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Consumer Response to Cause-related Marketing: A Case of Malaysia

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Abstract

Increasing competition in the marketplace makes it difficult to differentiate brand based on the traditional attributes such as price and quality alone. Other attributes of a brand such as ethical and compassionate are becoming more important. “Good” brand or brand that is associated with social or environmental cause is better preferred. Hence, companies are turning to corporate social responsibility (CSR) as a differentiation strategy to gain sustainable competitive advantage. A facet of CSR that is cause-related marketing enables companies to contribute to worthy causes and at the same time fulfilling companies’ objectives. In today’s world there are a multitude of causes exist that need attention and support. In order to enhance the people’s quality of life supporting worthy cause is essential. In light of this, some companies have supported various causes through cause-related marketing (CRM) campaigns. The intention of CRM is to encourage the purchase of a brand or product so that donations can be made to the partnering cause. This study uses a fictitious CRM advertisement to determine the impact of CRM on attitude toward CRM and purchase intention. The study shows that CRM has significant impact on consumers’ attitude as well as purchase intention. Results imply that CRM promises to be an important medium to help worthy causes in Malaysia as consumers in general have positive attitude toward CRM.

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Introduction

In the competitive world of today, differentiating product using the traditional attributes such as price, quality and value are difficult (Aaker, 2005). Increasing competition and product parity making it difficult for companies to compete based on those dimensions alone. Moreover, today’s consumers are getting more sophisticated and demanded; they put more value on brand that has symbolic value (e.g. ethical and altruism). Linking a brand with a cause can trigger more positive attitude on the brand and the cause it supports (Ross *et al.*, 1992) and also affects purchase decision (Barone *et al.*, 2000). Consumers value and demonstrate their enthusiasm on product link to a cause because by doing so they believe they can influence others to support the cause they concern about (Nan & Heo, 2007; Zdravkovic, *et al.*, 2010). Moreover, there are a multitude of causes exist, such as disaster, poverty and hunger, preserving and sustaining environment, drug and alcohol abuse, education, and preventing crime and violence. Many of these causes and charities need money to support their operations especially as funding levels from government agencies are decreasing (Adkins, 2000). Companies can play their roles as responsible companies by supporting charities and causes through corporate social responsibility

(CSR) initiatives. CSR is defined as “a commitment to improve community well-being through discretionary business practices and contributions of corporate resources (Kotler & Nancy, 2002). Kotler and Nancy (2002) suggested that CSR initiatives can be broken into six; corporate cause promotions, cause-related marketing, corporate social marketing, corporate philanthropy, community volunteering and socially responsible business practices. Through CSR companies support of causes consist of many forms such as cash and material donations, promotional sponsorship, employee volunteering, grants, and paid-advertising. A most common and popular form of CSR is cause-related marketing (CRM) (Lafferty & Edmonson, 2009; Nan & Heo, 2007). In the USA and the western world CRM campaigns have been a common marketing strategy for more than 20 years (Kotler & Keller, 2006; Wymer & Samu, 2009). On the contrary, in Malaysia CRM campaign can be considered as still new. Consequently, the body of research has so far mostly focused on the Western world and only few studies were conducted in Asia (e.g. (Chattananon, *et al.*, 2008; Shabbir, *et al.*, 2010; Subrahmanyam, 2004). The response of Malaysian consumer to CRM campaigns has as yet hardly studied. Because of the lack of empirical evidence, and because of the growing importance of CRM to the Malaysian market and the Asian economy as a whole, it is deemed essential and timely to investigate consumer

response to CRM campaign in Malaysia. Hence, this study examines the impact of CRM on consumer attitude and purchase intention.

Literature Review

Cause-related marketing

Cause-related marketing is defined 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-providing exchanges that satisfy organizational and individual objectives (Varadarajan&Menon, 1988, p. 80). The definition suggested that the concept of CRM links a business with a cause for mutual benefits. The concept also suggested that CRM has two objectives: to improve corporate performance and to help worthy causes. Companies’ benefits from conducting CRM in the way that CRM is able to increase a product’s sales enhance the brand and company images and build consumer loyalty (Berglind& Nakata, 2005; Varadarajan&Menon, 1988). As for causes, CRM is able to increase the causes funds and publicity (Berglind& Nakata, 2005).

