

The Strategy of Corporate Philanthropy and Cause-Related Marketing

Sommer Altland

University Honors in Business Administration

Advised by Dr. Richard Linowes

May 2008

Executive Summary

Society is putting higher expectations on corporations to give to charitable causes which has created a shift toward corporate strategic philanthropy. Corporations are now giving to nonprofit organizations that strategically align with their business model and values so the partnership will provide the company with the greatest benefits, both in financial assets and intangible assets like goodwill. Corporations are taking several approaches, including teaming the marketing department with corporate philanthropy, focusing its giving toward one or two charities, and encouraging employees to participate in community involvement.

Cause-related marketing is an increasingly popular way for corporations and nonprofits to mutually benefit from a partnership. Cause-related marketing has many benefits, but high risks are also involved, including the company and the nonprofit's reputation. Therefore, managers must consider many factors before engaging in cause-related marketing, including the cause-brand fit, the customers' perceived motivations of the company, and the customer's affinity to the cause.

Numerous corporations are involved with breast cancer-related marketing. Companies have strategic partnerships with breast cancer research foundations by sponsoring fundraising events, creating foundations that give grants to support breast cancer research, and engaging in cause-related marketing. The popularity and market presence of the cause has created criticism, as well as the need for corporations to creatively differentiate their brand from other sponsoring companies. Avon is a company that has effectively supported breast cancer research initiatives through foundations, fundraising, and cause-related marketing.

The Strategic Shift in Philanthropy

Society has formed much higher expectations for corporations in regards to philanthropy and community involvement since the 1990's. Customers, employees, suppliers, and communities are requiring greater social responsibility. Society sees corporations as "the main engine of social change;"¹ therefore, society is demanding that corporations take an active role in the community and make great strides toward social change. Moreover, in light of recent scandals, today's business world puts a greater emphasis on values and ethics. Therefore, management is taking greater steps to build or maintain a positive reputation.²

History of Corporate Donations

Although corporate philanthropy plays a large and increasing role in society today, the legality of corporate donations was debated until 1953 with a ruling by the New Jersey Supreme Court. Stockholders of A.P. Smith Manufacturing "challenged a [\$1,500 donation to Princeton University's maintenance department] in the New Jersey courts by charging that this was a misappropriation of corporate funds." The courts ruled that the companies should be permitted to give monetary gifts to organizations, because the companies receive goodwill in the community and "corporations [are] expected to assume the modern obligations of good citizenship just as individuals had in the past."³

From the 1950's to the 1980's, corporate giving was strictly seen as a means of "enhancing a corporation's reputation."⁴ In the early 1980's, the Reagan administration enacted reforms that suppressed public welfare but created means for the private-sector to take an increased role in society. For instance, reduced corporate taxes and higher limits on charitable

¹ Cohen, Todd. "Corporations Turn to Strategic Giving." *Philanthropy Journal*, 18 September 2007.

² Paine, Lynn Sharp. Value Shift : Why Companies Must Merge Social and Financial Imperatives to Achieve Superior Performance. Blacklick, OH: McGraw-Hill, 2002, 7.

³ King, Samantha. Pink Ribbons, Inc. Minneapolis: U of Minnesota P, 2006, 3.

⁴ King, 4.

deductions were implemented so that corporations would provide more funding to nonprofits in lieu of government support.⁵ Firms' financial resources needed to be reallocated and stretched thinner to meet the needs of nonprofits. This pressure that the government had put on corporations to financially support the nonprofit sector was the beginning of a great transformation in corporate giving.

Stakeholder versus Social Responsibility

While some people still debate corporations' role in philanthropy, the strategic nature of corporate giving, or corporate philanthropy, can be seen as a reconciling of two seemingly opposing business objectives. The word philanthropy connotes altruism, or giving strictly for the "love of mankind," the word's Greek roots. An ethical perspective asserts that corporations "have an obligation to be socially responsible and to conduct their business activities with society's interests at heart." From an economic perspective, however, philanthropy contradicts the role of the corporation, because the corporation "is responsible only to its shareholders" and aims to increase shareholder wealth. Therefore, philanthropy is taking away, or "stealing", from shareholders.⁶

According to Friedman, top managers participate in corporate philanthropy as a way to "fulfill their own needs at the expense of shareholders." Friedman's view, called the agency perspective, asserts that corporate philanthropy has "costs" rather than benefits. For instance, it distracts the company from performing its business objectives and operating efficiently, because it uses resources such as employee labor and money. Additionally, the agency perspective asserts that managers are self-interested and motivated a positive reputation. The results of these "costs"

⁵ King, 5.

