

Understanding cause related marketing and its scope in india



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Business organizations are a part of the society. It has always been assumed that the main responsibility and accountability of a business organization lies primarily towards its shareholders. But now it is said that since these organizations take inputs from the society they should also give something in return to the society.

The business world is getting more competitive day by day. The customers' expectations from the companies have also changed. They want the companies from which they are purchasing products/services, to be more socially-responsible rather than just being customer responsible.

Now a days, companies are finding new ways to discharge their corporate social responsibility and Cause-related Marketing (CRM) is one of them. Cause related marketing is a communication tool for increasing customer loyalty and building reputation.

Cause-related marketing is not a new concept. Examples exist from as early as the 1890s, for example, when William Heskith Lever introduced schemes on Sunlight Soap and a variety of charities in the USA. More interest in cause-related marketing is generally argued to have stemmed from American Express, who apparently coined the phrase in 1983 and developed a number of cause related marketing programmes. American Express's support for the Statue of Liberty was the most well-known programme.

Although research has shown that CRM programs are very successful in developed countries and have produced tremendously beneficial results for the companies in the form of increasing awareness, sales, profits and

building positive image in the minds of consumers, there are very few studies that validate these results on developing countries such as India.

Some of the recent examples that can be seen in this regard in India are:

Tata Salt, in its 'DESH KO ARPAN' programme contributed 10 paise for every kilo of Tata Salt, sold during specific periods, to the education of underprivileged children. Child Relief and You (CRY) was their partner in this programme.

Procter and Gamble, in partnership with Child Relief and You (CRY) launched a project in the name of 'Shiksha' (special program to support education of underprivileged children across India). According to this project a part of the proceeds generated by the sale of large pack of Tide, Ariel, Pantene, Head & Shoulders, Rejoice, Vicks VapoRub and Pampers will be donated to support the cause.

Novartis India Ltd., in a cause-related marketing scheme, donated 2% of the value of sales of Ovaltine Plus towards CRY's Gujarat rehabilitation operations. The total amount raised was approximately Rs. 40, 000.

No research on social cause marketing in the Indian context would be complete with quoting the examples of the Tata Tea "Jaago Re" Campaign and the Idea "Save Paper" Campaign.

LITERATURE REVIEW

It is very important to review literatures on corporate social responsibility and cause related marketing sine they will form the foundation on which

further advances can be made. Literatures were reviewed to define corporate social responsibility and cause related marketing, key influencing variables, objectives, measures and findings. The literature review helps define and clarify the domain of cause related marketing.

CORPORATE SOCIAL RESPONSIBILITY CONCEPT

All business activities generate two outcomes: market and non market (Menon and Menon 1997). While market effects are built onto a firms strategy, nonmarket effects eg. pollution were traditionally handled by the government or the society. Menon and Menon maintained that the concept of corporate social responsibility can be defined as the responsible adoption of these market forces.

Similarly, Brown and Dacin (1997, p. 68) note that a firms CSR relates to the organizations status and obligations towards its perceived societal obligations. Robin and Reidenbach (1997, p. 45) define CSR as the generally accepted relations, obligations and duties relating to the impact that corporate have on the welfare of society.

CSR is concerned with the social obligations between business and the society in which it operates (Steiner, 1970). The loosely bound term of CSR is complex and befitting to many social welfare initiatives. The definition of CSR (see Table 1) has been used in numerous studies to yield multiple findings.

CAUSE RELATED MARKETING CONCEPT

Cause-related marketing was first defined by Varadarajan and Menon (1988, p. 60) as the process of “ formulating and implementing marketing activities

that are characterized by an offer from the firm to contribute a specific amount to a designated cause when customers engage in revenue providing exchanges that satisfy organizational and individual objectives”.

Kotler and Keller (2009) view cause-related marketing as part of societal marketing, a concept that arose in the late 1960s/early 1970s as an acknowledgement that a business does not only exist to meet business objectives and satisfy consumer needs, but also to conserve or improve individuals' and society's long-term best interests (Lamb, Hair, McDaniel, Boshoff and Terblanche, 2004).

The societal marketing concept asserts that marketing must serve the goals of business and society beyond profit generation (Lazer, 1969; Kotler and Levy, 1969). Lazer (1969: 9) stated that “ there need be no wide chasm between the profit motive and social responsibility, between corporate marketing objectives and social goals, between marketing actions and public welfare”, but that the firm's marketing orientation should extend to the acknowledgement of the societal

dimensions of marketing and that it is more than just another firm technology.

