A model of cause-related marketing for “profit-driven” and “non-profit” organizations

Göran Svensson, Oslo School of Management, Oslo, Norway

Greg Wood, Bowater School of Management and Marketing, Deakin University, Warrnambool, Australia

Abstract

Purpose – The purpose of this paper is to describe a model of cause-related marketing (CRM) for both profit-driven (PD) and non-profit (NP) organizations.

Design/methodology/approach – The model consists of two parallel internal and external organizational processes – one representing the process of a NP organization and the other a PD organization. They are interlinked as the outcome of a CRM-partnership is dependent upon their mutual efforts.

Findings – The authors argue that it is essential to remember that a CRM-partnership is a challenge and risk for both the PD and NP organizations that may harm their reputation and position in the marketplace and/or society. CRM has benefits as well as downsides that should not be underestimated nor neglected.

Research limitations/implications – Will the involvement of the PD or NP organizations in the resultant partnership be perceived as commercialism, altruism or a combination of both, in the marketplace and society? A focus on both processes opens up opportunities for further research.

Practical implications – A contribution is that the CRM-model may be used as a guide for both PD and NP organizations in order to reveal whether a CRM-partnership is appropriate for them with a potential partner or not. It may also indicate whether the motives are based upon commercial reasons or altruistic reasons or a combination of both.

Originality/value – The model enables these organizations to think through the process prior to engaging in CRM.

Introduction

Cause-related marketing (CRM) has developed to a level of sophistication that it is now seen as much sought after means for profit-driven (PD) organizations in targeting their marketing efforts in order to leverage their business off the social conscience of potential consumers. The concept that emerged in the USA in the late 1970s through the inventiveness of Jerry Welsh of American Express has developed into an industry in its own right (Davidson, 1997). It has spread across the developed world and is now an accepted and entrenched means of marketing the products of PD organizations and is a means of attracting much needed
contributions for worthy “causes” supported by non-profit (NP) organizations (Svensson and Wood, 2008).

If one does a rudimentary search of the internet one finds a plethora of web pages touting the benefits of PD organizations involved in worthy “causes” and seeking out partnerships. NP organizations are advertising their wares to anyone who may be interested in their “cause”. PD organizations are coming on board to support their “cause”: it appears they perceive benefits from the partnership.

Cone (1996, p. 104) stated that CRM had gone from what was once a successful promotions tool to today being “a highly sophisticated marketing strategy”. In the USA, CRM has grown from nothing in 1983, yet it was estimated to be worth US$1,340 million in 2006 (Cause Marketing Forum, 2007).

The grounding principle of CRM appears to be fairly simple and straightforward. It may start with a PD organization intending or attempting to build a partnership with a worthy and, usually, notable “cause” in the marketplace supported by a NP organization in the same society or the NP seeking out a PD company. Once a CRM-partnership is established and formalized, each organization promotes the other in a carefully calculated agreement designed to enhance each other’s financial outcome. The NP organization (and in extension, the “cause”) receives money from sales of the PD organization’s merchandise; the PD organization increases its sales; the consumer feels good about donating in another manner and everyone appears to win.

Concerns may arise when CRM is examined. For example, one can see some inherent issues that may tarnish its image. PD and NP organizations need to think carefully through their motives and actions before they engage in such alliances with each other. In other words, we contend that a CRM-partnership is far from an easy task to create and maintain successfully. On the contrary, it requires awareness of its potential advantages and disadvantages. CRM also requires care in its development and implementation. The objective of this paper is to describe a model of CRM for both PD and NP organizations. There is, to our knowledge, no such combined model of both perspectives in literature. Subsequently, the model we describe may assist both PD and NP organizations in their endeavours and processes of establishing a CRM-partnership in the marketplace and society.

