

THE EFFECTS OF CAUSE-RELATED MARKETING ON CONSUMER RESPONSE TO BIG BOX STORES

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ABSTRACT

A field experiment was conducted to study the effects of cause-related marketing on three different consumer responses to big box stores (e.g., Wal-Mart and Costco). The hypotheses were that consumers' perceptions of, attitudes toward and emotional ties to a big box store would be positively impacted by a cause-related marketing campaign, and that the attitudinal effect would be greater among women than men. The study results support the hypotheses and thus provide evidence that the cause-related marketing is an important tool for big box stores to maintain and restore a positive brand image.

INTRODUCTION

Over the years, the notion of corporate social responsibility (CSR) has been incorporated as part of the business model by most leading organizations. CSR is known to increase trust and loyalty in a particular brand. Organizations demonstrate corporate social responsibility in a number of ways. Some of these include corporate philanthropy, participating in or sponsoring community events and cause-related marketing (CRM) [1, 2]. CRM is "the process of formulating and implementing marketing activities that are characterized by an offer from the firm to contribute a specified amount to a designated cause when customers engage in revenue-providing exchanges that satisfy organizational and individual objectives" [3, p. 543]. In a CRM campaign, a company promises that for every transaction customers make, a certain amount will be given to a charitable organization. It is an innovative marketing strategy, which if done right, can help companies differentiate themselves from their competitors [4].

What sparks the current project is the reading of a Wal-Mart's PR event. Wal-Mart and other big box stores often have strained relationships with the communities they serve. When Wal-Mart came under fire for exploiting employee work benefits, the negative publicity forced management to engage outside PR firms to help repair their image [13]. The PR firms suggested that, while the Wal-Mart reputation could be repaired with a public relations campaign, the company needed to do more to become a part of the community. Target, they said, has avoided some of the criticism Wal-Mart has had because of the respect they have garnered with the communities they serve. The PR firms told Wal-Mart to adopt cause or "Angel" marketing in order to gain an emotional tie with the community. This, they told Wal-Mart management, would help promote a more positive image in much the same way as it has helped Target.

To what extent is the CRM effective? How do consumers respond to CRM carried out by companies, such as big box stores? This project is designed to address these questions. Specifically, we test three hypotheses on consumer response to CRM. Findings of this project can help big box stores gain confidence in using CRM to positively affect their customers and potential consumers.

Literature Review

Corporate identity is how an organization presents itself to its shareholders, customers, and employees through the communication, behavior, and symbols it uses [5]. It is the public's perception of a corporation through experiences and interactions with it. Studies have shown that CRM campaigns were effective and "that they influence brand affinity and, in turn, brand equity as well as consumer perception, loyalty and purchase behavior" [5, p. 269]. In addition, companies also use CRM to strengthen their mental and emotional ties with the community by promoting a positive corporate identity. It is branding that drives the success of most organizations. Research has shown that consumers can support a charitable organization by giving small amounts through CRM campaigns without having to make additional transaction costs [3]. This makes donating through CRM campaigns very lucrative. CRM becomes the core of a company's portfolio because it is one of the tools that corporations use to demonstrate their corporate social responsibility [5].

Three cause factors - cause type, cause scope, and cause acuteness - have been shown to affect CRM. The cause type refers to what is being threatened, be it primary or secondary needs. Cause scope encompasses both the location and proximity of the cause, and cause acuteness refers to the immediacy such as sudden disaster or ongoing tragedy. Studies have indicated that if consumers identify with the cause, and the cause is in closer proximity, they have more positive feelings towards the marketing campaign. In addition, the effects of cause scope are positive toward corporate image if it is local as opposed to international [6].

Cause-fit is another important variable in a CRM campaign. Cause-fit is how closely the cause fits with the values and overall composition of the business that carries out CRM. A study was conducted to determine how much the fit of a cause to the company affects the evaluation of the marketing strategy [7]. The results indicate that the cause-fit attribute is affected by consumers' perception of the corporation's motive, consumers' affinity with the cause, as well as the relationship between these two variables. This suggests that very often, marketing phenomena cannot be studied solely based on whether or not the cause fits the firm; it is important to take a more ornate approach in examining consumers and the marketplace. Consumers' personal connection with the cause, their affinity for the cause, can be examined in terms of their level of altruism. In a study of in-house insurance and personal hygiene consumers, results show that altruistic customers base their judgment on cause-fit and non-altruistic consumers based their judgment on brand credibility [8].

