

Caused Related Marketing: Between Solidarity and Competition within the Italian Agri-Food System

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Abstract

Today's consumers demand products and services not only with proven intrinsic quality features but also endowed with non-material attributes such as respect for the environmental and ethical values. These concerns are central to recent marketing developments. Cause related marketing (CRM) is a good example of the new entrepreneurial strategies able to achieve on the one hand utilitarian aims and on the other hand to contribute to a social cause through different forms of company donation. From the analysis it emerges that in Italian agri-food system three types of agents are applying CRM: companies producing widely consumed brands, with high sales volume; small companies producing high quality goods but with brands known within a limited market area; mass distribution companies. The use and aims of CRM strategies are different for each of the actors.

Keywords: *cause related marketing, agri-food system. JEL: M31*

Introduction

A company run on the basis of a management model geared towards social responsibility changes completely its traditional role and perspective. One needs only to think of the “three-fold approach” recommended in the European Commission's green paper on social responsibility, involving companies in a spectrum of activity ranging from the environment to the economy and society.

Companies adopting a *corporate social responsibility* (CSR) perspective are divided into three categories: (1) companies socially responsible by their institutional nature, such as NGO's, co-operative companies and public companies, (2) companies wishing to be on the market by exploiting, in particular, those aspects enhancing their image and reputation as intangible assets in the chain of value; (3) companies producing for a niche market (such as organic, typical/traditional etc.) satisfying the requirements of target consumers with greater awareness. The tools a company can use in order to apply a good CSR practice are: a code of behaviour, a list of values, an environmental and social balance, a socio-environmental balance of sustainability, SA8000 certification, abiding by global standards and *cause related marketing* (CRM).

The aim of this contribution is, after illustrating the concept of caused related marketing and its role within the present competition set-up, to analyse the functioning and efficiency of CRM initiatives within the Italian agri-food system, by some case-studies of companies in the system.

1. Cause related marketing

Over the last fifty years the concept of marketing has altered following changes in company strategy and the changing role of the consumer.

In the 50's the direction of company strategy was geared solely towards production and sales volume, and marketing activity was thus aimed at selling the product without any focus on the consumer: a product was made to be sold to anyone willing to buy it. In the following twenty years mass marketing gave way to concept marketing, in other words "it is produced only what one could sell". Potential buyers were no longer those able to buy, but rather a specific target with specific needs to be met. This was also the period during which the concept of total quality to satisfy the final client/user came into being. During the 80's and 90's, the strategic strength of the company was substantially aimed at the consumer and marketing activity was directed to his or her satisfaction and loyalty: it was the period of loyalty campaigns, collecting points, and so on. The concept of company quality was firmly established, and the ISO 9000 family of norms came into being, along with the system of certification.

Over the last fifteen years company strategy has known new dimensions: society and the environment. The consumer is no longer just a client/user but an aware citizen ready to pay a significantly higher price – a *premium price* –, for a better environmental system, for food products not just safe, but respecting traditional production methods including a whole of local knowledge to be appreciated and reconsidered and production methods using labour and raw material respecting ethical values such as health, safety in the workplace, the non-exploitation of minors, and the absence of any sort of discrimination. So the modern marketing trend have to take account of environmental and social concerns.

In this development process, relationships within organisational systems have also changed. Within the so-called *conventional marketing system*, economic agents operate alone pursuing the greatest possible benefit of their own utility function, and giving priority to the market as their only organisational medium. In contrast to this system is the *integrated marketing system* based on forms of collaboration, at both vertical and horizontal levels, between operators in the chain, and this sort of collaboration operates through the expression, stronger or weaker, of the contractual power of one or other of the components in the system.

What then, in light of what has been illustrated hitherto, is the currently most sustainable marketing system compatible with company objectives and able to satisfy the needs of the consumer/citizen: free to choose, to be informed and also not to buy?

New marketing tendencies indicate that the relationship between a company offering goods/services and a potential buyer is no longer based on a unilateral relationship rooted in profit; it rather involves a relationship of a bilateral nature, in which the consumer/citizens are protagonists through their actions and desire to be an active part of the decision-making process. Finally, it must be emphasised that this change in the relationship is also due to current innovative communication systems: digital television, the web and mobile telephony which allow the realisation of interactive styles of marketing strategy.

