

Cause-related marketing has a dark side

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Cause-related marketing (C-RM) should be good for everyone: a business aligns itself with a good cause, sells its products as it normally would, and the resulting proceeds are donated to the cause.

It's a win-win, right?

From the outside looking in, that may be the case. But for the company selling, say the can of soup or box of cereal in the new pink packaging for cancer awareness, it's not that simple.

New research from Annibal Sodero, assistant professor of marketing and logistics at Fisher, reveals that C-RM campaigns may not always be best for businesses. In what is among the first empirical assessments of C-RM effects on sales and operations performance across the retail supply chain, Sodero found that:

- C-RM is often no different from a traditional sales promotional strategy, inasmuch as it boosts sales in the short term, but sales wane once the [campaign](#) is completed.
- unlike traditional sales promotions, C-RM campaigns present firms with unique and significant challenges in how they're able to manage variability in demand, which greatly impacts the accuracy of their product inventory forecasts

Sodero's study, "Good cause, not so good business? Sales and Operations Performance of Cause-Related Marketing," utilized data from a partnership between a Fortune 500 multinational consumer packaged goods firm and a national nonprofit cause combating child food insecurity in the U.S.

The firm pledged to donate to the nonprofit the equivalent (in pounds of food) for each cause item purchased in any of the 630 U.S. stores of a national retailer. The campaign ran for four consecutive weeks.

Sodero compared the campaign data to a data set—provided directly from the firm—that spanned 52 consecutive weeks of retail store sales, as well as operations from the firm's facilities for all 386 products in the cause product's category.

The results, published in the *Journal of Business Logistics*, revealed a "[dark side](#)" to C-RM.

"As we disentangled the sales and operations planning performance

outcomes across the retail supply chain and explored the downstream sales side and the upstream operations side, the immediate effects during the campaign, as well as the enduring C-RM effects immediately after the campaign, we uncovered a dark side of this type of nonmonetary marketing campaign," Sodero said.

"Our results suggest that there was no purchase reinforcement nor lasting purchase effect following the campaign. It was like any other promotion. C-RM appears to provide a temporary incentive that induces consumers to form immediate favorable connections with a product and to benefit from participating in the campaign. But it doesn't last."

This variability in demand associated with C-RM, Sodero said, can have a significant and negative impact on companies.

"In C-RM, we found that inventory planners overreact by changing ordering and production levels, which ultimately leads to the well-known bullwhip effect," he said. "This leads to persistent under-forecasting as the campaign unfolds, as planners base their ordering decisions on the increased sales. Yet, planners tend to over-forecast in the period immediately following the campaign. They update these overly optimistic forecasts based on the increase in orders observed during the campaign, while actual order levels to replenish distribution centers decrease as retail store sales wane."

Beginning with the first nationwide campaign to use C-RM—American Express' 1983 partnership with the Ellis Island Foundation to raise money for the restoration of the Statue of Liberty—C-RM has become an effective tool for companies to increase product publicity, improve their images and boost employee morale. For consumers, C-RM is a convenient way to exercise their purchasing power to support a cause and a product.

But C-RM has its limitations. Before incepting C-RM campaigns, firms must understand their strategic value—and potential costs—by involving all stakeholders, from sales and operations planners to representatives of the cause.

"This research is a starting point for additional study of sales and operations planning for these kinds of C-RM, nonmonetary marketing campaigns," Sodero said. "C-RM is understudied and is unlike any other retail promotion strategies. Because it is so unique, [sales](#) and operations planners have to really develop and improve their forecasting capabilities to successfully utilize C-RM to generate positive brand appeal and profit for a company."

More information: Anníbal C. Sodero, Good cause, not so good business? Sales and operations performance of cause-related marketing, *Journal of Business Logistics* (2022). [DOI: 10.1111/jbl.12298](https://doi.org/10.1111/jbl.12298)

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