Although brands had significantly more influence on consumer purchasing behavior than did the cause, a study showed that if consumers were more familiar with the brand than cause, they were more likely to be affected by CRM [9]. The conclusion of this research implies that companies should display their brands in relatively plain sight in their advertising messages when they use CRM, unless their brands are lesser-known than the cause.

The effect of cause-related marketing on consumers' loyalty to brands is also of significant importance [10]. In an experiment showing storyboards of an imaginary company and brands with both high and low involvement items, researchers found that brand loyalty is significantly enhanced with the onset of cause-related marketing as long as the company shows long-term commitment (strategic marketing) to the campaign. And finally, gender differences were also revealed in a study of AIDS and breast cancer causes. They found that women were more involved with the causes than men [12].

Hypothesis Statements

The hypotheses in this study are based on the premise that a large retail store like Wal-Mart can create a more positive impact on consumers through cause-related marketing. We studied three important consumer responses - emotional ties, perceptions, and attitudes. Specifically,

H1: Compared to a non-CRM ad, a CRM ad will create more positive emotional ties to “Big Box” stores in the community.

H2: Compared to a non-CRM ad, a CRM ad will increase consumers’ perceptions that “Big Box” stores have a greater social awareness in the communities they serve.

H3: Gender will moderate the effect of CRM and non-CRM ads on consumer attitudes, such that stronger differences in attitude will be observed among women than men.

METHODS

Study Design

The objective of this study was to investigate the relationship between cause-related marketing campaigns and consumers’ attitudes, perceptions and emotional ties towards Big Box Stores. A between-subjects design was used with type of ad (CRM ad vs. Non-CRM ad) as the independent variable. Print ads for a fictitious big box store were created for the study. The ad with message such as “Save an extra 5%” was designated as non-CRM ad and the ad with message such as “5% of sales will go to local schools” was designated as CRM ad. Participants were randomly assigned to review one of the two ads.

Participants

A total of 60 adults (50% females) completed the study. Forty (66.7%) of the participants were 18 to 35 years old the rest of 20 (32.3%) were 36 years or older. Eighteen participants (46.7%) had income less than \$50,000. Twenty five participants (41.7%) reported having an income between \$50,001 and \$100,000. Seven participants (11.7%) had income of more than \$100,000. Eighteen participants (30%) reported being married. The rest of 42 participants (70%) were single, divorced, separated or widowed. Twenty one participants (35%) reported having children under the age of 18 years living at home with them, and 69 participants (65%) reported that they did not have children under the age of 18 years living at home with them. Twenty nine participants (48.3%) reported that they owned their place of residence, whereas participants (51.7) reported that they rented their place of residence.

Measures & Procedures

Potential participants were stopped and asked two screening questions: 1) if they were 18 years old and 2) if they do most of their shopping in brick and mortar stores. The screened participants were then randomly assigned to receive either the CRM ad or non-CRM ad and completed the following measures. A definition for *Big Box store* was provided for them: A large retail chain store that sells both dry goods and/or groceries. They can offer lower prices because they buy products in high volume. They are also called supercenters, superstores, and megacenters. Noticeable examples are Wal-Mart and Costco.

Emotional tie to the advertisement was measured by 5 items (Cronbach’s $\alpha = .925$). All the items were measured on a semantic differential (interval) scale with bipolar emotions on both ends. This item is

introduced with the following: “While shopping at Big Box A, I will feel.” Sample items were (a) Happy to Sad and (b) Excited to Dull. Consumer perception about the big box stores was measured by 4 items (Cronbach’s $\alpha = .902$). All the items were measured on a Likert Scale ranging from “1” being “strongly agree” to “5” being “strongly disagree.” Introduced with “I feel that:,” sample items were (a) Big Box A as a store that connects with its local community and (b) Big Box A supports society's well-being. And finally, consumer attitude was measured by 4 items (Cronbach’s $\alpha = .906$). All the items were measured on a Likert Scale ranging from “1” being “strongly agree” to “5” being “strongly disagree.” The items were introduced with “I believe that:,” and sample items were (a) Big Box A is very appealing to me and (b) I enjoy shopping at Big Box stores. Some “filler” questions, such as “I always find parking spots when I shop at Big Box stores” were included to help disguise the true purpose of the study. Demographic information including gender, age, income, marital status, children, and residency were gathered at the end of the study.

