

The Influence of Donation Magnitude and the Donation Recipient on Consumer Attitude toward the Offer and Participation Intentions in Cause-Related Marketing

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Abstract

Cause-related marketing offers potential benefits to firms, consumers and society if appropriate structural campaign elements (SCEs) (campaign description messages) are employed. In this study the insights of South African consumers about cause-related marketing were explored through seven consumer focus groups. Participants indicated that size (donation magnitude) indeed matters, but that donation magnitude perceptions are influenced by SCEs such as the donation recipient (branded non-profit organisation or cause). Consumer scepticism toward social causes is seemingly alleviated when the cause is represented by a brand. Therefore the influence of donation magnitude (high; low) and the donation recipient (cause; well-known branded charity; unknown branded charity) on consumer attitude toward the offer and participation intentions is empirically assessed through a 2X3 factorial experiment.

Keywords: Cause-related marketing, structural campaign elements, donation magnitude, donation recipient (non-profit brand)

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Introduction

Cause-related marketing originated in the early 1980s when American Express launched a national campaign in a successful attempt to generate funds for the renovation of the Statue of Liberty (Adkins, 1999; Polonsky and Speed, 2001; Sagawa and Segal, 2000). Since then cause-related marketing has grown substantially and researchers predict that the growth will continue in the future (Folse, Niedrich and Grau, 2010; Pringle and Thompson, 1999). In this research the knowledge, attitudes and opinions of South African consumers about cause-related marketing are explored. Consequently, the influence of donation magnitude and the donation recipient on consumer attitudes toward the offer and on consumer participation intentions are assessed.

Literature Review

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 specific amount to a designated cause when customers engage in revenue providing exchanges that satisfy organizational and individual objectives” (Varadarajan and Menon, 1988, p. 60). Cause-related marketing represents: a method for creatively operationalising corporate social responsibility in commercial settings; a strategic marketing tool ideal for breaking through marketing communications clutter; and a tool for activating relationships between non-profit organisations (and/or causes), business and consumers (Berglund and Nakata, 2005; Stendardi, 1992). Cause-related marketing is embedded in corporate social responsibility and in marketing, more specifically the concept of societal marketing that arose in the late 1960s as an acknowledgement that a business does not only exist to meet business objectives (e.g. profit generation) and satisfy consumer needs, but also to conserve or improve individuals’ and society’s long-term best interests (Lazer, 1969; Kotler and Levy, 1969).

The success of cause-related marketing depends to a large extent on the manner in which the campaign is communicated to consumers and the way in which the message is framed. Therefore, when designing cause-related marketing campaigns, the various elements of the campaign that are communicated to consumers and the important potential influence of these elements on the nature of the campaign have to be understood and carefully considered (Cui, Trent, Sullivan and Matiru, 2003). In the literature, the elements of a cause-related marketing campaign are referred to as structural campaign elements (SCEs). SCEs represent the messages that describe the campaign to the consumer (Grau and Folse, 2007) and are important as they have the ability to influence consumer processing, to impact consumer responses and to trigger or protect against consumer scepticism (Cui et al., 2003, p. 312; Kim, 2005). SCE decisions include the following: Which profit-brand will be included in the cause-related marketing campaign? How much will be donated (magnitude)? How will the donation be expressed in campaign material? Who will be receiving the donation (donation recipient)?

In the past, cause-related marketing research across the world has addressed several SCEs such as: donation recipient geography (Ross, Patterson and Stutts, 1992); ad cause claim effects (Cunningham and Cushing, 1993); offer type and consumer/corporate participation

