Corporate social responsibility and cause-related marketing: an overview

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This article looks at the subject of corporate social responsibility and how companies use it in their marketing communication activities, a practice known as cause-related marketing (CRM). According to the definition of Angelidis and Ibrahim (1993), corporate social responsibility is ‘corporate social actions whose purpose is to satisfy social needs’. Corporate social responsibility requires investment and it yields measurable outcomes.

It is commonly accepted that cause-related marketing is a communications tool for increasing customer loyalty and building reputation. The expected change in a company’s image because of CRM campaigns appears to depend a great deal upon how customers perceive the reasons for a company’s involvement in cause-related programmes and the amount of help given to the cause through a company’s involvement (Webb and Mohr, 1998). Mohr et al. (1998) suggest that consumers with a high level of scepticism will be less likely to respond positively to CRM campaigns as opposed to consumers with a low level of scepticism.

INTRODUCTION

It is generally recognised that today’s marketplace is characterised by a great many products of similar quality, price and service. In their ever-increasing need to differentiate themselves and their product, many companies are turning to the use of cause-related marketing (CRM) as a communications tool. Basically, the concept entails firms communicating through their advertising, packaging, promotions and so on their corporate social responsibility, namely their affiliation or work...
with non-profit organisations or support for causes. The point is to attract consumers wanting to make a difference in society through their purchasing. However, consumers are now looking closely at companies who make claims regarding their involvement in social issues. There is a level of consumer scepticism that often makes consumers doubt what a firm is saying. It has even been suggested that because so many firms are now using CRM, particularly in the UK, scepticism is on the rise (O’Sullivan, 1997; Mohr et al., 1998). This scepticism can lead consumers to reject claims made in CRM campaigns, it can affect their purchasing behaviour and can even lead to stronger action (Rogers, 1998). Therefore not only is it important for companies pursuing CRM to be genuine in their behaviour but they must also have a full understanding of consumers’ knowledge of CRM and their level of scepticism before attempting this marketing technique.

Studying cause-related marketing on an international level is important, as both the type and extent of the needs expected to be fulfilled from the socially responsible firm will ‘depend upon the social segment’s culture and ethics, the legal environment, and the degree to which the members of the social segment perceive that such needs are not fulfilled’ (Angelidis and Ibrahim, 1993). Clearly, countries that adapt practices perceived as successful in other countries without researching their own consumers’ attitudes cannot hope to succeed based on the same premises.

LITERATURE REVIEW

Corporate social responsibility (CSR) in the form of corporate philanthropy, or donating to charities, has been practised since as early as the late 1800s at least in the USA (Sethi, 1977). It was legitimate insofar as it directly benefited the shareholders, and corporate donations were mostly on the agenda of those companies that could afford it. Today’s concept of corporate social responsibility was developed primarily during the 1960s in the USA with the notion that corporations have responsibilities that go beyond their legal obligations. Different schools of thought on CSR oscillate between two extremes: the free market concept (classical economic theory) (Friedman, 1970) and the socially oriented approach (Freeman, 1984; Wood, 1991; Smith, 1994).
Enderle and Tavis (1998) define corporate social responsibility as ‘the policy and practice of a corporation’s social involvement over and beyond its legal obligations for the benefit of the society at large’. According to the definition by Angelidis and Ibrahim (1993), corporate social responsibility is ‘corporate social actions whose purpose is to satisfy social needs’. Lerner and Fryxell (1988) suggest that CSR describes the extent to which organisational outcomes are consistent with societal values and expectations. At its grass roots, being socially responsible has been a concern very much related to the rationale that businesses are more likely to do well in a flourishing society than in one that is falling apart (McIntosh et al., 1998). Over the past decades, both the concept and the practice have evolved as a reflection of the challenges created from an ever-changing society.

In today’s competitive marketplace, however, altruistic intentions alone can no longer justify charitable giving and expenditures related to philanthropic activities. Sophisticated customers and stakeholders are looking at the behaviour of the firm; are they donating just to gain goodwill or are they truly concerned about particular issues? For their part, corporations regard their contributions today not as outright donations but as investments that are intended to benefit the company as well as the recipient (Schwartz, 1996). The most commonly encountered categories of corporate social responsibility are shown in Table 1.