⁶ Gan, Ailian. "The Impact of Public Scrutiny on Corporate Philanthropy." *Journal of Business Ethics*, 69 (2006): 217.

are decreased financial performance and, hence, "reduced shareholder wealth." Refer to Figure 1 below.⁷



Figure 1: The agency perspective of corporate philanthropy⁸

In order to "synthesize" the economic and ethical perspectives, companies have made "philanthropic and profit-making functions become inextricably intertwined."⁹ Strategic corporate philanthropy, then, aims to support charitable causes and fulfill corporations' civic duty in a way that simultaneously increases shareholder wealth. Corporations are aligning their corporate giving with the company's business model. Businesses engaged in strategic corporate philanthropy want "every dollar given [to] mesh with the company's markets or employees and work as part of its overall strategic plans." Management views corporate giving as a strategic decision that is increasingly useful in today's highly competitive business environments.¹⁰ Executives want corporate giving to be a way to further the business objectives and goals, which they hope will indirectly affect the bottom line.

Godfrey believes that philanthropy links to shareholder wealth. Godfrey devised a progression that first links corporate philanthropy to "positive moral capital" among stakeholders, which can include the community, customers, and suppliers. In turn, a firm receives "insurance-like protection" of its intangible assets, including "relational wealth," the

⁷ Choi, Jaepil and Heli Wang. "The Promise of a Managerial Values Approach to Corporate Philanthropy." *Journal of Business Ethics*, 75 (2007), 346-7.

⁸ Choi and Wang, 346.

⁹ King, 7.

¹⁰ Gan, 220.

most important being its reputation. This protection, in turn, creates shareholder wealth.¹¹ In short, shareholders benefit from the positive image and reputation that the firm receives from its philanthropic involvement.

Corporate Philanthropy

The traditional, altruistic form of corporate philanthropy is corporate monetary gifts to "social and charitable causes." This traditional form of philanthropy is still prevalent but has become more strategic in nature, as previously discussed. This form of strategic corporate philanthropy is often based on the decisions of top managers. A study by Choi and Wang discusses the relationship between management's values, their propensity to donate to charitable organizations, and the financial outcomes. The study concludes that there is a "positive relationship" between "corporate social responsibility and corporate financial performance."¹² The study, however, does not isolate corporate giving as the exclusive reasoning behind financial benefits. Management's decision to engage in philanthropy is rooted in their personal values. These positive managerial values may affect financial performance in other ways, including boosting the firm's "moral culture"¹³ and improving the relationships with stakeholders, including suppliers and customers.¹⁴ Refer to Figure 2 below. Therefore, the main implication for managers is that managerial values play a positive role in a company's financial performance. Managers should be aware that society values trust and integrity, so acts of altruism, including corporate giving, can improve the bottom line.

¹¹ Gan, Ailian, 221.

¹² Choi and Wang, 355.

¹³ Choi and Wang, 351.

¹⁴ Choi and Wang, 346.

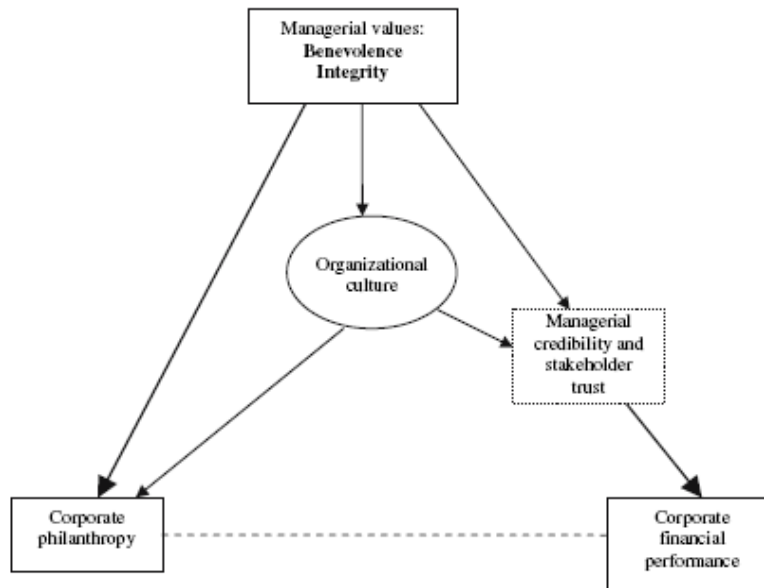


Figure 2: A managerial model of corporate philanthropy¹⁵

Corporate Motives

A study by Gan assesses whether corporations give for altruistic or strategic motives. Gan measures altruistic motivation by looking at how donations correspond to the "degree of need experience by recipients of charitable help." In contrast, strategic motives are evidenced by companies' responses to the pressures of the government, courts, and the media.¹⁶ Gan concludes that media and governmental pressures do increase the amount of corporate giving; firms try to counter negative media coverage with charitable contributions. Hence, firms have strategic motives. Moreover, some 'non-strategic' charitable acts may actually be strategic, or "a well-calculated attempt to project an image of altruism." Gan also finds evidence of altruistic motives, as firms increase giving during times of great need, such as natural disaster relief.¹⁷ Regardless of the true motive, however, altruistic motives often have innate benefits to the firm, such as a

¹⁵ Choi and Wang, 347.

