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## Corporate negative publicity – the role of cause related marketing

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## ABSTRACT

This paper examines the effects of cause-related marketing (CrM) strategies on consumers' moral judgement and purchase behaviour in the context of experiencing substantial corporate negative publicity. Data for the study were collected from 343 respondents through mall intercept technique from two large shopping malls of Australia. Quasi-experimental design technique was adopted for the study, where the participants chose one particular cause out of two (ongoing conventional cause vs sudden disaster due to garment factory collapse in Bangladesh). The findings revealed that 56% of the respondents supported the sudden cause and are willing to pay (WTP) more for the betterment of the garment workers' living condition. The findings further indicated that CrM variables such as cause-brand fit, cause familiarity and cause importance influence consumers' moral judgement towards the CrM campaigns, which eventually influence them to pay additional money for the product. The multi-group moderation and mediation tests offer interesting theoretical and managerial insights.

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## CHINESE ABSTRACT

本文考察了善因营销 (CrM) 策略在经历大量企业负面宣传的背景下对消费者的道德判断和购买行为的影响。研究数据通过购物中心拦截技术, 收集自澳大利亚的两个大型购物中心的 343 名受访者。本研究采用准实验设计技术, 参与者从两个原因 (正在持续的常规原因以及孟加拉国制衣厂倒闭造成的突发性灾难) 中选择一个特定原因。研究结果显示, 56% 的受访者支持突发善因, 并愿意为改善服装工人的生活条件而支付更多薪水。研究结果进一步表明, 善因品牌适合性、善因的熟悉程度和善因的重要性等 CrM 变量会影响消费者对 CrM 运动的道德判断, 最终影响他们为产品支付额外的款项。多组审核和中介效应检验提供了有趣的理论和管理见解。

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## 1. Introduction

Corporate negative publicity is widespread across industries. It can originate from numerous sources such as from a mathematical flaw in Intel's Pentium chip (Pullig et al., 2006) to sourcing garment products from sweatshops (Emmelhainz and Adams, 1999) to a recent Volkswagen emission crisis (Cavico and Mujtaba, 2016). Negative publicity may cause weak customer satisfaction, drop in sales, increased vulnerability to competitors' marketing mix actions, and spillover effects on other brands (Pullig et al., 2006; Van Heerde et al., 2007). Existing research has focused on developing appropriate crisis-response strategies (Coombes, 1995; Xie and Peng, 2009). Yet how firms can strategise themselves in a manner that insulates them from negative publicity and how consumers evaluate the brands in reaction to such publicity are under researched issues; especially prior research is silent about the role of cause related marketing in dealing with a negative publicity.

Cause Related Marketing (CrM) is considered as an indicator of showing concern towards community to retain their customers (Marin and Ruiz, 2007). A typical CrM strategy involves a brand's promotional offer to customers to contribute a specific amount to a designated cause (Isleworth, 2016; Müller et al., 2014). Over the years cause related marketing has assumed significance in the marketing strategy of firms. The growth of CrM rose from \$120 million in 1990 to \$1.73 billion in 2012 (IEG Sponsorship Report, 2012) suggesting that CrM may become the primary way that businesses express their social responsibility. With the increasing pressure for firms to be more socially responsible, CrM has become an increasingly popular marketing tool (Kuo and Rice, 2015; Liston-Heyes and Liu, 2013). The growing importance has resulted in several marketing scholars researching this important area. Current wisdom of CrM has focused primarily on characteristics of CrM campaign that impact on consumers' positive evaluation (Barone et al., 2000), relationship between the brand and the cause (Pracejus and Olsen, 2004), effects of CrM campaigns on consumers' attitudes towards the sponsoring firm (Ross et al., 1992), and increasing brand equity by building brand awareness, brand image, and brand loyalty (Mazodier and Merunka, 2012). However, the underlying

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mechanisms by which CrM influences consumers' behavioural actions have not been researched adequately (Mazodier and Merunka, 2012; Vanhamme et al., 2012). Besides, consumers' response to CrM campaigns may emanate from their moral feelings to support others in the society (Kim et al., 2012) and their routine purchase decisions provide opportunities to demonstrate their moral views (Kim and Johnson, 2013). Yet research focusing on how CrM strategies affect the moral aspect of the consumers is sparse. In particular, as far as the authors' knowledge goes, no research has been done on how different cause attributes such as cause-brand fit and cause importance influence consumers' moral judgement and behavioural response.

The paper aims to address the above research gaps by examining (i) the effects of CrM components on consumers' moral judgement, and (ii) if moral judgement influences consumers' attitudes and behaviour. Therefore, the key purpose of this paper is to explore the effects of CrM and its components on consumers' moral judgement in the context of a negative corporate publicity. In the consequent side, the paper examines whether consumers are willing to pay more for the products of a company that has experienced a negative publicity in recent time and support a relevant social cause. Exploring whether CrM campaign attributes influence consumers morally and thus induce them to buy a certain product will enable the marketers to better understand the moral behaviour of the consumers in a given situation of experiencing negative publicity.