CSR AND REPUTATION

The most obvious link of CSR to overall corporate performance is through the reputation aspect. Reputations reflect firms’ relative success in fulfilling the expectations of multiple stakeholders (Freeman, 1984; Fombrun, 1996). In their research on reputation building and corporate strategy, Fombrun and Shanley (1990) argue that favourable reputation may enable firms to charge premium prices, enhance their access to capital markets and attract better applicants and investors. Empirical evidence in their study suggests that the greater a firm’s contribution to social welfare, the better its reputation.

Reputation, closely related to brand awareness, aids in brand differentiation and ultimately helps a company gain (through a good reputation) or lose (through a damaged reputation) competitive
TABLE 1 KEY DEFINITIONS ASSOCIATED WITH CORPORATE SOCIAL RESPONSIBILITY

<table>
<thead>
<tr>
<th>Category</th>
<th>Definition</th>
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<tr>
<td>Corporate philanthropy</td>
<td>An activity above and beyond what is required of an organisation and which can have a significant impact on the communities in which a company operates (Lerner &amp; Fryxell, 1988; Mullen, 1997). Giving to charities in the form of a percentage of pre-tax earnings, it provides a concrete measure of the social effort of corporate managers. Corporate philanthropy is likely to enhance the image of companies that have high public visibility (84% of American adults believe that CRM creates a positive company image).</td>
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<tr>
<td>Social disclosure</td>
<td>Refers to the company’s performance in providing information on societal initiatives undertaken by the firm. To the extent that corporations provide data on their societal programmes, they are responding to societal needs and expectations regarding social disclosure (Lerner &amp; Fryxell, 1988).</td>
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<tr>
<td>Company’s environmental record</td>
<td>Pro-social positioning of many firms is identified with their pro-environment policies that affect air and water (Mullen, 1997). This increasing concern with environmental issues is explained through (1) the influence that consumers’ environmental concerns have on product offering, (2) the multidimensional character of these issues (Osterhus, 1997).</td>
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<tr>
<td>Workforce diversity</td>
<td>Percentage of women and minorities on the board and/or in the organisation are perceived as aspects of a company’s humanistic contribution to equality in the workplace (Mullen, 1997).</td>
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<tr>
<td>Financial health and tendency to grow</td>
<td>Raters attempting to judge a company’s social responsibility generally recognise the importance of that company’s financial health. Stanwick and Stanwick (1998) provide evidence to support the view that profitability of a firm allows and/or encourages managers to implement programmes that increase the level of CSR; in other words, a corporation’s level of social responsibility is affected by the firm’s financial performance. The financial angle, however, is not enough to judge the level of CSR. A company may have excellent employee benefits but if it goes out of business those benefits become meaningless. Instead, growing companies are perceived as more pro-social, as they can offer employees more opportunities for advancement (Fombrun, 1998).</td>
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<tr>
<td>Community involvement</td>
<td>Companies that score highest for their community involvement appear to make more charitable contributions, encourage more employee volunteer programmes, and have greater local economic impact (tax revenues, jobs, educational programmes and investments).</td>
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advantage (Kay, 1993). As Fombrun and Shanley (1990) comment: ‘Well-reputed firms have a competitive advantage within their industries, but poorly reputed firms are disadvantaged.’ Fombrun (1998) recommends that the pool of criteria used to evaluate corporate reputations should consider: (1) multiple stakeholders, whose assessments aggregate into collective judgements, and (2) the different but overlapping financial and social aspects according to which stakeholders judge companies.