Cause-related marketing that falls within the societal marketing paradigm will: create shareholder and social value; follow a collaborative approach generating mutually beneficial partnerships between business and non-profit organisations; connect and engage constituents, including employees and consumers; and communicate citizenship values (Daw, 2006). The technique

represents: a method for creatively operationalising corporate social

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responsibility in commercial settings; a strategic marketing tool ideal for breaking through marketing communications clutter; and a tool for activating relationships between non-profit organisations (and/or causes), business and consumers (Berglind and Nakata, 2005). There have been many studies on this not so old concept of cause related marketing which have given us a number of definitions (see Table 1)

Table 1*

Corporate Social Responsibility and Cause Related Marketing Definitions

CORPORATE SOCIAL RESPONSIBILITY

Constructs Authors & Year Definition

Brown and Dacin (1997)

Mullen (1997)

Bloom et al. (1995)

Litke (1994)

Robin and Reidenbach (1987)

Wood et al. (1986)

Lydenberg et al. (1986)

Wilson (1986)

Gaski (1985)

Carroll (1979)

Gross and Verma (1977)

Lavidge (1970)

Friedman (1970)

CAUSE RELATED MARKETING

Constructs Authors & Year Definition

Herman (1998)

Cause and Effect (1997)

Bulgarella (1997)

Bloom et al. (1995)

Smith (1994)

Barnes and Fitzgibbons (1991)

Smith and Alcorn (1992)

Ross et al. (1991)

National Association of Attorney's General 1986 (as cited in Barnes and Fitzgibbons 1991)

Vardarajan and Menon (1988)

*Source: "Doing Well by Doing Good" by Brian V. Larson

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CRM, SPONSORSHIP AND CORPORATE PHILANTHROPY

Cause marketing allows a company to put its brand, marketing might and people behind a

nonprofit cause that can provide mutual benefits to the company and the nonprofit entity. The

cause marketing campaigns can vary in their scope and design, the types of nonprofit partners and the nature of the relationships among the companies and their nonprofit partners.

In the most common type of relationship, for each purchase made by its customers during a specified period of time, a portion of it is donated to the nonprofit entity. It is a win-win situation all around. Companies increase their sales, nonprofits get more funds and the consumer benefits because he feels a part of his purchase is going for a good cause.

There could be two forms of associations in terms of the time dimension:

a) Temporary: The company ties up with the NGO for a short span of time.

For example Epson

donated a certain sum to CRY for every dot matrix printer sold during the month of August

2004 alone.

b) Ongoing: Here the tie-ups are for longer periods of time, although they may not be

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permanent. For example, ITC markets the SOS Children's Villages of India range of greeting

cards. The SOS brand is now the third largest brand in the social cause segment in greeting

cards.

It has to be clarified that cause related marketing is not corporate philanthropy or sponsorship. It

is a third new way, an intersection of the two. In a CRM program donations to the nonprofit

entity are based on exchanges that provide revenue to the donor, that is, sales. Hence a specific

objective of all cause related marketing programs is sales and a promotion campaign is

undertaken to leverage the right to the association. For example, ITC launched a nationwide

campaign for water conservation. Dubbed 'Aashirvad - Boond Se Sagar', this initiative has over

the years put into place 31, 000 acres of life saving irrigation system benefiting over 40, 000

people. Consumers who buy Aashirvad products (atta, spices and salt) were made aware that from its sale, a worthy contribution was being made to the water conservation efforts of the nation.

Sponsorships involve money or gifts in return for recognition with a particular cause or event. Unlike in the case of sponsorship the donor needs to undertake specific activities and pursue

specific objectives for the program to be classified as cause related marketing. Another difference is that both in philanthropy and sponsorship, the amount to be donated to the cause is negotiated in advance and is generally fixed. In the case of sponsorship, the amount represents the price for the association. In the case of cause related marketing the amount is variable as the donation is on a per transaction basis.

Table 2 summarizes the differences between corporate philanthropy, sponsorship and cause related marketing.

Table 2**

BASIS

CORPORATE PHILANTHROPY

SPONSORSHIPS

CAUSE RELATED MARKETING

Primary Focus

Organization

Product and organization

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Product

Time Frame

Ongoing

Traditionally of limited duration

Limited duration

Organizational members involved

Top management decision/ employee wide contribution

Marketing department related personnel

Marketing department personnel

Goals

Improve and tie organizational competencies to social cause

Increase brand awareness and target market affiliation

Increase product sales

Funding

Fixed

Fixed

Variable

Resources

None

Association

Association

Use of resources

No commercial use made of association

Association is used to raise awareness or change attitudes, intentions and consumer behaviors

Association is used to create a customer offer linked to contribution to the cause

Key outcomes

No key outcomes

Attitude (positioning), intention (preference), behavior (sales)

Behavior (sales), intention,

attitude

Sales impacts

None

Indirect sales impact

Direct sales impact

Revenue flows

None

Exclusively to the sponsor

Split between cause and sponsor

**Source: Cause Related Marketing by S. Sundar

PROCESS & IMPLEMENTATION

Cause related marketing can be categorized as Tactical CRM or as Strategic CRM (Douwe Van Den Brink et al.) It can be said that the differences between tactical and strategic CRM differ on four dimensions:

The congruency between the cause and the company's core competency (Pracejus and Olsen, 2004).

