

**Partners in Profits:  
Small Businesses Move Slowly Into  
Cause-Related Marketing**

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**ABSTRACT**

*Cause-related marketing (CRM) began in 1981 when American Express agreed to donate \$1 for every new credit card issued to the Ellis Island/Statue of Liberty Restoration Foundation. Since then, the use of this strategy has been widespread and rewarding. Curiously, cause-related marketing has become associated with large corporations. The study presented here confirms the lack of use of CRM among small businesses. This reluctance appears unfounded as those small businesses that have ventured into CRM agreements report success in terms of increased sales, attracting new customers and enhancing the store's image. CRM has gained in popularity and can be a viable strategy for small businesses looking to differentiate themselves. In a world of parity products and services, this might be a key weapon in the small business arsenal.*

**INTRODUCTION**

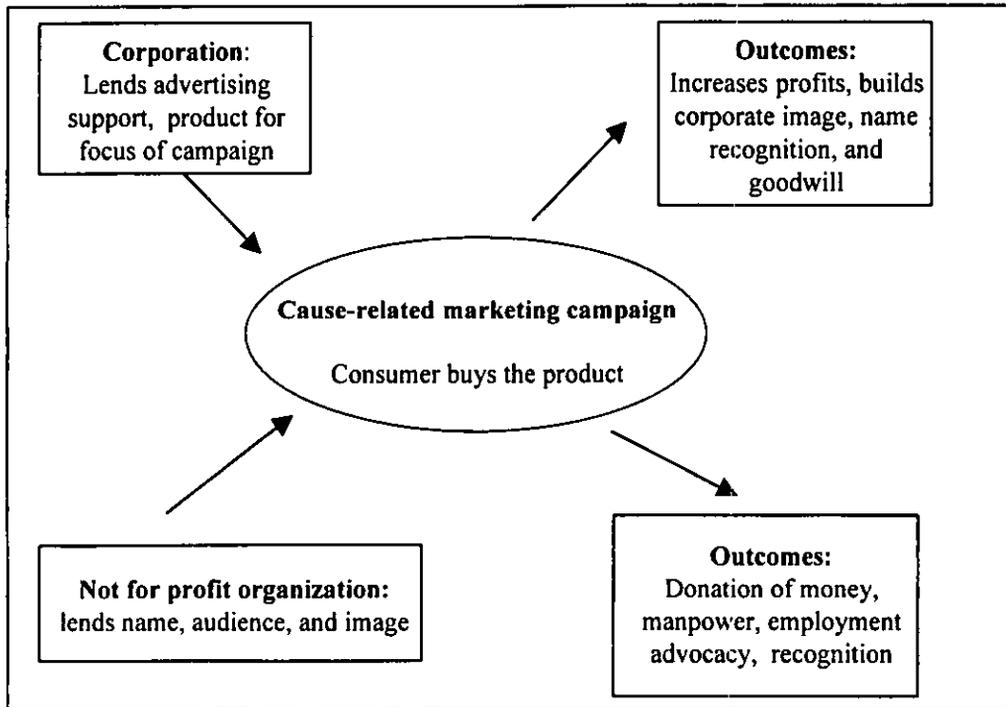
In 1981 American Express entered into an agreement with the not for profit Statue of Liberty/Ellis Island Foundation. For every new American Express card issued, money would be donated to the restoration project. This marked the first national joint venture marketing campaign of this type in the United States. The designation of this relationship as "cause-related marketing" was registered by American Express with the United States Patent Office as a service mark (BBB, 1987). The result of the campaign was \$1.7 million donated to the foundation and an increase in American Express card usage of 28% (Josephson, 1984).

Since then, there have been literally hundreds of these relationships including Proctor & Gamble and Special Olympics, Burger King and the March of Dimes, and Campbell Soup and the Literacy Foundation. Just recently, Coca-Cola announced that their beverage division is adopting a cause-related marketing (CRM) drive for its vending operation on a trial basis in England. The Royal National Institute for the Blind will receive money for every can sold from specially labeled machines. This marks the first venture of CRM campaigns into the self service arena (Marshall, 1996). Articles about these campaigns, have covered the pages of most leading newspapers and trade publications. Leading marketing and business journals have been detailing the advantages, disadvantages, and possibilities for these relationships (See especially Barnes, 1991). A definitive article on the subject offered the following definition: "Cause-related marketing occurs when a company promises to make a charitable contribution contingent on a customer purchasing something from the firm" (Varadarajan, 1989). The authors make it clear

that cause-related marketing is a partnership that is beneficial to both parties.

Figure 1 depicts the components of a typical CRM campaign. The for-profit business partner lends its promotional expertise and one or more of its products as a focal point of the campaign. The not-for-profit partner contributes its name, image, and audience. If consumers purchase the product, both partners reap rewards. The consumer also realizes those emotional rewards of facilitating a donation to a worthy cause.