**TABLE 2 EXAMPLES OF APPROACHES TO ACCOUNTABILITY AND EXAMPLES OF ORGANISATIONS EMPLOYING THESE APPROACHES**

<table>
<thead>
<tr>
<th>Stated approach</th>
<th>Examples of organisations using these approaches</th>
<th>Description</th>
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<tbody>
<tr>
<td>Capital valuation</td>
<td>Scandia</td>
<td>Understanding, measuring and reporting upon and managing various forms of capital</td>
</tr>
<tr>
<td>Corporate community involvement</td>
<td>Diageo, BP</td>
<td>Describing, illustrating and measuring community involvement activities and policies</td>
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<tr>
<td>Ethical accounting</td>
<td>Sbn Bank, Scandinavian public sector</td>
<td>Disclosing processes based upon shared values with stakeholders developed through dialogue, proactive</td>
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<tr>
<td>Ethical auditing</td>
<td>The Body Shop</td>
<td>Verifying processes for understanding, measuring, reporting on and improving the organisation’s social, environmental and animal testing performance</td>
</tr>
<tr>
<td>Social auditing</td>
<td>Van City Credit Union, Black Country Housing Association, Coop Bank</td>
<td>Externally verifying processes to understand, measure, report on and improve an organisation’s social performance</td>
</tr>
<tr>
<td>Social balance</td>
<td>Coop Italy, UNIPOL</td>
<td>Regularly reconstructing and aggregating financial data across stakeholder groups specifying financial social costs associated with ‘social activities’</td>
</tr>
<tr>
<td>Statement of principles and values</td>
<td>Shell</td>
<td>Developing, evolving and describing an organisation’s principles in meeting its triple bottom-line responsibilities</td>
</tr>
<tr>
<td>‘Sustainability reporting’</td>
<td>Interface</td>
<td>Processes that identify ways forward and reports upon progress against sustainability principles</td>
</tr>
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Source: Adapted from Zadek et al. (1998)
In their study on ‘The impact of prior firm financial performance on subsequent corporate reputation’, Hammond and Slocum (1996) present a developed measurement of corporate reputations reflecting social responsibility. The four attributes of the measurement explicitly represent a company’s relations with key stakeholders:

1. quality of products and services, representing relations with customers;
2. ability to attract, develop and retain talented people, representing relations with employees;
3. community and environmental responsibility, representing relations with the environment in which the company operates;
4. quality of management, representing management of relations with stakeholders, awareness of and proactivity to changes in the business environment.

Changing attitudes of customers have driven marketers to find new ways to make marketing relevant to society, dialogue-seeking, responsive and involving (Ptacek and Salazar, 1997). Consumers are demanding more value for their money. Furthermore, association with a non-profit organisation can generate positive media coverage, build a reputation of compassion and caring for a company, enhance its integrity, enhance employees’ motivation and productivity, and consumers’ preferences (Duncan and Moriarty, 1997).

Surveys have shown that most consumers favour socially responsible companies and products (Cone/Roper, 1993; RSW, 1996). One-third of Americans say that after price and quality, a company’s responsible business practices are the most important factor in deciding whether or not to buy a brand, and if price and quality are equal, they are more likely to switch to a brand which has a cause-related marketing benefit.

CROSS-CULTURAL DIFFERENCES IN ACCEPTANCE OF CSR

CSR is the expression of a corporation’s level of moral development, where the values that guide corporate, socially responsible policies, decisions and programmes are products of a variety of normative systems, depending on the culture, religion, education, etc. (Frederick, 1991). On the other hand the normative universe is large, diverse,
often vague, uncertain of relevance or application, difficult to customise, and so on. Considering this normative dimension of corporate–society linkages it becomes clear that CSR is a concept of ‘no single value state’ (Frederick, 1991).

In Europe, for instance, some aspects of CSR are regulated by law. Within a legal context there is an increasing awareness that the pursuit of profit alone as the purpose of a company’s activity might harm other groups in society and create more harm than good to society overall. Nevertheless, the views of the Germans, where a company’s level of social responsibility is evaluated on the basis of its legal record, differ markedly from those of the British or of the Mediterranean countries (Broberg, 1996). Thus, in Germany, where companies are heavily regulated, complying with the law is considered the central concept in good corporate citizenship. Within the regulatory framework the company is free, but not obliged, to pursue non-profit-making goals. This has to mean that the company ‘may donate funds for philanthropic purposes, etc., as long as this does not contravene the regulations’ (Broberg, 1996).

