

Is there Need for more Transparency and Efficiency in Cause-related Marketing?

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ABSTRACT

The popularity of ethical consumption increases. This has motivated firms to increasingly implement Cause-related Marketing (CrM) campaigns in Germany. But research reveals that especially German consumers are sceptic with regard to the amount of money spent for the good 'cause' by the enterprises. This can be explained by the small share of information provided by CrM campaigns to consumers. In consequence, this can reduce consumers' willingness to purchase CrM products. Therefore, this study analyses whether the efficiency and transparency of a CrM campaign are important for consumers. The share of money reaching the cause relative to the product price consumers' pay is taken as a proxy for efficiency while transparency is understood as the open communication of donated amounts on the product by label.

A consumer survey conducted in Germany in 2009 reveals that consumers have a great interest in the transparency of a CrM campaign. Furthermore, the study gives evidence that there is a gap between the levels of expected and requested efficiency of CrM donations. Consequently, firms should label the donation amount to meet consumers' transparency needs. Furthermore, to create a successful CrM campaign companies also have to consider that the amount of money devoted to the good cause is of relevance for consumers.

Keywords: Cause-related Marketing, transparent labelling, donations efficiency

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1 Introduction

Awareness regarding ethical issues* and sustainable development†, such as fair wages for workers and recycling grows. This is shaping consumption and purchase patterns in Germany towards ethical consumption‡ (Partos, 2009). Conscious consumers are concerned about the impact of their individual consumption. They strive to act in accordance with their moral code and consequentially place substantial value on ethical and sustainable issues (Nielsen, 2008). This is shown for instance by increasing sales volumes of Fair Trade (FT)§ products in Germany** and consumers asking for sustainable production processes (e.g. organic farming) (Havas Media, 2009). For similar reasons the application of Cause-related Marketing (CrM) campaigns has experienced an increasing interest.

CrM is a marketing tool, where the product purchase leads to a target-oriented donation regarding a designated cause which is promoted on the product by label. This means that each time a consumer purchases a CrM labelled product money is donated to a charity organisation or a good cause. For example in one campaign Germany's coffee producer Dallmayr cooperates with the non-profit organization (NPO) 'Menschen für Menschen'. The campaign promotes that per coffee package sold five trees are planted in Ethiopia. In this regard, the campaign is close to Fair Trade in terms of the prevention of soil degradation and therefore sustainable production methods.

Hence, CrM products allow consumers to express their concerns about environmental and social issues such as poverty in developing countries, fair producer prices and schooling for poor kids, via daily purchase in a supermarket without additional (transaction) costs of donating to charity. One can hypothesize that the level of spending efficiency would be relevant for consumers. But, for the average consumer an evaluation is only possible if the respective organisations and firms communicate the donated amount in a transparent manner.

Against this background, we aim to answer two questions. First: What is the amount of money consumers expect to be contributing to the 'cause' by purchasing the respective product? Second: Is this information of relevance to consumers? This issue – the share of money reaching the cause relative to the product price consumers' pay – is in the following used as a proxy for efficiency of the CrM donation. Furthermore, we investigate whether transparency with respect to CrM is of importance to consumers.

The remainder of the paper is structured as follows. Section 2 provides background information on CrM. In the third section we introduce the methodological background. In section 4 the sample of the study is described and section 5 presents and discusses estimation results from the econometric analysis. The final section of the paper concludes and derives implications for further research needs.

2 Background on Cause-related Marketing

Expenditures for CrM by firms in the US increased from almost zero US\$ in 1983†† to around 1.57 billion US\$ in 2009 (Chong, 2009). In Germany CrM was only recently introduced as a marketing instrument (Huber et al., 2008) and since legal praxis changed††† in 2004 the number of CrM campaigns increased steadily (see Table 1); leading to a trend that is comparable to the US. Overall, more than 90 firms offered

* Ethical issues can be manifold, e.g. social and environmental concerns such as health issues, labour standards, social justice, animal welfare and sustainable production methods. They coexist with 'traditional' consumers' decision making criteria such as price and quality (Harrison, Newholm, and Shaw, 2005).

† The Brundtland Report defines sustainable development as meeting the needs of today "without compromising the ability of future generations to meet their own needs" (United Nations General Assembly 1987, chapter 2).

‡ Ethical consumption refers to a purchase based on an individual's sense of responsibility towards society and personal concerns for one or several ethical issues (Harrison, Newholm, and Shaw, 2005; De Pelsmacker, Driesen, and Rayp, 2005; Tallontire, Rentsendorj, and Blowfield, 2001).