The following sections of the paper are structured as follows: first, we reviewed the existing CrM literature and explained the key constructs used in the study. Second, we stated the relevant hypotheses with due theoretical support. Third, we describe the method of conducting the study followed by the data analysis and results. Last, we discuss the findings of the study with managerial implications.

## 2. Literature

Publicity is recognised as being more credible and influential than a company's communications (Bond and Kirshenbaum, 1998). But negative publicity has a reverse effect on corporate image if it is spread across (Pullig et al., 2006; Xie and Peng, 2009). Ongoing negative publicity affects a company's corporate image and has an important influence on consumers' attitudes and trust towards an organisation (Dahlen and Lange, 2006). Negative publicity can also affect consumers' satisfaction, brand evaluation and purchase intention (Huang and Chen, 2006; Pullig et al., 2006). Besides, research shows that consumers give more importance to negative information than positive information in forming judgements (Eagly and Chaiken, 1993). Marketing researchers and practitioners have a grown interest in investigating consumers' attitudes towards negative publicity and strategies to cope with the detrimental effect of such publicity. We posit that CrM strategy can be considered as a useful tool in dealing with and diminishing the effect of negative publicity.

Cause Related Marketing (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 consumers engage in revenue providing exchanges and satisfy organizational and individual objectives" (Varadarajan and Menon, 1988, p. 59). Firms use CrM, which is a form of social responsibility and is considered as an indicator of showing concern towards community to retain their customers (Marin and Ruiz, 2007). Thus, CrM strategy bridges the socially responsible behaviour of a firm and consumers' consumption decision together (Moosmayer and Fuljahn, 2010), which in turn helps the firms retain their customers and attain customer loyalty (Vanhamme et al., 2012). Companies also use CrM to counter negative publicity, i.e. mainly

when their business practices are qualified as illegal and unethical (Marin and Ruiz, 2007). It is often hard for organisations to regain their consumers' trust after being negatively publicised. To fight against negative media exposure businesses participate in philanthropic activities such as CrM. It was noted that for the past years, numerous firms are participating in cause-related marketing campaigns to ensure a positive brand image by showing their concern to the community and to avoid any negative publicity (Bigné-Alcañiz et al., 2012; Xie and Peng, 2009).

From a customer perspective, buying a CrM sponsored brand can be classified as a morally sensitive act towards a specific cause (Lafferty and Goldsmith, 2005). Consumers' response to CrM campaigns may emanate from their moral feelings to support others in the society (Kim et al., 2012) and their routine purchase decisions provide opportunities to demonstrate their moral identity (Aquino and Reed, 2002; Kim and Johnson, 2013). Once a person recognises that a moral issue exists, he/she undertakes a moral judgement about the event (Jones, 1991) and elicit a moral act, in this case the CrM supporting cause. Past studies have showed the positive effect on moral identity towards charitable behaviour (Aquino et al., 2011). However, research is literally non-existent whether individuals' moral judgement can lead them towards donation behaviour such as participating and purchasing a product from a CrM campaign. A number of important elements appear to influence consumer decisions to support CrM efforts initiated by firms. These factors are discussed below.

### 2.1. Cause attributes

Businesses need to focus on cause attributes to ensure the success of their CrM campaign. Studies found that cause attributes facilitate consumers' acceptance of a CrM alliance (Vanhamme et al., 2012). This research has focused on three types of cause attributes: 'cause-brand fit', 'cause familiarity' and 'cause importance' as these attributes are relevant to this study. Besides, existing research is still inconclusive about the effects of these three attributes on the success of the CrM campaign, which are pointed out under each sub-section below.

#### 2.1.1. Cause-brand fit

Cause-brand fit describes the degree of similarity and compatibility between a firm and its supporting cause. Scholars have agreed that the 'fit' between the supported cause and the sponsoring organisations' activities is vital to ensure a successful alliance between the firm and the non-profit organisation (Bigné-Alcañiz et al., 2012; Varadarajan and Menon, 1988). The firm's image, positioning and target market should be in line with supporting a cause and its target audience to avoid any criticism or campaign letdown (Gupta and Pirsch, 2006; Samu and Wymer, 2009). A high level of fit is more appealing, provokes positive consumer attitudes (Gupta and Pirsch, 2006; Pracejus and Olsen, 2004) and higher purchase intention (Sen and Bhattacharya, 2001), and reduce the possibility of consumer scepticism (Szykman et al., 2004). However, other studies' findings contradict with the previous arguments as it was found that cause-brand fit does not positively influence a brand's image and consumers' attitude towards products offered under CrM campaigns (Lafferty et al., 2004; Menon and Kahn, 2003). Nevertheless Bigné-Alcañiz et al. (2012) argued that further study is required to shed light on the role of the cause-brand fit on consumer responses. In such an inconclusive situation, this research attempts to investigate the effects of cause-brand fit on consumers' moral judgement and response behaviour in the context of experiencing negative publicity.

#### 2.1.2. Cause familiarity

Familiarity is the knowledge that a consumer has acquired with an object. Such awareness increases with direct or indirect personal experience regarding the object (Holden and Vanhuele, 1999).

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