So-called *corporate giving*, i.e. those actions able to achieve on the one hand utilitarian aims and on the other to contribute to a social cause by different forms of company donation are a good example of the new entrepreneurial techniques. The main and most widespread forms of corporate giving are: corporate philanthropy, social sponsorship and cause related marketing. The first case involves a pure and simple donation by a company to a non-profit organisation:

no agreement is necessary between the donor and recipient and there is no connection between a company/brand and a social cause; thus, the donating company's aim is to show stakeholders its own social involvement. Social sponsorship is support given to a non-profit organisation in the form of financial and human resources, in order to raise funds or to sensitise people to social initiatives in return for an enhanced image. A collaboration between the company and charity which is on a win-win basis, where the social involvement is integrated within a marketing strategy, it is referred to as *cause related marketing*.

This term was used for the first time in 1983, during the campaign promoted by American Express company to restore the Statue of Liberty: they gave 11% of every transaction undertaken and a dollar for each new card issued. The result of the operation was extremely positive; indeed, over its three months duration Amex credit card holders increased by 45%, with an increase in receipts of 28% for a sum of 1.7 million dollars raised for the monument's restoration.

Among the many definitions offered, the most widespread one in Europe is the one from the organisation *Business in the Community* (2001), according to which CRM is 'a commercial activity in which companies, non-profit organisations or socially useful causes, form a partnership aimed at promoting an image or a service, leading to reciprocal advantage.' This strategic relationship involves three categories: the company, its stakeholders and the non-profit organism.

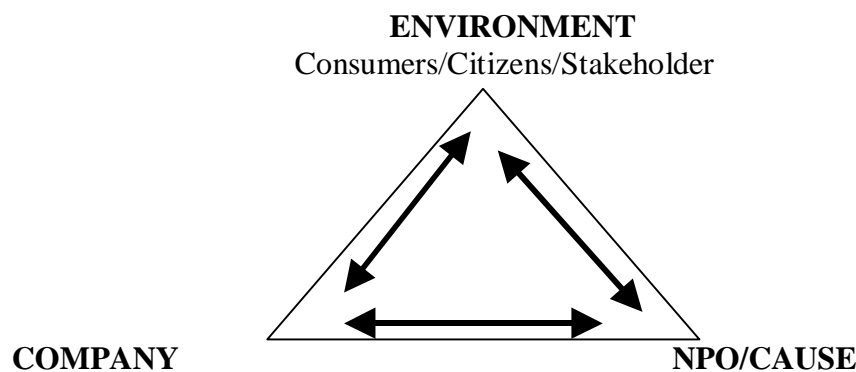


Figure 1.

The distinctive features of the CRM that emerge from its definition are (Michellini, 2003, pp.12) :

- a marketing activity aimed at integrating business objectives with solidarity objectives;
- is characterised by a partnership and therefore by a formal agreement between a profit organisation and a non-profit entity;
- marketing objectives are not limited to the increase of sales but can be over a long or medium period.

The added value of an instrument like CRM consists in giving the company using it: an improved image to its stakeholders, allowing the achievement of commercial objectives (increased sales market share); the chance of reaching "sensitive" targets; to be more visible

and to set up a mission to be shared by its own workforce motivating them in a positive way to be part of the *firm community*.

One of the most important and immediate positive results of this tool are the effects on the company/brand image. When the name of the company or its trademark are strongly associated with a social cause, the two take on a common value, extremely positive to the eyes of consumers who will be able to recognise, and therefore prefer it, when they buy. It is apparent that it is not enough for the company to create CRM activities without the support of a management policy geared at least towards social responsibility: the effects would certainly be short lived, with a gain in image restricted to the period of the initiative and practically no impact on the firm's reputation over the medium and long term.

Last, but not least, there are the fiscal advantages deriving from this kind of activity. From a fiscal point of view CRM operations involve an increase in expenses and as a result a reduction of taxable revenue whilst the investments can be deducted as donations to non profit organisation (Onlus in Italy).

Those buying goods or services connected to a social initiative are satisfying their own need to belong to a category of 'sensitive generous' people 'able to do good deeds', and have, very often, the subconscious motivation that this image of themselves is acquired when they buy. This desire for social approval is so strong that some authors suggest creating gadgets with the logo of the charity, so that the consumers can show openly their involvement with the programme; supporting a charitable project can give some people a sense of belonging to a so-called *brand community* (Muniz and O'Guinn, 2001), in other words a group whose members feel they share a particular sense of awareness and social responsibility.

For the non-profit organism collaboration with the company offers a number of advantages: help in fund raising at relatively low costs compared with what they would have paid for direct marketing action, such as sending out information including a pay-in slip with current account number for the donation; the chance to use new means of communication, thus reaching new potential donors and also volunteers; a greater visibility of the organisation and its activities; and finally it should not be undervalued the new managerial and organisational expertise deriving from the planning and realisation of the project.

