

## Does Cause-proximity Matters in Cause-related Marketing?

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### Abstract

Over the past 30 years cause-related marketing (CRM) campaigns have taking ground. In the business environment of today, a multitude of companies have aligned themselves with plethora of worthy causes. CRM benefits both the sponsoring company and the cause supported. Companies benefit as CRM is normally linked to a purchase of the sponsoring company's product and thus brings profit to the companies. Meanwhile, causes benefits from the increasing awareness and funds for the causes through CRM campaigns conducted. Cause-related campaigns support causes at both local and international levels. Hence, examining whether cause-proximity may influence consumers' response to CRM is crucial. Furthermore, there have been very few studies that focused on this matter. Hence, the current study is carried out to: (1) highlights CRM and CRM's campaigns in Malaysia and (2) examine the impact of cause-proximity on consumers' response to CRM in Malaysia. This study employed an experimental method; a 1X2 between subjects factorial design. The results showed that cause-proximity has significant impact on CRM evaluation. More specifically, the findings revealed that CRM campaign links to a local cause produces more favorable response among the Malaysian consumers as compared with CRM links with an international cause.

**Keywords:** Cause-Related Marketing, Cause-Proximity, Crm Evaluation, Young Consumers, Malaysia

### Introduction

Cause-related marketing (CRM) is becoming more common in today's business. In order to achieve corporate and non-profit organizations objectives, many firms are increasingly linking their products with causes. For firms, CRM can be used as a tool to increase sales and profits, to generate positive attitude toward the firms, the firms' products and brands (Ross, Stutts & Patterson, 1991, Brown & Dacin, 1997) and enhanced corporate image (Varadarajan & Menon, 1988). Meanwhile non-profit organizations have been implementing CRM in order to

increase funds and also to generate greater awareness and publicity toward the organizations. CRM is beneficial for both the sponsoring firms and the cause supported. In addition, consumers gained benefits as well as they could contribute to causes despite buying CRM's products. Some consumers may think that purchasing CRM's products is some form of prosocial behavior. CRM enables the sponsoring company to contribute to cause while at the same time expanding its profits since CRM is normally linked with a product sale. Nowadays, CRM has been growing and becoming a strategy that is more prevalent to firms and causes alike as it could bring in multitude of benefits. The widespread of CRM is evident as the expenditure spent for CRM continued to grow. In the most recent report provided by the IEG Sponsorship Report (2017), cause sponsorship is predicted to reach USD2.6 billion in 2017, an estimated increase of 3.6% over 2016. Consumers' favorable response toward CRM is another important factor that contributes toward the increasing number of CRM initiatives. In the most recent survey conducted by Unilever namely Unilever Consumer study, 33% of consumers purchased brands linked with either social or environmental causes (Unilever, 2017). The Unilever study was conducted on 20,000 adults from five countries, the results stated that 21% of the respondents indicated that they would actively seek for brands that support causes.

As defined here, CRM involves donation to a cause by a firm through product sales (Varadarajan and Menon, 1988). CRM initiatives support various causes and these include health and medical, the elderly, crime prevention to arts and culture. Despite supporting local causes, companies' support of causes also support national and global causes. Varadarajan and Menon (1988) highlighted that the geographic scope of causes can be divided into three levels; national, regional or local. The most recent CRM campaign by Body Shop and MTV's Staying Alive Foundation is an example of CRM that is conducted at international level but with a local focus in which the money raised is channeled to a local cause. The Body Shop's CRM program in Malaysia is conducted in conjunction with Malaysian Aids Foundation. The money is raised through the sale of a special edition Body Shop's Guarara Lip Butter. A portion is donated to the Malaysian AIDS foundation for every sale of Guarara's Lip Butter. The aim of the alliance between Body Shop and MTV's Staying Alive Foundation is to raise HIV and AIDS awareness among youngsters all around the world. Motorola and Celcom support of Global Fund provides an example of CRM campaign that supports an international cause. Throughout the campaign for each unit of Moto (Product) Red handset sold, a portion is directly contributed to the Global Fund in order to support HIV/AIDS patients in Africa (Mohamed Anuar, 2011). Faiza's brand rice created an alliance with TV3 Bersamamu Funds is an example of CRM campaign that supports local cause. In this campaign the money is raised through the sale of all Faiza's brand rice. For every packet of Faiza's rice sold, a portion is donated to TV3 Bersamamu Funds. TV3 Bersamamu Funds supports poor people all over Malaysia. The examples discussed here provide evidences that CRM supports causes at all three levels, local, national and international.

