Cause Related Marketing Versus Corporate Social Responsibility: A Modern Marketing War

Sheetal Soni

Abstract

Cause-related marketing is an established and successful marketing communication technique aimed at creating a more loyal consumer base and producing a competitive advantage. It is a good source of 'giving back' to the community and making a large social impact. Cause-related marketing has been getting an exceptional space in the core of marketing strategies due to the fact that cause-driven consumerism has become a trend, and it is the consumers that end up humanizing one another on why their brand (and their identity with that brand) is more socially responsible than the other. But to what degree is “Doing Good” setting a standard for Corporate Social Responsibility (CSR)? How far can CSR activities (that is, the outcome of a company’s social accountability and a norm to be followed by every company) lead over cause-related marketing strategies? The present paper is an exploratory study and portrays an association and comparison of the corporate social responsibility activities and cause-related marketing strategies in the light of the Indian scenario.

Keywords: Cause Related Marketing (CRM), Corporate Social Responsibility (CSR), Companies Act 2013, Social impact, Consumer.
1. INTRODUCTION
Business contribution in social welfare was initiated as a deliberate response to social issues and then adopted by various companies. This later on evolved into a phase of mandatory requirement, and now in the modern scenario, marketers consider social responsibility activities as a corporate investment (Varadarajan & Menon, 1988). Corporate Social Responsibility (CSR) includes informal expectations that society has from companies in the way they treat stakeholders, such as customers, communities, employees and suppliers, along with their treatment of the environment. These expectations have led companies to engage themselves in social and environmental causes. But now after enactment of Schedule VII of the Companies Act 2013, CSR activities are considered as the normal course of business. CSR which has largely been a voluntary contribution by corporates has now been included in law (Grant Thornton, n.d.). New amendments have given a new definition to corporate social responsibility for companies. On the other hand, some social responsibility initiatives are expressed as a part of marketing strategy called cause-related marketing (CRM) strategy, which has its own definition describing it as a marketing approach wherein an organization supports a cause and associates itself publicly with such a cause. Cause-related marketing strategy aims to promote a campaign backed by results such as improving the perception of the firm or product, increases sales, helps the firm stand out in a crowded marketplace, and builds a company that employees are proud to work for. Some companies communicate their CSR activities in the veil of cause-related marketing strategies. But they are making a blunder by not realizing the knowledge and awareness of today’s educated customer. Today’s customer can differentiate between the law and voluntary activities. Thus, the challenge for the management becomes more serious in terms of understanding the real needs of stakeholders and the way in which CSR and CRM programs may affect different audiences.

2. LITERATURE REVIEW
In India, there is an increasing recognition that business cannot succeed in segregation and social progress is essential for sustainable growth (Ernst & Young, 2013). In today's cut-throat flea market, however, only philanthropic intent can no longer rationalize charitable giving and expenditures related to charitable activities. Sophisticated customers and stakeholders are looking at the behaviour of the firm; are companies donating just to gain goodwill or are they truly concerned about particular issues? For their part, corporations regard their contributions today not as outright donations but as investments that are intended to benefit the company as well as the recipients (Schwartz, 1996 adopted from (Bronn & Vrioni, 2001). There are various environmental issues that surround India, such as deforestation, loss of biodiversity, unlawful wildlife trading, air pollution, water pollution, and exposure of Indian population to natural disasters, among other issues. Companies are aligning such social causes along with their product/brand to create awareness and distinct recognition in terms of social behaviour.

2.1 CORPORATE SOCIAL RESPONSIBILITY: REDEFINED BY COMPANIES ACT 2013
The term corporate social responsibility came into existence in the early 1970s. The best CSR practice has both moral and rational magnitude, predominantly in India where there is a large gap among sections of people in terms of income and class as well socio-economic status (Bajpai, 2001 adopted from (Ernst & Young, 2013). As per Companies Act 2013, social
responsibility activities are being counted as a new dimension of accountability rather than a voluntary philanthropy. According to a survey conducted by Forbes India (2013) of nearly 100 top listed companies, there are numerous companies, even among the top 100 firms by revenue, who don't disclose their spending on CSR or not even declare the social causes they support. Forbes India (2013) suggested that companies are not compelled to disclose this by law, which results in them not believing it necessary to do so. But this situation is expected to change due to the effect of the new Companies Act (Jayashankar, Paul, & Bhat, 2013).

According to the Companies Act 2013, Section 135 applies to every company, which has a net worth of INR 500 crore or more; or turnover of INR 1,000 crore or more; or a net profit of INR 5 crore or more during any financial year. The board of every covered company shall ensure that the company spends, in every financial year, at least 2% of the average net profits (calculated as per Section 198) of the company made during the three immediately preceding financial years, in pursuance of its CSR Policy (Ernst & Young, 2014). Thus, reporting of CSR activities will help businesses claim their business practices as being more responsible.