Frame of reference

CRM has been variously described by such terms as “civic marketing” (Michaels, 1995) and “public purpose marketing” (Abrahams, 1996), however, the generally accepted term in the literature is “CRM”. The definition that seems most oft quoted is that of Varadarajan and Menon (1988, p. 60) in which they state that CRM, is:

[...] the process of formulating and implementing 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.
Ptacek and Salazar (1997, p. 9) add to the concept by saying that: “Its goal is to increase incremental sales and corporate image while contributing to the NP. Make no mistake about it, CRM is about sales, not philanthropy.” Mehegan (1995, p. 32) contrasts CRM with philanthropy when he says:

Philanthropy derives from a corporation’s pre-tax income, while CRM usually comes out of the advertising and promotion budget. In addition, while companies expect nothing in return for a charitable donation (except the tax write-off), they demand tangible sales results from CRM.

As noted by Chaney and Dolli (2001, p. 157), “The most critical aspect of the definition of CRM is that the donation is contingent upon sales of a certain product.”

The PD organization focuses their efforts on seeking out a partnership with a NP organization (i.e. dedicated to a “cause” or charity) that complements their already existing business profile or they focus upon a market niche for their product in which they may wish to establish a foothold (Miller, 1993). The NP organization and its “cause” are used as the incentive or hook for consumers in the marketplace and society to buy the product (Osterhus, 1997). The money that the NP organization receives is directly dependent upon the purchases of consumers. If the consumers do not buy then the NP organization and its “cause” do not receive any financial support. For CRM to work effectively for all involved, PD and NP organizations, need to convince the consumer to purchase. In the consumer’s mind, the value seen in the product to be purchased must be commensurate with the value of the “cause” to which they believe that they are contributing.

A number of surveys have been conducted to establish consumer perceptions of the concept and their acceptance of it. In 1993, Cone Communications and Roper Starch Worldwide conducted a survey of 1,981 men and women aged 18 and over and found that consumers believed that a PD organization should be contributing to “causes” that help reduce crime, homelessness, child abuse, poverty and hunger (Cone, 1996). They also found that 84 per cent of those surveyed believed that by being involved in CRM that it created a positive image for the PD organization, whilst 66 per cent would switch brands and 62 per cent would switch retailers to support a “cause” that was of concern to them (Weisend, 1993).

Research that found similar opinions was carried out in the UK in 1996 by Research International on behalf of the charity “cause” called “Business in the Community”. It surveyed 1,053 consumers concerning CRM. It found that (Murphy, 1997, p. 30), 61 per cent of consumers would switch from one retail outlet to another if it was associated with a “cause”. Interestingly, 86 per cent had a more positive view of a PD organization, if they saw that it was doing something to make the world a better place, regardless of the “cause” or issue concerned (Murphy, 1997, p. 30).

The “Pearlman Group” in the USA commissioned a study in 1996 by Roper which found that (Davidson, 1997, p. 38), 92 per cent said it is important to PD organizations to find ways to be good citizens. About 68 per cent rated it as very important. According to this study, one-third of the public frequently bases its purchase decisions on the “cause” a PD organization supports.
Research in 2004 conducted by Cone and entitled the “2004 Cone Corporate Citizenship Study” built upon the PD organizations’ work of the previous decade. In 1993, 66 per cent of customers said that they would switch brands for a PD organization associated with a “cause”, but by 2004, this figure had risen to 86 per cent (Cone, 2004). The fact that 80 per cent of Americans could name a PD organization that stood out in their mind as a good corporate citizen as compared to only 26 per cent being able to do so in 1993, which highlights the growing and perhaps even entrenched importance of CRM in the marketplace and society (Cone, 2004).

If CRM is now a common phenomenon in the marketing genre in the USA and one can be sure that in Europe (Richards, 1998), Australia (Polonsky and Wood, 2001) and New Zealand (Chaney and Dolli, 2001) that it is on the rise, then what issues should PD organizations consider when looking to enter the area of CRM? Svensson and Wood (2008) outline a framework to determine whether CRM is an act of “altruism” or “commercialism”. In fact, our model integrates their work in a wider setting to examine the process of CRM for both PD and NP organizations.

