Philanthropy and marketing

by Aradhna Krishna

(Op-Ed appeared 10/15/11 - *Toronto Star)*

My friend Kate just purchased a $40 T-shirt because it donates part of the proceeds to help fight breast cancer. She loves the T-shirt, and feels happy that she supported a good cause. Win-win, you say. But Kate now feels, with reason, that she has already supported the breast cancer cause and is less willing to donate more to it. In fact, the better you feel about yourself, the less good you may do for philanthropic causes. If this statement seems counterintuitive, you need to read on.

Cause marketing, the phenomena where a part of the $40 T-shirt price goes toward a good cause, is supposed to be a win-win situation for businesses and causes. The cause is expected to benefit by getting additional money and the business benefits by increased sales since consumers like buying cause-linked products. However, there can be a big problem with this logic. Kate doesn't exactly know how much of this $40 is being given to the charity. But she knows she has spent a whopping $40 toward a good cause. Will this expenditure reduce her likelihood of making subsequent donations? Recent research suggests that it will.

Skeptical? I would like to point you to work on "moral licensing." Moral licensing says that if people have done a good deed, then they are less likely to do a second good deed. A slew of research studies by social psychologists have shown evidence for moral licensing. For instances, if people make a decision to hire a woman, they are less likely to do so in a second unrelated hiring job, even if she is the best candidate in the set; if they vote for a black president – yes, think Barack Obama – then they are more likely to be openly racist later; and if they buy green products, then they feel less bad about driving a gas-guzzler. So it is no surprise that direct donations decrease after a charity has been supported through cause marketing.

I am not saying that cause marketing is necessarily bad or that it will decrease total money raised for good causes. In fact, cause marketing is a fantastic idea. However, cause marketing will raise overall money for good causes only if a decent proportion of the money spent by the consumer is going to the cause – for example, if 75 per cent of $1 pink plastic ring supports breast cancer. When only a small fraction goes to the cause, say $1 of the $40 T-shirt, then total money raised for the cause can in fact decrease. I find in my research that the larger the amount the consumer expends on a cause marketing purchase, the smaller the amount she gives in direct donation. This is again logical since consumers may mentally ascribe their expenditure (or a large part of it) as their donation. If the amount of money donated to the cause does not keep up with this increase in expenditure, then we have a problem.

The opaqueness of cause marketing programs exacerbates the issue. A major reason consumers may erroneously think of their total expenditure as their donation is because they generally don't know what part of it is dedicated to the cause.

A survey of 3,414 cause marketing campaigns conducted in 2003 showed that 69.9 per cent of the formats were abstract and the portion of price tag committed to the cause ambiguous (i.e. "a portion of the proceeds will be donated…"). For another 25.6 per cent, one could estimate the proportion donated, but I needed a lot of work. For instance, firms can suggest that 10 per cent of the profits will be donated, but this raises the question of what part of the price tag is profit? (A separate study shows that nearly all consumers overestimate this amount.) For only 4.5 per cent of the cause marketing campaigns was the donated amount transparent (i.e. "1 per cent of the price will be donated…" and "$1 will be donated…").

Besides the opaqueness of the amount donated, consumers are also generally not clear about which products are linked to the cause – is it just a specific pink nail polish or will the purchase of any pinkish nail polish give money toward breast cancer?

Even more egregious qualifiers are limits on the amount donated – for example, "we will donate a maximum of $200,000." Where is the information on whether this maximum has been reached? And what happens to the excess money?

Opaqueness is a winning strategy for the firm. It is in the firms' interest not to disclose small donations to the cause – consumers want to feel good about their cause marketing purchase, and will be less tempted to buy the product if they know how small their "good deed" is. However, if the amount donated by the firm is undisclosed and also small, it can hurt the cause – first, the firm's donations will be small and second, consumers' direct donations can decrease after their cause marketing purchase. Together, this may decrease total money raised by the cause.

Whenever criticism is levied against cause marketing programs, there is immediate backlash, especially from the big proponents of cause marketing. But if the firms doing cause marketing are so sure that their motives are pure, why are they resistant to transparency? We must advocate greater transparency in the amount donated, greater clarity for consumers on which products are linked to the cause, and more information about maximum donations.

Cause marketing is not always a win-win for firms, consumers and causes. Opaqueness may be a win for firms, but the cause may stand to lose.

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