(Ellen, Mohr and Webb, 1995); product type and cause importance (Lafferty, 1997; Lafferty and Matulich, 2002); donation expression formats (Olsen, Pracejus and Brown, 2003); product type, price premium and culture (Barone, Miyazaki and Taylor, 2000; Subrahmanyam, 2004); cause familiarity (Lafferty and Goldsmith, 2005); donation magnitude and product type (Strahilevitz, 1999); cause/brand fit and product involvement (Hamlin and Wilson, 2004); and country-specific influences (Endacott, 2004; Subrahmanyam, 2004). Cause-related marketing research has generated contrasting findings. Western cultures seem to be more positive toward cause-related marketing and more willing to pay a small price premium when a hedonic product is included in the campaign. Results from Singapore indicate that consumers prefer cause-related marketing campaigns that and are more willing to pay a price premium when a practical product forms part of the campaign (Subrahmanyam, 2004; Strahilevitz, 1999). It is suggested that the relevance of cause-related marketing findings for countries other than the country in which a study was conducted, should be explored. In South Africa, where the diversity of cultures continues to challenge marketers, only two empirical cause-related marketing articles have been published. One of these studies addressed the importance of communicating cause-related marketing strategies from a business perspective (Tustin and Pienaar, 2005) and does not focus on consumer reactions toward the technique. The other study explored the effects of cause-related marketing and cause (donation recipient) importance on consumers' attitudes towards products and brands (Engelbrecht and Du Plessis, 2004). The study did not provide any insights about the role of a branded donation recipient. It thus remains unclear whether the donation recipient will interact with the donation magnitude that is deemed to be suitable by consumers and whether the recipient brand will influence the relationship. As indicated in the above and according to Grau and Folse (2007), research findings about SCEs remains quite limited and further exploration is warranted.

Problem statement

Despite the extensive social need prevailing in South Africa and the potential of cause-related marketing to address this need, cause-related marketing consumer research in the country has been limited to one empirical study. Thus, practitioners have limited research findings to direct the design of cause-related marketing campaigns. Considering that researchers have found contrasting cause-related marketing research results from various parts of the globe and that, worldwide, researchers have stated the need for increased research about cause-related marketing SCEs that could guide practitioners' decision-making process, further research seems warranted (Folse, Niedrich and Grau, 2010; Strahilevitz and Myers, 1998).

Objectives of the study

The current study forms part of a broader research project with the overall purpose of exploring the knowledge and attitudes of consumers about cause-related marketing in South Africa and to add to existing cause-related marketing knowledge, in particular relating to SCEs, through empirical research. The objectives of the current study are:

1. To discover consumer knowledge and attitudes about cause-related marketing in South Africa and in particular about the most critical SCEs (Phase 1)
2. To empirically assess the influence of selected SCEs on consumer campaign participation intentions and consumer attitudes toward the offer (Phase 2)

Methodology and Findings: Phase One (qualitative focus groups)

In phase one of the current study, seven qualitative focus groups (8 people per group) were used to ascertain consumer knowledge, attitudes and opinions about cause-related marketing and selected SCEs in South Africa (addressing objective one of the study). A discussion guide that was prepared from cause-related marketing and donation literature and print advertisements that were created as stimuli for the study were used by the focus group moderator to activate participant interaction. The first focus group was treated as a pilot where after a small number of modifications was made to the initial discussion guide. The participants for the six remaining focus groups were recruited according to the criteria of gender, race and income, resulting in groups of middle to higher income participants with the following composition: white males, white females, black males and black females. In addition to group discussions (that were recorded and transcribed), short questionnaires were completed by each participant to collect initial data to aid in preparation for phase two of the research. Focus group transcripts were analysed with Atlas.ti software and questionnaire data with Statistica software.