As mentioned earlier, CRM is increasingly becoming more important, therefore companies must ensure that the CRM programs need to be effectively structured. Effective structure can ensure the success of such programs. One important element of CRM structure which is the physical distance of cause supported or the cause-proximity has been proven to be influencing consumers' response toward the CRM campaign conducted. Although past studies (e.g., Ross et al., 1992; Cui, Trent, Sullivan & Matiru, 2003; Grau & Folse, 2007) have addressed the impact of cause-proximity on consumers' response, study on this issue remain scant. Furthermore, past study that examined the impact of supporting international cause is

still lacking. It is still not apparent how consumers react to CRM campaign that supports international causes. Toward this end, this paper: (1) highlights CRM and CRM's campaigns in Malaysia (2) examine the impact of cause-proximity on consumers' response in Malaysia.

## **Literature Review**

### **Cause-Related Marketing**

CRM is defined as the process of formulating and implementing marketing activities that are characterized by an offer from the firm to distribute a specified amount to a designated cause when customers engage in revenue-providing exchanges that satisfy organizational and individual objectives (Varadarajan and Menon, 1988, p. 60). CRM differs from other forms of corporate philanthropy in the way that the CRM's donation is linked with a product sale; for every product sold a portion of the product price is donated to the cause supported. By linking CRM with worthy causes, CRM attempts to influence consumers to buy the firm's products or brands. The alliance with causes is then communicated to consumers through a marketing campaign. Advertising, product labeling and in-store displays were among the common channels used to communicate the campaign to consumers. The marketing campaign is held in order to increase the sponsoring firm product's sales while at the same time increase awareness, publicity and funds for the cause supported.

The first CRM campaign was conducted by American Express in 1983. American Express supported the renovation of the Statue of Liberty. A portion is directly donated to the Statue of Liberty's renovation project for each transaction done by using American Express's card. The result of this campaign was highly impressive. This CRM campaign has escalated 28% of American Express card usage and a 17% increase for its new card applications. A total of USD1.7 million was raised throughout this campaign and was donated to the Statue of Liberty's renovation project. Since this successful campaign by American Express, many companies have followed its step. Another well-known and successful CRM's campaign includes Avon's Breast Cancer campaign. Avon's has managed to raise over £10 million through its campaign; the money raised was donated to the Breakthrough Breast Cancer program (Adkins, 1999).

In Malaysia, Carrefour Malaysia donated RM90,000 to National Autism Society (NASOM) and Guardian Pharmacy donated RM200,000 to Majlis Kanser Nasional (MAKNA). The money donated to the above causes was raised through CRM campaigns. Carrefour Malaysia sold Carnival Cuddly Bear in which a portion from the sale proceeds was donated to NASOM (Mohamed Anuar & Mohamad, 2016). Guardian Pharmacy's CRM campaign raised money through its saving card usage. Guardian's Pharmacy campaign has offered a 20% saving card in its campaign. This savings card allowed customers to purchase certain products at a 20% discount. For every usage of this savings card a portion was contributed to the GUARDIAN MAKNA Charity Fund (Mohamed Anuar & Mohamad, 2016).

