

WHERE DO YOU STAND?  
AN EXPLORATORY STUDY OF THE EFFECTS  
OF CAUSE-RELATED MARKETING  
ON BRAND MEASURES

by

Corey Landers

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Project Approved:

Stacy Landreth-Grau, Ph.D.  
Department of Marketing  
(Supervising Professor)

Susan Kleiser, Ph.D.  
Department of Marketing

Julie O'Neil, Ph.D.  
Department of Strategic Communication

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## INTRODUCTION

With the recent global recession, a slew of environmental disasters, and the continued problems related to education and poverty, the need for responsible business has never been greater. Today's generation of youth are dissatisfied with the slow response of government and want to be involved more and more in helping improve the world, and expect businesses and brands to take action as well. The rise of social business and organizations such as Net Impact and competitions like the Hult Prize has created a competitive environment where cause-orientation and corporate responsibility are no longer "feel-good gimmicks" but rather necessities to survive and grow.

Responsibility, transparency, and activism are the newest ways to reach consumers through the clutter of advertising and other promotions. Every brand is on Facebook and Twitter, and they are all trying to say something. Brands are increasingly trying to engage in conversations with consumers, and while this increases involvement with the brand and leads to repeat customers, these conversations come at a cost. Customers now have more access to information about companies than ever before, so it is crucial that brands maintain transparency and are responsible in the ways they conduct business, or else risk a major PR scandal. Social responsibility is a way to demonstrate to consumers the company's commitment to responsible business practices and improving the community and world at large. Corporate social responsibility (CSR) has grown into a major marketing asset for companies, allowing them to differentiate themselves from competitors and gain access to sponsorships that increase awareness of the company and its values.

For companies wanting to directly demonstrate their commitment to a social issue or charity, cause-related marketing (CRM) has become a useful promotion that both differentiates a brand from competitors and showcases the values of the brand. With CRM, brands directly associate with a cause or charity in the hopes of appealing to consumers. The idea is that both the brand and the cause benefit: the cause gaining donations and awareness, and the brand increasing purchases and positive brand evaluations. CRM has become increasingly popular after the success of campaigns such as American Express' involvement with the renovation of the Statue of Liberty, Lee Jeans National Denim day to support breast cancer research, and Nike's partnership with the Lance Armstrong Foundation to create the Live Strong bracelet.

The growth of CRM (and CSR) has been critiqued by numerous researchers and has been analyzed to determine its effectiveness and where it is in a marketer's promotional portfolio. Following a basic overview of CRM, including breaking down strategic issues (cause type, proximity, fit, and donation type) and tactical issues (donation quantifiers, participation effort, and donation amount), this study explores the effects of CRM on various brand measures. Using a survey where respondents were asked to evaluate a known brand (Ozarka) or a fictional brand that had various promotions (discount or donation promotion or neither). The study compares consumer response to the traditional sales promotion of discounts with CRM promotions based on cause donations. However, the main purpose of the study is to understand the affects CRM may have on unknown brands when compared to known brands, notably issues related to brand evaluations, purchase intentions, brand loyalty, and brand switching.

Implications of the results are discussed, as well as possible limitations and suggestions for future research.

## REVIEW OF LITERATURE

### **An Overview of Cause-Related Marketing**

In 1983, American Express created a campaign where for every customer use of their card, 1¢ was donated to the preservation of the Statue of Liberty. The campaign not only raised \$1.7 million for the Statue of Liberty-Ellis Island Foundation, but also increased the number of cardholders and usage for American Express (Sandhya and Girijia 2011). The American Express campaign is largely considered the first practical application of cause-related marketing (CRM), which was later defined by Vadarajan and Menon (1988) as “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-producing exchanges that satisfy organizational and individual objectives” (p. 60). CRM plays upon the consumer’s desire for altruism, which according to Andreoni is the consumption of “warm glow” (1990). However, CRM must be used as a “legitimate tactical weapon” in the overall brand strategy and not just as a gimmick (Henderson and Arora, 2010, p. 9). Some major examples of successful CRM include the Yoplait yogurt campaign, where consumers send in special pink yogurt lids to support breast cancer and has increased brand recognition and sales. Another example is Product (RED), where numerous companies like Dell, Gap, and Nike created products with Product (RED)’s logo and brand theme that customers could purchase. A portion of the profits from this product were then donated to the Global Fund, and the companies who participated received positive brand

evaluations and established connections between the companies because of the cause (Hessekiel, 2010). Other companies, such as Jones Apparel Group, which focused on supporting education in cities, actually led to increase in employee retention as 90% of workers believed that children's causes were important (Sandhya and Girijia, 2011).

### **Strategic issues of CRM**

For CRM to be truly effective, it needs to be utilized as a strategic tool that is a legitimate part of the brand and marketing strategy. CRM must be “a long-term commitment” that ties directly into the brand and firm's values and current strategic goals (Vadarajan and Menon, 1988, p. 67). Strategic issues such as cause type, proximity, fit, and donation type all must be decided before pursuing the campaign to give the CRM a strong foundation that works well with the company and its target consumers. Research has shown each to be important.