In a survey of the top 100 Indian companies, conducted jointly by Forbes India and CSR identity.com in 2012, there were only a few companies who disclosed their CSR spending or the cause they are associated with. Out of these 100 companies, only three companies' spend on CSR was higher than the new law's mandatory required 2 percent (Jayashankar, Paul, & Bhat, 2013). In 2014, a survey of 214 companies conducted by futurescape and IIM Udaipur along with Economics Times, concluded that only about 18% of all companies surveyed met the mandatory 2% spending norm (Majmudar, Rana, & Sanan, 2015). Mahindra and Mahindra occupied the top position in the list of CSR spending companies. Other than Mahindra, there were four Tata group companies that led the pack. In 2012, Mahindra & Mahindra had spent less than 1 percent on CSR, whereas in 2014, the company has gained top position in the list of Economics Times by spending what is mandated by the new laws of CSR. Tata Steel’s total spending in 2014-15 on CSR was INR 171.46 crore, which is 2.04 percent of its last three years' average profit(Majmudar, Rana, & Sanan, 2015) whereas in the year 2012, Tata Steel’s total spending of CSR was 2.67 percent (Jayashankar, Paul, & Bhat, 2013). Therefore, few companies used to spend a good amount on CSR prior to the new Companies Act, but the 2 percent directive has led them to limit their focus and concentrate on a fixed sum.

Therefore, the mandated 2 percent figure has in fact led to a reduction in the amount spent on CSR by some companies. Now the focus of these companies has shifted to adhering to the 2 percent amount, thereby limiting them in scope and expenditure on CSR activities.

The necessity of CSR should be regarded as an opportunity to have a constructive impact on the communities where the company operates, and in the communities the companies have an effect on. That's why companies require viewing CSR as a necessary cost and not an onerous reporting requirement (Adukia, n.d.).

2.2 CAUSE RELATED MARKETING: MODERN MARKETING STRATEGY

Cause-related marketing has grown substantially since
its inception in the early 1980s when American Express used this measure to generate funding for the restoration of the Statue of Liberty. The technique offers a platform for mutually beneficial interaction between consumers, business, and non-profit organizations in commercial settings (Adkins, 1999). Varadarajan and Menon (1988) state that: “Cause-related marketing is a marketing activity: a way for company to do well by doing good.” Hamish Pringle and Marjorie Thompson (2001) describe cause-related marketing as, “A strategic position and marketing device that links a company or brand to a related social cause or issue for mutual benefit.”

The growing evidence of success of cause-related marketing is that today customer patronizes those corporate houses that seek to address the societal issues by means of cause-related activities (Creyer & Ross, 1997). Adding up, cause-related marketing activities also work as a basis of competitive advantage for those who want to differentiate themselves and enhance their overall reputation (Keller & Aaker, 1997). In a nutshell, cause-related marketing activities are a win-win situation for everyone; it is a ‘win’ for the cause or charity, a ‘win’ for the consumer and certainly a ‘win’ for the businesses (Adkins, 1999).

In the recent Indian Marketing awards 2015 organized by exchange4media News Service, the company Reckitt Benckiser was felicitated with best cause-related marketing award for its “Dettol Baneaga Swachch India” campaign (exchange4media News Service, 2015). In other words, to define the importance of cause related marketing, integration of profit and purpose is a well-defined strategy for companies (Hessekiel, 2014); it not only provides recognition of product/brand/company’s name but also helps to create awareness for important social causes. Cause-related marketing is usually considered to be dissimilar from corporate philanthropy because the corporate money involved is not an absolute gift to a non-profit organization, and for this reason, is not tax-deductible (CSRidentity Website, n.d.). Most often, the nature of CRM design is similar to short term sales promotion that focuses on a specific social issue. To obtain the intention of CRM, it is essential to communicate the details of the activity and their definitive result (Kureshi & Thomas, 2014). For companies, the idea of cause-related marketing can be a blend of emotions in the right amount with other marketing strategies (Soni & Soni, 2014). The provision in the new Companies Act 2013 of mandatory CSR spend would lead the social cause promotion and philanthropic activities from choice to necessity to compulsion (Kapoor, 2013). This compulsion is going to affect the strategy of companies involved in cause-related marketing initiatives.

3. OBJECTIVE OF THE STUDY

The present study is based on exploratory research which focuses on the scope of cause-related marketing after the new amendments in corporate social responsibility under the Companies Act 2013. The study explores the present state of corporate social responsibility and cause-related marketing and consequently leaves scope for further analysis after analyzing the trends in CSR and CRM in the coming years.