¹⁶ Gan, 219.

¹⁷ Gan, 233-4.

boosted reputation. Other indirect strategic methods of building a reputation exist, including advocacy.

Advocacy: The Case of Digene

Digene (a company of Qiagen since a July 2007 merger) is a company focused on improving women's health through technologies. Digene "develops, manufactures, and markets proprietary DNA and RNA tests focused on women's cancers and infectious diseases." Digene's main product is the Digene® HPV Test, currently "the only FDA-approved test for the human papillomavirus (HPV), the cause of cervical cancer."¹⁸

The Women's Health Advocacy Department of Digene works separately from the sales and marketing departments, and focuses on public education of HPV testing. Digene's advocacy department is passionate about informing women about the HPV test, because it is a way to prevent cervical cancer, which is caused by the HPV virus. Digene targets all levels of society, from legislative bodies to clinicians to women in general and has partnerships with numerous legislatures, physicians, health organizations, nonprofits, and churches. Digene provides educational materials and implements programs that educate women on HPV and HPV testing.

Digene emphasizes their altruistic motivation behind their advocacy by not accepting any acknowledgement or benefits for their programs. While many organizations seek partnerships or sponsorships in order to promote the brand and gain a positive image, Digene's partnerships are for the purpose of building relationships with organizations that can educate women on how to prevent cervical cancer, with the hopes of eradicating cervical cancer altogether.¹⁹

However, the altruistic motivation has underlying strategic benefits. Digene's HPV test currently has market exclusivity. Therefore, Digene's product sales will increase as more women

¹⁸ Digene Website. Accessed 3 April 2008 <http://www.digene.com/about/about.html>.

¹⁹ Assistant Director, Global Women's Health Director. Telephone interview. 3 April 2008.

are educated on the benefits of being tested for HPV. Competitors, however, will soon be entering the market. Therefore, Digene values the relationships that it has built with organizations. With highly-valued relationships with organizations built on transparent communication, trust, and the reputation of a good company, Digene hopes that organizations will continue using Digene's HPV test in the long run, even when competitive products are on the market.

At the 2007 Global Summit of Women held in Berlin, Digene's CEO Daryl Faulkner announced a new HPV test that will be made for use in developing countries. The summit, which is attended by more than 1,000 "senior-level women in business, government, and advocacy," is "launching an international 'consortium to end cervical cancer.'" The issue of cervical cancer was addressed in an economic and business arena because the issue is a way to improve the lives of women, since companies are only as healthy as its workforce.²⁰ Digene's advocacy efforts have paid off, as the company has gained high exposure and a strong reputation in corporate social responsibility. This case exemplifies the interrelationship and mutual benefits of altruism and strategy.

Strategic Approaches to Corporate Philanthropy

This new focus on strategy has caused numerous changes in the approach that corporations are taking in philanthropy. Corporations are engaging in a wide variety of nonprofit support and involvement well beyond cash donations. New approaches to philanthropy are also providing corporations with benefits well beyond a positive reputation. Strategic philanthropy can result in several intangible benefits, as well as tangible assets.

²⁰ "Global Summit of Women Launches Consortium to End Cervical Cancer." Digene Website. Accessed 3 May 2008. <http://investor.digene.com/phoenix.zhtml?c=82439&p=irol-newsArticle&ID=1018049&highlight=>

Corporations are now teaming their marketing departments with corporate philanthropy. The "interconnectedness" of the two departments is becoming increasingly evident to corporations.²¹ Corporations want to publicize their philanthropic acts to gain goodwill, which they hope will translate into more business and higher profits. Therefore, the marketing department helps define the arena in which corporations will reap the greatest benefits from their giving, mainly brand recognition. For instance, corporations can sponsor a charity event that is publicized to their target market. Corporations are finding that corporate giving is often times cheaper than traditional advertising, and nonprofits are beginning to give corporations an estimated marketing value for their gift.²² For instance, a \$5,000 gift may provide the same exposure and benefits as \$10,000 worth of marketing dollars. The relationship between marketing and philanthropy will be explored further in this paper as corporate/nonprofit partnerships and cause-related marketing are discussed.

Additionally, many corporations now focus their corporate giving toward one or two causes, rather than spreading the funds among many organizations. This "narrow focus or theme" is often aligned with the corporation or brand, and hence, creates a highly recognizable association between a brand and a cause. Moreover, corporations may focus their giving on causes that benefit their target market, with the goal of increasing sales. Next, some corporations form "partnerships with community groups, local governments, and other companies who share a common interest in a particular concern." Non-financial gifts, called in-kind donations, are another way that corporations give to nonprofits. For example, a food manufacturer may donate its products to food banks or homeless shelters.

²¹ Collins, Mary Ellen. "Good Deal! How to Secure the Right Business Sponsorships that Benefit your Organization and Your Corporate Supporters." *Advancing Philanthropy*, Sept/Oct 2005, 20.