Americans expect companies to respect the spirit and letter of laws and regulation (accept legal standards, such as tax laws, and so on), to respect sociocultural values (accept sociocultural standards, such as gender relationship, minority relationship, role of the family, and so on), as well as to engage selectively in cultural and political life. The latter represents expectations of a more active role and participation of a firm in setting up the legal framework of business and in solving public policy problems; it can also imply engaging in philanthropy, educational initiatives, and so on (Enderle and Tavis, 1998).

In Scandinavia, where the perception of the ‘net-effect’ of businesses is that they benefit society significantly more than they harm society (Broberg, 1996), social responsibility joins the list of state duties. Scandinavian countries are so-called welfare states. A fairly regulated society, in Scandinavia it is only natural that the state interferes in more or less all aspects of life – particularly in economic life. Thus, the State provides an extensive safety net and a whole range of benefits. Besides, the Scandinavians have some very significant views with regard to the position of certain shareholders in the policy of company management, who ultimately strongly influence the course of corporations’ policy and activity (ibid.).

In Israel, the substance of Jewish social responsibility derives from the acknowledgement of the centrality of the community and a
dominant view in Jewish culture that accepts business as a value-free enterprise (Pava, 1998). Socially responsible behaviour seems to be regulated by two principles of Talmudic law designed to promote community well-being according to the Talmudic conception of charity. These are known as the principles of ‘the centrality of the community’ and the ‘Kofin al midat S’dom’1 (the Kofin) principle. Judaism recognises different levels of responsibility to those in need following a pattern of hierarchy based on the centrality of the family within the community. According to this pattern, business engaged in philanthropic activities should meet the needs of those closest to the business enterprise first, namely needs of employees, managers, shareholders and residents of the communities in which a business operates.

In Singapore there exists a system of ‘Community Chest’2 to which companies contribute a proportion of their profits (L’Etang, 1995). The point is to avoid problems of manipulation of the recipient and of the exploitation of the act for the purposes of publicity. It is argued that the effect of such a scheme is to increase social taxation on companies in an anonymous manner.

Obviously, the sociocultural and economic environments are so heterogeneous that it is worth considering the differences and their potential influence in the perception of CSR.

CAUSE-RELATED MARKETING

The practice of advocating corporate social responsibility in marketing communications activities is commonly known as cause-related marketing. Cause-related marketing (CRM) is defined as the process of formulating and implementing marketing activities that are characterised by contributing a specific amount to a designated non-profit effort that, in turn, causes customers to engage in revenue-providing exchanges (Mullen, 1997). In the USA, CRM is used as a corporate term for ‘working together in financial concert with a charity … to tie a company and its products to a cause’ (Ptacek &

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1 A legal principle that is usually translated as ‘one is compelled not to act in the manner of Sodom’.
2 A voluntary NPO, which supports around 40 charities and 130,000 beneficiaries.
Salazar, 1997). It is a ‘dramatic way to build brand equity … as it creates the most added value and most directly enhances financial performance’ (Mullen, 1997). It (societal marketing) can generate the long-term value needed for a company to survive and achieve competitive advantage (Collins, 1993).

CRM is the latest buzz-word for European marketers who have come to realise that alliances of companies with charities can potentially result in growing market shares and customer loyalty (Stewart, 1998). Cause-related marketing has a great potential in helping marketers to stay in tune with the mood of the public, as it is more sensitive, trustworthy and relevant to society (Duncan & Moriarty, 1997). Surveys have shown that most consumers, if price and quality are equal, are more likely to switch to a brand that has a cause-related marketing benefit (RSW, 1993, 1996) (see Table 3).

