CAUSE RELATED MARKETING - AN INDIAN OVERVIEW

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Abstract

The Indian market has witnessed all types of organizations ranging from national to multinational to regional as well as local adopting cause related marketing (CRM) practice since the late nineties. They started partnering with non-profit organizations linking brands to social cause. The main focus of this study was to provide insights about the extent and nature of CRM prevalent in the Indian market. This study was motivated by the fact that very little data pertaining to CRM practices in India was available in the academic as well as non-academic sources. This study examined various CRM initiatives that were announced during 1999 to 2014. These were identified by conducting an internet search using key word as well as visiting company and partnering organizations websites. One newspaper and one business magazine for those years were scanned. Only those CRM activities were included which satisfied definitions provided by Varadarajan and Menon (1988) or Kotler and Lee (2005) These initiatives were analyzed by classifying them on a variety of parameters like type of company, type of partnering organization, nature of cause, type of brand etc. 142 initiatives were recorded over 16 years. Very few regional and local organizations seem to have adopted using CRM as a marketing practice. Non-durable essential brand like salt and tea were found to be using CRM more than other categories. More work in this area which investigates consumer insights about CRM would be enhance effectiveness of such programs.

Introduction

Increasing competition has forced organizations to deploying innovative ways to attract consumers (Sunder, 2007). To ensure differentiation and a more durable long term impact on the consumers‟ organizations have started connecting with a social cause (Lauer, 2010, Berger et al, 2004). Since the nineties Indian companies have also started embracing cause related marketing (CRM) as a serious marketing tool. Increasing media coverage about social and environment related issues have led to increased consumer awareness and possibly sensitivity towards these issues. Capitalizing on this, Indian organizations have started adopting CRM by connecting its marketing and sales objectives to a social cause. A wide range of Indian organizations ranging from small individually owned restaurants to national and multinational players like TATA, P&G, HLL, Citi bank have all adopted this form of marketing practice.

Therefore, it is of utmost interest to both the marketers and academicians alike to have a systematic insight about frequency and nature of these activities along with consumer‟s

reaction to these. Very little work is reported pertaining to Indian consumers and CRM activities in India. This research will help in adding to the sparse body of literature that exists by examining the kind of practices that prevail in India and providing some insights about the consumers awareness and preference for the cause. This research will further attempt to draw managerial implications and agenda for future research.

Review of Literature

Literature has defined CRM in many ways but the most used definition describes CRM as "a process of formulating and implementing marketing activities that are characterized by an offer from the firm to contribute a specified amount to a designated cause when customers engage in revenue-providing exchanges that satisfy organizational and individual objectives" (Varadarajan and Menon1988). Kotler and Lee (2005) have defined it as "donating a percentage of revenues to a specific cause based on the revenue occurring during the announced period of support".

While Roy and Graeff, (2003) have called it "a strategy linking a firm"s products with charity causes that pull the target market". Gupta and Pirsch (a), (2006) have called it a "process of Formulating and implementing marketing activities that are characterized by an offer from the firm to contribute a specified amount to a designated cause when customers engage in revenue-providing exchanges to induce favorable responses from all company stakeholders which in turn satisfy organizational and individual objectives".

In order to conduct CRM program organizations in most cases partner with a non-profit organization/government body already working towards a social cause. Varadarajan and Menon (1988) have specified six broad objectives for CRM partnerships:

    a.   Increasing sales
    b.   Enhancing Corporate stature
    c.   Thwarting negative publicity
    d.   Customer pacification
    e.   Facilitating market entry and
    f.   Increasing the level of trade merchandising activities for the brands promoted

Organizations are finding it advantageous to link themselves with good causes via CRM activities as they have a dual advantage. First they can be easily customized and they are cost effective means for achieving corporate objectives (Till and Nowak, 2000). Research has indicated that deploying CRM leads to positive consumer perceptions about the organizations and could result in higher purchase intention for the brand (Webb and Mohr, 1998; Barone et al, 2000; Nan and Heo, 2007; Dean, 1999; Hoeffler and Keller, 2002 and Meenaghan and