²² Collins, 22.

Another way that corporations are engaging in philanthropy is through employee involvement. Companies are encouraging employees to volunteer in the community, often with a cause that the company supports. Some companies even arrange volunteering days in which the employees collectively participate in a community project. Some companies offer employees paid time off in exchange for their volunteer work. Additionally, many companies have matching-gifts programs. Companies will "match" or give the same monetary donation as the employee. This encourages employees to give to a cause, knowing that the charity will receive twice the amount of their gift.²³ By encouraging employee participation, companies can also improve employee morale and can boost "employee commitment."²⁴

One additional intangible benefit is goodwill, or a "positive image and improved reputation." Goodwill can build trust and improve the relationships that a firm has with numerous groups, including consumers, the community, regulatory agencies, and legislatures.²⁵ Goodwill also helps "buy influence" and gain favor, especially during times of negative press, public scrutiny or in industries which face political contention.²⁶

The numerous intangible benefits can potentially lead to tangible financial benefits. It is difficult to isolate philanthropy as the reason for improved financial performance, but numerous studies have found a "positive effect of corporate philanthropy on corporate financial performance." The intangible benefits such as goodwill and brand exposure link corporate philanthropy and corporate financial performance.²⁷ Refer to Figure 3 below.

²³ King, 122.

²⁴ Gan, 218.

²⁵ Choi and Wang, 346.

²⁶ Gan, 218.

²⁷ Choi and Wang, 346.



Figure 3: The performance-enhancing perspective of corporate philanthropy²⁸

Cause-Related Marketing

Cause-related marketing is a mix between corporate philanthropy and sponsorship. Although cause-related marketing results in financial contributions to charitable organizations, cause-related marketing is entirely different from philanthropy because there is no altruistic motivation. The motivation of the firm is strictly strategic and aimed at increasing sales of a particular product. The revenue is then split between the corporation and the nonprofit.²⁹ Cause-related marketing can be considered "subsidized philanthropy." Consumers pay for a product and the company transfers a portion of the money to the nonprofit.³⁰ Some people, however, are adamantly against associating the word "philanthropy" with cause-related marketing, because philanthropy implies altruism. Instead, they refer to the strategic donations as "financially sound goodwill."³¹

History

Cause-related marketing began in 1983 with American Express's partnership with the Statue of Liberty Restoration Project. The agreement was that the Restoration Fund would receive "one cent for every [American Express] card transaction and one dollar for every new card application." The partnership proved successful for both parties. After benefiting from a

²⁸ Choi and Wang, 346.

²⁹ Sundar, S. "Cause Related Marketing: Tactic or Strategy?" *International Marketing Conference on Marketing & Society*, 8-10 April, 2007, 208-9.

³⁰ King, 116.

³¹ King, 125.

27% increase in card usage and 45% more new card applications in the first three months, American Express gave more than \$1.7 million to the Restoration Fund.³² Shortly thereafter, other companies began similar short-term cause-related marketing efforts. In the past ten years, cause-related marketing has developed into long-term partnerships of a company or brand and a charitable cause. Rather than just donating a percentage of profits to a charity after several months, corporations are looking for a lasting "alliance that links the company or brand name with the issue in the consumer's mind."³³

Corporate Benefits

Cause-related marketing is designed to benefit both the corporation and the nonprofit. Corporations can benefit in several ways. First, cause-related marketing may help to encourage product purchases, so the company benefits from increased sales, profits, and market share. Second, cause-related marketing results in heightened brand awareness, which can help attract new customers.³⁴ Next, companies and brands can improve their reputation by being associated with a charitable organization and being "good corporate citizens." Lastly, there is evidence that cause-related marketing encourages "employee loyalty to the company,"³⁵ which can decrease turnover and increase productivity as employees are more motivated. Due to the concept of affect transfer, "consumers' general positive attitudes toward the nonprofit organization could be transferred to the sponsoring brand." Therefore, firms can benefit from positive perceptions that consumers have for a cause.³⁶

³² Sundar, 207.

³³ King, 123-4.

³⁴ Croft, Susan. Managing Corporate Reputation : The New Currency. London, GBR: Thorogood, 2003. <http://site.ebrary.com/lib/americanuniv/Doc?id=10088324&ppg=23>, 146.

³⁵ King, 123.

³⁶ Nan, Xiaoli and Kwangjun Heo. "Consumer Responses to Corporate Social Responsibility (CSR) Initiatives." *Journal of Advertising*, 36.2 (2007): 66.