In the past 20 years CRM has grown as an important marketing strategy that can help causes and at the same time increasing their profits. It has become a popular strategy among small and big companies alike. CRM expenditure among U.S.’s companies has increased tremendously from relatively zero in 1983 (Berglind& Nakata, 2005) to USD1.3 billion in 2006 (Chiagouris& Ray, 2007). Corporate expenditures on CRM campaigns have increased dramatically because many firms have come to realize the benefits that can be derived from CRM such as increase sales, profits, and enhance corporate and brand image. Another reason is because firms want to demonstrate their commitment on social and environmental issues as to improve the quality of life the communities in which they operate (Demetriou *et al.*, 2010).

In CRM campaigns, companies commit to making a donation to a particular cause based on a percentage of a product sold. CRM brings together socially responsible behavior and product consumption (Moosmayer&Fuljahn, 2010). The term “cause-related marketing” was first coined by American Express in 1983 (Demetriou *et al.*, 2010; Sorribas, 2007). Throughout the CRM campaign American Express promised to donate to the renovation of the Statue of Liberty project every time consumer used its card. The campaign was successful in raising funds for the renovation of the Statue of Liberty project, a total of USD1.7 million was contributed to the project. At the same time, the company’s card usage increased by 28 percent. Since then many other companies have implemented CRM and it has flourished. CRM becomes an important means of addressing

current social issues through the generation of funds and resources (Demetriou *et al.*, 2010) and enhance awareness and publicity of causes (Berglind& Nakata, 2005). Table 1 shows examples of CRM campaigns supporting various important causes. The examples shown in Table 1 provide evidence that CRM plays important roles in helping multitude of causes.

Consumer response to cause-related marketing

Interest on consumer response to CRM began from the inception of CRM in 1983. Research on consumer response to CRM has been conducted by both commercial and academic researchers. In general, both commercial and academic research studies provide evidence that consumers show favorable response toward CRM and other socially responsible marketing initiatives conducted by companies (Cone Inc. 2008, Creyer& Ross, 1992; Ross *et al.*, 1992). Approximately 87% of Americans surveyed indicated that they are willing to switch to a brand tied with a cause if the price and quality of the given products is the same (Cause Marketing Forum, 2007). Much academic research on consumer response to CRM has emerged since the seminal work on CRM by Varadarajan and Menon (1988). To date there has been extensive research about the influence of CRM on consumer behavior (Barone *et al.*, 2000; Cui *et al.*, 2003; Sheikh & Beise-Zee, 2011). Research in this area has continued to gain academic attention in recent years as is evidenced by more recent articles on this area (e.g., Moosmayer&Fuljahn, 2010; Sheik & Beise-Zee, 2011).

Research on consumer response has been conducted in various countries. Most of the studies on this issue have been conducted in western countries and especially in the US (e.g., Barnes, 1992; Ross *et al.*, 1992). A number of studies has been conducted in other countries such Germany (Moosmayer&Fuljahn, 2010). Moosmayer and Fuljahn (2010) examined the influenced of gender and donation size on consumer response to CRM (e.g., firm behavior, attitude toward product). In New Zealand, Chaney and Dolli (2004) examined the consumers’ perceptions and behavioral response toward CRM. They found that the respondents have shown favorable attitude toward CRM and that the majority of them have purchase CRM products and they are also willing to switch to products associated with causes. In Norway, Singh *et al.* (2009) examined whether an increase in familiarity toward CRM can reduce consumer skepticism toward CRM. The results of their study show skepticism can be overcome using claims repetition.

Studies outside western countries are few in number but is emerging rapidly in countries such as China (Hou *et al.*, 2008), Pakistan (Sheikh & Beise-Zee, 2011), Thailand (Chattananon *et al.*, 2008) and Singapore (Subrahmanyam(2004). Hou *et al.* (2008) examined the influence of five cause’s attributes such as the degree of cause’s participation for consumer, brand- cause fit, cause

importance, product-cause fit and cause-proximity on consumer's purchase intention. Sheikh and Beise-Zee (2011) examined the effect of CSR and CRM on customer attitude in Pakistan. They found that both CRM and CSR have similar positive effect on consumers' attitudes. Chattananon *et al.* (2008) conducted a study on CRM in Thailand. They examined the impact of CRM on corporate image. The results of their study indicated that CRM can create favorable attitude toward corporate image. Subrahmanyam (2004) examined the effect of linking CRM with luxurious and practical product in Singapore. He found that the respondents prefer CRM to be linked with practical product. These studies provide evidence that studies on this issue are not only conducted in western countries but also in developing countries. Hence, CRM campaigns have also been used by companies to target consumers around the world.