RESULTS

An Independent-samples t-test was conducted to test H1 and H2, respectively. For emotional tie, it was observed that respondents had a lower average response to the CRM ad ($M = 2.37$) than they did to the non-CRM ad ($M = 2.94$), $t(58) = 2.64$, $p < .01$, indicating participants had more positive emotional ties after being exposed to CRM ad than after being exposed to non-CRM ad. Hence, H1 was supported. Similarly for consumer perception, it was observed that respondents had a lower average response to CRM ad ($M = 2.27$) than they did to non-CRM ad ($M = 3.35$), $t(58) = 4.48$, $p < .001$, indicating a more positive consumer perception about big box stores among the respondents when CRM is used as part of a big box store advertising campaign. Hence, H2 was supported, too.

A two-way (Type of Ad x Gender) ANOVA was submitted to test H3. The results showed there was a significant interaction between gender and the type of ad viewed, $F(1, 56) = 40.63$, $p < .001$. This suggested that gender moderated the effect of ads on consumer attitudes. For male participants, those who were exposed to the CRM ad scored less on attitude measure ($M = 2.57$) compared to those who were exposed to non-CRM ad ($M = 3.06$), $t(28) = 2.095$, $p < .05$. This suggested that CRM ad could lead to more positive attitudes toward big box stores among males. Similar results but with stronger differences were observed for females: those who were exposed to the CRM ad scored less on attitude measure ($M = 1.92$) compared to those who were exposed to non-CRM ad ($M = 4.18$), $t(28) = 15.045$, $p < .001$. This suggested that compared to male participants, female participants displayed greater attitudinal changes in response to CRM and non-CRM ads, thus lending support to H3.

CONCLUSIONS AND DISCUSSION

The purpose of this study was to understand the relationship between consumers in a community and the big box stores they shopped at. The study results showed that compared to non-CRM ads, CRM ads generated more positive emotional ties to big box stores, and more positive perceptions about the social responsibility of big box stores. Also, as expected, such different responses in attitudes were stronger among females than among males. The findings thus indicate that “Big Box” stores can anticipate a positive response from consumers when a CRM is used as part of a “Big Box” store advertising campaign. This may enhance their confidence that big box stores can create a more positive image in the communities they serve by employing CRM in their business practice.

Consumers experience a positive sentiment about shopping in a place that supports causes in the communities in which they operate. They want to be a part of this supporting network. This gives the

Big Box store a competitive advantage which trickles to increase in sales that ultimately generate profits. By using a CRM advertising campaign a big box store can positively increase its brand image and perception. Consumers will perceive the “Big Box” store as socially responsible and caring for their community, thus forming a positive brand image in their minds. Ultimately, this leads to an increase in brand loyalty.

When implementing a CRM campaign, it is recommended that special interest be given to the female population. In light of our findings, CRM campaigns are more effective with the female audience and therefore, they should be the target market.

In this study we asked if the image of a company in particular “Big Box” stores can be positively impacted by cause-related marketing. Our study confirms that a company can restore their public image by use of CRM campaign. The results support a previous study in which the PR firm’s asserted that Wal-Mart should use CRM to offer direction for them to become more involved within the community and to create a positive related tie to consumers [13]. When planning a CRM campaign, Big Box stores should focus on female consumers for best results.

While the information about consumer perception of big box store who utilize CRM indicates a positive response from consumers, the study was limited by time and geographic constraints. The results of this study are significant enough to suggest that further studies on CRM, utilized by big box stores, and the consumer perception are warranted. The small sample in this study should be expanded to include larger geographic and socioeconomic groups. Also, only gender information was analyzed in the current study. Further analysis of other demographic data would provide big box stores with additional information about income, marital status, children living at home and property ownership and how they are perceived among these groups when they engage in CRM.

Finally, while this study provides interesting results about the positive effects of CRM on consumer responses, it does not test which type of CRM produces the best results. The study choose a CRM advertisement that provided money to schools based on the consumer purchase and suggested that this was a way for consumers to support their community. Future studies can test a local vs. national or international cause and may provide more insight into which cause will produce the best result.

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