Retailers have engaged in the most cause-related marketing campaigns, and have contributed the highest amount of money for nonprofits. As an extremely competitive business sector, retailers have engaged in cause-related marketing in order to differentiate their product or brand.³⁷ Today's consumers are overwhelmed with marketing channels due to technology and easy access to communication and information. Therefore, marketers are using cause-related marketing as an alternative to traditional marketing techniques.³⁸ By partnering with a specific charity, companies can publicly portray their values, distinguish themselves from other brands, and create an emotional link with customers and stakeholders.³⁹ Companies are looking for customer loyalty, whether in attracting new customers or retaining current customers, and not just short-term profits. Therefore, cause-related marketing acts as a strategic tool that "adds value" to a brand, allowing the company to partner with a cause rather than compete with a price or innovative strategy.⁴⁰

Nonprofit Benefits

The nonprofit receives financial contributions, often a percentage of the product's profits. Additionally, the nonprofit organization benefits from increased public awareness of the cause and the organization. Nonprofits need awareness in order to gain support from the community.⁴¹ Consumers may be interested in giving a monetary gift, volunteer opportunities, or participation in fundraising events.

Consumer Benefits

³⁷ Barone, Michael J., et al. "Consumer Response to Retailer Use of Cause-Related Marketing: Is More Fit Better?" *Journal of Retailing*, 83 (2007) 438.

³⁸ King, 124.

³⁹ Sundar, 207.

⁴⁰ King, 123-4.

⁴¹ Barone, 438.

While cause-related marketing was designed to benefit both the corporation and the nonprofit, a three-fold benefit exists to the customer. Customers who purchase products receive the satisfaction of knowing that they are playing a part in contributing to a charity.⁴² Consumers are likely unaware of the psychological motivations behind their purchases, but it does play a role in purchase decisions. For instance, when faced with two similar product options, it is likely that a consumer will purchase the product with a percentage of profits donated to a charity.

Maslow's hierarchy of needs can help to explain consumer's motivations. Maslow believed that people are motivated by a desire to satisfy personal needs. Maslow created a five-level hierarchy that outlines consumer's needs, beginning at the most basic and necessary level of physiological needs such as food water, and air. As these needs are met, Maslow asserts the people seek to fulfill safety needs, including job and financial security. Next, people are motivated to satisfy social needs, then esteem needs, and finally self-actualization.⁴³ In recent years, psychologists have noticed that consumers have moved to the higher tiers of the hierarchy and are motivated by "the desire for belonging, self-esteem, self-realization," rather than being concerned with personal wealth and financial security. Cause-related marketing gives consumers a sense of belonging. Consumers feel as though they are not simply purchasing a product; they are part of a much larger group that seeks to help a charity. Next, consumers feel good about themselves for contributing to a cause. Lastly, cause-related marketing can help consumers reach the pinnacle of Maslow's hierarchy, self-actualization. At this stage, consumers are seeking "psychological yearnings for self-fulfillment" through the "pursuit of passions or values." A connection to a cause, even through the purchase of a product, is desired by consumers and has been the driver of success for cause-related marketing.⁴⁴

⁴² Sundar, 207.

⁴³ NetMBA Website. "Maslow's Hierarchy of Needs." Accessed 5 May 2008
<http://www.netmba.com/mgmt/ob/motivation/maslow/>

⁴⁴ King, 124-5

Tactical versus Strategic

Sundar distinguishes between "tactical" and "strategic" cause-related marketing. Refer to Figure 4 below. Tactical cause-related marketing involves short-term partnerships that aim to create a one-time boost in sales. They are often based on transactions at a retail outlet in which the cause has no strategic relevance to the corporation. For example, many companies offered to donate a percentage of their sales for a period of time to Tsunami Relief Funds. Another type of tactical cause-related marketing involves licensing a non-profit logo for a period of time to a company. The company can then place the logo on the product, such as a t-shirt or stationary, and give the charity a percentage of the proceeds from the merchandise.

In contrast, strategic partnerships are long-lasting with hopes of long-term benefits for both the nonprofit and the corporation. Strategic cause-related marketing requires significant thought and guidance from upper management to ensure that this partnership will be positive for the company's future success. Moreover, the cause should "align with the product or service" so that consumers will develop an association with the product and the cause.

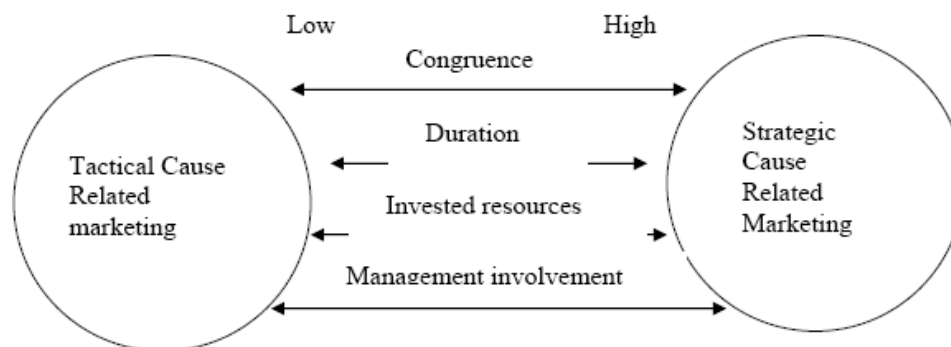


Figure 4: Visual representation of tactical versus strategic cause-related marketing.⁴⁵

Managerial Considerations of Cause-Related Marketing

⁴⁵ Sundar, 210.

