated CRM as: The process of formulating and implementing marketing activities that are characterized by an offer from the company to contribute a specified amount to a designated cause when consumers engage in revenue-providing exchanges that satisfy organizational and individual objectives. (Varadarajan & Menon 1988, p. 60)

Other definitions of cause-related marketing exist, but all recognize the same essential characteristics offered in the Varadarajan and Menon definition. For example, more recently, Lewis (2003) in brand strategy offered a definition of cause-related marketing within the context of brand management: CRM links charities and businesses in a fundraising marketing model. Loosely, it can be defined as a product promotion that pledges to donate money or goods to a worthy cause. Brands get the good image and potentially boost sales from being associated with a good cause, while charities get to ride on the coat tails of
The brand's advertising dollars, raising extra money in the meantime. A win-win situation. (p. 26).

According to Kotler and Lee (2005, p. 81), CRM is a corporation commits to making a contribution or donating a percentage of revenues to a specific cause based on product sales. Most commonly this offer is for an announced period of time, for a specific product, and for a specified charity. The distinction from other corporate social initiatives is clear on several fronts. First, this is the only one of the six initiatives which corporate contribution level is dependent on some consumer action. Second, CRM initiatives often require more formal agreements and coordination with the charity; important activities include establishing specific promotional offers, developing co-branding advertisements, and tracking consumer purchases and activities. Finally, this initiative typically involves more promotion, especially paid advertising. This makes sense, as there are anticipated economic benefits for the corporation to promote product sales. As a result, this initiative is most likely to be managed and funded by the corporation's marketing department.

CRM Benefit & Practical

The previous CRM academic research has been confronted with two extended issues. The first concerns consumers' general responses to CRM. That is, do consumers generally think of and react to this form of marketing tactic favorably? Early research has showed that customers' responses to CRM tend to be positive (Webb & Mohr, 1998). A variety of consumer responses, including perceptions of and attributes toward the corporate, brand, and product, have been examined. Consumers tend to believe that sponsoring companies CRM are socially responsible (Ross et al., 1992). In addition, willingness to purchase a company's product is also positively influenced by the company's CRM activities (Smith & Alcorn, 1991) and more effective among consumers purchasing luxury items than practical ones (Strahilevitz & Myers, 1998). The others findings explain that consumers prefer local causes to national causes, and that women are more favorable towards CRM than men (Ross et al., 1992) and the consumer choice only migrates towards the product of the company that engages in CRM in case of minor competitive product and price trade-offs (Barone et al., 2000).

The degree to which competing products differ can affect the consumer's willingness to take a CRM initiative into consideration. When no inter-brand differences exist, any CRM activity positively influences consumer choice. However, when inter-brand differences exist and require tradeoffs by the consumers, the tendency of the consumer to select a particular brand will depend on the size of the CRM advantage provided by that company (Barone et al., 2000).

The second issue has to do with the relative effects of CRM component. Many previous researches have stated that CRM initiatives have as many concerns as there are potential benefits, as follow:

Cause Important: Company has to select a major cause that company and target consumer have passion about (Kotler & Lee, 2005). There will be a main effect of cause importance. When cause importance is high, the extent of elaboration regarding the CRM offer is greater than when cause importance is low (Landreth, 2002). This finding support the another previous research, Ellen, Mohr and Webb (2000) manipulated the donation situation as either an ongoing cause or a disaster, which utilizes the notion of personal relevance to determine consumers' assessments of a company's CSR. They found that disaster situations were perceived as more important, because disasters were perceived as more personally involving.

Brand-Cause Fit: The importance of brand/cause fit in CRM has been suggested by marketing researchers (e.g., Drumwright 1996; Strahilevitz & Myers 1998). Sumu and Wymer (2002) describe fit in terms of degree of congruence between a cause and business's product/service. "Fit" has been addressed in the branding literature. Good fit between a brand extension and the core brand foster more favorable consumer attitudes toward a brand extension (Bottomley & Holden, 2001). Similarly, there is positive correlation between brand - cause fit and consumer attitude (Gupta & Pirsch, 2006).