There is an increasing body of knowledge on the impact of CRM on consumers' response. The past researches on consumers' response to CRM have focused on the effect of CRM on consumer behavior. Preliminary research findings (Ross et al., 1992; Barnes, 1992) on the impact of CRM on consumers' response found out that CRM does impact consumer behavior. These studies have focused on describing general responses to the concept of CRM. The preliminary researches (Barnes, 1992; Ross et al., 1991, Ross et al., 1992) have focused on attitude and characteristics of participants. Past studies suggest that consumers perceived CRM favorably (Ross et al., 1992; Chaney & Doll, 2001). CRM can also affect consumer purchase intention (Ellen et al., 2000; Cui et al., 2003) and attitudes (Ross et al., 1992; Chaney

& Dolli, 2001) and brand loyalty (Brink, Schroder & Pauwels, 2006). However, CRM are not without its consequences. CRM also carry the potential of backlash and there are some unsuccessful CRM campaigns.

Research suggests that consumer characteristics such as gender (Ross et al., 1992), demographic background (Barnes, 1992; Cui et al., 2003), cause involvement (Hajjat, 2003) can explain the positive consumer response to CRM campaigns. Additionally, consumer response can be influenced by the characteristics of the CRM campaign or the structural elements of CRM like the cause-proximity (Ross et al., 1992; Grau & Folse, 2007), congruency or fit between the sponsoring company and the cause supported (Pracejus & Olsen, 2004), the size of donation (Hajjat, 2003) and type of cause supported (e.g., disaster or ongoing cause) (Ellen et al., 2000). It has been suggested that perceived fit or congruency has strong influence on consumers' response toward CRM. Hence, is deemed essential for CRM's success (Porter & Kramer, 2002). In addition, cause-proximity has also been noted as an important element of CRM's structure that contributes toward the success of a CRM campaign (Ross et al., 1992; Grau & Folse, 2007).

The special characteristic of CRM lies in the alliance between a company and cause and linked the donation to a cause through a purchase transaction. But what happens when consumers do not favor the alliance between the sponsoring company and the cause supported or indeed view the pairing as unexpected and unfavorable? For example, the Motorola and Celcom campaign that supports HIV/AIDS patients in Africa. This supports of international causes may weaken the potential impact of cause-proximity in the alliance between the cause and the sponsoring company. Yet some CRM campaigns do support international causes (e.g., Celcom and Motorola support of HIV/AIDS patient in Africa and Starbucks supports disaster relief disaster victims in Indonesia) (Mohamed Anuar, 2011). The unfavorable view toward the alliance as a result of a company support of international cause would impact their response toward CRM campaign conducted. This condition may lead to negative response from consumers and it also impacts their attitude and purchase intention.

### **The Impact of Cause-proximity on Consumers' Response**

Cause-proximity refers to the nature of the cause that is supported by the donations with regard to the consumers who are expected to make the donations (Cui et al., 2003). In all CRM campaigns companies need to be linked with a cause. A plethora of causes exist at local, national and international levels. Companies are faced with difficult choices as to find an appropriate cause for the CRM campaign. Improper selection of causes can affect consumers' response toward the campaign. Cause-proximity has a significant effect on consumers' response. It has been suggested that CRM campaign supporting a local cause has often received favorable response from the consumers as compared with international cause. A survey by Cone Roper (2000) proved that consumers do favor local causes. The survey found out that 55% of consumers rated local causes as most important, followed by national causes (30%) and international or global causes (10%). Similarly, past studies (Grau & Folse, 2007; Smith & Alcorn, 1991; Ross et al., (1991) demonstrate that consumers are in favor of local causes and claimed local causes as most important.