Before engaging in cause-related marketing, both corporations and nonprofits have to consider the long-term effects of a cause-related marketing partnership. While cause-related marketing has significant benefits, it is important to note that there are also high risks involved. Most important, nonprofits and organizations must preserve their reputation. As cause-related marketing becomes more popular, consumers are becoming more cynical of corporations' motives.⁴⁶ Both the nonprofit and the organization should do significant research before creating an alliance with each other to ensure that there are no conflicting values or potential issues that may tarnish their reputations. Management should take the time to "assess consumer perceptions of both the company and the candidate charities" before agreeing to a cause-related marketing partnership.⁴⁷ Management must also take into account the following considerations that may affect the success of a cause-related marketing partnership.

Level of Fit

One of the most important considerations of cause-related marketing is how closely aligned or related the retailer and the cause should be, called the level of fit. In general, it is believed that "there needs to be a natural congruence between the company's core business and the cause." Therefore, high levels of fit result in the most beneficial cause-related marketing efforts.⁴⁸ This corresponds with similar marketing techniques in which companies "associate a product with an object possessing positive attributes." The hope is that the object or person's positive attributes will get transferred to the product. Similarly, corporations try to engage in cause-related marketing with a cause that is perceived as positive.⁴⁹

⁴⁶ Croft, 147.

⁴⁷ Barone, 444.

⁴⁸ Barone, 438.

⁴⁹ Nan and Heo, 66.

The exact definition of product-cause fit, however, is unclear because they can be related to one another in several ways. A product and a cause can "serve a similar customer base,"⁵⁰ either the "core customer segment" or a new target market. For example, a women's health organization may partner with a make-up company. It is important that the cause is relevant to the consumers, because several studies have concluded that consumers are more willing to purchase products in cause-related marketing campaigns when the cause is relevant to them. A product and cause can also share a "core value." For example, a book store may partner with a nonprofit dedicated to literacy.⁵¹

Perception of Motivation

Although most research encourages cause-brand fit, some assert that a high level of fit causes consumers to question the corporation's motives. Barone, Norman, and Miyazaki studied this relationship between the company's perceived motives and the level of fit. The research categorized companies' motives as either 'cause-beneficial' or 'cause-exploitative.' Cause-beneficial motivations involve a genuine desire to support a cause, while cause-exploitative motivations are strictly an effort to increase profits. The research suggests that when consumers are more skeptical of the corporation's motives, hence cause-exploitative, it is less crucial that there is a high level of fit between the cause and the product. However, when consumers perceive a cause-beneficial motivation, the level of fit plays a greater role in overall evaluations of the cause-related marketing partnership. A higher level of fit may encourage the purchase of the product. Therefore, managers should be aware of the company's' perceived motivation when deciding which nonprofit in which to engage in cause-related marketing.⁵²

Consumer Affinity for Cause

⁵⁰ Nan and Heo, 65.

⁵¹ Sundar, 210.

⁵² Barone, 444.

Barone, Norman, and Miyazaki also studied the "consumer's affinity for a cause" in relation to the level of cause-brand fit. Naturally, corporations want to partner with causes that "resonate with customers." The research shows that the level of fit between a company and a cause highly favored by consumers does not play a role in the overall evaluation of the cause-related marketing partnership. However, a higher level of fit between corporations and a less favorably regarded cause can make consumers more inclined to support the cause-related marketing effort, in comparison to a low level of fit.⁵³

Donation Proximity

Another factor for companies to consider when choosing a cause to partner with is the "donation proximity," or the "distance between the donation activity and the consumer, and can be categorized as national, regional, or local."⁵⁴ A study by Grau and Folse concludes that consumers are more willing to participate in cause-related marketing efforts that benefit the local community. Moreover, local cause-related marketing partnerships have high potential to be long lasting, which will provide the firm with an advantage over competitors.⁵⁵

The conclusion aligns with two theories. First, the signaling theory suggests that people need tangible evidence in order to make a favorable evaluation. Therefore, consumers are more willing to support donations given to the local community because they can tangibly see the outcome or use of the donation. Second, the social impact theory suggests that consumers are influenced by others "located in the same social space."⁵⁶ As a result, consumers are more eager to support causes that benefit others in their local community. Managers should look to local charities or organizations to gain support of their cause-related marketing efforts. Additionally,

⁵³ Barone, 444.

⁵⁴ Grau, Stacy Landreth and Judith Anne Garretson Folse. "Cause-Related Marketing (CRM)" *Journal of Advertising*, 36.4 (2007): 21.

⁵⁵ Grau and Folse, 29.

