Partnerships, Proof and Practice - International Nonprofit and Social Marketing Conference 2008 - Proceedings

Faculty of Social Sciences

2008

The Impact of Cause-related Marketing on Nonprofit Organizations

D. Z. Basil
University of Lethbridge

S. Deshpande
University of Lethbridge

M. Runte
University of Lethbridge

Publication Details

This conference paper was originally published as Basil, D. Z., Deshpande, S. and Runte, M., The Impact of Cause-related Marketing on Nonprofit Organizations, Partnerships, Proof and Practice - International Nonprofit and Social Marketing Conference 2008, University of Wollongong, 15-16 July 2008.

The Impact of Cause-related Marketing on Nonprofit Organizations

Abstract
Cause related marketing (CRM) is an increasingly popular form of nonprofit/company alliance. The impact of CRM for consumers and companies has been studied, but little is known of the experience from a nonprofit perspective. This research surveyed 154 U.S. nonprofit (NPO) managers with direct CRM experience. Results demonstrate that CRM is a positive experience for NPOs. Outcomes generally meet expectations, and drawbacks are minimal. Overall CRM appears to be a promising method for NPOs to achieve both first order benefits (immediate financial support) and second order benefits (less tangible goals such as developing long term relationships and public awareness).

Publication Details
This conference paper was originally published as Basil, D. Z., Deshpande, S. and Runte, M., The Impact of Cause-related Marketing on Nonprofit Organizations, Partnerships, Proof and Practice - International Nonprofit and Social Marketing Conference 2008, University of Wollongong, 15-16 July 2008.

The Impact of Cause-related Marketing on Nonprofit Organizations

Debra Z. Basil, Sameer Deshpande and Mary Runte, University of Lethbridge, Canada

Abstract

Cause related marketing (CRM) is an increasingly popular form of nonprofit/company alliance. The impact of CRM for consumers and companies has been studied, but little is known of the experience from a nonprofit perspective. This research surveyed 154 U.S. nonprofit (NPO) managers with direct CRM experience. Results demonstrate that CRM is a positive experience for NPOs. Outcomes generally meet expectations, and drawbacks are minimal. Overall CRM appears to be a promising method for NPOs to achieve both first order benefits (immediate financial support) and second order benefits (less tangible goals such as developing long term relationships and public awareness).

Introduction

Nonprofit organizations (NPOs) are increasingly seeking funds from the corporate sector, due to decreasing funding from other sources (Andreasen, 2003). Cause-related marketing (CRM) is an important means of attaining this much-needed funding (Berglind & Nakata, 2005). CRM is an alliance between a for-profit company and a nonprofit organization where the NPO's identity is used in the company's marketing efforts, for the benefit of both organizations (Varadarajan & Menon, 1988). An example of CRM is Yoplait's "Save Lids to Save Lives" campaign, where Yoplait donates 10 cents to the Susan B. Koman Breast Cancer Foundation for every lid returned. In 2006, US $ 1.3 billion were spent on CRM campaigns in the United States (IEG Report, 2007).

CRM can be viewed as a triadic relationship between consumers, businesses and NPOs. CRM research has primarily taken a consumer perspective; managerially-oriented CRM research is much less common, and NPO-oriented research is extremely sparse. This research examines CRM from the NPO perspective, in order to fill this research gap.

Literature Review

The most prevalent line of CRM research focuses on consumer response. Consumers generally have positive responses to CRM, demonstrated through purchase behavior (Cone/Roper, 1999), positive word of mouth, brand loyalty (Bhattacharya & Sen, 2004) and positive brand attitude (e.g. Basil & Herr 2003, 2006; Lavack & Kropp, 2003).

A second line of research has addressed managerial issues, such as the source of company funds used to promote CRM, the amount of money donated (Ross, Stutts & Paterson, 1990-1991; Varadarajan & Menon, 1988) and the impact on employees (Cone Communications, 2002; Drumwright, 1996).

Very little research has addressed the impact of CRM on managerial issues relevant to NPOs. What little has been undertaken can be divided into two streams. First, "toolkit" type guidance, with helpful do's and don'ts for nonprofit managers, is available (e.g. Andreasen, 1996). The second stream of research examines CRM experiences for nonprofit managers. It is this stream that we intend to further develop, by addressing CRM from a managerial perspective for NPOs.