The review of literature suggests that in general consumer response favorably toward CRM, however, study conducted in Asian countries still few in number (e.g. Chattananon *et al.*, 2008; Sheikh & Beise-Zee, 2011; Subrahmanyam, 2004).

Method

The respondents consist of students from three Malaysian universities. Students were used in this survey because of two reasons. First, students are classified as Generation Y which is the emerging potential generation with powerful spending power and are young enough to start establishing values and buying principles for their purchases (Cui *et al.*, 2003). Second, most of the past studies (e.g. Cui *et al.*, 2003; Moosmayer&Fuljahn, 2010; Zdravkovic *et al.*, 2010;) have used student samples. The use of students in the current study enables good comparability to past studies on this matter (Moosmayer&Fuljahn, 2010). Therefore, students were deemed appropriate for this study. A total of 277 complete questionnaires were received out of 300 distributed. The respondents consist of 42.6 percent male and 57.4 percent female. With regards to race, 67.9 percent were Malay, 24.2 percent were Chinese, and 7.9 percent Indian and other races. A total of 40.8 percent of respondents were from business majors while 59.2 percent from non-business majors.

The intent of this study was to measure the impact of CRM on consumers' attitude and purchase intention. The study is mainly quantitative and the information was collected using self-administered survey. The respondents were given booklet which contains a CRM ad and questions on attitude toward CRM, purchase intention toward CRM related product and simple demographic questions. The respondents were instructed to fill out each page completely and that the image portray in the ad was for illustration purpose only. The respondents were presented with a stimulus that consisted of a print CRM advertisement using fictitious

company and cause. A fictitious grocery store and a poverty cause were used in the stimulus advertisement as to eliminate any past experience with the company and the cause that will affect the results. A grocery store was chosen as the fictitious company in this study because of two reasons. First, grocery store is actively involved with CRM campaign. Second, many products and brands associated with CRM are normally found in a grocery store. A poverty cause was chosen for two reasons. First, poverty is a crucial issue nowadays. Second, poverty cause is also one of a popular cause in the past CRM campaigns. Hence, the impact of CRM campaigns linking to with this cause needs to be investigated.

The CRM ad explained that for every purchase of product from the grocery store, a portion will be donated to the cause that helps support people living in poverty. Thereafter, the respondents were asked to rate their attitude toward CRM and purchase intention to product linked to CRM. The stimulus ad is presented in the Figure 1. Attitude toward CRM were measured using three, seven-point scales: favorable/unfavorable; positive/negative; and good/bad (Cui *et al.*, 2003). The intention to purchase CRM product was measured using a three item, seven-point scale anchored with strongly agree/strongly disagree (Cui *et al.*, 2003). Both measures used for further analysis were reliable Cronbach's alpha for attitude toward CRM = 0.90 and purchase intention = 0.80. The final page of the questionnaire contained measures for demographic information.

Results and Discussion

The main objective of this study was to examine the impact of CRM on consumers' attitude and purchase intention. The impact of CRM on consumers' attitude and purchase intention was analyzed using descriptive statistics and an independent-sample T-test. The data were analyzed using SPSS version 16.0. Table 2 shows the mean value of variables measured and their standard deviation. The mean for attitude toward CRM is 5.72 and purchase intention is 5.12. Generally, both these mean values are above average. Considering these results, in general respondents have favorable response toward CRM. Table 3 shows the impact of attitude toward CRM on purchase intention. Respondents attitude were divided into two; low and high using a mean split. Respondents who scored less than < 5.72 on attitude toward CRM were classified as having low attitude toward CRM while respondents who scored high than > 5.72 as having high attitude toward CRM. An independent-samples T-test was conducted to compare the purchase intention scores for respondents with low attitude toward CRM and respondents with high attitude toward CRM. The results showed a significant difference on purchase intention score for respondents with low attitude toward CRM (M=4.86, SD=.88) and high attitude toward CRM (M=5.34, SD=.94;