Before joining any CRM initiative, the non-profit entity must supply itself with a regulation code defining the characteristics its partners must satisfy, in order to protect its own reputation. It could consist, for example of companies whose behaviour does not conform to the values promoted by the charitable institution or who in the past have practised behaviour not on an ethical par with the charity.

The main bases for correct CRM action are: mutual benefit, sincerity, transparency, integrity, collaboration and mutual respect. Reciprocal satisfaction is the cardinal point for a successful cause related marketing initiative: equity must be at the basis of the company's marketing objectives and the non-profit organisation's mission, being based on clear and agreed evaluation criteria. The consumer is struck favourably by the social communication and, therefore, joins the initiative only if convinced that the company is not manipulating the non-profit organisation in its own interest. This last aspect is directly linked to the transparency of the relationship between the two parties: there will be no efficient communication if at the base of the agreement there is not clarity in the planning, realisation and organisation of the partnership.

There are four methods to create cause related marketing strategy: transition, promotion, licensing and joint fund raising. In the first case, the company contributes to the social initiative by providing financial resources and/or materials deriving from the revenue of the collaboration established (e.g. Golia Bianca-WWF). To promote the cause, a product is used as an instrument to transmit the message and the cause of the non-profit organisation. When cause related marketing of licensing is involved, the charity concedes its own logo/symbol in return for an economic co-respective (e.g. UNICEF). The final method, CRM of joint fund raising arranges for the company the use of means, tools and resources to raise funds for the non-profit organisation or social cause.

The donation mechanisms are established by the two partners and the most common ones are: donation of the total sales profit, donation of a percentage of sales or else the company increases the product price in order to donate a percentage of the increased revenue, and sometimes a combination of these mechanisms, like for example, the donation of a fixed amount plus a percentage of the profit.

The criteria with which a company chooses to join a social initiative rather than another are absolutely not casual but established on the bases of elements linking the company/brand to the cause or non-profit institution, so as to maximise the synergetic value of the link. Company characteristics, such as the values on which it is based or the features of the product/brand linking it to the non-profit organism, are exploited; for example both might share the value of respect for the environment or the product might be linked to a specific initiative (infant products/initiatives to help children in developing countries). Two other important elements are: the geographical factor and the characteristics and sensitivity of the target. In the first case the company decides to finance charity work situated in the geographical area where it is active whilst, in the latter the company and non-profit institution share the target of sensitised users and specific social needs. In table 1 there are several company examples showing links between company/brand and the social cause supported.

Table 1. Some cases of company/*brand* and the social cause supported

Company/ brand	Features of the compsnry/ brand	Social cause supported	Linking element
Estée Lauder	Cosmetic company promoting values of innovation and beauty	Restoration of the most famous Venuses in history of art	Company values
Avon	AVON “The company for women” is a company dedicated to the needs, in terms of products and services, of the world’s women	The fight against breast cancer (European Institute of Oncology)	Company values Target sensitivity and characteristics
IKEA	Company active in the furniture and interior decoration market, innovative in quality/price ratio and environment sensitivity	Meyer Hospital (children hospital) Foundation, Florence, UNICEF	Company values, product features, geographical elements
Svelto (Unilever)	Washing-up cleaning market	Opera di S. Francesco and St.Egidio community: donation of meals to be supplied to poors	Product features
IAMS (Procter & Gamble)	A specific brand of food and products for pets	Food donation to structures looking after stray cats and dogs	Target sensitivity

Source: adapted from Michelini, 2003

The importance that cause related marketing has assumed in Italy emerges from the number of institutions that have been involved and the growing body of research dealing with it, as well as the birth of a specific structure for gathering and analysing data. Based on the collaboration between the Association for Social Entrepreneurial Development (Sodalitas) and the Nielsen Media Research, in 2002 the Social Marketing Observatory was set up with the aim of monitoring social marketing campaigns which go through the traditional channels of communication (newspapers and periodicals, television, radio, posters and cinema).

2. Cause related marketing and companies in Italian food and agricultural system

Within Italian food and agricultural system there are a number of initiatives with companies linked to CRM strategy: in table 2 there is a synoptic picture of some of these company cases.