The focus groups provided the following insights. Participants were generally positive towards cause-related marketing and recognised potential benefits for firms, non-profit organisations and for themselves as consumers – it was said that it was “almost a relief to know that easy methods (i.e. cause-related marketing) to donate” whilst receiving a product in return, exist in a country where citizens (1) often feel overwhelmed with guilt for “not doing enough” to address the magnitude of social challenges, and (2) are “bombarded” with formal and informal donation pleas. Consumers indicated a willingness to switch brands in favour of cause-related marketing, provided that it was not a product category in which they were particularly brand loyal. Consumers viewed SCEs as important role players in cause-related marketing campaigns and emphasised the importance of brands and of donation magnitude throughout the discussions. A noteworthy level of scepticism toward corporate social responsibility and non-profit organisation were noted due to perceptions about incidents of corporate and non-profit corruption and unethical behaviour in South Africa and abroad in recent years. Scepticism seemed to be more prevalent amongst white male participants. Participants indicated a greater willingness to participate in high-donation magnitude cause-related marketing campaigns when firms and non-profit organisations were viewed as transparent, accountable and well-managed. However, it was said that “size matters” and that “donations can be too small and too big” – donations that are too large seems to generate scepticism about unnecessarily high firm profits and donations that are too small lead to a negative perception of firm motives. Interestingly, attitudes were seemingly more positive toward charitable organisations with well-known brands than to unbranded causes, because “a good brand means the organisation is well-managed” and “when the money goes to a cause and not an organisation, who knows where it will end up – quite possibly back in the pockets of the business”. When prompted, focus group participants indicated that, amongst others, the Nelson Mandela Children’s Fund was viewed as a well-known charitable organisation. It also became evident that, in line with extant donations and sponsorships by South African firms, participants were generally positive toward education as a cause as it is not morally controversial. Data from the questionnaires that were completed, indicated that participants, when provided with a product and the price of the product, on average viewed ZAR0.60 as a small donation and ZAR4.00 as a high donation. These findings were ultimately incorporated into phase two of the research. The emphasis that was placed on various SCEs has activated a number of empirical studies within the South African context, such as study in Phase two of the current study where the role of the donation recipient brand, donation magnitude, the interaction between these SCEs and their potential impact on consumer decision-making is

explored. The seeming importance of the donation recipient and donation magnitude triggered a return to the literature in preparation for Phase 2:

Researchers, in the past, have questioned whether donation magnitude matters at all to consumers and whether the fact that firms are contributing is not perhaps enough in itself (Kim, 2005). However, research has indicated that the size of the donation may influence brand choice (Pracejus, Olsen and Brown, 2003), the willingness to pay more for luxury products (Strahelevitz, 1999), and the level of consumer scepticism (small donations, more scepticism) (Dahl and Lavack, 1995). According to Folse, Niedrich and Grau (2010) research findings about the role of donation on behavioural intentions and firm motives are limited. Holmes and Kilbane (1993) investigated three levels of donations and found no significant difference in the responses or attitudes of consumers towards the message or the store due to donation magnitude. However, these results have been questioned in later studies (Webb and Mohr, 1998). Folse, Niedrich and Grau (2010) are of the opinion that the range of the donation amounts in the study by Holmes and Kilbane (1993) may have been too small to generate significant effects. Dahl and Lavack (1995) found marginal indications that consumers were more likely to believe that a non-profit organisation was being exploited by a firm in a cause-related marketing campaign when the relevant donation was small. In response to the limitations of previous research, Folse, Niedrich and Grau (2010, p. 1) included donation magnitude and used multiple donation levels and unequal donation spacing. Folse, Niedrich and Grau (2010) suggested that future research consider whether consumer intentions to participate in a cause-related marketing campaign, even when the donation amount is low, are perhaps influenced by allowing the consumer to select the non-profit donation recipient. A possible relation between donation magnitude, the donation recipient and consumer choice is suggested.

Selecting the recipient of the donation in cause-related marketing is another important SCE decision. According to Varadarajan and Menon (1988) many firms opt for creating their own donation recipients in the form of charitable foundations with the aim of decreasing complexity and saving time. Strahilevitz and Myers (1998) have emphasised that the nature of the firm/product and the cause should be considered when selecting cause-related marketing partners to ensure an appropriate product-charity fit and/or product-charity complementarity (e.g. a condom manufacturer providing support for HIV/AIDS research; a stationary manufacturer contributing to a literacy fund, etc.). In the early 1990s it was found that people prefer causes aimed at supporting disaster relief rather than ongoing causes (Ross, Patterson and Stutts, 1990-1991). According to Engelbrecht and Du Plessis (2004), South African consumers are most concerned about crime prevention as a cause. However, different consumer groups prefer different causes and some causes are more morally contentious than others (Engelbrecht and Du Plessis, 2004). In general, firms in South Africa support various social causes, but education seems to be the development sector that benefits most from corporate donations (De Wet, 2010; Rockey, 2005).

