Cause-Related Marketing Strategies:

More than a Sales Tactic

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1. Defining Cause-Related Marketing

Though similar promotional strategies have likely existed even longer, language surrounding 'cause-related marketing' was first established a few decades ago, during the 1980s. The first definition for cause-related marketing (CRM) was published in 1988 by Varadarajan and Menon, who established that CRM was "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 the organizational and individual objectives" (Varadarajan and Menon, page 60). Essentially, CRM is a marketing strategy where a for-profit company partners with a non-profit organization and agrees to share a portion of their revenue with the nonprofit.

The practice, by the aforementioned formal definition, first occurred during a 1983 marketing campaign developed by Jerry Welsh of American Express (Lafferty, Lueth and McCafferty, page 952). American Express partnered with the Statue of Liberty Restoration project for a short-term campaign, saying that for every purchase a customer made with their American Express card, the company would donate a certain amount towards the restoration.

CRM campaigns have continued to increase in popularity since their first introduction in the 1980s and have undergone relatively little change in terms of format, other than adapting to technological advances over time. A shift in the timing of CRM campaigns began in the 2000s, when researchers Lafferty and Goldsmith observed that companies were aiming for more long-term partnerships with nonprofits as opposed singular, short campaigns like the original three-month American Express venture (Lafferty and Goldsmith). Over time, it's also expected that causes shift in their importance (Lafferty, Lueth and McCafferty, page 953). For instance, a company might be able to have a more successful CRM campaign about disaster relief if a hurricane has recently caused considerable damage. The length of the campaigns and the causes linked to them are two of the main ways in which CRM tactics have developed over time. Other changes in the way that CRM is used will be discussed later on in this analysis, but it is important to understand that the framework for a CRM-based partnership still remains: a for-profit business agrees to give a portion of revenue to a cause-related organization for a predetermined period of time.

2. Identifying Successful CRM Tactics

Marketing campaigns utilizing CRM tactics have been shown to be successful. The first American Express campaign definitively yielded positive results for the company, increasing credit card usage by 28 percent and new credit card applications by 45 percent (Lafferty, Lueth and McCafferty, page 952). The Statue of Liberty Restoration project also received $1.7 million for their part of the partnership. The use of CRM strategies continues to grow in modern times, with sponsorship spending on causes in North America increasing from $120 million in 1990 to $2.6 billion in 2017 (Bae, page 810; CauseGood). In general, companies that utilize CRM increase their sales and improve perception of their brand among the public (Farache, page 211). Nonprofit organizations and charities acquire financial support and oftentimes, increased awareness of their cause. Although it is more common for CRM campaigns to have a generally positive benefit for both the nonprofit and for-profit organizations, results of CRM campaigns has historically varied based on few key factors.

A. The Cause

As was previously touched on, the cause or nonprofit associated with a CRM campaign can have a great effect on the results of the campaign for all parties involved. Campaigns are more likely to be successful if they are associated with a cause that is already well-known and currently popular within the public. The timeliness of the cause, identified by Lafferty, Lueth and McCafferty as its “immediacy,” can refer to a cause associated with disaster relief (Lafferty, Lueth and McCafferty, page 960). Consumers are more likely to participate in a campaign that is timely and indicates some sort of immediacy, such as providing relief to victims of a recent hurricane.

The perceived fit between cause and company is also important. Multiple studies, including 2012 research from Nicole Koschate-Fischer and Isabel Stefan, have shown that company-cause fit is a moderating factor in consumers’ willingness to participate in a campaign (Koschate-Fischer, page 911). It is important to note that consumers’ perceptions of the company prior to participating in CRM can impact the perceptions of the company-cause fit (Lafferty, Lueth and McCafferty, page 956). Essentially, if a consumer is not able to determine how the company and the cause align, they may become suspicious of the partnership or deem it less valuable compared to other competing CRM campaigns. Further suspicion occurs if the consumer already had negative perceptions of the company and they may be unwilling to purchase a product associated with the cause for that reason.

Some CRM campaigns have been successful by allowing consumers to choose which cause donations will be attributed to (Lafferty, Lueth and McCafferty, page 954). As researchers Lafferty, Lueth and McCafferty note, “Subaru’s Share the Love event donated $250 for every

Subaru sold or leased during a six-week period to the customer's choice of" several different charities, which has resulted in over $50 million raised for multiple causes since the start of the ongoing campaign. A study published in 2012 proved that "consumers value cause choice in a campaign when it enhances their perceived role" in helping the cause (Robinson, page 135-136). If consumers do not perceive a high company-cause fit, companies might consider a multiple-cause campaign, which places more emphasis on the consumer choice as opposed to the company's choice of a single cause. However, organizing a campaign that partners with multiple charities is much more complicated than the traditional one-cause format of a CRM campaign and it does not necessarily guarantee positive results.