#### ***Cause Type***

When considering implementing a CRM campaign, one of the key issues to address is cause type (such as education or the environment), or specific charities (such as the Red Cross), that the brand should affiliate itself with. Winterich and Barone stress that a donation based CRM is appropriate “when such offers involve causes that are relevant to target consumers” (2011, p. 866). Some causes are ongoing, like education, while others are more temporary. Research has shown that consumers are more engaged by promotions that are linked to natural disasters (Ellen, Mohr, and Webb, 2000). This is confirmed by Tangari, Folse, Burton, and Kees (2010) who found that campaign involvement was more positive when the cause was linked to recent events, such as a disaster, as opposed to ongoing or long-term issues. According to Vanhamme, Lindgreen,



Reast, and Popering (2012), a cause that addresses a primary need is also more identifiable, and thus is more effective. One option to find a cause that is relevant to consumers is by allowing the consumers to choose the cause themselves, which can enhance the personal role the consumers have in the campaign (Robinson, Irmak, Jayachandran, 2012). Ultimately, cause type must be a choice that enhances the business image “rather than degrading it” (Sandhya and Girija, 2009, p. 36).

### ***Proximity***

Another key choice for managers is whether or not to choose a local, national, or international cause. Grau and Folse (2007) found that “specifying local donations taps the interest of those less involved with the cause” while maintaining interest with people who are more closely involved with the cause (p. 25). This allows for the campaign to reach more people regardless of their interest in the cause. However, corporate image is better enhanced when firms choose an international scope despite customers identifying more with local causes (Vanhamme, Lindgreen, Reast, Popering, 2012).

### ***Fit***

An important thing to consider with CRM is the fit between the cause and the brand or product, in other words do the values or attributes of the cause align with the values or attributes of the brand or the values of the target audience. This is also known as congruency or cause matchup. Hoeffler and Keller (2002) found that while high company-cause fit was good for strengthening current brand affiliations, low company-cause fit was beneficial in differentiating existing brands by complimenting the brand and adding values to it. Rifon, Choi, Trimble, and Li (2004) also found that high fit promotes more positive feelings of the company. Research has also shown that when the cause is

viewed favorably by the target consumers, the fit between the cause and company becomes less important (Barone, Norman, Miyazaki, 2007). However, while most believe that companies should find congruency between the cause and brand or target market, some research has shown that such congruency “may serve to highlight how companies may profit from the offer” and may lead to negative evaluations (Ellen, Mohr, and Webb, 2000, p. 403). Koschate-Fischer, Stefan and Hoyer (2012) also found that a low company-cause fit means people are likely to judge the donation amount as the basis for the company’s motives. With product fit, research has shown that CRM is better placed with hedonistic products based on the idea that charity incentives help offset the natural feelings of guilt one feels towards the purchase of a frivolous product (Strahilevitz and Myers, 1998). CRM also has the greatest influence when paired with interbrand homogeneity, or when brands are very similar in the consumer’s mind (Barone, Miyazaki, and Taylor, 2000).

### ***Donation Type***

Managers also need to consider the type of donation, whether it be strictly monetary donations or product donations or a combination of both, that they will give to the cause during the CRM campaign. Most consider a monetary donation, called “embedded premiums” by Henderson and Arora (2010), to be the easiest to give and most standard. Most nonprofits also prefer monetary donations since it allows them the freedom to utilize the funds however they deem necessary. However, research has found that product donations have a more positive image associated with them as they appear to be a greater sacrifice by the company (Ellen, Mohr, Webb, 2000).

## **Tactical Issues of CRM**

Once the strategic implications of the CRM campaign have been determined, the brand manager then needs to finalize the tactical issues of the campaign. These issues are closely aligned to the sales promotion side of the marketing efforts and deal with the details of how the campaign itself is designed by addressing donation quantifiers, participation effort, and donation amounts. The tactical issues, however, must be in line with the overall strategic issues or they run “the risk of being relegated to the level of a mere [coupon] leveraging mechanism” (Vadarajan and Menon, 1988, p. 67).

### ***Donation Quantifiers***

A key tactical implication for CRM campaign is the advertisement copy used to quantify the donation amount, particularly the notion of vague quantifiers such as the use of the term “portion” to describe how much is being donated. Pracejus, Olsen, and Brown (2004) found that a lot the copy used was abstract in nature, and that “the particular abstract ad copy used to describe a CRM does influence perceived donation magnitude” (p. 27). Research has also shown that “expressing a CRM donation as a function of profit results in an upward bias in consumer estimates of the amount donated” (Olsen, Pracejus, and Brown, 2003, p. 179). However, research has shown that customers prefer to have as much tangible information about the donation as possible, and while abstract quantifiers are the standard, they are “the least trustworthy and least preferred” (Grau, Garretson, and Pirsch, 2007, p. 79).

### ***Participation Effort***

Getting consumers to get involved in the CRM campaign is based on the effort it takes for them to participate, such as by having people send in yogurt lids as with the

Yoplait campaign or simply having the act of purchase lead to a direct donation. Grau and Folse (2007) noted that those who are more involved with the cause are more likely to participate. However, increasing purchase quantity negatively affects participation, but “greater firm donation amounts do improve campaign participation intentions” (Folse, Niedrich, and Grau, 2010, p. 306).

### ***Donation Amounts***

Donation amount is the amount of money the company chooses to donate to the cause. A higher donation amount doesn't mean a higher willingness to pay among consumers (Koschate-Fischer, Stefan, and Hoyer, 2012). However, a small donation relative to price can lead to consumer skepticism about the company's motives and negative perception (Grau, Garretson, and Pirsch, 2007).

