

Impacts of Instrumental vs. Relational Centered Logic on Cause-Related Marketing Decision Making

Introduction

Over the past few decades, cause-related marketing (CRM) has been widely discussed in the management literature, and its definitions and descriptions vary considerably. The concept of CRM is both explicitly and implicitly expressed in the following management disciplines: corporate reputation branding (Nan & Heo, 2007), corporate societal marketing (Szykman et al., 2004), green marketing (Menon & Menon, 1997), sales promotion transactions (Strahilevitz & Myers, 1998), strategic social alliances (Berger et al., 2004), social investment (Luo & Bhattacharya, 2006), and strategic philanthropy (Mescon and Tilson, 1987). In this article, the author aims to explore two dominant logics of CRM and discuss their influence over campaign decision-making accordingly. It concludes with a discussion on the management implications regarding the important issues in practicing CRM.

Instrumental vs. Relational Centered Logic

The author begins by providing an overview of both the instrumental and relational centered logic of CRM (see Table 1) and linking this to current marketing theory about and CRM campaign design and practice.

“Insert Table 1 about here”

Instrumental Centered Logic

From instrumental centered logic, managers view CRM as one type of commercial marketing strategy to help firms to generate revenue. Researches reveal that there is a positive relationship between corporate social performance and corporate financial performance (Barnett, 2007; Orlitzky et al., 2003). Sen and Morwitz (1996) point out that people’s perceptions of a company’s position regarding certain social issues can affect their buying decision with regard to the company’s provided products (includes services). Each social issue provides a different frame of reference for people’s view. CRM, in the sense, is the process of adding social references to a firm’s brand value. If people accept the stance of a corporation on a particular social issue, this will affect the consumers’ willingness to choose products offered by that corporation. Thus, the instrumental centered logic of CRM focuses on the psychological responses that consumers make to the CRM stimulus from the environment. The underlying principle for designing the instrumental approach of CRM is to find the “perfect” cause that can generate the strongest response from customers. This campaign design refers to the “brand-cause fit”, given Lafferty et al.’s (2004) suggestion that consumer attitudes towards both the cause and the brand could be improved if the consumers’ opinions about the corporation and the cause brand fit well together. There are three types of brand-cause fit. The first type is the functional fit and this relates to how the corporation’s product and cause fit together (Gwinner, 1997; Hamlin & Wilson, 2004). The second type of “fit” is image fit and this is concerned with the representation of the matching of the core values between the sponsor and the event (Nan & Heo, 2007; Trimble & Rifon, 2006). Finally, strategic fit focuses on the strategic compatibility between the firm and the cause, which can either intensify or undermine the impact of the first two fits during the CRM campaign (Shamdasani & Sheth, 1995).

Relational Centered Logic

In contrast, the relational centered logic of CRM establishes it as a legitimization tool that is capable of enhancing the organizational legitimacy and establishing reliable relationships with the stakeholders. There is strong empirical evidence that a sound social performance improves a firm’s legitimacy (Bhattacharya and Sen, 2004; Lichtenstein et al., 2004). Legitimacy theory, as applied in the business context, postulates that organizations should act within a “boundary” (stakeholders’ expectations) that reflects the established and

evolving new social norms. Suchman (1995) identifies three primary forms of legitimacy: pragmatic, moral and cognitive. Pragmatic legitimacy refers to the self-interested evaluation of the organization's immediate audience. Moral legitimacy reflects socially acceptable norms, standards, and values. It is usually considered "the right thing to do" in terms of a firm's actions. Finally, cognitive legitimacy stands for the stakeholders' precepts about the organization's operation as a proper and desirable activity. In contrast to instrumental centered logic of CRM, that emphasizes targeting customers, CRM, here, plays a role in spreading the evidence of a firm's social contribution amongst the stakeholders (includes customers) and aims to enhance the firm's legitimacy. There has been a shift in emphasis in the relationship management view due to a firm's stakeholders being embedded in interconnected network of relationships (Ferrell et al., 2010; Mish & Scammon, 2010) and, in any kind of business transaction, people often receive benefits from market exchanges that go beyond basic commercial benefits. The function of marketing should be based not only on delivering the message and value to the public, but also on enhancing the firm's ability to create a relationship with the relevant people, groups, organizations, or systems that affect, or can be affected by, its marketing actions. Thus, the author refers to this perspective as the relational centered logic of CRM, which focuses on disseminating corporate social responsibility activities first to gain the ethical confidence of the public.