⁵⁶ Grau and Folse, 21.

managers can find "local angles for national causes," which can attract local support for a well-known cause.⁵⁷

Brand Consciousness

Managers should also assess the impact of a cause-related marketing partnership on "brand conscious" consumers, or those who typically purchase recognizable brand name products. Brand conscious consumers are aware of the social status and the "reflection of one's own personality" that comes from branded products. A study by Nan and Heo concludes that highly brand conscious consumers are more sensitive to brand image than low brand conscious consumers.⁵⁸ A company's cause-related marketing partnership with a cause may change its image. Brand conscious consumers will be more highly affected by this change in image. Therefore, brands with highly brand conscious consumers must be even more careful when choosing whether to be involved with cause-related marketing and which causes would maintain or enhance the company's image.

Type of Product

The type or use of a product may also affect the success of a cause-related marketing campaign. Utilitarian products are those which have a specific use and are bought out of necessity rather than want, like toothpaste, laundry detergent, and soap. Conversely, hedonic products are those which are bought to satisfy a personal desire like ice cream, manicures, or concert tickets. Studies have shown that consumers are more willing to purchase hedonic products that are engaged in cause-related marketing than utilitarian products.⁵⁹

Procedure

⁵⁷ Grau and Folse, 29.

⁵⁸ Nan and Heo, 67,71.

⁵⁹ Nan and Heo, 65.

A final consideration of management is how to implement the cause-related marketing partnership. While many companies automatically give a percentage of profits or a monetary amount based on product sales, some companies require consumers to take an active part in the process. For instance, Yoplait's cause-related marketing campaign required a great deal of time and effort from consumers. After purchase of the yogurt, the consumer had to clean the lids, and mail them to the company. In general, consumers are more willing to exert effort if it benefits a cause that the consumer feels strongly about or even if consumers have "a propensity to enjoy the process."⁶⁰ The company should assess consumers' willingness and motivation to put effort in the process before deciding how to implement the donation procedures.

Breast Cancer-Related Marketing

Breast cancer is currently one of the most high-profile causes in the United States due to the large amount of companies who have engaged in breast-cancer related marketing. Countless corporations sponsor fundraising events, have started breast cancer research foundations, and are engaged in cause-related marketing. The extent of corporate involvement is unmistakable during the month of October, National Breast Cancer Awareness Month when shelves are lined with pink-colored products. Because of the emphasis on cause-related marketing for breast cancer research funding, breast cancer has been called "a dream cause" for corporations who benefit from increased sales and the reputation of giving to a good cause. In fact, so many companies are taking part in breast-cancer related marketing, that partnering with breast cancer initiatives are no longer a way to differentiate their company. Companies are forced to find new breast cancer-related marketing techniques in order to differentiate themselves from the other companies.⁶¹

⁶⁰ Grau and Folse, 30.

⁶¹ King, 14-15.

Criticism

Because of the "overwhelming number of pink products and ribbons," a campaign called Think Before You Pink was created in 2002. This campaign encourages consumers to consider the company's motivations and the practices behind the donations, like the amount of money that actually goes toward breast cancer research. Additionally, Think Before You Pink brings attention to sponsoring corporations who actually are increasing consumers' risks of developing cancer. For instance, several cosmetic companies, including Avon, have been criticized for selling products that contain potentially cancer-causing chemicals. However, Avon and other companies are responding and removing the potentially harmful chemicals from their products.⁶² Think Before You Pink exemplifies the importance of management to assess the risks and potential criticism of corporate giving or cause-related marketing campaigns.

Case Study

Hundreds of companies have taken part in breast-cancer related marketing initiatives that have raised million of dollars for breast cancer research. Although countless companies' corporate giving and cause-related marketing efforts could be analyzed, this paper outlines only one such company, Avon.

Avon

Avon is a popular cosmetic company that is dedicated to women. For several decades, Avon has started numerous programs to raise money and awareness for breast cancer research, a cause that is relevant to women- its customer base. Since 1992, the Avon Breast Cancer Crusade

⁶² Think Before You Pink Website. Accessed 5 May 2008, <http://thinkbeforeyoupink.org/>.

has raised more than \$525 million, which they have given to numerous breast cancer-related organizations in fifty countries.⁶³

The Avon Foundation was created in 1955 focuses on two main causes: breast cancer and domestic violence. Some of the main programs are the Avon Breast Cancer Research Bridge Program that provides scientists with funding, the Avon Foundation Breast Care Fund which promotes screening, and the Avon Foundation Safety Net Program which gives grants to health care providers that provide breast care.⁶⁴ Avon's most highly publicized breast cancer-related marketing program in the US is the Avon Walk for Cancer, which is held annually in nine cities nationwide. Planned and produced by the Avon Foundation, the walk raises both money and awareness. Each walker is responsible for raising \$1,800. Therefore, all the walkers must actively raise funds and involve family, friends, and coworkers in the event. Many of the walkers are willing to make the effort to participate because they are breast cancer patients, survivors, or have had family or friends affected by breast cancer. Additionally, Avon sells "pink ribbon products." Selected pink-colored products are sold with 100% of proceeds donated to the Breast Cancer Crusade. The products also come with a Breast Health Resource guide as part of Avon's efforts to educate women on breast health and screening.⁶⁵