## **Outcomes of CRM**

### ***Awareness***

One of the most beneficial outcomes of a cause-related marketing campaign is the increased awareness that comes from the pairing of cause and sales. Varadarajan and Menon (1988) first noted that CRM can be used to increase brand awareness and recognition as well as enhance and reinforce brand image. Henderson and Arora (2010) also noted that CRM is especially beneficial in raising awareness and “legitimizing and otherwise unknown brand” (p. 12). Lafferty and Goldsmith (2003) studied the cause-brand awareness relationship and found that an unknown cause benefitted greatly from a known brand, and a known cause significantly helped an unfamiliar brand, but the pairing of a known brand and known cause doesn't have a significant impact. Several examples from Cone Communications demonstrate the increase in awareness, such as Ben and

Jerry's partnership with Freedom to Marry that resulted in more than 1,600 media placements and mentions on major network shows, Betty Crocker and the Make-A-Wish Foundation generating 243 million media impressions, and Nature Valley's works with the National Parks Project that generated 425 million media impressions and a 33% increase in social media engagement (www.coneinc.com, 2013).

### ***Willingness to Pay a Price Premium***

Another benefit from CRM is the ability to have a premium price for the brand. Barone, Miyazaki, and Taylor (2000) found that "many [consumers] were still willing to accept [...] a higher price in return for perceived CSR" (p. 253). A study by Cone Communications found that 19% of consumers were willing to switch to a more expensive brand because of its cause affiliation (2010). However, most consumers only do so if all else is equal. Research has also shown the spillover benefits of CRM, where firms can increase prices for both cause marketed and non-cause marketed products and still receive benefits (Krishna and Rajan, 2009).

### ***Corporate Social Responsibility Perceptions***

CRM has a direct link to corporate social responsibility (CSR) that has additional outcomes for the company. Youn and Kim (2008), in their study of consumer psychographics related to CRM, noted that "CSR clearly seems to appeal to a consumer segment that has a negative attitude towards advertising," allowing the firm to reach an audience once lost to skepticism (p. 131). They also find that CSR has been used to create and maintain relationships with consumers that value trust in a company.

### ***Unintended Consequences of CRM***

There are some other consequences of CRM campaigns that are not intended by the firm but should be understood. A negative consequence of CRM is that consumers may make people think the cause is endorsing the product's effectiveness or quality; that a cause is giving its 'seal of approval' that the product itself can address the cause issue (Bower and Grau, 2009). Krishna and Rajan (2009) also note a more positive consequence of CRM, that CRM benefits can spillover onto other products in the firm's portfolio, noting that people "who do not buy the cause marketed product are still very likely to buy from the cause-marketed firm" (p. 1473).

### **PURPOSE OF THE STUDY**

This study aims to address various issues related to the effects of CRM on various brand measures. As opposed to previous research studies, this experiment uses product labels rather than print ads as the manipulations, thereby more closely replicating the consumer experience in the store. The experiment also directly compares the effects of traditional discount promotions with cause-related promotions on various brand measures. Winterich and Barone (2011) and Henderson and Arora (2010) found in both their studies that consumers are generally more inclined to purchase products with cause-related promotions as opposed to discounts. The first study aims to confirm their findings as well as analyze brand evaluations for the company.

*H1: Respondents will have higher (1) brand evaluations and (2) purchase intentions when they see a cause related marketing campaigns as opposed to a discount.*

### **Brand Types**

This study also seeks to understand the effects cause-related marketing has on an unknown brand as compared to a more established brand and to test whether cause-related marketing increases brand evaluations and purchase intentions for the unknown brand. Lafferty and Goldsmith (2003) found that unfamiliar causes benefitted greatly from association with well-known brands, so the assumption would be that unknown brands would benefit from association with a well-known cause.

*H2: Respondents will have higher (1) brand evaluations and (2) purchase intentions when they see a cause related marketing campaign for an unknown brand as opposed to a known brand with no promotion.*

### **Brand Loyalty**

Brand loyalty becomes increasingly crucial for major brands as private labels and generic products gain more popularity based on the price (Amine 1998). Jacoby and Kyner (1972) define brand loyalty with six key components: “the (1) biased (2) behavioral response, (3) expressed over time, by some (4) decision-making unit, with respect to one or more (5) alternative brands out of a set of such brands, and is a function of (6) psychological processes” (p. 2). They also stress the fact that true loyalty is measured by commitment to the brand (Jacoby and Kyner, 1972). This definition leads to distinction from true brand loyalty and repeat purchases, which Bloemer and Kasper (1994) call spurious brand loyalty and is not as effective compared to true brand loyalty because it allows for competitors’ marketing efforts to encourage them to switch. They also note that in order to encourage true brand loyalty, a brand must provide manifest satisfaction, or satisfaction that is positively evaluated and elaborated on, possibly by

tying it to an “engaging issue or personal situation” (Bloemer and Kaster, 1994, p. 326). Amine (1998) also notes the important relationship between brand loyalty and commitment and specifies that “the consistent purchase of a brand must be strengthened with a positive attitude towards it” (p. 308). Amine (1998) also identifies brand sensitivity, or idea of using brand information as a determining factor in choosing the brand, as a key antecedent that leads to affective commitment, or “an emotional feeling that a consumer develops towards a specific brand which expresses their psychological closeness to that brand [and] consists in a holistic judgment of the brand independently from its functional benefits” (p. 313). This emotional feeling towards a brand is further expanded by the concept of brand love, which is longer lasting relationship than simply brand loyalty. Brand love can be encouraged by facilitating passion-driven behaviors in people and expressing the consumers’ “actual or desired identities” and giving life meaning, such as “by linking credibly to social betterment” (Batra, Ahuvia, and Bagozzi, 2012, p. 13-14). Ideally, all brands should drive for brand love as it embodies the notion of brand loyalty and takes it a step further by firmly planting the brand as an intricate part of the consumers’ life.