Research Methods

This study was part of a wider project on UK CRM practices, based on a collection of 96 elite interviews from September 2009 to October 2010 that gathered the views of managers from both British companies and NPOs about the issues involved in CRM decision-making. Elite interviews are often used to interview decision-makers who usually have a rich knowledge and the ability to execute or withdraw, as opposed to interviews with the mass population, thus enabling the researcher to understand how the decisions are made within the organization (Blumberg et al., 2005; Goldstein, 2002). The corporate executives interviewed were from firms located in the UK. NPO managers serve as excellent witnesses for observing the corporate decision-making process regarding CRM strategy because they have a close relationship with the corporate executives during the CRM campaign. Each interview started by asking a question about the interviewee's organizational role and the details of the social alliance projects in which he or she had been involved recently. The author then introduced the four types of CRM decision, provided some examples of each type, and drew the necessary links between the types of decision and the interviewee's personal experience of CRM campaigns, as described earlier by the interviewee. After the introduction, the author started to engage in detailed discussions with the interviewees regarding their experience of CRM. The majority of the interviews lasted between 60 and 80 minutes and was recorded on an MP3 recorder. To gain a better understanding of the data, we employed NVivo software to assist our data analysis (Welsh, 2002). Although a large number of new insights emerged from the study, the author focused on the key areas under consideration here. The last stage is the analysis, where the author makes connections between the interpretations of the interview answers and the parallel literature. The author moves back and forth between the theory and data, analyzing and comparing the data with existing theory, developing insights to support new theory, verifying that the new theory matches the data, and returning to the theory for further revision. Given the space limitations, we only provide brief summaries of the interview data. Sample quotations are available upon request.

Findings and Discussion

In this research, the author examines how these two approaches of CRM influence a firm's decisions regarding its CRM campaign. The author categorizes the dimensions of the

decisions into four major groups: campaign duration, campaign coverage, cause selection, and implementation strategy selection. Figure 1 illustrates the conceptual model for gaining additional insight into the CRM campaign decision-making for different approaches.

“Insert Figure 1 about here”

The author will further address how these two different approaches affect the managers’ plan with regard to decision-making.

Campaign Duration

Duration in this framework refers to the timeframe of the CRM program, which can also be seen as the length of the relationship between the company and the cause. The issue of duration has been frequently discussed in the CRM literature (Tangari et al., 2010). The management, here, has two choices of campaign duration: temporary (shorter-term) and continuous (longer-term). A temporary marketing program could create a sense of urgency and have a great effect on influencing brand choice (Gupta 1988) and enables firms to react quickly to the marketing condition. In order to achieve a short-term outcome using a CRM campaign, as Hamlin and Wilson (2004) suggest, the focus of establishing the degree of “fit” between the product and the cause does have a significant effect on people’s evaluation of products. In contrast, the benefits of a continuous marketing program can highlight the brand association and increase consumer recall (Mela et al., 1997). As a result, it can increase brand awareness and brand recall. The longer the CRM campaign lasts, the better the target group will be able to recognize the program, since longer-term marketing programs can provide a consistent brand image for their target audience. The continuous CRM campaign will help firms to gain legitimacy by demonstrating their persistence in their engagement with certain social activities. This adds consistency to their CRM messages and makes CRM programs an efficient relationship-building tool that helps them to maintain the trust of their stakeholders. The implications are that:

Proposition 1: In terms of the campaign duration decision, a firm that takes on instrumental centered logic in approaching CRM will be more likely to choose to establish a temporary CRM campaign.

Proposition 2: In terms of the campaign duration decision, a firm that takes on relational centered logic in approaching CRM will be more likely to choose to establish a continuous CRM campaign.