O"Sullivan, 2001).Consumer response to CRM with respect to strengthening corporate credibility perceptions, brand loyalty, attitude towards the brand and the cause have been empirically tested by many researchers. (Yechiam et.al. 2003; Brink et al., 2006; Lafferty and Goldsmith, 2005; Gupta and Pirsch (b), 2006). Other advantages of associating with social cause are that not only does it render a long term impact on the consumer but also creates an emotional bonding. Such associations tend to influence consumer perceptions with respect to the organization and in turn affect consumer evaluation of products or services offered by the organization (Brown and Dacin, 1997). The cluster of corporation, cause and customer must have a fit between these themselves to achieve CRM objective (Gupta and Pirsch (b), 2006). Partnering with good causes signals company values which could result in customer loyalty and enhancing reputation if they match consumer"s self-image (Adkins, 2005, Schiffman at el, 2007). Further, associating with social charitable activities has a tax benefit in many countries. It can be a win-win situation for both corporates and charitable organizations if used judiciously. (Stole,

2006).

Few academic studies were found to be investigating Indian CRM practices and consumer response towards them. Sundar (2007) has provided examples to explain how to classify CRM activities into tactical versus strategic using Indian examples. Ferlea et al (2011) have compared attitude of Indian and North American consumers towards CRM. Consumer awareness about CRM has been studied in the context of developed economies as a whole by Webb and Mohr (1998) but no such information was available in case of India in the public domain.

Very little information is available about the extent and nature of CRM activities which are happening in the Indian market. This study is an attempt to systematically record and classify CRM initiatives over 14 years.

Objectives and Research Questions

Though media reports growing number of CRM activities in India no systematic record of the frequency and nature of these activities is found in the public domain. Very little is known about consumer awareness with respect to these activities and their preferences regarding them. This study is a part of an ongoing research. The main objectives addressed here are:

(i)   To probe the extent of cause related marketing practices followed by Indian organizations from 1999-2012

(ii)   To examine the nature of CRM initiatives in India

(iii) To draw managerial implications for future

The key research questions which were framed from the above objectives were:

(i)   How many CRM initiatives were announced in the last decade in India?
(ii)   What was the social cause involved?
(iii)   What kinds of organizations were doing these activities?
(iv)   What was the nature of patterning organizations?
(v)   What was the average duration of these activities?
(vi)   What was the nature product/brand involved?
(vii)   What was reach of the activity?
(viii) What was the amount linked/committed to thebe donated?

Research Methodology

In order to answer the first objective a content analysis of the CRM activities carried out by companies in the last 14 years was done. Content analysis was considered to be an appropriate method as it helps in recording data in an objective, systematic and quantitative form Berelson (1952). A random search using Google for details, reports, advertisements etc. about these initiatives were recorded using a variety of key words like „Cause related marketing India", „Cause marketing", „CRM initiatives India", names and slogans of currently ongoing CRM activities like „Shiksha",. Based on the findings company and partnering organizations websites were visited for further details about the CRM. Using newspaper and magazine reports along with information available on the company website and internet details about the CRM initiatives were identified and documented. Articles which had appeared in one newspaper „The Economic Times" and one Indian magazine „Business Today" were scanned.

Details about the CRM like, Name of the organization and the brands involved, type of organization, partnering institute/NGO if any, year and duration of the activity, nature of cause,

name of brand, pack size, reach of the initiatives, amount linked/committed. Only those initiatives which satisfied the elements of the definition provided by Varadarajan and Menon (1988) were noted and included in the content analysis. They were further classified based on nature of organization, activity and its duration. Based on this, inference regarding extent and nature of CRM practices in India were drawn.

Findings and Analysis

Extent and nature of CRM

Though a large number of social initiatives were found during the study only 142 of these could satisfy the conditions stated in the definition by Varadarajan and Menon (1988). Large numbers were falling under the broader head of Corporate Social Responsibility (CSR) where the consumer was not directly involved. CRM initiatives started increasing in the early 2000 and reach a peak in the years 2005(20) and 2006(20), after which the Indian market has again seen a decline in these activities. There was significant ($\chi2 = 42.000$, $\alpha < 0.05$) difference in the number of initiatives over the years.

National organisations (66) were found to using CRM the most closely followed by the multinationals (58) as seen from Table 1. There was significant difference in the type of organizations which were observed adopting CRM (Table 2). This form of activity has still not picked up momentum with regional and local companies as seen from Table 1. Majority of the organizations decided to partner with private NGO"s for CRM activities (Table 1). 10 initiatives by organizations were found to have repeated the CRM activity over the years. Child Rights and You (CRY) was found to have partnered maximum (66) number of such initiatives with both large and small organizations. Not taking into account initiatives that were more long term in nature (>12 months) the average CRM was found to have a duration of 3months. This period in some cases were repeated over the years like TATA „Desh Ko Arpan" activity.