*H3: Respondents will have higher brand loyalty for brands participating in a cause related marketing campaign relative to a discount.*

### **Brand Switching**

Brand switching may occur where consumers choose another brand based on its marketing or a lack of satisfaction with their old brand. The research on brand switching suggest that there are different types of loyal segments that will respond differently to promotional activities in an attempt to get them to switch, and companies should be



aware of what segment they are targeting (Grover and Srinivasan, 1992). Dodson, Tybout, and Sternthal (1978), in their study on the effects of deal retraction on brand switching, noted that while promotional deals encourage brand switching initially, once these deals are retracted the recent switchers are unlikely to remain with their new brand because the deals do not relate to an internal cause for them to leave their original brand. This is founded on self-perception theory, which states that “presence of external cause for behavior undermines [...] internal causes and thus reduces the probability that the behavior will persist when the external causes are removed” (Dodson, Tybout, and Sternthal, 1978, p. 74). This theory is supported by Ganesh, Arnolds, and Reynolds’ (2000) study that demonstrated that consumers who switch for external reasons (such as coupons or deals) are less satisfied than those who switched for internal reasons.

*H4: Respondents will be likely to switch brands for a cause related marketing program compared to discount.*

## METHODOLOGY

### **Overview of Research Study**

In order to discover what effects cause-related marketing has on various brand measures, I developed a 3x2 experiment with promotion versus brand type. The three categories of promotion are a 10 cents donation to a cause (the CRM measure), a 10 cents discount for the consumer (the discount measure), and nothing (the null measure). I compared these categories with the effects on brand evaluations, purchase intent, and brand loyalty and switching measures to determine which had the higher effect.

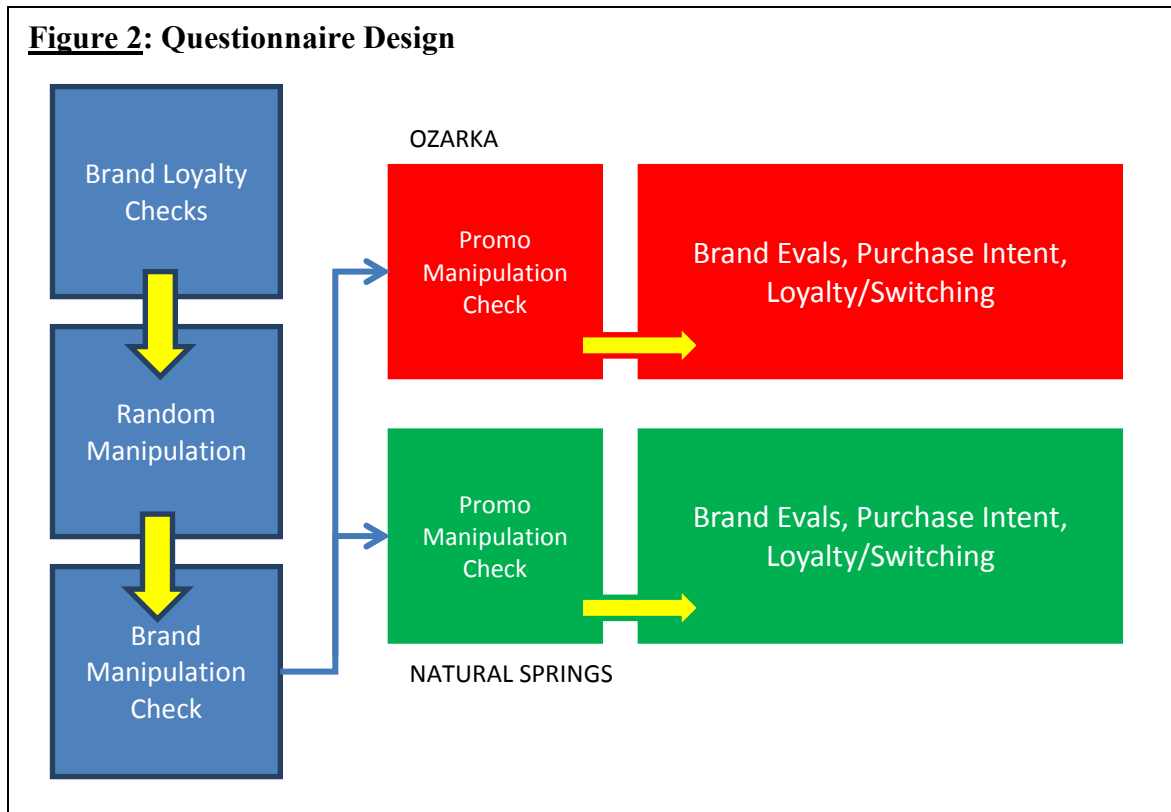
The second part of the experiment’s design is brand type, which is broken down into a known and an unknown brand. For the known brand, Ozarka Bottled Water was

chosen because of its status as a bottled water company first and lacks an affiliation with other product type or known brands, as opposed to say Dasani which has a clear affiliation with Coca-Cola. For the unknown brand, I created a fictitious brand called Natural Springs Bottled Water for two reasons. First, I wanted to avoid any brand affiliations that might come with choosing a private label such as Great Value (affiliated with Wal-Mart). Second, I wanted the study to be applicable to new brands entering the market, so a fictitious brand with no prior affiliations is best for this.