Austin (2003) proposed three stages of collaboration between companies and nonprofits: philanthropic, transactional, and integrative. Traditional CRM represents the transactional stage; donations to the nonprofit are based on marketplace transactions such as product purchases, and the campaigns often run for a limited time. Social alliances represent the integrative stage; social alliances are long-term, strategic relationships between companies and nonprofits (Berger, Cunningham & Drumwright, 2004). Gourville and Rangan (2004) proposed that transactional alliances offer first order benefits, focusing on the direct exchange of money; relationship focused alliances offer second order benefits, which include an array of less tangible benefits involving many stakeholder groups and having long-term impact.

Very little research has assessed the impact of these alliances on NPOs. Berger, Cunningham, and Drumwright (2004, 2006, 2007) have provided a valuable starting point, however their research addresses only social alliances; not transactional CRM alliances. Additionally their work is strictly qualitative; it is limited to interviews with members of 11 different social alliances. We examine both transactional and social alliances through a larger-scale, quantitative study. This extension will provide a more comprehensive and generalizable understanding of the impact of CRM on NPOs.

Research Question 1: What goals do NPOs have for CRM?
Research Question 2: What outcomes do NPOs experience?
Research Question 3: What drawbacks to CRM are perceived by NPOs?

Consistent with Gourville and Rangan's (2004) conceptualization, we examine first and second order benefits of CRM for NPOs. We propose that CRM goals and outcomes can be distinctly categorized as first order or second order.

H1: The various (a) goals for CRM and (b) outcomes of CRM can be distinctly categorized as first order or second order.

Dissatisfaction results when expectations exceed outcomes (Oliver, 1980). Experience moderates this effect (Chang, 2004). Individuals adjust their expectations in accordance with their actual experiences (Yi and La, 2004). Therefore NPOs with more CRM experience should have a more realistic perception of potential outcomes. As such, goals should be less likely to exceed outcomes for NPOs with more CRM experience. If so, general attitudes toward CRM should be more positive for NPOs with more CRM experience.

H2: NPOs with more CRM experience will demonstrate smaller gaps whereby CRM goals exceed CRM outcomes.

H3: NPOs with more CRM experience will express more positive attitudes toward CRM.

Survey

Participants and Instrument

An invitation to participate in an on-line survey was sent to 1,000 nonprofit managers who were members of a standing on-line research panel for Market Facts, Inc. A total of 742 responded resulting in 689 usable surveys. The present analysis examines only the 154 of these participants who had previously been personally involved with a CRM alliance thus assuring that responses are coming from those with sufficient knowledge to provide valuable feedback. These participants were 75% female. The average age of participants was 45.6. Participants had been with their organization 7.9 years on average, and had worked in the public and/or nonprofit sector for 12.5 years on average.

The on-line survey was composed of questions developed and refined in two focus groups of NPO managers. The survey asked respondents about 12 key issues: short term funding, long-term funding, event support, donations, volunteers, long-term relationship, gaining expertise from the business, gaining contacts/networking, improving internal procedures, better meeting overall mandate, public awareness of organization, and public awareness of mandate. These measures were based on Gourville and Rangen's conceptualization (2004). Participants were asked whether these 12 key issues were (a) a primary goal for them with the CRM campaign, and whether (b) the campaign met or was in the process of meeting this goal. All questions were asked on a 10-point scale anchored by strongly disagree and strongly agree. Responses to (a) on each issue were subtracted from responses to (b) on each issue. This created a difference or gap score for each issue. Perceptions of the drawbacks of CRM, and general perceptions of CRM were assessed as well.

Participants were classified as high or low level CRM participants, using a median split. Those who had participated in CRM campaigns with three or fewer businesses were classified as low level CRM participants, and those with four or more were classified as high level CRM participants.

Results

To assess RQ1, mean responses to the question of goals indicated that public awareness of the NPO (M = 7.85), a long-term relationship (M = 7.83), and public awareness of the NPOs mandate (M = 7.53) were the NPOs leading goals for CRM. Improving internal procedures (4.03) and gaining expertise (4.88) were the lowest rated goals. A complete listing is shown in Table 1.

Table 1: First and Second Order Goals and Outcomes

Issue	*Goals (10-pt scale)*	*Outcomes (10-pt scale)*
Public Awareness of NPO	7.85	7.64
Long-term relationship	7.83	7.82
Public Awareness of Mandate	7.53	7.36
Event support	7.47	7.59
Contacts and Networking	6.72	6.5
Short-term funding	6.61	6.84
Public Donations	6.18	5.83
Long-term funding	5.82	5.36
Improving how NPO meets Mandate	4.95	4.95
Volunteers	4.92	4.87
Expertise	4.88	4.93
Improving Internal Procedures	4.03	4.03

RQ2 examines the outcomes experienced by NPOs. Participants felt their CRM alliance provided a long-term relationship (M = 7.82), event support (M = 7.59) and public awareness for their NPO (M = 7.64). The lowest outcome scores were attained for improving internal procedures (M = 4.03) and gaining volunteers (M = 4.87, see Table 1).

