Cause-Related Marketing Campaigns: Mutually Beneficial Or Risky For Charities?
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Cause-related marketing campaigns are meant to be mutually beneficial: charities generate additional revenues, while commercial parties can signal ethical concern. Three studies, however, suggest that employment of commercial tactics by charities are deemed as inappropriate by consumers. Who initiates the campaign therefore strongly influences its evaluation.

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EXTENDED ABSTRACT

From an organizational point of view, an efficient Cause-related Marketing (CM) program is envisioned to lead to a mutually beneficial relationship for both the charitable and commercial party. The first party ensures additional financial support, while the latter builds a socially responsible reputation. However, most research on CM campaigns mainly focused on the effects for the company, and how these campaigns can benefit them (e.g., Kotler & Lee, 2005). To a much lesser extent the effects for charities have been empirically studied (for exceptions, see Liston-Heyes & Liu, 2013; Runté, Basil, & Deshpande, 2009).

More importantly, based on psychological theory, we argue that the bundling of charitable with commercial activities may in fact hurt the charity while benefiting the company. Specifically, we argue that the strategy of securing additional financial support through collaboration with a commercial party may be perceived as a taboo tradeoff by consumers. Consumers expect charities to adhere to communal sharing norms (Fiske, 1991, 1992), which precludes employing market-pricing practices to increase effectiveness (McGraw, Schwartz & Tetlock, 2012). Charities that do employ such practices (including engaging in CM) may be therefore perceived to engage in a taboo-tradeoff, which may spur consumer backlash, thus resulting in negative reactions towards charities that engage in CM.

We first tested our assumptions in two studies. In Study 1 we asked how appropriate people perceive market practices (receiving a bonus for good performance, and to get paid for working overtime). We either presented these behaviors within a company or a charity setting. We also included positive (e.g., helping to clean up) and negative (e.g., neglecting to report information in the annual year report) items, to test the scope of the effect. We only found significant effects for having a bonus system.

In Study 2 we made the consequences of using market practices much more explicit. That is, participants were asked to make a choice between two options. The options were either presented as being a choice between two charities or as a choice between two companies. Participants received the following information about the two options:

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage spent on salary</th>
<th>Bonus system for individual employees</th>
<th>Donations raised (Revenue per year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Option A</td>
<td>23</td>
<td>No</td>
<td>$250,000</td>
</tr>
<tr>
<td>Option B</td>
<td>45</td>
<td>Yes</td>
<td>$600,000</td>
</tr>
</tbody>
</table>

Results showed that participants in the charity condition preferred the low cost-effective option A, whereas participants in the company condition preferred the high cost-effective option B. In other words, in contrast to companies, charities that rely to a lesser extent on market practices resulting in lower donations ironically received more positive evaluation than charities who were more cost-effective.

These studies confirm our idea that communal sharing norms are indeed more salient when judging a charity instead of a commercial party. In Study 3, we tested the implication of our reasoning for CM campaigns: When the company initiates a particular CM program, consumers evaluate this program according to market pricing norms, creating positive evaluations. When the charity initiates program, consumers evaluate a program according to communal sharing norms, and may perceive the program as a taboo-tradeoff. This means that the very same CM campaign may be evaluated as bad, or good, depending on which party initiated the program. Indeed, Study 3 showed that, compared to the company condition, people in the charity condition evaluated the campaign as less positive, and indicated less willingness to buy the CM product. Interestingly, people also indicated to be less willing to make a donation to the charity during a door-to-door collection.

In sum, we found that market practices are not approved of within charities, even when it is clear that it increases the net donations to that charity (i.e., how much “good” a charity can do). Interestingly, Cause-related Marketing (CM) campaigns were initially setup as another extra way to raise money. However, the current research suggests that this is not necessarily the case. Our data suggest that people use the option to buy a CM product as an alternative for making a donation. As the donation to charity for purchasing a product is often much lower than a donation, our data seem to suggest that CM campaigns can actually backfire.

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REFERENCES