For the experiment, six manipulations were created in the form of product labels. Three manipulations were for Ozarka Bottled Water and were broken down into a donation, discount, and a null manipulation. Three manipulations were also created for Natural Springs Bottled Water and were also broken down into a donation, discount, and a null manipulation. The manipulations are in **Figure 1**.



The experiment was distributed in the form of a questionnaire via Qualtrics to a sample of 126 respondents with a median age of 21 and split between 31 males and 95 females. Each respondent was first exposed to a series of questions that measure their initial brand loyalty to bottled water in general. Then they were randomly exposed to one of the six product label manipulations, and Qualtrics displayed the different manipulations evenly across all respondents. The respondents were then asked to answer which company they saw, Ozarka or Natural Springs, which is the first manipulation check. Depending on their answer, respondents were then taken to either the Ozarka questions or the Natural Springs questions, which are identical except for the company name. Then they were asked which promotion they saw, the donation, the discount, or none. They then answered questions related to product and company evaluations, purchase intent, brand loyalty and brand switching, all asked using a 7-point Likert-scale. **Figure 2** displays a diagram of the questionnaire design.



### Pretesting

Prior to collecting data, I conducted a pretest to determine which cause is more relevant to my sample, as well as which products they are more likely to purchase on a regular basis. The pretest was conducted with a sample of 26 respondents, 14 males and 11 females, with a median age of 21. Respondents were asked to rate their attitude and likelihood to donate for the following causes: Education, Cancer research, Disaster relief, Animals, Human Rights, Environment, Criminal Justice, and Religion. They were also asked to rate their likelihood to purchase the following items on weekly basis: bottled water, chewing gum, facial tissues, bandages, peanut butter, paper towels, and laundry detergent. The data showed that respondents were more inclined to donate money to support cancer research, so that became my cause type for my donation. They are also more likely to buy bottled water on a weekly basis, so that became my product type.

### **Independent Variables**

For this study, promotion type and brand type were manipulated differently depending on the hypothesis. For H1, the donation manipulation was compared to the discount manipulation to measure brand evaluations and purchase intent. For H2, the donation manipulation for the known brand was compared to the donation manipulation for the unknown brand to measure brand evaluations and purchase intent. For H3 and H4, the donation manipulation was again compared to the discount manipulation to measure brand loyalty and brand switching respectively.

### **Dependent Variables**

Brand evaluations were collected by summing company and product evaluations. These evaluations were ranked along a 7-point bipolar scale using various criteria: Dislike/Like, Ineffective/Effective, Bad/Good, Weak/Strong, etc. Purchase intentions were measured using a 7-point Likert scale across three questions: likely to purchase, consider trying, and plan to buy. Brand loyalty was measured using a 7-point Likert scale across four questions: involvement, deliberation, commitment, and repeat purchase. Brand switching was measured using a 7-point Likert scale with one question: willingness to switch.

### **Manipulation Checks**

Manipulation checks were used within the questionnaire to note which brand type and promotion type the respondent saw. The first manipulation check asked whether they saw the Ozarka Bottled Water label or the Natural Springs Bottled Water label. If they answered Ozarka, they were then given Ozarka-based questions. If they answered Natural Springs, they were given Natural Springs-based questions. The next manipulation check

asked which promotion respondents saw for their specific product label: a 10 cents donation, a 10 cents discount, or no promotion at all.

## RESULTS AND KEY FINDINGS

### **Hypotheses Testing**

#### ***Hypothesis One***

For my first hypothesis, I anticipated that the donation promotion would cause significantly higher brand evaluations and purchase intentions than the traditional discount promotion. To measure brand evaluations an independent-samples t-test was conducted to compare product and company evaluations with donation and discount conditions. For product evaluations, there was a not a significant difference in the scores for donation ( $M=36.6364$ ,  $SD=8.516$ ) and discount ( $M=34.6098$ ,  $SD=1.279$ ) conditions;  $t(83)=1.117$ ,  $p=0.267$ . For company evaluations, there was a significant difference in the scores for donation ( $M=37.8636$ ,  $SD=8.588$ ) and discount ( $M=33.219$ ,  $SD=7.555$ ) conditions;  $t(83)=2.639$ ,  $p=0.10$ . This suggests that while CRM may not have a significant effect on peoples' perception of the product, it does influence perception of the company and thus the brand. I measured purchase intent also using an independent-samples t-test was conducted to compare purchase intentions with donation and discount conditions. There was not a significant difference in the scores for donation ( $M=14.091$ ,  $SD=3.929$ ) and discount ( $M=13.675$ ,  $SD=3.938$ ) conditions;  $t(82)=0.484$ ,  $p=0.630$ . CRM does not have an effect on whether or not people are more inclined to purchase the product when compared to the traditional discount. In general, H1 was not supported because donations only had a significant effect on company evaluations and had little effect on product evaluations and purchase intentions.