The duration of the campaign (Till and Nowak, 2004)

The amount of resources invested (Macleod, 2001; Welsh, 1999)

The degree of senior management involvement (Macleod, 2001; Miller, 2002)

CRM programs can be rated on a high-low continuum for each of these dimensions. The high endpoint corresponds with purely strategic CRM and the low endpoint with purely tactical CRM. As a result, each CRM program can have strategic as well as tactical characteristics.

Table 3

Tactical CRM and Strategic CRM Dimensions

TACTICAL CRM

STRATEGIC CRM

Congruency

Low

High

Duration

Short Term

Long term

Resources invested

Few

Many

Management involved

Middle management

Senior management

Tactically cause marketing programs fall into three general categories:

1. Transactional: Programs are designed to offer to make a contribution to a designated cause

based on consumer activity such as buying a product or shopping at a particular retail store.

The Tsunami disaster gave ample scope for hundreds of retail outlets to say they will donate

to Tsunami Relief Funds for purchases made at their establishments.

2. Message promotion: Joint campaigns that raise awareness of a cause's message (e. g. Fight

polio, tuberculosis, cancer) or participation in its programs (e. g. join us in eradicating

illiteracy) while building a positive association with the corporate sponsor or its brands.

MTV, being a youth channel, regularly created excellent public service advertisements aimed

at youth on issues which matter to the young of this country. For example on the importance

of adult franchise to first time voters.

3. Licensing: Typically, under this method, a nonprofit licenses a company to develop, produce

and market/distribute a mission related product that is promoted either with the organization's

brand name or co-branded with both the company's and nonprofit's name for a fixed number

of products produced or for a fixed time period. For example, WWF logos on stationery.

A strategic cause marketing program will therefore focus on designing a program that will be

relevant to four key audiences:

1. The cause must align with the product or service. The program must embody a core value to

be authentic and embraced both by the employees and its consumers.

2. The cause partner must have a natural affiliation with the brand

3. The cause must be relevant to the core customer segment, so that they accepts its virtue and

become advocates for the cause and the product.

4. The cause must be relevant to the target consumers so that it will draw new consumers to the

Product.

5. The cause must drive increasing participation in fund raising.

SCOPE AND FORMS OF CAUSE RELATED MARKETING IN INDIA

CRM is although a phenomenon that had its roots in the western countries, but it has gained rapid acceptance in India in recent Years. According to Professor Alan Andreasen, there can be three forms of alliance between the ' for-profit' and ' nonprofit' organizations.

1. Transaction-based promotions: Programs that elicit participation with an offer to make a contribution to a designated cause based on consumer activity such as buying a specific product, redeeming a coupon, registering at a website or shopping at a particular retail chain.

2. Joint-Issue Promotions: Joint campaigns that raise awareness of a cause's message (e. g. fight skin cancer) or participation in its programs (e. g. join us in a coastal cleanup) while building a positive association with the corporate sponsor or its brands.

3. Licensing: Independent Sector defines cause marketing licensing as “ An agreement in which the nonprofit allows its information or knowledge to be used for a fee or an agreement in which a nonprofit's name is attached to a product. Typically, a nonprofit licenses a company to develop, produce, market and/or distribute a mission-related product that is promoted either with the organization's brand name or co-branded with both the company's and nonprofit's names.” This form of alliance is not yet practiced in India.

Cause Related Marketing by Manish Kumar Srivastava and Bani Kochar

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There are seven main types of CRM arrangements followed in India. The first few of which relate to standard corporate practices. These are:

advertising, where a business aligns itself with a particular cause and uses ads to communicate the cause's message;

public relations, where a business calls press and public attention to a strategic partnership between itself and a non-profit group;

sponsorship, where a business helps fund a particular program or event;

licensing, where a business pays to use a charity logo on its products or services; and

direct marketing, where both a business and a non-profit raise funds and promote brand awareness.

A sixth type of CRM is facilitated giving, where a business facilitates customer donations to the charity or to themselves.

The seventh and most widely used CRM practice is purchase-triggered donations. This is where a company pledges to contribute a percentage or set amount of a product's price to a charitable cause or organizations.

BENEFITS OF CRM

A cause related campaign can be expected to bring a broader customer base to a firm (Chaney and Dolli, 2000; Barnes & Fitzgibbon, 1991. Sen & Bhattacharya, 2001).