Elaborating further in the field of profitable stakeholder relationships, Duncan (1995) refers to CRM from a conceptually different angle. What he calls ‘mission marketing’ (MM) integrates a non-commercial, socially redeeming system into a company’s business plan and operations. Whether it is called CRM or MM, it is ‘the ultimate brand contact, the manifestation of a company’s mission and philosophy, which can drive communication campaigns and even strategy’ (Duncan & Moriarty, 1997).

When properly executed, CRM sells products, enhances image and motivates employees. However, CRM can be a very dangerous area for companies to venture into if not done properly. According to Duncan and Moriarty (1997), this means, among other things, tying the cause to the organisation’s mission, making it long term, not using it as a short-term tactic to increase sales, and understanding that the effects are not always easy to measure and whatever effects there are, normally through enhanced reputation, are very long term. Most

<table>
<thead>
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<th>Table 3</th>
<th>Studies of Consumer Attitudes to Corporate Support of Causes</th>
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<tbody>
<tr>
<td></td>
<td>USA (%)</td>
</tr>
<tr>
<td>Awareness of companies supporting causes</td>
<td>79</td>
</tr>
<tr>
<td>Likely to switch to brands that claim to help a cause</td>
<td>76</td>
</tr>
<tr>
<td>Likely to pay more for a brand that supports a cause</td>
<td>54</td>
</tr>
<tr>
<td>More likely to buy a product that supports a cause</td>
<td>78</td>
</tr>
</tbody>
</table>

Sources: Duncan and Moriarty (1997); O’Sullivan (1997); RSW (1993, 1996)
Americans, for example, think of CRM as a believable and effective way to improve the country’s social problems and that it can influence what and where they buy.

A recent focus group survey conducted by Boulstridge and Carrigan (2000) however, challenges these studies. These researchers found that their respondents did not find corporate behaviour important in their purchasing decisions. They concede that corporate reputation can provide competitive advantage but they question that it has the impact on purchasing decision that other research has indicated. The bulk of the research, however, indicates that the potential to affect buying behaviour does exist and is credited to: (1) the value it can add to the brand and thus brand equity, (2) the ability to strengthen relationships with internal and external stakeholders, whose support is vital to brand equity and ultimately affects the company’s bottom line, and (3) the ability to make the message believable, less confusing and misleading, and thus lessen negative effects of customer scepticism (Duncan and Moriarty, 1997).

**SCEPTICISM**

According to the *Oxford Dictionary* (1982), a sceptic is a person who is inclined to question the truth of facts, inferences, and so on. Mohr *et al.* (1998) describe scepticism as one of two constructs that aid in explaining people’s reactions to communications; cynicism is the second. While cynicism is characterised by the authors as an enduring and deep belief, scepticism is more situational and thus not as long-lasting. Further, they quote Kanter and Mirvis (1989, p. 301), who say that ‘sceptics doubt the substance of communications; cynics not only doubt what is said but the motives for saying it’. A highly sceptical person will perceive the accuracy of a claim to be low; a person with a low level of scepticism will rate the accuracy of a claim to be higher. Ford *et al.* (1990) have found that consumers are sceptical of all kinds of claims, even those that are easily verified.

The following statement underlines the paradoxes a firm encounters when considering cause-related marketing.

If they don’t say enough about their charity links consumers believe that companies are hiding something and if they say too much they believe that charities are
being exploited by the big corporations. It makes the promotion of such schemes one of the most delicate jobs in marketing. Go too far one way and consumers believe you are using the charity, go the other way and they will not even know of your involvement.

(T. O’Sullivan, 1997)

Several studies indicate that consumers believe it is important for marketers to seek out ways to become good corporate citizens (RSW, 1996), that cause-related marketing is ‘a good way to solve social problems’ (Ptacek & Salazar, 1997), and that consumers have a more positive image of a company if it is doing something to make the world a better place. Yet the level of scepticism towards such schemes that unite the interests of charity and business remains very high. Webb and Mohr (1998) make the assumption that scepticism towards CRM derives mainly from customers’ distrust and cynicism towards advertising, which is a component of the marketing mix used in CRM campaigns. The negative attitudes towards CRM expressed by half of Webb and Mohr’s (1998) respondents were credited mostly to scepticism towards implementation and/or cynicism towards a firm’s motives. Half of the respondents indeed perceived the firm’s motive as being ‘self-serving’. This scepticism is perhaps further fuelled by recent research results which show that total corporate philanthropy increases in small but significant ways following negative media exposure (Werbel & Wortman, 2000). This could be interpreted by stakeholders as an attempt on the part of these organisations to ‘buy’ their way out of a negative situation.