A “commercial venture” perspective is viewed by the authors as an act by a PD organization that is taken to make money (i.e. commercialism). A “social responsibility” perspective is viewed by the authors as an act by a PD organization that is taken to make the world a better place without the necessary delivery of financial gain. PD organizations may do it because they feel a responsibility to the society to contribute (i.e. altruism).

The next section describes our proposed model of CRM for both PD and NP organizations, which is introduced in Figure 1.

**A model of CRM**

The model of CRM consists of two parallel internal and external organizational processes (Figure 1) – one representing the process of a NP organization and the other a PD organization. They are interlinked as the outcome of a CRM-partnership is dependent upon their mutual efforts. The model consists of the following parts.

The model should be seen as continuous and iterative without an actual end until the NP and/or PD organizations decide to terminate their engagement in a CRM-partnership. In the following paragraphs, the parts of the model are outlined and described.

**Motives PD/NFP**

A key concern when it comes to establish a CRM-partnership is the motives that govern the PD and NP organizations. For example, a PD organization needs to think carefully through its motivations to enter a CRM-partnership. Is the primary focus business or charity? If it is business then CRM is the choice and if it is charity, then it should be philanthropy, but CRM is not philanthropy (Svensson and Wood, 2008). The NP organization needs also to make it clear what their motives are to engage with a PD organization in a CRM-partnership. It needs to compare these motives with the motives of a potential PD organization.
It should be kept in mind that philanthropy is centred on selfless giving without the expectation of a return for that giving (Collins, 1994). As Gan (2006, p. 217) says, “Philanthropy, by its definition and in its early forms, assumes a certain degree of altruism and magnanimity”. The fact that with CRM that the PD organization expects a benefit from its giving to directly accrue to the NP organization means that CRM falls outside of the area of philanthropy (Polonsky and Wood, 2001). Once a PD organization enters the area of CRM, it needs to recognize that it may well be regarded as more mercenary than altruistic in its dealings in the marketplace and society that in the long run may affect their image or brand among consumers. NP organizations may gain a bad reputation if they engage in a CRM-partnership that turns out to have an inappropriate outcome for a PD organization.

PD organizations can take refuge if they so desire in the use of the term “strategic corporate philanthropy”. Ricks and Williams (2005) contend that strategic corporate philanthropy has arisen in an attempt to integrate the needs of stakeholder theory and the shareholder requirements of an organization. Philanthropy became positioned as an activity of “enlightened self interest as an attempt to bring together these two competing views of philanthropy as a corporate activity” (Ricks and Williams, 2005). Gan (2006) notes that a number of other writers such as Godfrey (2005), Saiaa et al. (2003) and Moir and Taffler (2004) all question the veracity of the term “corporate strategic philanthropy”. Is it an oxymoron? Or it is just the “emperor’s new clothes”: a façade for leveraging sales and profit off consumers' goodwill and social conscience? The degree of commercial venture versus social responsibility involved in the partnership, facilitates the determination or judgement of whether a PD organization is committed to a “cause” through mercenary or altruistic motives. Therefore, PD and NP organizations need to be cognizant of these conflicting perspectives and the potential for harm to their reputations before they get involved in a CRM-partnership.

The inappropriate motives to engage in a CRM-partnership may cause troublesome and maybe irreparable damages to both PD and NP organizations if not formed and performed correctly in the eyes of the consumer. The consumers’ loss of trust may be fatal to a NP organization and severely threaten its existence as being seen to work in favour of a good “cause”. It may also spill over on the PD organization. In sum, there is a mutual interest in having sound and compatible motives before entering in a CRM-partnership.

There is no doubt that if handled properly that CRM will bring an increase in not only the sales of PD organizations (Barone et al., 2000; Carringer, 1994), but also other benefits as suggested by File and Prince (1998) such as: breaking through advertizing clutter, low cost exposure, a broader customer base, the ability to sway customers, positive publicity and better employee relations. The NP organization will also benefit from it, but it is dependent upon the well functioning.