Table 2. Some cases of company/brand and the social cause supported in Italian food and agricultural sector

Company/ Brand Initiative	Features of the company/brand	Social cause supported	Linking element	Form of donation
Comunità di San Patignano "AVI"	A community looking after and treating drug addicts	Treatment of drug addicts through training courses and work experience in various sectors	Company values	The company donates a percentage of sales income
Produttori vinicoli italiani (Italian wine producers) "Wine for Life"	Italian wine producers producing high quality wine	DREAM programme of St. Egidio community – the fight against AIDS in Africa	Company values Target sensitivity	The companies buy a 50 cents seal for every bottle of wine put on sale
Paluani "Everyone deserves a better Xmas"	The company is involved in research and realisation of company quality	Supports 'Telefono Azzurro' (child helpline) joining the 'goodness' of its products to its commitment to children	Company values Target sensitivity	Fixed donation of the company that proposes products 'dedicated' to the social cause
Coop Italia	Coop fish products	Dolphin friendly tuna fishing, support for ecological and socially sustainable fishing policy	Company values Target sensitivity	The company donates a percentage of sales income
Crai "Crai with Amref" taking Kenyan children to school	Distribution company that for several years has been sensitive to problems and emergencies in the south of the world	Amref and involvement in health problems in Africa	Company values Target sensitivity	Fund raising through a loyalty programme (points system)
GS Carrefour "The smile factory"	The group, operating on an international scale is committed to a policy of action favouring lasting development	Collaboration with ONLUS associations involved with children in difficulty	Company values Target sensitivity	Direct donation by consumers through purchase of <i>Donocard</i>
Esselunga "Some gestures are worth double"	Company operating in distribution in Central North Italy and committed to the realisation of company quality	Ann Meyer Hospital Florence Onlus for realisation of a new operating theatre	Company values Locality and target sensitivity	Direct donation and fund raising from clients by doubling the donation
Golia Bianca (Perfetti) "Golia Bianca e WW" F	The product has features bringing to mind the object of the initiative	WWF – support for polar bears	Target sensitivity	The company donates a percentage of sales income

Many of these initiatives have been promoted by large scale distributors, for whom CRM is an instrument for non price competition which is suitable, in a global market, to relieve the tensions on profit margins imposed by the search for greater and greater economy of scale. Some of the main companies are able to create initiatives on a large scale, dedicating a company division to this specific function (e.g. GS Carrefour). In groups with less economic importance, but nevertheless with a conspicuous weight within the national distribution sector, initiatives are more 'focused' and repeated several times within a few years and often the

donation is linked to collecting points in order to induce loyalty in the consumer/citizen involved.

Outside large scale retail distributors, the Italian food and agricultural entrepreneurs have not remained insensitive to social and environmental needs, as is shown by some of the cases synthetically illustrated in the above table. Referring to productions in which the territorial value is a consistent part of the good total value, some extremely significant initiatives are from the wine and oil areas.

Buying wine, and in particular a bottle belonging to the medium to high quality range, presents a number of factors which without doubt play into the hands of efficient CRM strategies. On the one hand, wine consumers are ever more attentive to quality and sensitive to a number of ethical and social questions surrounding production methods and the use of profits. On the other hand, in some occasions (invitations, presents, etc.) the choice of wine to be bought is driven by considerations of status and image of self, elements which are one of the keys to the success of a CRM strategy.

The *Wine for Life* initiative, which in 2004/2005 saw the involvement of over 60 of the best Italian wine producers, was created by St. Egidio Community with the aim of collecting funds for the 'Dream' programme, concerned with the fight against AIDS in Africa (through help in the home, treatment of HIV positive women during pregnancy and the training of local personnel). The producers contribute 50 cents for every bottle sold that belongs to the project and carries a red seal (on which the symbol of the initiative and St. Egidio Community website is printed), with which it is shown on the distributor's shelves. Another initiative is the one led by *Insieme* Association consisting of twelve producers from the Langhe region who have created a special label, named *L'Insieme*, to identify a product obtained by each wine producer from grapes with different ripening times, but carrying the same label, except for the name and logo of the single company. For every bottle, the producers pay about 5 euro into an external commission which meets every year on the 11th November, to decide which projects to finance. It must be emphasised that other stakeholders as distributors, importers and fine wine purveyors also take part in the initiative. This association's activity has been emulated abroad: in Austria an association of wine producers called *Zusammen* has been set up. There are also, many initiatives linked to single producers, just to mention few examples: such as *Umani Ronchi*, who since 2004 is devolving 5% of its net profit to charity works recommended by an appropriate commission, or *Erik Banti* who gives the entire profit from the sales of *Magnum di Poggio Maestrino 2001* to the association *Medecins Sans Frontières*, and also *Mario Felice Schwenn* who for every bottle sold devolves 5 euro in support of clown therapy for adolescents with reduced life expectancy. *Donnafugata* one of the most representative Sicilian wine brand had launched the project "Donnafugata for the heart", that is collecting funds through the "Donnafugata Music Wine live" cd sales, for the ABC NPO linked with the Palermo pediatric unity of cardiology. Cd sale revenues, at a symbolic price of € 10, is completely given to finance scholarships for young doctors coming from Middle East and Africa, that will come in Italy to specialize in cardiology. At the moment, the project has collected more than €100.000. In the olive oil sector, among the principal *cause related marketing* initiatives is that of *Carapelli Firenze*. This company entered, in 2003, the group of companies participating in the *Sodalitas Social Award* with a project to set up a Foundation, today the *Carapelli Nutritional Institute*, in order to create a structure helping to bring together food, health and the environment. In particular, the foundation studies the evolution of the current economic-