Nevertheless, consumers express interest in and appreciation of a company’s involvement in CRM given that it results in funds being raised for the cause. Barone et al. (2000) conclude that a firm’s support of social causes can influence consumer choice, but simple support is not enough. Marketers must consider how consumers perceive the company’s motivation. In their research, Webb and Mohr (1998) found that this distinction sometimes led to purchasing based on CRM, and one-third of their respondents admitted that these campaigns have at least some impact on their buying decisions.

Perceptions that the company is making ‘much ado about nothing’ or that its promotion does not correspond to the reality of the help being given to the cause can lead to scepticism. Since scepticism can affect consumers’ purchase decisions (Szykman et al., 1997), it can be a
great help when developing campaign strategies to have a more thorough understanding of the level of scepticism in target audiences. Webb and Mohr’s research suggests that consumers with a high level of scepticism will be less likely to respond positively to CRM campaigns than consumers with a low level of scepticism towards CRM.

It is nearly impossible to influence the opinion of cynics, according to Mohr et al. (1998), due to their enduring beliefs. The authors suggest, however, that scepticism can be decreased as knowledge increases. Boulstridge and Carrington (2000) propose that consumers are not as aware as the data in Table 3 suggest. They found in their research that awareness of company activity in the area of social responsibility was very low, in spite of increased coverage by the media of corporate activities and the rise of business activity in this area. They conclude that the effect is just not getting through to the average consumer.

DISCUSSION

Having a pro-social agenda means having a powerful marketing tool that can build and shape a company’s reputational status, make a differentiation in the market and give a company a competitive edge. In today’s business environment, firms that last are those which manage their key relationships well and focus on their reputations. Differentiating your company/brand through the image of care and compassion to society is a strategy that can be highly rewarded. However, only a consistent, believable contribution to a cause (or non-profit organisation) can build brand image and brand equity. For that, corporate philanthropy needs to be strategic.

A firm which is socially responsible acknowledges that it exists and operates in a shared environment, characterised by a mutual impact of a firm’s relationships on a broad variety of stakeholders, who are affected by and can eventually affect the achievement of an organisation’s objectives. Thus management of stakeholder relationships lies at the core of CSR and entails establishment of a sound/functioning two-way communication with stakeholder groups, i.e. understanding the type of support needed from each group, as well as learning their expectations of business and what they are willing to pay for having their expectations met.
Knowing how publics perceive companies and what they expect in return for their support is fundamental in designing communication objectives and strategies aiming to strengthen relationships with stakeholders. Stakeholders’ support for a business is based on their relationship and interaction with the brand as well as the way they perceive the brand and its company. Webb and Mohr (1998) suggest that companies clearly communicate the terms of the offer and the results as a CRM campaign progresses. For customers it is important that they believe the campaign is trustworthy. Honesty, long-term commitment to a cause and involvement of non-profit organisations are factors that help to overcome customers’ scepticism towards CRM. However, to properly manage stakeholder relationships and its reputation, the company not only needs to adopt CSR as in integral part of a company’s mission but must also communicate this to the stakeholders (customer base included).

Research suggests that knowledge has a negative effect on a person’s scepticism level (Szyckman et al., 1997). This would indicate to marketers that one of the first things they can do is to emphasise the awareness of corporate social responsibility and its benefits among consumers. By increasing knowledge, they can then decrease, according to Szyckman et al., the level of scepticism and thus achieve even higher favourable behavioural responses. Marketing and corporate communications initiatives should then concentrate on using tools that are designed to inform and to make consumers more aware.

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