§ Fair Trade is an approach aiming to alleviate poverty and improving the livelihoods of small producers by the payment of so called fair and sustainable, guaranteed minimum contract prices, by implementing social and environmental standards in all areas related to the production process of the traded goods, by improving market access and providing stability in trading relationships (Giovannucci and Koekoek, 2003). So, Fair Trade certified products are products guaranteeing a so called fair price to producers of raw material such as coffee beans. Fair Trade certified products are considered as the typical ethical product.

** The sales volume of Fair Trade products were 213 Mio. € in 2008 which is an increase in sales of 50% compared to 2007 (Transfair, 2009).

†† In 1983 the first promotion entitled as CrM campaign was initiated by the credit card institute 'American Express' (Adkins, 1999). American Express announced to spend 1 cent of each credit card transaction to the restoration of the Statue of Liberty. The card usage (plus 28%) as well as the number of new customers (plus 45%) increased considerably compared to the respective period in the previous year (Wall, 1984).

††† See the novel of the German Act Against Unfair Competition (UWG) §4 in 2004 and BGH AZ. I ZR 55/02 from 22.09.2005 which allows advertisement with social motives (Online Werberecht, 2010).

CrM products in Germany since 2002. 35 % of these CrM promotions in Germany were undertaken by the food and beverage sector (Oloko, 2008).

Table 1
Number of CrM campaigns in Germany

Year	1998	2001	2002	2003	2004	2005	2006	2007	2008
Number	1	3	1	5	5	18	31	33	39

Source: Oloko 2009, p. 5.

2.1 Theoretical Background regarding Cause-related Marketing

Definition of Cause-related Marketing

Manifold definitions for CrM are provided by the literature. The one proposed by Varadarajan and Menon in 1988 is considered as most widely used and accepted in science (Huber et al., 2008): „Cause-related marketing is the process of formulating and implementing marketing activities that are characterized by an offer from the firm to contribute a specified amount to a designated cause when customers engage in revenue-providing exchanges that satisfy organizational and individual objectives” (Varadarajan and Menon 1988, p. 60).^{§§}

Firms’ profits as well as the donation amount depend on the sales volumes of the CrM product under consideration which in turn is linked to consumers’ willingness to buy these products. In this regard, a CrM campaign is linked to firm and brand, non-profit organisation (NPO) and consumers, respectively. Accordingly, the success of a CrM strategy depends on the interaction of these three actors, illustrated in Figure 2. The relationship exists only for the length of the CrM campaign and is in most cases limited to one specific product and one specific cause (e.g. Dallmayr Ethiopia) (Kotler und Lee, 2005). The depicted triadic relationship can only be successful if it is a win-win-win situation for all involved groups leading to mutual benefits (Adkins, 1999). Nevertheless, the three actors have different motivations to take part in the CrM campaign.

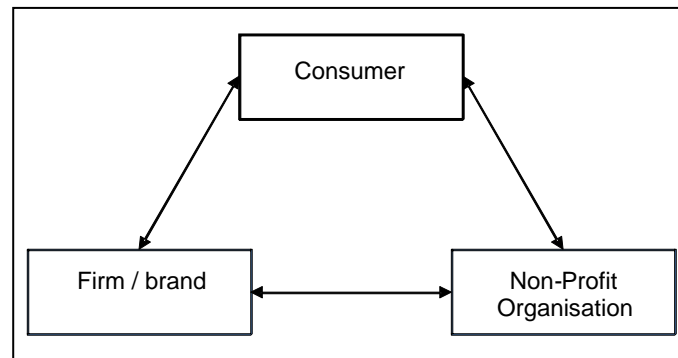


Figure 1. The triadic relationship of actors of a CrM-campaign
Source: Westberg 2004 (p. 41).

Motivation of firms to launch CrM campaigns

Wymer and Samu (2009) differentiate two key motivations for firms to support causes by means of CrM promotions: altruism and self interest. The former implies that a business implements a CrM campaign because of its belief in the value of the cause. The latter motivation holds if a cause is supported with the aim to increase firms’ profits in the short or long term. Wymer and Samu (2009) assume that in reality both motivations are active for most cases. Firms use CrM as a tool which allows integrating the core business activities of trading with the needs of a particular charity cause (Mason 2000). Varadarajan and

^{§§} Other definitions are e.g.: “commercial activities by which businesses and charities or causes form a partnership with each other to market an image, product or service for mutual benefit” (Adkins 1999, p. 11) and the definition by Eikenberry (2009, p. 61) serving as a critique of the construct, CrM “adroitly serves two masters, earning profits for corporations while raising funds for charities”.

Menon (1988) are less optimistic: for them CrM is an innovative form of corporate philanthropy which is exclusively profit-oriented.