Bar Tal (1976) highlights that one important variable studied in prosocial behavior research is the physical distance. Bar Tal suggested that the physical distance has strong impact on the helping behavior of consumers. According to the prosocial behavior research, the physically closer the recipient of donation to the potential donor, the more likely it is that the potential donor will engage in some form of helping behavior. Based on this it can be expected that in

the context of this study, consumers would view CRM more favorably and be more willing to support the CRM when the CRM initiative conducted support local rather than international cause. Similarly, in terms of buying behavior, it is expected that consumers would be more willing to buy CRM products when the CRM initiative supports local cause. Considering the prosocial behavior literature, it is proposed that the cause-proximity communicated in a CRM initiative will influence consumers' response. Based on this, consumers will be more inclined to participate in CRM when they believe that a local cause will be directly impacted. The firm's supports of local cause will demonstrate that a more concrete or tangible value of the campaign. Therefore, it can be hypothesized that:

*H1: Consumers evaluation is higher when a company supports local cause rather than international cause.*

### **Methodology**

The effect of cause-proximity on consumers' response was examined through a 1X2 between subjects factorial design method. Hypothesis was tested using a 1 X 2 (cause-proximity: local and international) between subjects design. Respondents were randomly assigned to two levels of cause proximity manipulation. The cause-proximity was manipulated using two set of questionnaires; Set A (local scenario) and Set B (international scenario).

### **Sample characteristics and data collection**

Students were chosen as the respondents for the current study. The sample of the study consisted of students at the Universiti Malaysia Terengganu (UMT). The survey was conducted at several places in the Universiti Malaysia Terengganu. Students were chosen for this study as they represent emerging potential market for CRM products with powerful aggregate spending. They represent a huge potential market for CRM. Moreover so, they are young enough to start establishing values and buying principles that may last a lifetime (Cui et al. 2004). A total of 340 questionnaires were distributed to students. The respondents surveyed were equally split into two groups. Half of the respondents (170 students) answered the Set A questionnaires (local cause scenario) while the remaining half (170 students) answer the Set B questionnaires (international cause scenario). Out of the 340 questionnaires distributed 310 were returned and used in the data analysis. A total of 30 questionnaires were eliminated from the data analyses due to either incomplete answers or fail the manipulation check. Based on the treatment groups; the final usable questionnaires were 145 for the local treatment and 165 for the international treatment.

### **Research Design**

In the survey, respondents were asked to: (1) read the brief introduction describing a general CRM alliance formed between the retailer and the cause, (2) read a CRM advertisement/scenario showing either local or international cause, (3) indicate evaluation of the CRM campaign and (4) demographic data. The details of the scenarios used in the study are illustrated in Figure 1 and Figure 2.

SCENARIO 1

The statistics on poverty in Malaysia is depressing. 20% of parents have never been able to feed their children well, and over 30% of Malaysian families “live without proper shelters”. Astonishingly 10% of people are homeless and live in hunger.

Store X is a grocery store that sells a variety of products ranging from foods, toiletries, clothes, electrical appliances .and many more. Store X supports Malaysian Hunger Funds (MHF). MHF is a charity that supports poor people in Malaysia. For every sale of products from Store X, a portion of the sales is donated to MHF. Buy products from Store X and help the needy to live a better life in Malaysia.

Figure 1: Scenario 1 – CRM Campaign Linked with a local Cause

SCENARIO 2

The statistics on poverty worldwide is depressing. 20% of parents have never been able to feed their children well, and over 30% of families worldwide “live without proper shelters”. Astonishingly 10% of people are homeless and live in hunger.

Store X is a grocery store that sells a variety of products ranging from foods, toiletries, clothes, electrical appliances and many more. Store X supports International Hunger Funds (IHF). IHF is a charity that supports poor people worldwide. For every sale of products from Store X, a portion of the sales is donated to IHF. Buy products from Store X and help the needy to live a better life worldwide.

Figure 2: Scenario 2 – CRM Campaign Linked with an international Cause

After reading the ad/scenario, the respondents were questioned about overall evaluation of Store X’s campaign and finally, in the final section they answered questions pertaining to their demographics data. A five-item seven-point semantic differential scale adapted from Ellen et al. (2000) and Cui et al., (2003) with anchor such as “good/bad,” “pleasant/unpleasant,” “favorable/unfavorable”, beneficial/harmful” and wise/foolish” were used to measure respondents overall CRM evaluation.

