

The Right Way for Companies to Mix Donations and Marketing

by Aradhna Krishna

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Professor Aradhna Krishna delivers the recipe for a win-win in cause marketing.

ANN ARBOR, Mich. – In the month of October, for each \$2 can of pink lemonade sold on a flight, Delta Airlines has given 100 percent of the price to the Breast Cancer Research Fund. Delta gets customer goodwill and the Breast Cancer Research gets financial support. This is a great example of how cause marketing should be: a win-win for both the firm and the cause.

Why is this effort by Delta worthy of discussion? After all, thousands of firms indulge in such cause marketing campaigns, in which some of the sales proceeds go toward a good cause. However, not all cause marketing campaigns are a win-win. Often, the cause marketing campaigns are not transparent, and the buyer doesn't exactly know how much of the sale price is being given to the charity. For example, a consumer may have spent a large amount, say \$35, to buy pink running shorts. Even if only \$1 of this goes toward charity, the buyer may mentally think much of the \$35 as a gift to charity, and hence make fewer future donations. Thus, the cause could actually get fewer in donations overall. In the pink lemonade instance, however, the campaign is transparent – 100 percent of sales are going to the cause. So, the purchase of the can should not reduce overall donations.

There is another interesting twist to the pink lemonade story. Did you wonder how much a can of pink lemonade is costing Delta? What do you think? After all, it is customer perception of Delta's effort that brings them goodwill and not their actual cost. To see what most people think, I ran a simple survey on the Web with the general public and also another one with a supposedly more business-savvy group – undergraduate business majors at the Ross School of Business at the University of Michigan. I asked: "In the month of October, Delta Airlines will donate 100 percent of in-flight sales to Breast Cancer Research Foundation. A can of pink lemonade can be purchased on the flight for \$2. What is Delta's cost per flight if, in each flight of 200 people, 10 people buy the pink lemonade?" In both groups, a majority felt that Delta was paying a significant amount out of their pockets to the Breast Cancer Research Foundation. Almost half guessed \$2 or more for every pink lemonade sold.

What's the real answer? Actually, zero is the best guess. Soft drinks are free to customers in planes. Delta is charging for the pink lemonade but donating all of it to the Breast Cancer Research Fund. So, Delta is still giving the customer a can as it did before, taking \$2 and then giving the \$2 away – it's back to the same spot of giving a can to a customer for free. That is, there is no incremental cost to Delta over and above what it would have had anyway. But, most people think that Delta has a fairly large cost. Many people answered that the program cost Delta \$20 per flight (10 cans for \$2 each) or even higher.

Only one of the 81 respondents in the public survey and one of the 21 Ross students answered zero. Maybe, people do not realize that soft drinks are free in the planes, you may think. But, screening for people who fly more than three times a year also does not change the basic results.

Delta is getting more goodwill than it rightfully deserves. Is that wrong? My view here is that if everything is above board – Delta is being transparent and is giving 100 percent of the money collected to the cause – then if they get more than their due, that's their creative bonus. They are allowed to squeeze more juice from those pink lemons.

Given the gamut of firms with rather opaque and less-honorable cause marketing campaigns – many claim to give part of their proceeds to a cause and then give a trivial amount – people have started to become skeptical of good intentions. In fact, the Attorney General of New York state recently decided to review cause marketing campaigns linked to breast-cancer charities. As such, it behooves firms with more honorable campaigns to be as transparent and clear as possible. Delta's pink lemonade campaign sets a good example. I hope many fliers like pink lemonade and make it a great pitcher of success!

(By Aradhna Krishna, Dwight F. Benton Professor of Marketing)