High level of fit among partnering organizations led to more positive attitudes and stronger purchase intentions (Basil, 2002). Basil and Herr (2003) found that fit was particularly relevant in predicting positive consumer responses if prior consumer attitudes toward the partners were positive. Perceived fit has a significant effect on consumers with high fit having impact on choice and market share (Pracejus & Olsen, 2004). Therefore, company should target a product offer that has the most chemistry with the cause, looking for the intersection between
consumer base, products, and people who care about the cause (Kotler & Lee, 2005).

**Donation Framing:** While companies launch CRM campaigns, consumers are looking closely at company who make claims regarding its involvement in cause. Consumer skepticism has emerged as a major obstacle to success of a CRM campaign, which consumers were unable to estimate the donation amount and often overestimated (Olsen et al., 2003). The skepticism toward the CRM campaign in turn may lead to negative consumer responses.

Pracejus, Olsen and Brown (2004) use the term “donation quantifiers” to describe how the donation amount is presented to the consumer. There are three main types of quantifiers: calculable, estimated, and abstract. Calculable quantifiers define the donation amount that allow consumers to calculate the actual amount being donated and include “percentage of sales” or “percentage of price” formats. Estimable quantifiers give the customer only a piece of the information needed to calculate the donation amount. These quantifiers are usually expressed as "a percentage of the net proceeds" or as "a percentage of profit/net profit". Abstract quantifiers, the most commonly used method occur when the customer is provided with almost no information about how much the company is donating to the sponsored cause. (Olsen et al., 2003; Pracejus & Olsen, 2002; Pracejus et al., 2004)

Landreth, Pirsch, and Garretson (2004) included a fourth level, the “exact” donation quantifier. The most concrete option, an exact quantifier, states the exact amount of the donation given for each product sold. Examples from recent CRM campaigns include Avon’s "Kiss Goodbye to Breast Cancer" campaign where the company donates $1 for each lipstick sold. Grau, Garretson, and Pirsch (2007) founded 75% of responses preferred exact option. Despite the number of campaigns using abstract quantifiers, consumers prefer more tangible information regarding the donation.

Consumer perception of donation quantifiers may also be influenced by the size of the donation relative to the price of the product offered for purchase. Dahl and Lavack (1995) found that consumers are more skeptical of small donation sizes. However, the amount per transaction generated by the campaign may be small and therefore high volumes will be key to successful campaign (Kotler & Lee, 2005).

**Time Frame Campaign:** Varadarajan and Menon (1988) state that there are three different types of time frame campaigns. These are long-term, medium-term, and short-term. Short-term focus is the most dominating choice even though companies desire to focus on medium-term or long-term. However, short-term have more disadvantages than advantages when it comes to creating trust and belief among the consumers if the support is going to last no longer than a year. Long-term relationships have also shown that consumers recognize the brand and the charity cause if the relationship is strong and take place over a long period of time (Pringle & Thompson, 1999).

**Campaign Disclosures:** From the consumer’s perspective, no news about the results of the CRM campaign means they never know whether their efforts have help the company to meet or exceed the donation goal. The issue of disclosure is important to companies from an image standpoint. Above all, one wrong promotional move and all of the good effort directed toward the cause can damage the brand (Grau et al., 2007). Company should keep the offer simple, to avoid consumer suspicion and significant paperwork. Consider the benefits of disclosing the actual or anticipated amount to be donated to the charity (e.g., the next 1 million dollars raised will be designated to eradicating polio in the world) (Kotler & Lee, 2005).

**Conclusions**

Cause-related marketing campaigns are most different from other corporate social responsibility initiatives by the link of contribution levels from company product sales to charity or cause. CRM will become increasingly important to recognize and appreciate the basic elements that contribute to effective efforts, CRM presents excellent opportunities for building brand, consumer perception, and sales. In addition, this initiative may also be one of the best strategies for raising significant funds for a cause. The practitioners should concern about key success factors which include the following: select an important cause that company and target consumers have perceived, cause should be fit in with corporate/brand/products, donation quantifiers should be clearly and tangible information, time frame campaign should not be too short-term,
communicate progressive donation and campaign disclosures.

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