## Findings And Discussion

### Respondents' Characteristics

Respondents for this study consisted of 127 (41%) male and 183 (59%) female. In terms of race, the majority 192 (62%) of the respondents were Malay followed by 87 (28%) Chinese, 15 (5%) Indian and 15 (5%) other races. One-hundred twenty-seven (41%) of the respondents were majoring in business while the majority (59%) were non-business major.

### The Impact of Cause-proximity on CRM Evaluation

This study was intended to assess whether cause-proximity has different impact on CRM Evaluation. To test H1, an independent sample t-test analysis was carried out. The t-test measures the difference in the overall evaluation of the CRM's campaign conducted. Table 2 shows the detail of the results. The results revealed that the impact of cause-proximity on CRM evaluation is significant. There was a significant difference in CRM evaluation based on cause-proximity. The results showed that the respondents evaluated the CRM campaign more positively when the campaign supports local rather than an international cause. Thus, H1 was supported.

Table 2 –  
The impact of Cause-proximity on CRM Evaluation

Variable	Condition	Mean	SD	t	P(one-tailed)
CRM evaluation	Local	5.210	1.010	1.750	0.040
	International	5.000	1.010		

Examining the impact of cause-proximity on CRM evaluation is important as it advance the understanding on how cause-proximity can influence consumers' response towards CRM campaigns. This study found that CRM campaigns that support local cause are able to generate better CRM evaluation among the respondents. The results of this study support the findings of past studies (e.g., Cone Roper, 2000; Grau & Folse, 2007) that found consumers respond more positively toward CRM campaigns that support local causes. The results differ from previous study by Mohamed Anuar and Mohamad (2011) that found cause-proximity has no significant effect on consumers' attitude towards CRM. The results of this study also differs from the results of past studies (e.g., Cui et al., 2003; Ross et al., 1992) that found the impact of cause-proximity on consumer response to CRM was not significant.

The results of the current study suggested that cause-proximity plays a crucial role in influencing consumers' response towards CRM campaigns. Moreover, the results give the implication that young Malaysian consumers prefer CRM campaigns linked with local causes. One possible reason could be due to the nationalism and ethnocentrism feelings among young Malaysian consumers. Consumer ethnocentricity has been found to have a positive correlation with the choice of selecting local versus international products among the Malay consumers (Kamaruddin, Mokhlis & Othman, 2002). Malays tend to have high level of ethnocentricity. This study where the majority (62%) consists of Malay respondents may contribute to the findings. In general, the authors perceive that Malays with higher level of ethnocentricity are more likely to support CRM campaigns linked to local causes. Hence, it can be inferred that CRM campaigns conducted in Malaysia that support local causes are able

to generate a more favorable response from young Malaysian consumers especially among the Malays.

This study extends previous findings related to the positive influence of cause-proximity on CRM evaluation. More specifically, this study extends past studies (e.g., Grau & Folse, 2007; Mohamed Anuar & Mohamad, 2011) in that this study uses scenarios to assess the impact of cause-proximity on CRM evaluation.

### **Conclusion**

This study proposed that cause-proximity impact consumers response towards CRM campaigns. The findings from this study have important implications for managers involved with CRM campaigns. More specifically, this study provide evidence that CRM campaigns supporting local causes are more likely to be evaluated more favorable by Malaysian consumers. The findings may be interesting for those companies that support local causes. Indeed, there are plethoras of local causes that need to be supported through CRM campaigns in Malaysia especially during this economic crisis. Perhaps, the money raised via the CRM campaigns can be donated to various local causes and help local causes to sustain during the difficult times. Similarly, this study also implies that in order to succeed globally, those global brands should focus on supporting local causes.

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