Hurd (2003) points out that a cause related marketing campaign can introduce new users, and build loyalty with existing users.

A survey carried out by Cone/Roper in 2002 discovered that, price and quality being equal, a consumer would switch to a brand that promotes a cause in 81% of cases (Higgins, 2002), while Lachowetz and Irwin (2002) demonstrate that price elasticity exists in cause related marketing campaigns.

Williams in Navitel and Noya (2003) claims that those firms who refer to environmental and social issues will display more positive financial results than those who do not. Strahilevitz and Myers (1995) found that firms that provide luxury goods are more likely to experience such increases, as the purchase acts as a guilt reliever.

Additionally, these authors claim that customers have demonstrated a preference for a donation to a charity rather than a reduction in the price of the product. Customer behaviour therefore changes in the context of cause related marketing activities.

Thus, it can be said that cause related marketing acts as the pillar of the marketing program. It helps give corporations an edge over their competitors as well as other tangible benefits. To sum up the benefits, here is the list: good relations with the media, better company image, increased sales and additional customer loyalty, helps create an alternative and different point towards brand advertising, partnering with NGOs helps entering certain niche markets, to attract and retain quality employees and to communicate a community's effort towards CSR

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SCOPE FOR FURTHER RESEARCH

In the wake of its growing significance, pursuing research on CRM has become essential to establish CRM framework. Though the paper contributes to building CRM grounding but still further examination of the CRM antecedents namely organization culture, human resources, products/services and regulatory environment and their impacts on business performance viz, economic, social and relationship performance measures may be analyzed. This makes it essential for the researchers to test various research propositions made in the paper regarding culture, products/services and regulatory environment in different settings at various levels. Though the relationship between corporate social performance and corporate financial performance has received much attention, but still concrete relationship between these two could not be identified (Margolis and Walsh 2003). Some researchers have considered positive relationship, some group of researchers have linked it negatively with the business performance and some others even have concluded absence of relationship between the two (Dentchev, 2004). In such circumstances, the model proposed here could strengthen the CRM conceptual framework and may provide a new path for analyzing this relationship. Further, the other research implications is that can CRM be considered as a marketing tool for the companies? These and other related issues have to be resolved in the further research.

CONCLUSION

Cause related marketing found its roots and began as a commercial activity but over timelines it has grown as a concept. It has gone beyond commercial activity and become a community activity signifying collectivism and

increased sense of responsibility. Houses like Tata and concerns like Aravind Eye Care have exhibited soft marketing in their application of strategies. They have become proactive and don't wait for instances to occur to guide their actions. Rather a paradigm shift is being experienced where companies work unconditionally for the cause without expectations in return. The mixing of emotions in the right proportion with the marketing initiatives should make organizations wary

of the fact that cause-related marketing is no joke and should not be treated lightly. Its mere cause is just not to promote the sales of the organizations' products. With its application becoming more sophisticated, it can survive as the sole strategy to build relationships with the target consumers on an emotional platform. If programmed and executed strategically, it can prove its mettle by differentiating its product from its competitors, add value, command premium prices, enhance brand loyalty and build a positive reputation of the corporate brand. It's a win-win approach where the partnership of corporate strategy and good citizenship make the organization's marketing program connect with its consumer, its cause thereby making the consumer corporate win.

A few important questions to be kept in mind while choosing a cause for cause related marketing initiatives so that there is a proper fit between the corporate strategy and its core competency:

Are there a sufficient number of consumers in the brand's desired target market who have a strong affinity for the sport, event or social cause under consideration?

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Will consumers from desired target markets find it credible that this brand is affiliated with this sport, event or social cause, or will they view such support with suspicion?

3. Does the brand differentiate itself from its competitors in the eyes of desired target markets through supporting this affiliate, or does the brand look like a copycat?

4. How does the affiliate stack up versus other potential beneficiaries of the brand's promotional initiatives, in terms of affecting target consumers' view of the brand's style of marketing and its image and performance attributes?

In determining whether to pursue a cause related marketing campaign in general, or societal marketing in particular, managers should recognize that every brand is different. While, for example, a low-fit societal marketing initiative might work best for one brand, it might do very little or – or even harm – another brand's image. Doing a careful experimental research, using conjoint analysis to refine and test ideas for affinity marketing initiatives against one

another and against other kinds of marketing initiatives is highly recommended. A cautious, research-based approach seems appropriate, given the limited knowledge about the true effects of these programs. However, the results of various studies (Paul N. Bloom et al., 2006) suggest that companies may be underestimating the potential bottom-line benefits of societal marketing initiatives.

Cause related marketing may give a brand just the edge it needs to win the hearts and minds of the inundated, skeptical consumers populating today's cluttered, super competitive marketplaces.