Avon's long-term dedication to breast cancer research has effectively positioned the Avon brand as dedicated to breast cancer initiatives. Most consumers perceive altruistic motivations of Avon's efforts due to the foundation grants and 100% donation of cause-related marketing products. The natural cause-brand fit and the relevance of breast cancer to the target market have helped Avon's efforts to be successful. Avon has received high brand recognition as a result,

⁶³ Avon Website. Accessed 28 April 2008, <http://www.avoncompany.com/women/avoncrusade/index.html>.

⁶⁴ Foundation Directory Online. "Avon Foundation." Foundation Center, 2008, <http://www.foundationcenter.org/>

⁶⁵ Avon Website.

especially with advertising the Avon Walk for Breast Cancer. It is clear that Avon has both altruistic and strategic reasons for its support of breast cancer research, and the company is effectively engaged in corporate philanthropy.

Future Research

Corporate philanthropy and cause-related marketing are subjects that merit considerable more research, especially as they continue to evolve in the future. In particular, the changes in breast-cancer related marketing will be interesting to study. It is unclear whether corporations will continue supporting breast cancer foundations using new techniques or if another cause will become "popular" for corporate support as differentiating marketing technique. It would also be insightful to focus on one breast cancer research foundation, such as the Susan G. Komen Breast Cancer Research Foundation and follow the historical sponsorships and giving trends of corporations. Researching corporate and nonprofit partnerships provide valuable insight to managers in regards to choosing a charitable partner to further the company's strategic goals.

Works Cited

Assistant Director of Global Women's Health Advocacy. Telephone interview. 3 April 2008.

Avon Website. Accessed 28 April 2008,

<http://www.avoncompany.com/women/avoncrusade/index.html>.

Barone, Michael J., et al. "Consumer Response to Retailer Use of Cause-Related Marketing: Is More Fit Better?" *Journal of Retailing*, 83 (2007) 437-445.

Choi, Jaepil and Heli Wang. "The Promise of a Managerial Values Approach to Corporate Philanthropy." *Journal of Business Ethics*, 75 (2007): 345-359.

Cohen, Todd. "Corporations Turn to Strategic Giving." *Philanthropy Journal*, 18 September 2007.

Collins, Mary Ellen. "Good Deal! How to Secure the Right Business Sponsorships that Benefit your Organization and Your Corporate Supporters." *Advancing Philanthropy*, Sept/Oct 2005.

Croft, Susan. Managing Corporate Reputation : The New Currency. London, GBR: Thorogood, 2003. <http://site.ebrary.com/lib/americanuniv/Doc?id=10088324&ppg=23>

Digene Website. Accessed 3 April 2008, <http://www.digene.com/about/about.html>.

Foundation Directory Online. "Avon Foundation." Foundation Center, 2008,

<http://www.foundationcenter.org/>

Gan, Ailian. "The Impact of Public Scrutiny on Corporate Philanthropy." *Journal of Business Ethics*, 69 (2006): 217-236.

"Global Summit of Women Launches Consortium to End Cervical Cancer." Digene Website.

Accessed 3 May 2008. <http://investor.digene.com/phoenix.zhtml?c=82439&p=irol-newsArticle&ID=1018049&highlight=>

Grau, Stacy Landreth and Judith Anne Garretson Folse. "Cause-Related Marketing (CRM)" *Journal of Advertising*, 36.4 (2007): 19-33.

King, Samantha. Pink Ribbons, Inc. Minneapolis: U of Minnesota P, 2006.

Male, Richard. "How to Work with Corporations: Marketing vs. Philanthropic Dollars."

Nonprofit Agenda, Jan/Feb 2008.

Nan, Xiaoli and Kwangjun Heo. "Consumer Responses to Corporate Social Responsibility (CSR) Initiatives." *Journal of Advertising*, 36.2 (2007): 63-74.

NetMBA Website. "Maslow's Hierarchy of Needs." Accessed 5 May 2008,

<http://www.netmba.com/mgmt/ob/motivation/maslow/>

Paine, Lynn Sharp. Value Shift : Why Companies Must Merge Social and Financial Imperatives to Achieve Superior Performance. Blacklick, OH: McGraw-Hill, 2002.

<http://site.ebrary.com/lib/americanuniv/Doc?id=10152931&ppg=34>

Sundar, S. "Cause Related Marketing: Tactic or Strategy?" *International Marketing Conference on Marketing & Society*, 8-10 April, 2007.

Think Before You Pink Website. Accessed 5 May 2008, <http://thinkbeforeyoupink.org/>.