B. The Execution

Another set of factors that affects the success of CRM is related to the overall execution of the CRM campaign, such as the creative elements of the campaign and cost of consumer participation.

No one particular appeal has been identified as being inherent to CRM. Rather, researchers such as Hartmann and Apaolaza-Ibanez propose that a combination of logical and emotional appeals is best (Hartmann and Apaolaza-Ibanez). Whether the campaign cause is locally or globally based can affect the way that consumers perceive the campaign and which appeals work best. In a 2017 study, researchers Lee, Chang and Chen found that "fear" appeals were more likely to persuade consumers to contribute to global causes, whereas hopeful and positive appeals were more likely to persuade consumers to contribute to local causes (Lee, page 379). In 2016, Joe Panepinto of Harvard Business Review identified common elements found across 49 successful cause-related ads (Panepinto). These elements included a simple message, strong visuals, emphasis on earned media and sharing, and a focus on a large-scale issue with attention drawn to personal interactions. Consumers like to feel as though their small donation is making a global impact.

Another factor that significantly impact the success of a CRM campaign is the actual cost of consumer participation, or the amount of money they must contribute when purchasing product or service associated with the campaign. A report published in the *Journal of Marketing Research* in 2012 notes the importance of consumers' willingness to pay (WTP) for a product or service in relation to the amount of money donated to the cause in a campaign (Koschate-Fischer, page 910). Multiple studies have found that in general, consumers are willing to pay more money for a product or service that in some way benefits a cause (Pinto, page 78).

In situations where consumers perceived the company-cause fit to be high, they were overall more willing to pay more if they knew a portion of the money would be contributed to the cause. However, researchers noted that there was a "ceiling effect" on consumers' WTP, meaning that at a certain point they no longer are willing to pay a higher amount in order to contribute a larger donation. In short, even the most generous consumers who support a cause are only willing to pay a certain amount for a product in order to support that cause (Koschate-Fischer, page 922).

When asking consumers to contribute to a CRM campaign, it is also suggested that companies are explicit when explaining what amount of the consumer's purchase will contribute to the actual cause rather than to company profits. Researchers Olsen, Brown and Pracejus found that consumers are more likely to correctly understand campaigns that use a percentage-of-price donation method as opposed to a percentage-of-proceeds method (Olsen, page 173). When campaign terms say that a percentage of the total campaign profits will be contributed toward the cause, consumers are less likely to correctly calculate how much money will be attributed to the cause and their WTP lowers in their confusion.

4. The Impact of CRM Campaigns

There are a number of factors that can significantly impact the overall success of a CRM campaign, including preconceived perceptions of the organizations involved, consumers' willingness to pay, the cause or causes involved and the actual creative execution of the campaign. The strategy is not a quick-fix for companies with damaged reputations, nor is it an automatic win for causes involved. However, well-informed marketing specialists can utilize CRM campaigns to better corporate reputations for a good cause.

Cause-related marketing has historically yielded improved reputations and increased revenue for participating companies, but it is more than just a sales tactic for corporations. Non-profit organizations benefit from increased levels of awareness of their causes and the monetary donations that the campaign brings in. As more and more Americans look to corporate social responsibility as a means of bettering the world, the impact of CRM continues to grow. The Red Nose Day campaign, led by Walgreens, raised more than $24 million in 2018, money that was contributed towards ending childhood poverty (Red Nose Day).

The positive impact of these partnerships can be long-lasting. While the first CRM campaign was only a few months long, modern strategies sometimes include partnerships between a nonprofit and a company that last multiple years. Such is the case for the aforementioned Subaru Share the Love event, which celebrated its tenth anniversary in 2017. In that year alone, the campaign raised more than 24 million dollars for its nonprofit partners, including Make-A-Wish Foundation, ASPCA and Meals on Wheels (Market Watch). Eyeglass manufacturer and distributor Warby Parker built their company around a partnership with VisionSpring to provide glasses for people in need. The “Buy a Pair, Give a Pair” campaign has provided 4,000,000 pairs of eyeglasses in over 50 countries worldwide (Warby Parker). Those are just a few examples, but the impact of CRM is clear.

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