### ***Hypothesis Two***

For my second hypothesis, I anticipated that an unknown brand with a donation would have higher brand evaluations and purchase intentions than a known brand with no promotion. To measure brand evaluations an independent-samples t-test was conducted to compare product and company evaluations with unknown brand with donation and known with nothing conditions. For product evaluations, there was not a significant difference in the scores for unknown with donation ( $M=34.3333$ ,  $SD=8.528$ ) and known with nothing ( $M=34.3636$ ,  $SD=10.957$ ) conditions;  $t(41)=0.10$ ,  $p=0.992$ . For company evaluations, there was not a significant difference in the scores for unknown with donation ( $M=38.3333$ ,  $SD=2.115$ ) and known with nothing ( $M=32.6818$ ,  $SD=2.199$ ) conditions;  $t(41)=-1.849$ ,  $p=0.072$ . This suggests that CRM on an unknown brand does not give it higher brand evaluations over a known brand. I measured purchase intentions also using an independent-samples t-test comparing product and company evaluations with unknown brand with donation and known with nothing conditions. There was not a significant difference in the scores for unknown with donation ( $M=13.000$ ,  $SD=1.206$ ) and known with nothing ( $M=13.2857$ ,  $SD=1.060$ ) conditions;  $t(41)=-0.177$ ,  $p=0.860$ . Adding CRM to an unknown brand does not increase its purchase intentions against a known brand with no promotion. H2 was not supported because adding a donation to an unknown brand did not mean it surpassed a known brand with no promotion in brand evaluations or purchase intentions.

### ***Hypothesis Three***

For my third hypothesis, I anticipated that the donation promotion would lead to more brand loyalty than a discount promotion. To measure brand loyalty an independent-

samples t-test was conducted to compare brand loyalty scales with donation and discount conditions. There was a significant difference in the scores for donation ( $M=15.4146$ ,  $SD=5.079$ ) and discount ( $M=13.0750$ ,  $SD=5.004$ ) conditions;  $t(79)=2.088$ ,  $p=0.040$ . This suggests that adding CRM to a product or brand can actually significantly affect brand loyalty. H3 was proven correct because the addition of a donation led to higher brand loyalty as opposed to a traditional discount promotion.

#### ***Hypothesis Four***

For my fourth hypothesis, I anticipated that adding a donation promotion would lead to a higher likelihood of brand switching when compared to traditional discount promotions. To measure brand switching likelihood an independent-samples t-test was conducted to compare brand switching with donation and discount conditions. There was not a significant difference in the scores for donation ( $M=4.1951$ ,  $SD=1.569$ ) and discount ( $M=3.7750$ ,  $SD=1.561$ ) conditions;  $t(79)=1.208$ ,  $p=0.231$ . This suggests that adding a donation promotion does not increase peoples' likelihood to switch brands when compared to a traditional discount promotion, so H4 is not supported.

#### **Additional Findings**

In addition to the results directly connected to my hypotheses, the data showed other key findings, all found through conducting an independent-samples t-test comparing donation and discount conditions against various criteria. Respondents tended to focus more on the product label with a donation part of it ( $M=4.1190$ ,  $SD=1.864$ ) than a discount ( $M=3.9500$ ,  $SD=1.501$ ), but the results were not statistically significant;  $t(82)=0.451$ ,  $p=0.653$ . Respondents exposed to the donation manipulation were also more likely to view it as a "good deal" ( $M=4.6905$ ,  $SD=1.115$ ) than respondents exposed to the



discount manipulation ( $M=4.6000$ ,  $SD=1.257$ ), though again the results were not statistically significant;  $t(80)=0.345$ ,  $p=0.731$ . Respondents exposed to the donation were also more likely to pay a premium price for the product ( $M=3.2955$ ,  $SD=1.692$ ) than those exposed to the discount promotion ( $M=2.6250$ ,  $SD=1.444$ ), though the results were also not statistically significant;  $t(82)=1.943$ ,  $p=0.055$ . Finally, respondents were significantly more likely to view a company as a good corporate citizen when that company used a donation ( $M=5.0952$ ,  $SD=1.122$ ) than a discount ( $M=4.1250$ ,  $SD=1.114$ );  $t(80)=3.928$ ,  $p=0.000$ .

## DISCUSSION

### **Conceptual Implications**

This research adds to general knowledge about the growing use cause-related marketing as described as product purchases with charitable donations, as well as attempting to explore the nature of cause-related marketing on brand measures, an area that has yet to be deeply studied. Primarily, I wanted to see the difference in effects between donations and the more traditional sales promotion of discounts on various items like brand evaluations, purchase intentions, and brand loyalty and switching. This research also aids in helping understand the effects CRM promotions has on unknown brands when compared to known brands. The results from this study have important implications for managers as they choose where to invest their promotional budget.

### **Conclusions**

The results from this study showed that while donations did fair slightly better when compared directly to discounts on items such as brand evaluations, purchase intentions, and brand switching, the results were not statistically significant. The only

significant result from the research demonstrated that donations did lead to higher brand loyalty as opposed to discounts, which is important considering the only previous study measuring the effects of CRM on brand loyalty only focused on tactical and strategic CRM and didn't compare directly to the traditional discount (Van der Brink, Oderkerken-Schroder, and Pauwels, 2006). Results also showed that donations led more people to focus on the product label, an interesting finding that could suggest more about donations' effect on product attractiveness on the retail shelf and consumer consideration. Results also showed that people tended to view donations as more of a "good deal" than discounts, suggesting that the word deal may have less to do with saving money and more to do with what consumers perceive as worthwhile. They were willing to pay a price premium, something that could provide an incentive for managers. Donations also lead to significantly more people viewing the company who donated as a "good corporate citizen," which acknowledges the effect CRM has on company public relations.