Perceived drawbacks to CRM are addressed in RQ3. The ratings of all drawbacks were significantly below the scale midpoint of 5 (all $p < .01$), suggesting few perceived drawbacks. The greatest drawback noted was extra effort required, with a mean of 4.25/10, followed by requires extra resources, with a score of 3.9/10.

Next factor analysis with varimax rotation was run in order to determine whether goals could clearly be clustered according to first and second order outcomes, consistent with Gourville and Rangen's (2004) frame. The results supported a four factor solution. Two factors are consistent with first order benefits; these are labeled "seeking funding" (3 items: short-term funding, long-term funding, donations from the public) and "event support" (1 item). Two of the extracted factors are consistent with second order benefits. These are labeled "business as a resource" (4 items: improving internal processes, meeting mandate, gaining expertise, gaining volunteers) and "networking & awareness" (4 items: long-term relationship, public awareness for NPO, public awareness for mandate, gaining contacts). These results suggest that viewing CRM goals in terms of first and second order outcomes may be appropriate, but a clearer understanding can be gained through a more refined view of these categories.

A similar analysis was performed using the CRM outcomes experienced. A four factor solution again emerged. This solution also clearly demonstrated first and second order outcomes, but differed somewhat from the goal analysis. In this analysis the factor "business as a resource" remained unchanged. The "networking & awareness" factor was consistent for three of the four questions, but no longer contained the long-term funding item. Instead, this item loaded on the "seeking funding" factor. The final factor contained event support and donations from the public.

Cronbach's alpha revealed that the "business as a resource" and "networking & awareness" factors were reliable scales (Cronbach's alpha > .73 in all cases). The "seeking funding" factor reliability was marginally acceptable for both goals and outcomes (Cronbach's alpha > .6 for each). Event support emerged as a single item scale for the goals analysis but paired with donations for the outcomes analysis. This pairing was not reliable, as Cronbach's alpha = .52, thus event support remained a single item scale. Overall these results generally support H1 in that the various goals and outcomes of CRM can distinctly be categorized as first or second order. The results offer additional insights as well, suggesting further refinement within the broad categories of first and second order outcomes. Specifically, relevant second order goals and outcomes centre on the issues of using the business as a resource and using the business for networking and public awareness.

Hypothesis 2 proposed that for NPOs with more CRM experience, the gap whereby expectations exceed outcomes would be smaller, compared to NPOs with less CRM experience. This was examined by assessing the goal vs. outcome gap between the 12 issues under consideration (see Table 1). Independent-samples t-tests were performed comparing the gap score on each of the 12 issues for NPOs with less vs. more CRM experience. For 11 of the 12 issues the size of the gap did not significantly differ for those with more vs. less CRM experience. For one issue, developing contacts and networking, the gap between expectations and outcomes was significantly larger for those NPOs with less experience than those NPOs with more experience ($t\ [126] = 2.1$, $p = .037$). These results suggest that there is very little difference in the gap between goals and outcomes for those with less vs. more CRM experience; however the one area where a difference exists is in the predicted direction.

Next, general attitudes were assessed through one question which asked about general attitude toward CRM and one question which asked about the perception that CRM exploits nonprofits/charities, both asked on 10 point scales. Attitudes toward CRM were fairly positive overall ($m = 6.0$ out of 10). Consistent with Hypothesis 3, those with more CRM experience had more positive general attitudes toward CRM ($M = 6.26$ vs. 5.92, $t\ [129] = 2.0$, $p = .049$). There was little perception that CRM alliances exploit nonprofits ($M = 2.8/10$) with no significant difference based on CRM experience.

Discussion

These results demonstrate that CRM alliances are generally viewed in a positive light by NPOs. As expected, CRM alliances can provide support for a particular event for NPOs, consistent with a transaction-oriented or first-order notion of outcomes. The results suggest benefits beyond first-order transactions, however. Most notably, NPOs perceive that CRM alliances provide long-term relationships with business and improved public image for their organization and their mandate, demonstrating second-order benefits from CRM. Developing long-term relationships with business appears to be a common goal for many NPOs participating in CRM, and CRM offers a successful way of attaining this goal.

Moving beyond a simple first and second order view of CRM, these results suggest that CRM benefits might be understood by looking at business as a resource for the NPO. Additionally networking and public awareness represent a unique issue category for NPOs. Both of these factors appear to be consistent with second order outcomes. Issues of funding, event support, and donations from the public represent first order issues, but these themes were less clearly differentiated in the results.