industrial model, hoping for a course which, without neglecting market logic, takes account of the principles of eco-compatibility, eco-sustainability and eco-solidarity. For this reason, the foundation promotes, supports and finances projects and information activity and training favouring economic and industrial models promoting application of planomia and the relative *chain of compatible global value* (CVC) as the sustainable economic model for the near future. Along with these objectives are those of the new Carapelli Nutritional Institute Foundation which intends to promote a policy, and strategies, to spread the culture of extra-virgin olive oil to all age groups of the potential target (children, parents, the elderly) showing the characteristics from a chemical, physical and nutritional viewpoint, but also to promote the innovation of a production process pursuing the aims of energy saving, the recuperation and appreciation of by-products and the maintenance of the most interesting natural components.

Conclusions

In this contribution it has been shown that the CRM tool allows the company to combine profitability with socially responsible behaviour.

Today's consumer is one of the most demanding company stakeholders: not only demanding products and services with proven intrinsic quality features but also endowed with non-material attributes such as respect for the environment and ethical values. It is not by chance that in Wall Street the few constantly bullish shares are the 'ethically correct' ones, grouped together in a specific index.

From the analysis it is clear that marketing actions connected to social causes are winners if: (1) the objectives are clear and the project humanitarian, (2) the company has a credible history from the point of view of social commitment, (3) the timing of the initiative is sufficiently long lived.

Only if the consumer/stakeholder has a positive perception of the company's social commitment and its clear and credible participation in the social cause, will he or she be disposed to link the product/service being bought the added value derived from belonging to the solidarity initiative. Otherwise, as some research shows, they will perceive these initiatives only as distorted way of making advertising 'commercialising' the solidarity value. The length of these actions is short by nature, but in order for the company's social commitment to be credible, not only for the time the initiative lasts, it is necessary that the results of the contributions to the NPO/cause be made public and that, furthermore, they be reiterated over time. Only in this way is it possible to achieve a significant strategic value which, going beyond the increase in sales and differentiation of the product with respect to its competitors, aims in concrete fashion to enhance the reputation and image of the company developing and contributing to carry out ethical projects in line with company values. In this way the consumer can appreciate over time the genuineness of company's social commitment and will not perceive the CRM initiative as only a chance for promotion with narrow utilitarian scope.

From the analysis it emerges that there are three categories of agent applying CRM within the Italian agri-food system:

- companies producing widely consumed brands, with high sales volume;
- small companies producing high quality goods but with brands known within a limited market area and with a substantial part of their sales outside the mass distribution circuit;

- mass distribution companies.

The use and aims of CRM strategies are different for each of the actors. In particular, for small and medium size food and agricultural companies producing goods deeply rooted in the territory and tradition, and local knowledge established over a long period, the value of a CRM initiative is in the target achieved and the sales channel used. The potential buyer of these products, in respect to the average, is more sensitive to attributes going beyond the price and the quality of inputs used. When the solidarity value is linked to the 'unique' qualitative features of these goods, the final product will gain benefit, in the competition game, exploiting two distinctive elements: (1) it is differentiated in a horizontal sense with respect to competing products of similar quality and sold through the same distribution chain; (2) aiming at sales in specialised channels such as wine bars, it does not have to compete only by offering good at the best price.

Finally, it emerges that many of Italian wine producers who have been involved for many years in a continuous effort to improve the quality of production, are now turning solidarity into a such a winning card both for utilitarian and ethical ends, that they are starting to be imitated abroad. In the olive oil sector these strategies are still being implemented by only a small number of companies, but the example of wine suggests a remarkable potentiality for CRM development within this sector too, which could be taken up more easily if some of the more important actors in the chain were to agree to promote social initiatives, that could be associated to the unique nutritional features of the product.

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