The reality is that some PD organizations do focus solely on the financial returns from socially responsible ventures and others do not. At least “causes” that are worthy of support are now getting the support that they rightly deserve, but at what cost? These issues are complex and perplexing, but need to be considered for the motives for the CRM-partnership will drive the parameters of the same partnership. If the motives are purely PD then the mercenary message will come across and one may find it difficult to secure a partner of
It is suggested in the CRM literature that the “cause” that is picked will have a better partnership with the PD organization if there is some linkage in terms of product focus, the “cause” and the PD organization's values (Abrahams, 1996). Davidson (1997) supports the need for a product link. That link could be for example between women's issues and a
women’s product or a product which has a link to children's causes that mothers may wish to support. Cone (1996) believes that not only must there be relevance to the PD organization, but also that the target audience must also identify with the “cause”. It is not just as simple as picking from a smorgasbord of “causes” and aligning oneself with one.

One salutary lesson for the PD organizations is that of a multinational organization that had a definite selection process in place. The chief executive officer, in respect to CRM, viewed “it as a specific brand building tool” (Abrahams, 1996, p. 23). This idea gives some indication to the PD organization’s approach to this issue. According to Murphy (1997, p. 32) a PD organization contacted five charities and asked them to compete to be involved in a CRM-partnership with them. The winner was a children's “cause” supported by a NP organization which was able to convince the PD organization that “it had the best credentials to develop an active partnership” (Murphy, 1997, p. 32). Concerns may be raised against his kind of procedures.

It is an interesting concept to get NP organizations to bid for business, but it is problematic. For example, how does PD organization distinguish between four other “causes” and helpless children? We believe that one should not need to distinguish, but for building a brand, obviously PD organizations must. If Murphy (1997) is correct, then getting them to compete for the PD organization’s business is a sad reflection on the lengths that marketers will go to gain money. PD organizations may be accused in this instance of losing the essence of the value of social responsibility or even more sadly, this organization may have just switched on to it.

**Type of alliance**

A couple of essential aspects to determine the type of alliance of a CRM-partnership are:

- longevity; and
- commitment.

They impact the current and future conditions and outcomes of it for both the NP and PD organizations.

The longevity of a CRM-partnership is central. For example, if the PD organization is looking at CRM as a way of increasing sales and thus assessing CRM as an income producing stream of the business, then one wonders what happens if the return on the investment is not up to the PD organization’s expectations (Minow, 1999). Or what happens if another “cause” supported by another NP organization comes along that can demonstrate that it can generate more income for the PD organization? What would be the consequences for the NP organization if there is a short-term or sudden end of the CRM-partnership? How does it affect the “cause” that the NP organization is dedicated to support? In other words, what do the NP and PD organizations do in these situations?

Therefore, the longevity of the partnership and rescinding it may well be a downside for the organization that breaks off the arrangement. For example, the PD organization: “may lose consumer goodwill; endure negative publicity; suffer a reduction in community perception
of the organization and impact on the morale of their own employees” (Svensson and Wood, 2005, p. 62). The NP organization may lose the financial remuneration that in turn may make the “cause” suffering.

The Cone 2006 Millennial Cause Study surveyed people born between 1979 and 2001 who are the current and future adult consumers of today’s PD organizations. The study found that 74 per cent of these respondents would pay greater heed to a PD organization’s overall messages if it had a deep commitment to a cause and 90 per cent would switch brands (price and product quality being equal) if the second brand supported a good cause (Cause Marketing Forum, 2006). Ideally, CRM should not therefore be seen as a short-term cut and run strategy. The PD organization needs to be in it for the long haul as the downsides of a short-term partnership with the cause may be a similar short-term partnership with some customer segments that could be disaffected by such a tactic/strategy.

Another aspect of importance to determine the type of alliance in a CRM-partnership is dealing with what kind of commitment the PD organization offers the NP one. If one pursues CRM as the vehicle for this type of donating to “causes” then the commitment of the PD organization is linked solely to post-purchases, where the NP organization receives monetary contributions based upon the number of products or services sold. In others words, if no products or services are sold, no monetary contribution is given to the “cause” supported by the NP organization. PD organizations should look perhaps to offset this CRM focus by committing to “causes” in ways that are based upon a pre-purchase situation where one does it for the altruistic motives of helping and assisting others less fortunate supported by the NP organization. This idea can centre on employees of the PD organization being involved in voluntary work linked to the NP organization and its “cause”.