Dissatisfaction results from a gap between expectations and outcomes. In the present study, the outcomes experienced by NPOs match the NPO initial goals quite well, with few gaps between goal and outcome. Consistent with this finding, general attitudes toward CRM alliances were positive, and little support was found for the notion that CRM alliances exploit NPOs. Additionally, few drawbacks to CRM were perceived.

NPOs with more CRM experience have a more positive perception of CRM than those with less experience. This undoubtedly incorporates an element of self-selection, as only those who are satisfied are likely to pursue additional CRM alliances.

Overall these results paint a very bright picture for NPO participation in CRM. Expectations are met and positive outcomes occur with few drawbacks. These results have limitations, such as the use of cross sectional data, suggesting further research is warranted. This research intentionally utilized participants with direct CRM experience, in order to provide a knowledgeable viewpoint; future research would benefit from examining the perspectives of NPO managers without CRM experience.

References

Andreasen, A., 1996. Cause-related marketing: Salvation or quicksand for nonprofits? *Harvard Business Review, 74*(6), 47-56.

Andreasen, A., 2003. *Strategic Management.* Upper Saddle River, NJ: Prentice Hall.

Austin, J., 2003. Strategic alliances. *Stanford Social Innovation Review, 1*(2), 48-55.

Basil, D. Z., Herr, P. M., 2003. Dangerous Donations? The Effects of Cause-related Marketing on Charity Attitude. *Journal of Nonprofit and Public Sector Marketing 11*(1).

Basil, D. Z., Herr, P. M., 2006. Attitudinal Balance and Cause-related Marketing: An Empirical Application of Balance Theory. *Journal of Consumer Psychology, 16*(4), 391-403.

Bhattacharya, C. B., Sen, S., 2004. Doing Better at Doing Good: When, why, and how consumers respond to corporate social initiatives. *California Management Review, 47*(1), 9-24.

Berger, I. E., Cunningham, P. H., Drumwright, M. E. 2004. Social alliances: Company/nonprofit collaboration. *California Management Review, 47*(1), 58-90.

Berger, I. E., Cunningham, P. H., Drumwright, M. E., 2006. Identity, identification, and relationship through social alliances, *Journal of the Academy of Marketing Sciences*, *34*(2): 128-137.

Berger, I. E., Cunningham, P. H., Drumwright, M. E., 2007. Mainstreming corporate social responsibility: Developing markets for virtue. *California Management Review, 49*(4), 132-157.

Chang, C., 2004. The interplay of product class knowledge and trial experience in attitude formation. Journal of Advertising, 33(1), 83-92.

Cone Communications, 2002. 2002 Cone corporate citizenship study. Retrieved October 23, 2007, from http://www.coneinc.com/oldsite/Pages/pr_13.html

Cone/Roper, 1999. <u>Cause related trends report</u>. Boston: Cone Inc. Roper Starch Worldwide Inc.

Craig, C. S., McCann, J. M., 1978. Assessing communication effects of energy conservation, *Journal of Consumer Research, 5* (September), 82-88.

Drumwright, Minette, E., 1996. Company advertising with a social dimension: The role of noneconomic criteria. *Journal of Marketing, 60*(October), 71-87.

Gourville, J. T. & Rangan, V. K. (2004). Valuing the cause marketing relationship. *California Management Review, 47*(1), 38-57.

IEG, 2007. Retrieved from the World Wide Web on November 6, 2007 at http://www.sponsorship.com/.

Lavack, A.M., Kropp, F., 2003. Cross-cultural comparison of consumer attitudes toward cause-related marketing. *Social Marketing Quarterly*, *9*(2), 3-16.

Oliver, R.L., 1980. A cognitive model of the antecedents and consequences of satisfaction decision, Journal of Marketing Research, 14 (4), 460-469.

Ross, J. K., Stutts, M. A., Patterson, L. T., 1990-1991. Tactical considerations for the effective use of cause-related marketing. Journal of Applied Business Research, 7(2), 58-65.

Varadarajan, P. R., Menon, A., 1988. Cause-related marketing: A co-alignment of marketing strategy and corporate philanthropy. *Journal of Marketing, July*(52), 58-74.

Walker, J., 1996. Cause marketing: the new approach in corporate donating. *Financial Post*, Nov.23, p.31.

Yi, Y., La, S., 2004. What influences the relationship between customer satisfaction and repurchase intention? Investigating the effects of adjusted expectations and customer loyalty. Psychology & Marketing, 21(5), 351-373.