Figure 1  
**Elements of a Cause-related Marketing Campaign**



In such a relationship, the businesses and not-for-profit organization are interdependent. Both can incur risk and/or benefits. Businesses may unknowingly become involved with not-for-profits that have internal problems, administrative conflicts or other difficulties. They must be cognizant of the "marketability" of the cause and the demographics of the potential audience involved. For the not for profits the concerns are equally serious. They must convince a business that they can deliver a desirable audience without compromising the integrity of their organization. Despite these concerns, cause-related marketing has proliferated. To date, there is scant evidence of the strategy being risky or unproductive. On the contrary, CRMs appear to be one of the most successful promotional strategies in recent memory. At one time marketing research indicated consumer cynicism about these partnerships, but this appears to have abated, making CRM more popular than ever (Warner, 1996). Studies of Fortune 500 companies show wide spread awareness and use of cause-related marketing. In virtually every case examined, the results of these campaigns have been very positive. The for-profit company usually enjoys image enhancement and increased sales while the not-for-profit partner receives a substantial donation. Many not-for-profit organizations are hiring professional consultants to advise them on potential corporate partners. Consumers are equally excited about this strategy.

A new survey of 2000 adults shows that 76% would buy a product involved in a CRM campaign if the product price was competitive (Cone/Roper II, 1996). The same study went on to report consumer receptivity to cause-related marketing campaigns is greatest among those likely to make key purchasing decisions: Women age 18-49 and parents of young children (Warner, 1996).

Amidst all this activity, small businesses have somehow remained untouched by cause-related marketing. A search of small business literature including the academic journals and the trade journals reveals only two articles dealing with this topic. The first appeared in *Small Business Reports* in 1991 and encourages small business to try the strategy (Hendricks, 1991). The author reports cause-related marketing can give small business owners "name-spreading publicity, a more positive public image, and access to new markets." Ironically, the second article appeared in 1993 and reiterated the discussion in the 1991 piece citing the earlier piece at length and supporting Hendrick's conclusion (*Manager's Magazine*).

Based on the results of this literature search, and the available information on cause-related marketing, the following questions were generated and served as a guide for the research presented here:

1. What is the level of awareness among small business owners of cause-related marketing?
2. To what extent have small business owners attempted to involve themselves in cause-related marketing campaigns and to what end?
3. Is cause-related marketing a viable strategy for small businesses?

### **SAMPLING/METHODOLOGY**

A national list of small businesses was generated from Lotus 1 Business Source. Using a systematic random sampling procedure, 1500 calls were made. The final sample of 940 small businesses in this study comes from completed interviews with approximately 19 small businesses in each of the fifty states in the U. S.. The response rate was an encouraging 63%.

It is interesting to note that 38% of all small businesses studied employed 1-3 people full time, with three quarters of the sample having no more than 11 full time employees. The annual sales reported ranged from \$15,000 to over \$3 million. Three quarters of the sample reported sales of under \$1 million. All responses were examined to determine the effect, if any, size and annual sales had on a businesses' attitudes toward cause-related marketing. All types of businesses were studied. As expected, cause-related marketing was not a factor for most wholesalers or manufacturers of industrial products. (See Table 1 for Profile of Sample)

Each interview was conducted using a structured questionnaire focusing on the business owners familiarity and use of cause-related marketing. Details of such campaigns were sought along with outcomes and assessments. All demographic data from the Lotus 1 Source were verified. The results of the 940 interviews follow.

### **FINDINGS**

Interviews began with two background questions relating to familiarity with the cause-related marketing strategy and participation in such a promotion. Overall, 59% of small business owners queried were familiar with the strategy. When asked if they had ever been involved in such a campaign, the numbers plummeted to 6% or 59 of the 940 businesses studied. This level of

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involvement appears to be very low. One study of fifty Fortune 500 firms found 52% of respondents involved in CRM campaigns (Barnes, 1991). Regardless, the sample here of 59 small businesses actually experienced in these promotions, represents the largest study to date of business involvement.

Size of the business and annual sales prompted statistically significant differences between those who had been involved with CRM and those who had no involvement. The larger and more affluent a small business, the more likely it is to participate in CRM. The average number of employees in firms that have done CRM is 46, while the non-participants average 16 employees. The annual sales of those who have participated averaged \$1.3 million. The non participants averaged just below \$1 million in annual sales.

It appears that the smaller businesses (i.e. 15 employees, less than \$1 million in sales) have not engaged in CRM. Some indication of the viability of the strategy for small businesses might be gleaned from a closer examination of those "larger" small businesses that have had experience with CRM.

Contractual agreements with the not for profit partner were generally not used. One third of the participating small businesses prepared a written agreement while two thirds made all arrangements and commitments verbally. None of the participants reported any problems with their not for profit partners or the logistics of the campaign.

There was a sense among these respondents that their customers really enjoyed the CRM campaign. Over 60% reported positive customer feedback regarding the promotion. Only slightly less (57%) described the campaign as "very effective". Seventy-five percent indicated they would definitely or probably recommend CRM to other small businesses owners.