4. RESEARCH DESIGN

The study is exploratory in nature but descriptive analysis included in the study also helps to explore new propositions. Therefore, the study combines descriptive analysis and later on explores essentials on the basis of the analysis and literature reviews. To analyze the scope of cause-related marketing, a
general perception about the strategy was obtained from respondents with the help of a structured questionnaire. For this purpose, 300 respondents were selected as the sample size out of which 270 respondents filled the questionnaire appropriately. Hence, the effective size for the analysis was 270. On the basis of different opinions of consumers towards cause-related marketing, respondents were asked to rate the following five statements. The statements are:

1. Cause-related marketing is a very responsible initiative by the company to convey its act of responsibility.
2. With the help of cause-related marketing, a company conveys a nice message in its advertisement.
3. Cause-related marketing is an innovative way of promotion of the product/brand.
4. Cause-related marketing is an emotional route to fulfill social responsibility and to collect funds.
5. Cause-related marketing is just another strategy and the company is not at all concerned about its social responsibility initiative.

5. DATA ANALYSIS
The respondents were asked to rank the statements in the order of their preference from 1 to 5 (1 being most preferred and 5 being least preferred). On the basis of the respondents’ responses, the following rank was created along with the percentage of responses.

Table 1 Ranking of Consumers’ Perception towards Cause Initiative

<table>
<thead>
<tr>
<th>Consumers’ Perception towards Cause Initiative</th>
<th>Rank</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>A very responsible initiative by the company</td>
<td>1</td>
<td>38.52</td>
<td>38.52</td>
</tr>
<tr>
<td>An innovative way of promotion of the product/brand</td>
<td>2</td>
<td>32.22</td>
<td>70.74</td>
</tr>
<tr>
<td>Nice message conveyed in the advertisement</td>
<td>3</td>
<td>16.67</td>
<td>87.41</td>
</tr>
<tr>
<td>An emotional route to fulfill social responsibility</td>
<td>4</td>
<td>11.11</td>
<td>98.52</td>
</tr>
<tr>
<td>Company is not concerned at all with its Social Responsibility</td>
<td>5</td>
<td>1.48</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
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Figure 1 Consumers’ Perception towards Cause Initiative
In the above table and figure, the statement describing perception of the consumer towards cause-related marketing has been plotted. From the above descriptive statistics, it can be proposed that the consumer has a positive perception towards cause-related marketing initiative and considers the strategy as a very responsible initiative by the company to convey its act of responsibility. Next preference was attributed to innovative way of cause related marketing for promotion of the product/brand.

6. IMPLICATIONS
The descriptive analysis states that cause-related marketing strategy is regarded as a very responsible initiative by the company to convey its act of responsibility. Respondents have also regarded the strategy as an innovation in marketing communication. The important point to be pondered upon is that the respondents did not attribute much weight to the statement “Cause-related marketing is an emotional route to fulfil social responsibility and to collect funds” and almost neglected the last statement describing cause-related marketing as “Just another strategy and the company is not concerned at all with its social responsibility initiative”. Therefore, inferences can be drawn that the consumer has a positive perception towards cause-related marketing initiatives and considers it as an innovative strategy to communicate social responsibility. As far as fulfilment of social responsibility is concerned, corporate social responsibility has a wide scope and with the new amendments, it has become a budding issue in the corporate world. Now the question arises that whether the scope of cause-related marketing would be limited to only communicating about corporate social responsibility initiatives undertaken by companies or will companies still continue with the cause-promotion along with the much emphasized corporate social responsibility act? The question is also explored in the following section giving a detailed analysis judging the present situation in light of future suppositions.

6.1 CORPORATE SOCIAL RESPONSIBILITY AND CAUSE-RELATED MARKETING: AN ASSOCIATION
Today’s corporate sector is more powerful in terms of resources, technology adoption, innovation and global transactions. Big organisations are an important reason for the growth of the country’s economy. With such economic power and prominent role, businesses have an important impact on the lives of individuals and communities around the globe. This power comes along with responsibilities. The synthesis of these roles and responsibilities can have an important payback to the business as well as the society at large.

Businesses are also concerned about society because intense competitiveness at the international level has created the need for a supportive operating environment. The responsibility for maintaining this is shared between business, government and other partners who therefore need to develop a shared vision and a common agenda (Adkins, 1999, p. 19).