### **Managerial Implications**

For managers, the results are significant in determining the best allocation of their promotional budget. Traditionally, discounts have been the basis of trade promotions, but this research shows that there is no statistical difference between donation promotions and discount promotions for most brand measures and a higher brand loyalty from donation promotions. This means that managers have more options when choosing whether or not to use donations, and these decisions should be based on their target consumer's preference and other variables mentioned earlier such as cause-type, fit, and proximity. However, the research showed that donations lead to higher brand loyalty and

the image of being a “good corporate citizen,” which in today’s competitive environment is crucial for success.

Retail managers should also consider CRM promotions as a way to increase brand loyalty to the store. Most retailers already use discounts as a way to clear inventory and get people in the store to purchase more items. However, with CRM and donation promotions, retail managers have the opportunity to attract customers based on values and principles, leading to a more devoted consumer based. In addition to special yellow discount tags on items, retailers could create special donation tags that benefit either a local or national cause (whichever is more appropriate for the target consumer) and become a more prominent fixture in the community. Those consumers who are more socially minded will be more inclined to directly seek out the specific retailers—similar to how those who are more financially motivated seek out discount retailers such as Wal-Mart—creating a stable consumer base that is connected with the store. This type of corporate social responsibility is more public to the consumers than the traditional large donation done by companies and allows for consumer engagement while also creating more positive relationships with suppliers who wish to also become involved.

### **Limitations and Future Research**

The results of this study may have been skewed by the demographics of the respondents, who for the most part were Caucasian, Millennial college students. The small sample size may also have had an adverse effect on my results, so expanding the sample size and including a more diverse group of respondents would make the results more generalizable. The study also focused on the difference between donation and discount promotions, but respondents were only shown one promotion, which meant

respondents were not able to directly compare the two promotions. People do not purchase in a vacuum, so future research should directly allow respondents to compare the various promotions. The same is true for the comparison between known and unknown brands with the effects of a donation promotion, as respondents in this survey only saw one brand, either known or unknown, so they could not compare the two. This study also measured brand loyalty based on attitudinal measures, such as what they feel about the brand, but future research should also include behavioral measures of brand loyalty using a time-based study. Additionally, this research failed to recognize skepticism that may come from a company donating money to cancer, especially a bottled water company whose products do harm to the environment and in some cases could even be linked to cancer. Finally, additional research could come in the form of field experimentation within an actual store to better study the difference between the two promotions.

## APPENDIX A

### Pretest Design

*The following is a pretest for a research study. Please answer responses as truthfully as possible.*

Of the following, please rate your attitude towards the causes from **1 to 5**, with 1 being *Not Supportive* and 5 being *Very Supportive*.

Education	1	2	3	4	5
Cancer research	1	2	3	4	5
Disaster relief	1	2	3	4	5
Animals	1	2	3	4	5
Human Rights	1	2	3	4	5
Environment	1	2	3	4	5
Criminal Justice	1	2	3	4	5
Religion	1	2	3	4	5

Of the following, please rank your likelihood to donate to the causes from **1 to 5**, with 1 being *Would Not Donate* and 5 being *Would Definitely Donate*.

Education	1	2	3	4	5
Cancer research	1	2	3	4	5
Disaster relief	1	2	3	4	5
Animals	1	2	3	4	5
Human Rights	1	2	3	4	5
Environment	1	2	3	4	5
Criminal Justice	1	2	3	4	5
Religion	1	2	3	4	5

Of the following, please rank your **top three** cause choices.

- \_\_\_\_\_ Education
- \_\_\_\_\_ Cancer research
- \_\_\_\_\_ Natural Disaster relief
- \_\_\_\_\_ Animals
- \_\_\_\_\_ Human Rights
- \_\_\_\_\_ Environment
- \_\_\_\_\_ Criminal Justice
- \_\_\_\_\_ Religion

Of the following, please rate your likelihood to purchase on a weekly basis from **1 to 5**, with 1 being *Not Likely* and 5 being *Very Likely*.

Bottled Water	1	2	3	4	5
Chewing Gum	1	2	3	4	5
Facial Tissues	1	2	3	4	5
Bandages	1	2	3	4	5
Peanut Butter	1	2	3	4	5
Paper Towels	1	2	3	4	5
Laundry Detergent	1	2	3	4	5

Gender: \_\_\_\_\_

Age: \_\_\_\_\_

Last Four Digits of ID Number: \_\_\_\_\_

APPENDIX B

**Survey Design**

*Please read and answer the following questions.*

1. I would consider myself to be highly loyal to one brand of bottled water.

<i>Strongly Disagree</i>	1	2	3	4	5	6	7	<i>Strongly Agree</i>
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2. All bottled water brands are alike.

<i>Strongly Disagree</i>	1	2	3	4	5	6	7	<i>Strongly Agree</i>
------------------------------	---	---	---	---	---	---	---	---------------------------

3. I choose my bottled water very carefully.

<i>Strongly Disagree</i>	1	2	3	4	5	6	7	<i>Strongly Agree</i>
------------------------------	---	---	---	---	---	---	---	---------------------------

4. Before going to the store, I know what brand of bottled water I will buy.

<i>Strongly Disagree</i>	1	2	3	4	5	6	7	<i>Strongly Agree</i>
------------------------------	---	---	---	---	---	---	---	---------------------------

*Please look at the product below. Be sure to notice the **PRODUCT LABEL** and answer the following questions with the product label in mind.*

**INSERT MANIPULATION HERE**

**Please answer every part of each question.**

Choose one:

\_\_\_\_\_ The product I saw was called **Ozarka Bottled Water**

\_\_\_\_\_ The product I saw was called **Natural Springs Bottled Water**

Choose one:

\_\_\_\_\_ The company donated 10 cents to cancer research

\_\_\_\_\_ The company gave a 10 cents discount

\_\_\_\_\_ None of the above

5. What are your evaluations of the product <<<insert product>>>?

A) <i>Dislike</i>	1	2	3	4	5	6	7	<i>Like</i>
B) <i>Ineffective</i>	1	2	3	4	5	6	7	<i>Effective</i>
C) <i>Bad</i>	1	2	3	4	5	6	7	<i>Good</i>
D) <i>Weak</i>	1	2	3	4	5	6	7	<i>Strong</i>
E) <i>Unfavorable</i>	1	2	3	4	5	6	7	<i>Favorable</i>
F) <i>Negative</i>	1	2	3	4	5	6	7	<i>Positive</i>
G) <i>Low Quality</i>	1	2	3	4	5	6	7	<i>High Quality</i>

6. What are your evaluations of the company that makes <<<insert product>>>?

A) <i>Dislike</i>	1	2	3	4	5	6	7	<i>Like</i>
B) <i>Insincere</i>	1	2	3	4	5	6	7	<i>Sincere</i>
C) <i>Bad</i>	1	2	3	4	5	6	7	<i>Good</i>
E) <i>Unfavorable</i>	1	2	3	4	5	6	7	<i>Favorable</i>
F) <i>Negative</i>	1	2	3	4	5	6	7	<i>Positive</i>
G) <i>Bad Corporate Citizen</i>	1	2	3	4	5	6	7	<i>Good Corporate Citizen</i>

7. I would be willing to pay a higher price for <<<insert product>>> than for other brands of bottled water?

<i>Strongly Disagree</i>	1	2	3	4	5	6	7	<i>Strongly Agree</i>
--------------------------	---	---	---	---	---	---	---	-----------------------



8. It is likely I will purchase this product.

<i>Strongly Disagree</i>	1	2	3	4	5	6	7	<i>Strongly Agree</i>
--------------------------	---	---	---	---	---	---	---	-----------------------

9. I would consider trying this product.

<i>Strongly Disagree</i>	1	2	3	4	5	6	7	<i>Strongly Agree</i>
--------------------------	---	---	---	---	---	---	---	-----------------------

10. I plan on buying this <<<insert product>>>.

<i>Strongly Disagree</i>	1	2	3	4	5	6	7	<i>Strongly Agree</i>
--------------------------	---	---	---	---	---	---	---	-----------------------

11. I thought a great deal about this product label when evaluating the product.

<i>Strongly Disagree</i>	1	2	3	4	5	6	7	<i>Strongly Agree</i>
--------------------------	---	---	---	---	---	---	---	-----------------------

12. The firm that makes <<<insert product>>> is a good corporate citizen.

<i>Strongly Disagree</i>	1	2	3	4	5	6	7	<i>Strongly Agree</i>
--------------------------	---	---	---	---	---	---	---	-----------------------

13. I think <<<insert product>>> is a good deal.

<i>Strongly Disagree</i>	1	2	3	4	5	6	7	<i>Strongly Agree</i>
--------------------------	---	---	---	---	---	---	---	-----------------------

14. This promotion makes me have a high opinion of <<<insert product>>>.

<i>Strongly Disagree</i>	1	2	3	4	5	6	7	<i>Strongly Agree</i>
--------------------------	---	---	---	---	---	---	---	-----------------------

15. Following the purchase of this <<<insert product>>>, I will discuss this brand choice with family, relatives, and friends.

<i>Strongly Disagree</i>	1	2	3	4	5	6	7	<i>Strongly Agree</i>
--------------------------	---	---	---	---	---	---	---	-----------------------

16. I have a strong interest in this <<<insert product>>> because of the information on this product label.

<i>Strongly Disagree</i>	1	2	3	4	5	6	7	<i>Strongly Agree</i>
--------------------------	---	---	---	---	---	---	---	-----------------------

17. Based on the information on this product label, I will purchase <<<insert product>>> in the future.

*Strongly Disagree*            1        2        3        4        5        6        7        *Strongly Agree*

18. Based on the information on this product label, I would choose <<<insert product>>> over other brands.

*Strongly Disagree*            1        2        3        4        5        6        7        *Strongly Agree*

19. Based on the information on this product label, I would be willing to switch bottled water brands to <<<insert product>>>.

*Strongly Disagree*            1        2        3        4        5        6        7        *Strongly Agree*

Gender:     \_\_\_ MALE            \_\_\_ FEMALE            \_\_\_ PREFER TO  
NOT SAY

Age:            \_\_\_\_\_

Ethnicity:    \_\_\_ African American

\_\_\_ Asian

\_\_\_ Hispanic

\_\_\_ White

\_\_\_ Other

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## ABSTRACT

Cause-related marketing has become a widely accepted practice among businesses by partnering with charitable causes. The purpose of this article is to explore the effects cause-related marketing has for known and unknown brand on various brand measures, specifically brand evaluations, purchase intentions, brand loyalty and brand switching by comparing donation promotions with discount promotions. The results of this experiment ( $n=126$ ) found that donations have marginal effects on brand evaluations, purchase intentions, and brand switching, and a significant effect on brand loyalty. Pairing a donation promotion with an unknown brand does not have a significant effect on brand evaluations or purchase intentions as compared to pairing donations with a known brand. These results suggest that managers have more leeway when choosing promotions, either discount or donation, and should choose based on target audience or if they desire more brand loyalty from their consumers.