$t(175)=-4.34, p=.00$). Cohen (1988) proposed guidelines for interpreting the effect value as: .01=small effect, .06=moderate effect and .14=large effect. For this study the effect size was moderate ($\eta^2=.06$) (Cohen, 1988). The formula for eta squared is as follows:

$$\begin{aligned}\text{Eta squared} &= t^2 / t^2 + (N1+N2-2) \\ &= (-4.34)^2 / (-4.34)^2 + (124+153-2) \\ &= 0.06\end{aligned}$$

These findings add to the body of literature on CRM and extent the research in this area. The findings provide evidence that consumers have favorable attitude toward CRM and attitude towards CRM has a significant impact on consumers intention to purchase product linked to CRM. The results showed that respondents with high attitude toward CRM have higher intention to purchase CRM related product as compared to respondents with low attitude toward CRM. Thus, CRM campaigns in general are expected to be most successful when targeting people with high attitude toward CRM.

Conclusion

In general, respondents have positive attitude toward CRM and they have high intention to purchase products link with CRM. CRM appears to be a viable marketing strategy that can be beneficial in sustaining the future of companies and causes. CRM bring plethora of benefits to three stakeholders the sponsoring companies, the cause supported and the consumers. In the future both the sponsoring companies and the causes should take action to develop long-term partnership and conduct more CRM campaigns as to ensure that both the sponsoring company and the cause supported can gain benefits from the partnership. CRM is also a good way to help the cause as people have positive attitude toward CRM. Its ability and potential to raise funds to worthy causes is also cannot be denied to be invaluable nowadays given monetary constraint faced by charities.

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Table 1: Examples of cause-related marketing campaigns

Sponsoring Company/Brand	Charity/cause supported	Campaign Detail
Kentucky Fried Chicken and Pizza Hut	World Hunger Relief Program	The proceeds were raised through different modes - from the sale of KFC notepads at RM2 each, while customers at Pizza Hut also had the option to buy the Hunger Relief Hut's Power Meal priced at RM0.50 higher than the normal Hut's Power Meal - all of which were channeled to the fund. A total of RM1.5million was raised to assist the United Nations World Food program in 2010.
SAFWA HealthProducts Sdn. Bhd. And Guardian Pharmacy	RumahAnakKesayanganku RumahAmalKasihBestari and home for disabled.	For any Safwa Health product purchase at Guardian Pharmacy, RM1 was donated to the three charity homes.
Tesco	Malaysian Nature Society	For every sale of the designer reusable bag, RM0.50 was donated to MNS.
Body Shop Malaysia	Women's Aid Organization (WAO)	For every sale of a limited edition Lip Care Duo, a portion was donated to WAO. A total of RM 35, 924 was raised for WAO through this campaign in 2008.
Procter & Gamble and Mydin	Open Minds Campaign	The campaign has been conducted for several years and was conducted to support education needs of special children. The campaign raised funds from the sale of P&G products. Since its inception in 1999, a total of RM6 million has been donated to various programs for educating special children.
Nestle and Giant Hypermarkets	Al-Khadeem Organization The Selangor & federal Territory Association for Mentally Handicapped PersatuanEhsanWanita&Anak-anak Kuala Lumpur	The funds were raised through Spend and Perform Good Deeds campaign or "Belanja and Beramal" campaign. Through the campaign Nestle and Giant contribute RM0.30 from the proceeds of selected Nestle products sold at all Giant stores in Malaysia. A total of RM120, 000 donated to the three designated charities in 2009.
IKEA	UNICEF and Save the Children	Soft Toy Campaign. IKEA donated £1 from the sale of each soft toy to UNICEF and Save the Children. Since its inception in 2005, a total of £3.5 million was raised for those charities.

Table 2: Mean and standard deviation of variables

	Mean	Standard Deviation
Attitude toward CRM*	5.72	1.07
Purchase Intention**	5.12	0.94

Notes: Scale *1=negative to 7=positive; **1=strongly disagree to 7=strongly agree

Table 3: The impact of low vs. high attitude toward CRM on purchase intention

	Purchase Intention	
	Mean	Standard Deviation
Low attitude toward CRM	4.86	0.88
High attitude toward CRM	5.34	0.94

Notes: Scale 1=negative to 7=positive



Figure 1: Stimulus CRM advertisement

Store X is a grocery store in Malaysia that supports Against Poverty Funds. It is a charity dedicated to improving the lives of the poorest people. You can help Store X to fight against poverty by purchasing products from Store X. For every product sold at Store X, a portion of the sales will be donated to Against Poverty Funds. Buy products from Store X and help the needy to live a better life.