Table 1  
Profile Of The Sample

<b># of full time employees</b>	<b>#</b>	<b>%</b>
1-3	339	37
4-7	203	22
8-11	121	13
12-15	85	9
15-30	92	10
31-100	70	8
>100	6	1
<b>Annual Sales</b>	<b>#</b>	<b>%</b>
\$15,000-\$374,499	208	25
\$375,000-\$734,499	171	21
\$734,500-\$1mil	217	27
\$1.1mil-\$2.1mil	132	16
\$2.2mil-\$3.2mil	80	10
> \$3.2mil	9	1
<b>Experience With CRM</b>	<b>#</b>	<b>%</b>
Yes	59	6
No	881	94

The benefits of cause-related marketing can vary. In this study, 53% cited increased sales as the primary benefit of their most recent CRM campaign. Almost 20% of the owners indicated the promotion yielded new customers and increased sales, while 14% mentioned image enhancement as the primary benefit. Other perks cited include better public relations and increased name recognition.

The diversity of the not-for-profit partners in this study is striking. They range from adopting a local school, hospital, symphony, or food kitchen, to involvement with the American Cancer Society, The United Way, Special Olympics, and National Aids Research Foundation. This is consistent with other studies which indicate education, health, crime and safety, homelessness and hunger, and the environment are the major areas of focus in CRM campaigns (Weissend, 1996). For a more complete list of the not for profit partners in this study see Table 2

The small businesses that ran these campaigns were equally diverse. While virtually all were retailers, they included restaurants, fast food and concession stands, furniture, jewelry, clothes stores, art galleries, book, pet, and toy stores along with a resale children's clothes shop. (For a more complete list of the types of small businesses involved in CRM see Table 3.)

All the CRM campaigns reported in this study were conducted in the last twelve months (prior to the interview) and 80% of these owners reported they would be likely to use the strategy again.

**Table 2**  
**Types Of Small Businesses Involved In CRM**

Art Gallery	Antique Shop	Book Store
Catering	Expresso Bar	Furniture Store
Flag Shop	Grocery Store	Graphics Arts Supplies
Ice Cream Shop	Jewelry Store	Men's Clothes Store
Pharmacy	Pizza Shop	Specialty Shop
Toy Store	Video Rental	Women's Clothes Store

**Table 3**  
**Not-For-Profits Involved With Small Businesses and CRM**

American Cancer Society	Adopt a Local School
American Heart Association	Animal Rescue
Aids Projects	Big Brothers/Big Sisters
Children's Hospitals	Cystic Fibrosis
Churches	Easter Seals
Food shelters	Homeless Projects
Leukemia Society	Page Educational Foundation
Resolve	Reading is Fundamental
Special Olympics	Symphony United Way
University Programs	

### IMPLICATIONS AND CONCLUSIONS

Only a small percentage of small businesses have engaged in cause-related marketing campaigns, even though they have proven to be more than a short term tactic. (Some of the benefits for companies that have engaged in these campaigns can be see in Table 4.) As the U. S. economy continues to recover slowly and small businesses fight for survival, it is imperative that new and potentially profitable strategies be considered. The climate is conducive as not for profits seek what businesses can offer: crucial new sources of revenue. In return, the small business partner gains the opportunity to enhance it's image and increase sales through association with a worthy cause (Andreasen,1996).

Table 4  
**Benefits of Typical Cause-related Marketing**

<u>Company Name</u>	<u>Charity Name</u>	<u>Benefit Corporation</u>	<u>Benefit Charity</u>
Beatrice/Hunt Wesson	World Wildlife Fund	increased coupon redemption	\$ 50,000
Continental Airlines	Hobby Airport Texas	facilitated market entry	cash donation
General Foods	MADD/Mothers Against Drunk Driving	increased coupon redemption	cash donation up \$100,000
Johnson & Johnson	Special Olympics	"significant increase in direct mail response	cash donation
Coca-Cola	Special Olympics	increased worldwide involvement of bottlers/referral	\$110,000

Those that have tried CRM report the campaigns to be effective, with over half of the businesses reporting increased sales. The experience of the small businesses in this study parallels those of Fortune 500 firms that are enjoying the benefits of CRM. Most report increased sales, image enhancement and new customers. Small businesses should be encouraged to experiment with CRM on a local basis in order to develop a level of comfort with these campaigns. Consumers report being the most receptive to programs aimed at improving local public schools (Warner, 1996). This would be a good starting point. For example, a small coffee shop donated one cent for each cup of coffee sold to a local elementary school for the purchase of sports equipment. After a three month campaign, the school was able to buy an array of bats, balls and nets for the children.

Most small businesses engaging in CRM are doing so without written agreements. While CRM is a low risk strategy, written agreements do facilitate the promotion. It is important to record

the responsibilities of both parties. Interested parties should collect, research or examine sample agreements. Many are now available from participating organizations.

Cause-related marketing is now well into its second decade. Large corporations such as Proctor & Gamble, Coca-Cola, and Campbell's Soup, continue to enjoy the benefits of long term relationships with not for profit partners. Small businesses appear reluctant to venture into such partnerships even though those who do, have reported success. Given the slow economic growth of the 90's, the daily struggle for small businesses to survive, and consumer receptivity to these promotions, it would seem prudent to look more closely at cause-related marketing.

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