The Ramada group, which sponsored “Childreach”, found that employees were most supportive of the programs where they saw themselves making a difference in their communities by their personal donations and that of their PD organization (Mihaly, 1997). A study by “Chivas Regal” found that 53 per cent of employees felt more loyal to their PD organization as a result of being involved in giving programs (Mullen, 1997). “Avon” deems that CRM has created a “halo” effect which has helped partnerships with not only its customers, but also its sales force. Their sales representatives have an increased pride in representing the PD organization to women because of Avon’s focus on donating to breast cancer research (Davidson, 1997).

Employees tend to embrace the CRM-programs and feel an increased pride in representing their PD organizations. This intrinsic motivation should increase their performance for their organizations eventuating in another win to the PD organization, and it turn of benefit to the NP organization. In concert with a CRM-program, a PD organization may also choose to donate a pre-determined amount (e.g. annually) for a certain period to the “cause” supported by the NP organization. By doing this type of activity, it highlights to all that one is not purely driven by commercialism and that there is an “altruistic heart” in the PD organization: one’s social sensitivity is not solely governed by one’s sales (Svensson and Wood, 2008).

**Impact on PD/NP**
The alliance created has an impact on the CRM-partnership. The impact on the PD and NP organizations may vary considerably, but the longevity and commitment are important to create stability and predictability. In addition, the arranged profit distribution is the key to how the financial impact will be split between the PD and NP organizations. Whilst no-one could lambast PD and NP organizations for treating a CRM-partnership as a commercial venture, the question of the fair distribution of the spoils needs to be examined (Svensson and Wood, 2008). It would appear in these CRM situations that consumers and NP organizations tend to focus on the apparent large “outputs” in terms of the donation, rather than focus on the extremely large “inputs” in terms of sales and profits of the CRM-partnership that have led to the outputs.

In fact, the importance of a fair profit distribution may be underestimated when the CRM-partnership is formed and promoted by the PD organization and not in conjunction with NP organization. For example, Murphy (1997) highlights the situation of affinity cards in the UK in which it was claimed that the partner causes at most received 0.25 per cent of the amount spent on the card. A PD spent US$20 million on advertising that they had donated US$1 million to the “cause” of the NP organization (Leifton, 1997). PD organizations need to be wary of a potential consumer backlash when the customers realise the volume of money being generated for the PD organization as compared to the size of the donation to the “cause” of the NP organization. It may also shed some unfavourable light on the NP organization as consumers may ignore their “cause” if an unreasonable small share of the profit distribution goes to the “cause”. In particular, PD organizations need to bear in mind that one is donating to a worthy “cause”, so generosity should outweigh stinginess.

**Resultant partnership**

The resultant CRM-partnership between PD and NP organizations is dependent upon the previous aspects ranging from underlying motives and criteria of the organizations, their screening and evaluation of potential partnerships, the type of alliance formed, and the impact on each of them. Consequently, it is far from easy task for both organizations to synchronize their processes into a solid and non-disputable CRM-partnership.

Subsequently, the resultant CRM-partnership is not only an internal concern for the parties involved, but also something that is perceived by others in the marketplace and the society. It, therefore all ends up in the outcome for both and each of them, where pros and cons may be revealed. The outcomes of a CRM-partnership are addressed in the next part of the CRM-model.

**Outcomes**

An important concern is what is the outcome of the CRM-partnership? It may be divided into two main categories:

1. Tangibles such as: money, brand image, reputation and word-of-mouth referral.
2. Intangibles that may be seen as “softer values”, such as the well-being of others, supporting a good cause, a non-egocentric focus and non-commercial behaviour (Svensson and Wood, 2008).
A survey of ten NP organizations involved in CRM found that they saw the benefits of being involved as (Wagner and Thompson, 1994): the consumer getting something in return for the donation; a way to get funds in tough economic times; it involves senior people in PD organizations; increases public awareness of the “cause” supported by the NP organization; and increases the income of the “cause”. Ten business executives were also asked for the benefits of CRM as they perceived them. The benefits to the PD organizations centred on generating income; to benefit a “cause” and be philanthropic; maximize goodwill; to get customers to feel good and to improve community relations (Wagner and Thompson, 1994).