Majority (129) of the activities were associated with just one cause while a few (13) were linked to multiple causes. Children education was a cause which most organizations were promoting (50.7%). Non-durable essential (eg. Salt, Tea, notebooks etc.) Products / brands were promoted more often through CRM in comparison to all other type of categories (Table1). There was a significant difference in the nature of product/brands which the organizations were promoting using CRM (Table 2). The average number of brands that were associated with one initiative was m=2.46 with maximum being 18 brands. There were 3 instances where a large number (> 5) of brands from a single organizations were all associated to the same CRM activity. Majority of the initiatives were linked to such products/brands whose market segment was upper middle and above (Table 1).

Table 1 Cause Related Marketing Practices	Frequency	Percentage
Type of organization		
Multinational	58	40.8
National	66	46.5
Regional	9	6.3
Local	9	6.3
Type of Partner		
Govt	6	4.2
non govt	106	74.6
govt and non-govt	8	5.6
none specified	10	7
Type of Product Category		
Non-durable essential	53	37.3
Non-durable lifestyle	37	26.1
Durable	12	8.5
Service	32	22.5
Type of Cause		
Education (children,women, youth)	73	51.4
Health	9	6.3
Enviromnet	21	14.8
Underprevilaged	11	7.7
Old age	2	1.4
Multiple	22	15.5
Segment Addressed		
All	25	17.6
upper middle and above	106	74.6
higher and above	11	7.7
Reach		
National	119	83.8
Regional	6	4.2
Metros	6	4.2
Local	8	5.6

Table 2 Chi-Square Results

Frequency	Chi-square	df	Sig.
Type of Organizations initiating CRM observed	80.028	3	0.000
Multinational	58		
National	66		
Regional	9		
Local	9		
Type of Partner	221.877	3	0.000
Govt	6		
non govt	106		
govt and non-govt	8		
none specified	10		
Type of Product Category	25.582	3	0.000
non durable essential	53		
non durable lifestyle	37		
Durable	12		
Service	32		
α= 0.05			

13 initiatives were found to explicitly mention that the contribution was only when a large pack of the brands was purchased, while all the others did not specify any details. 74.64% of brands where CRM was linked catered to upper middle and above market segment. The CRM were broadly classified into two types one where the organization said that „on purchase of every unit a fixed amount will be donated to the cause", and others where they said that „a fixed percentage from the revenues of that brand sales" would be donated to the cause. The proportion of both these was found to be equal. In majority of the cases (84.28%) the percentage to be contributed was not specified anywhere. 120 initiatives on completion announced the amount that they had contributed for the cause while 11 initiatives had a pre committed the donation amount.

Managerial implications

The initiative should be unique so that it differentiates you from the competitor. It was very difficult to find details about CRM activities, especially with respect to the results. In order to achieve the objective of the CRM it is necessary to communicate the details of the activity and their ultimate outcome. Also the nature of design that was found very often made it appear like a short term sales promotion. Hence, CRM activities need to be better designed so as to appear like a strategic activity. Most initiatives were dealing with national issues with a regional focus at times. As familiarity of cause has shown to have better effect on consumer attitude (Lafferty et al, 2004) focusing on the locals cause might result in better response.

Conclusions

The current study provides an enhanced understanding of CRM activities undertaken by Indian companies. In India organizations have been addressing social cause but very few have linked them as a part of their marketing activity where the consumer and the organization both contribute. Most initiatives that were examined seem to lack a strategic focus which is in confirms observations made by Sunder (2007). Consumers need to feel confident that the organization is serious about a cause and that will happen only and only if they the organization

is involved with the cause for long term. Though this study gives us an idea about the extent of CRM being carried out in India, it is not exhaustive. As this study had to rely on secondary data it can only be treated as a first step to understanding CRM practices in India. Future studies need to approach the organizations to get practitioners insights about CRM objectives and effectiveness. Consumer insights with respect to CRM need to examined in future studies. Research on consumer preferences and perceptions about the brands linked to CRM would provide valuable insights to mangers involved in these activities.

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