Corporate social responsibility is one of the ways through which companies are redefining their concern for the wider community. Companies portray a good image by showing concern for society and the environment. The outcomes include increasing loyalty among stakeholders, publicity, generating goodwill, and eventually developing strong bonding with the government, consumer and society. Cause-related marketing is one of the important sources to demonstrate, communicate, and leverage CSR messages in a very positive way (Adkins, 1999, p. 22). Communication of corporate social responsibility is
not only remunerating companies, but also generating awareness of the causes and issues they invest in. Several research studies have shown that cause-related marketing is a good source to create awareness about the cause and the company. Cause-related marketing has become a usual part of the marketing program where companies get a platform to be socially responsible while marketing their product with the association of some causes. In this way, a company is able to create a positive image for itself or for its brand in the minds of the consumer in a very convenient way. Consequently, the paper explores whether the intensifying stress on considering CSR activities as a part of business discipline with the notion that every initiative must deliver business results, would actually be helpful for the business and society at large (Rangan, Chase, & Karim, 2015).

6.2 CORPORATE SOCIAL RESPONSIBILITY AND CAUSE RELATED MARKETING: A CONFLICT

The endeavour of every cause-related or corporate social marketing campaign is to promote awareness about budding social causes and also to demonstrate the influence of the brand in association with charities and causes in order to make a positive impact on society as a whole (Skory, Repka, & McInst, 2004).

Eventually, businesses are only a reflection of consumers’ demands and priorities; true social change essentially involves changes in consumers’ demands. Voluntary social charity or cause awareness is a source of corporate advertising that makes consumers aware of new products with features for which they are willing to pay, distinguish its product, amplify market share, and increase profits (Coors & Winegarden, 2005). The need for socially responsible activities to be performed by companies has given more weight to cause-related marketing. With the recent changes in the Companies Act of India, corporate social responsibility has occupied an important position in the list of imperative strategies of large corporates. CSR has evolved from a stage of 'contributing voluntarily towards social cause' to 'compulsory/obligatory contributions' and eventually to a phase wherein 'CSR is considered as an investment and as a part of corporate goals' (Varadrajan and Menon, 1988). Nowadays companies are substituting their traditional advertising with the advertisement of corporate social responsibility. This indicates that social responsibility follows from a corporation’s desire to influence consumer preferences. It does not mean that the firm’s corporate behaviour has somehow been “reshaped” because of social and environmental concerns; the firm is still trying to maximize profits, and it believes it will do so by adopting (and advertising) the CSR ethic (Coors & Winegarden, 2005).

Today’s educated customer can differentiate between marketing of social and environmental causes and companies’ corporate social responsibility activities. Through cause-related marketing, companies are creating a platform to motivate the customer to donate for social and environmental causes, and also promote their brand along with the customer participation. Thus, the new stunt i.e. marketing of CSR activities, which might not be the outcome of a company’s concern towards social and environmental causes, but is a legal mandate under the section of 135 of Companies Act 2013 is gaining ground over cause-related marketing strategy in the world of social advertising.

When CSR activities have become a fundamental part of companies’ normal course of business action and a regulatory obligation, then how far the concept of
cause-related marketing is relevant? CRM has been consistently used by companies to differentiate them from the rest. But in today’s context, CRM activities can no longer provide that differentiation since now every company will have to contribute their efforts towards social responsibility activities in a more explicit way. Some companies, on which new CSR norms are not applicable, would still undertake promotion of social activities, to help safeguard the CRM strategies. But unquestionably the future of cause-related marketing is going to be affected by the norms of the new Companies Act. Companies are moulding their CSR activities into social advertising so that their charity can generate revenues for them.

7. DELIMITATIONS AND SCOPE FOR FURTHER RESEARCH
In addition to time and resource constraints, the sample set was limited to service class employees who are residents of Jodhpur city in Rajasthan. Thus the findings may not be representative of the whole. Due to the exploratory nature of the study, it produced only qualitative data. A qualitative approach involves developing a deeper understanding about the concepts. The study has tried to develop various ideas that lead to further research hypotheses such as comparison of effectiveness of CRM and CSR programs, consumers' perception towards companies' social responsibility activities and cause related activities, etc. In other words, the research tries to create an essential base for further analysis in contemporary areas.

8. CONCLUSION
Cause-related marketing strategy has been considered as a tool to differentiate products, create unique positioning, promote brand along with cause, increase sales, and thereby successfully compete with competitors. But, new amendments in the Companies Act 2013 in relation to corporate social responsibility have changed the way marketers used to look at cause-related marketing. CSR activities will also provide the same benefits, including the cost of performing the obligatory norms, with the added advantage of transparency and accountability which was not available in case of cause-related marketing. Ultimately, cause-related marketing is a marketing strategy intending to create brand awareness and increase the sales along with promotion of a cause and for some charity. Therefore, corporate social responsibility's new norms will change such perspective of cause-related marketing for marketers.
References


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