Geographical Scope

The “Geographical Scope” of the program refers to the “scope of reach” of the CRM message. This article divides the geographical scope of the CRM program into two groups: the global and the territorial approach. The global approach refers to a company engaging in a nationally/internationally-based CRM campaign and delivering a universal message to its audiences in different locations or establishing an alliance with a nationally/internationally operating NPO. The territorial approach refers to a company designing and delivering a regionally focused message to target audiences in that region or forging an alliance with a territorially operating NPO. In this study, the author found that the primary motive for the company to engage in CRM using a global approach is to raise ethical brand awareness over a large area. This is supported by Apostolopoulou and Papadimitriou’s (2004) suggestion that sponsoring a high publicity campaign can increase brand awareness at a higher level. Although the global approach provides an opportunity for the company to improve its brand image and raise awareness, however, the impact of global coverage is usually relatively weaker than a territorially-focused message in term of the audience’s emotional attachment. This argument supported by Ross et al.’s (1992) suggestions that people have favourable attitudes towards companies that support locally based causes. The implications are that:

Proposition 3: In terms of the campaign geographical scope decision, a firm that takes on instrumental centered logic in approaching CRM will be more likely to choose the global approach when designing a CRM campaign.

Proposition 4: In terms of the campaign geographical scope decision, a firm that takes on relational centered logic in approaching CRM will be more likely to choose the territorial approach when designing a CRM campaign.

Cause Selection

Cause selection is perhaps the most popular topic in the discussion about CRM (Hamlin & Wilson, 2004; Trimble & Rifon, 2005). Here, the author differentiates two types of cause: a popular cause and a constituency cause. The former refers to a cause that is able to stimulate a large group of audience's emotions in a given period, such as a natural disaster relief program, while the latter refers to a cause that is able to stimulate a small group of holders' emotions towards a specific social interest in relation to the company's affairs. The findings of this research suggest that a popular cause enables a company to raise the awareness and ethical association of the brand. The selection of a popular cause can also be practiced to establish an alliance with a highly visible NPO. The company wants to use NPO images to promote the ethical attributes of their products, because product endorsement by a highly credible NPO could be a powerful tool for influencing people's perceptions of a company's products. Although collaborating with a popular cause can help a company to publicize a CRM campaign, however it also leads quickly to the accusation that the company is only interested in generating revenue and neglects the essence of social involvement. The interviewee suggests that the selection decision of the cause should be based on the expectations of its target stakeholder group. This paper refers to this cause as a constituency cause. In this sense, this type of cause may not be very popular; however, it really matters to a firm's target stakeholder audience. It will help to enhance the firm's legitimacy in the eyes of its target stakeholder groups. The implications are that:

Proposition 5: In terms of the cause selection decision, a firm that takes on instrumental centered logic in approaching CRM will be more likely to choose to associate with a popular cause.

Proposition 6: In terms of the cause selection decision, a firm that takes on relational centered logic in approaching CRM will be more likely to choose to associate with a constituency cause.

CRM Implementation Strategy

The implementation of a CRM strategy can be undertaken in four main forms: as sponsorship, transaction-based, joint promotion, or in-kind contribution (Liu and Ko 2010). Each of these CRM implementation strategies refers to a unique way of communicating with a firm's target audience using a CRM campaign. The findings of this research suggest that the sponsorship, transaction-based, and joint promotion forms of CRM strategy are more closely associated with the instrumental centered logic of CRM. CRM sponsorship and a joint promotion strategy can help a company to increase its brand awareness and recognition. They help a company to target a certain specific audience group that is interested in that CRM campaign. The transaction-based CRM implementation strategy is similar to the sales promotion strategy. Instead of passing on the financial benefits to the promotional supporters, the company offers donations to an NPO. On the other hand, the findings suggest that the donation in kind CRM implementation strategy appeared to be more effective in building the stakeholder relationship. This is supported by Ellen et al.'s (2000) finding that donation in kind can enhance trust among customers and the community relationship. Thus:

Proposition 7: In terms of the CRM implementation decision, a firm that takes on instrumental centered logic in approaching CRM will be more likely to choose CRM sponsorship, transaction-based or joint-promotion implementation strategies.