The outcomes connect to the motives in a way that one should consider a range of motives for all concerned and not just those motives that are the payoffs for either of the organizations. The outcome for all parties should be a win-win as long as the PD and NP organizations enter the CRM-partnership looking out for each other’s mutual interests and not just their own selfish gain.

It may be worthwhile keeping in mind that the expected and perceived outcome of a CRM-partnership is most likely different between PD and NP organizations. For example, the PD organizations have a prime interest in doing well in the marketplace such as: having satisfied consumers, being seen as good corporate citizens and profitability. The NP organizations have a prime interest in being perceived as respectable and reliable charity organization in the society through its work to support a “cause”.

Conclusions

As indicated in our combined model in Figure 1, we contend that CRM is intriguing phenomenon in which a PD organization finds a “cause” and intertwines its marketing push to sell both the “cause” supported by the NP organization and its own products. Consumers may well be appealed to it initially, but doubts may appear through time if they feel that the “cause” is a way for gaining increased commercial remuneration for the PD organization. If so, both the PD and NP organizations may well run the risk of a considerable consumer backlash. This realization by consumers may affect the current and the potential consumers of the PD organization and the credibility and trustworthiness of the NP organization.

It should be noted that we do not argue that PD and NP organizations should not be involved in CRM, but senior managers and boards of these organizations need to examine their respective motives before they decide on this course of action. They need to realize and appreciate that CRM should be just that: marketing to help a “cause”. It should not be driven by pure profit motives, because it will be lambasted if it is seen as commercial righteousness manipulation of the consumer, primarily designed and implemented to increase the profits of large PD organizations (Svensson and Wood, 2005).

A contribution of our CRM-model is that it may be used as a guide for both PD and NP organizations in order to reveal whether a CRM-partnership is appropriate for them with a potential partner or not. It may also indicate whether the motives are based upon commercial reasons or altruistic reasons or a combination of both. The model enables these organizations to think through the process prior to engaging in CRM.
CRM has the potential to open up multiple opportunities for PD and NP organizations. For example, it may assist the PD organization to transcend its commercial imperatives. A CRM-partnership may also assist the organization and its employees to feel better about their work and organization, and to do good. Such PD organizations need to take a broader view of CRM than it just being another marketing strategy to increase the bottom line (Svensson and Wood, 2008). The NP organizations may reach out their in the marketplace for support of their “causes”. In addition, it may create spin-off effects as the “cause” and the actual NP organization become more well-known in the society.

Presumably, some PD organizations do focus solely on the profit benefits from socially responsible ventures and others do not. Therefore, the model may guide a PD organization as to whether to pursue a CRM-partnership with a NP organization. Consequently, it may also guide a NP organization as to whether to pursue a CRM-partnership with a PD organization.

A question that any organization interested in a CRM-partnership should raise is: will the involvement of the PD or NP organizations in the resultant partnership be perceived as commercialism, altruism or a combination of both, in the marketplace and society? It is a crucial concern that should be addressed beforehand to avoid unwanted and unexpected backlashes in the future for either of the organizations. We argue that it is essential to remember that a CRM-partnership is a challenge and risk for both the PD and NP organizations that may harm their reputation and position in the marketplace and/or society. CRM has, potentially, benefits as well as downsides that should not be underestimated nor neglected. If so, great potential may be lost or even vanish, and troublesome and unfavourable situations may occur or emerge in the marketplace and society.

![Figure 1A model of cause-related marketing](image)

**Notes:** PD – profit-driven organization; NP – non-profit organization

**References**


**Corresponding author**

Göran Svensson can be contacted at: goran.svensson@hh.se