In the discussion thus far, the authors have deliberately opted for the term “donation recipient” when referring to the receiver of the cause-related marketing contribution. However, the literature review indicates that past cause-related marketing researchers have referred either to the non-profit or charity organisation, or the cause when mentioning the donation recipient. An important distinction is noted – it seems that a non-profit or charity organisation usually has a name (e.g. the Nelson Mandela Children’s Fund), is involved in one or more development sector (e.g. education, health, etc.), and has some kind of image, implicitly inferred or deliberately created by means of branding and marketing (e.g. the Reach

For A Dream sun). However, a cause often refers to a development sector (e.g. education) or action (e.g. poverty relief) (De Wet, 2010; Rockey, 2005), but has no name and no brand image, although associations usually exist in the mind of the consumer about the cause (e.g. HIV/Aids). In the case of a non-profit or charity organisation, a brand (albeit well-developed, well-known and well-managed or not) is generally present, whereas in the case of a cause the brand factor is lacking. A drastically different relationship is thus inferred when a donation is made to a non-profit or charity organisation versus a cause. A number of questions arise: firstly, will donations to branded non-profit or charity organisations affect consumer attitudes toward the offer and consumer participation intentions differently than donations to general causes; secondly, will the level of familiarity with the cause (well-known versus unknown) play a role or will the existence of a brand infer an image of trustworthiness to consumers; and, thirdly, will the presence of a brand and the level of familiarity interact with the donation magnitude that consumers find acceptable? These questions relate to the second objective (addressed in phase two) of this study, now refined as “assessing the influence of the donation recipient SCE, the donation magnitude SCE, and the interaction of these two SCEs on consumer attitude towards the offer and consumer participation intent”.

Methodology: Phase Two (experimental design)

Phase two of the study employed a 2 (donation magnitude: high, low) by 3 (donation recipient: cause with no brand; well-known brand; unknown brand) factorial experimental design. The basic methodological approach was adopted from research by Folse, Niedrich and Grau (2010). Six newly created fictitious advertisements were used as stimuli. In each advertisement a product and product price was featured and consumers were informed that for each purchase a donation (high: ZAR6.00; low: ZAR0.60) will be made to a cause (brand not present: education) or a branded non-profit organisation. The Nelson Mandela Children’s Fund was included as a well-known brand. A fictitious non-profit organisation, namely the Baobab Children’s Trust, was created to represent the unknown non-profit organisation. A questionnaire was compiled to measure the dependent variables. Consumer participation intentions were measured by a four-item seven-point Likert scale anchored by strongly disagree (1) and strongly agree (7) (Folse, Niedrich and Grau, 2010; Grau and Folse, 2007;) and consumer attitude towards the offer was measured by a five-item, seven-point semantic differential scale (Ellen, Mohr and Webb, 2000). Due to its potential mediating role, in this study brand attitude towards the product brand was measured by a four-item, seven-point semantic differential scale (Folse, Niedrich and Grau, 2010; Mitchell and Olson 1981). Demographic questions were included at the end of the questionnaire. A sample of 144 undergraduate business major students was selected for the research (despite noted critique against the use of student samples), as a practical and convenient alternative, but in particular due to growing marketing interest in the substantial spending power of the millennial generation, this generation’s level of commitment to supporting causes, and their willingness to switch brands in favour of cause-supporting firms/brands (Boshoff and Gerber, 2008; Cone, Inc., 2008; Nowak, Thach and Olsen, 2006; O’Donnell, 2006). Findings from phase two of the research will be reported at the ANZMAC 2010 conference.

Conclusion

The study emphasised the importance of cause-related marketing SCEs, in particular the influence of the donation recipient and donation magnitude on consumer attitude toward the offer and consumer participation intentions. The results of this research can guide firms in selecting donation recipient partners more effectively. Moreover, the study indicates to non-

profit organisations whether building their brand will enhance the outcomes of their alliances with firms in cause-related marketing campaigns.

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