Proposition 8: In terms of the CRM implementation decision, a firm that takes on relational centered logic in approaching CRM will be more likely to choose the donation in kind implementation strategy.

Multiple Dimensions of the CRM Decision

Inevitably, a company manager will face having to make a “set” of CRM decisions rather than a single one. It is easier to interpret a firm’s approach to CRM, if each individual dimension of the decision belongs to the same domain of the CRM approach. For instance, the transaction-based strategy combines with a short-term based promotional CRM campaign or the employee volunteers combine with a local CRM project. In these two cases, both dimensions of the decision, such as a transaction-based strategy and short-term promotion (temporary campaign), and employee volunteers and local (territorial campaigns) belong to either the instrumental or relational centered logic of CRM, respectively. As a result, we can claim that the firm’s manager uses two different types of CRM strategy logic to facilitate their decision-making process regarding organizing a CRM campaign. However, the situation becomes more complicated when a single CRM campaign involves two or more dimensions of the CRM decision, which include both the instrumental and relational centered logic of CRM. The author found that a firm’s managers always has a key objective in mind when they organize a CRM campaign, on which they will concentrate most of their resources for such an event in order to achieve this main objective. A firm’s approach to CRM can be traced back to how it organizes its resources to fulfill its specific strategic purpose. By analyzing the allocation of a firm’s resources when launching a CRM campaign, we can determine what the main CRM strategy logic is that the firm’s managers use to facilitate the CRM campaign. Thus:

Proposition 9: In terms of the multiple dimensions of CRM decisions, a firm that takes on instrumental centered logic in approaching CRM will be more likely to concentrate its resources on instrumental centered logic related CRM decision elements, such as temporary duration, global coverage, popular cause, and sponsorship, transaction-based or joint-promotion strategies.

Proposition 10: In terms of the multiple dimensions of CRM decisions, a firm that takes on relational centered logic in approaching CRM will be more likely to concentrate its resources on instrumental centered logic related CRM decision elements, such as continuing duration, territorial coverage, constituent cause, and donation-in-kind strategies.

Conclusion Remarks

CRM relates to the methods whereby firms design their social engagement initiatives and communicate the associated social performance to enhance their reputation with the public, thereby improving their performance. This article identifies that the management approach of CRM can further be divided into instrumental and relational centered logic. Under the instrumental centered logic of CRM, corporate managers view CRM-related expenditure as an investment tool and place too much focus on the commercial value of such a strategy (Trimble and Rifon 2006; Varadarajan and Menon 1988). This provokes a backlash because it leads to incoherent perceptions among the stakeholders regarding accusations of greenwashing. On the other hand, the relational centered logic of CRM emphasizes connecting the campaign to the stakeholders’ expectations of the firm. A firm should use CRM to manage its relationship with its stakeholder groups by establishing its legitimacy through its CRM campaigns (Liston-Heyes & Liu 2010; Maignan and others 2004, 2005). This research contributes to the CRM literature by empirically examining a firm’s management decisions regarding designing a CRM campaign in relation to different types of CRM strategy logic.

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Table 1: Instrumental Centered Logic vs. Relational Centered Logic

	Instrumental Centered Logic	Relational Centered Logic
Strategic Objective	Using CRM as an <i>instrument</i> to engage customers by enhancing the helping behavior.	Using CRM to communicate a firm's social performance <i>for building relationships</i> with stakeholders.
Logic of CRM	CRM is a type of <i>commercial marketing strategy</i> , that operates under a wider agenda of a firm's revenue strategy.	CRM is a type of <i>stakeholder marketing strategy</i> that operates under a wider agenda of a firm's corporate social responsibility strategy.
Marketing Target	<i>Customers</i> are the primary target for CRM activities.	<i>Stakeholders</i> are the primary target for CRM activities.
Campaign Design and Tactics	The underlying principle for designing a CRM campaign is to achieve a " <i>brand-cause fit</i> " to improve consumers' attitudes towards the company and the brand.	The underlying principle for designing a CRM <i>campaign is to establish organizational legitimacy</i> to meet the expectations of the stakeholders.

Figure 1: Conceptual Model