From a marketing perspective successful CrM campaigns allow companies to perform well by doing well (Varadarajan and Menon, 1988). CrM is a means to gain consumers' attention (Cadbury, 2000) a precondition for selling products especially in saturated markets. An increasing share of consumers asks for and places considerable value on sustainability issues (Havas Media, 2009). Firms take into account this development being aware of the power of consumers: the power of knowledge, purchase, protest and boycott (Adkins, 2004). Thus, they search for opportunities to effectively demonstrate their social commitment and social responsibility, e.g. by CrM campaigns, thereby differentiating their brand from those of competitors (Berger et al., 1996; Brown and Dacin, 1997; Webb and Mohr, 1998). With such campaigns firms enable not only consumers but also other stakeholders to identify themselves with the corporation and its brands (Roy and Graeff, 2003). In addition, employees' attitudes towards their company change for the better due to a CrM promotion as they feel proud of their company (Adkins, 2004). Thus, CrM allows companies to make their values meaningful to stakeholders and to take their consumer relationship well beyond a simple transaction-based relationship which only relies on price and functionality of the product (Adkins, 2006). To conclude, from firm's perspective CrM is a marketing tool that can be used to achieve plenty of objectives (Singh, 2009). While some have been discussed here additional ones are summarized in e.g. Varadarajan and Menon (1988).

Motivation of charity organisations to get involved in CrM activities

Non-profit organisations (NPOs) face declining funds from government agencies (Bergling and Nakata, 2005). CrM allows charity organisations to raise additional resources that permit NPOs to maintain or even increase their activities. Furthermore, CrM leads to non-monetary benefits as it helps informing consumers (Eikenberry, 2009). NPOs enjoy and gain far greater awareness for their projects through the media attention, as their logo can be found on the CrM products and the marketing material. This potentially increases the number of supporters, advocates and volunteers for the causes (Bergling and Nakata, 2005). The penetration of a CrM promotion of a well-known and esteemed business partner increases not just the publicity but potentially also the profile of the NPO. Thus, NPOs lend credibility not only to firms but benefit from the (high) reputation of the company they collaborate with. In addition, the cooperation between companies and NPOs leads to knowledge transfer from the former to the latter, for example with respect to conducting efficient marketing campaigns.

Motivation of consumers to purchase CrM products

The literature on consumers' perception and motivation to purchase CrM products is still scarce (Wymer and Samu, 2009). According to Webb and Mohr (1998) consumers evaluate CrM campaigns in general with mostly positive attitudes and express purchase intentions. However, the authors do not provide any reasons. One explanation for consumers' willingness to purchase CrM products are that the pairing of cause and brand creates additional benefits to consumers. Purchasing CrM products provides them with the feeling 'to make a difference in the world'. In addition it "makes philanthropy simple and convenient" (Eikenberry 2009, p. 53).^{***} Nevertheless, research reveals that elements of the promotion, such as type of product, sum of donation and the fit between product and cause, can make a difference.

The expositions above reveal that there are specific reasons for all three stakeholders to get involved in CrM activities. In the following the focus will be on the perspective of consumers to better understand the determinants that motivate them to purchase CrM products.

2.2 Transparency as a critical success factor for effective CrM

According to Blumberg and Conrad (2006) success factors for CrM are relevance, commitment, integrity and credibility. In this context, relevance means that the target group is addressed specifically – emotionally and rationally. Commitment considers that the additional utility consumers gain through the purchase of a CrM product will be transferred and added to the CrM brand only in a long term perspective. Thus, investments in CrM most likely will not lead to returns in the short term and firms have to be patient. Firstly, integrity concerns the fit of the brand and the charity organisation. Secondly, it implies that CrM activities have to be fully integrated in the overall marketing mix (Mason, 2000). Credibility is vital for the success of a CrM campaign. If consumers mistrust the altruistic motives of the

^{***} Note, several authors such as Eikenberry (2009) and Smith and Higgins (2000) argue that this type of consumption is not philanthropy. Accordingly this tool to achieve philanthropic efforts in tandem with business objectives and commercial interests is rather strategic philanthropy.

firm such a campaign can have a negative influence on the firm's and brand's reputation and might lead to a decline in sales. Especially, if the gap between the sum consumers expect to be contributed and the amount actually spent by the companies is too large this could lead to mistrust among consumers once they become aware of this. In the long run, this might decrease their willingness to pay for those products in general. Also, firms' reputation could be harmed (see e.g. Webb and Mohr, 1998). The more familiar consumers are with CrM the lower their scepticism (Webb and Mohr; 1998, Singh, 2009). Thus, if consumers believe they have sufficient knowledge about the CrM activity the campaign becomes more trustworthy (Singh, 2009). Open communication, i.e. transparency, about the donation amount creates knowledge. Hence, transparency is the identified crucial element to secure credibility (Webb and Mohr, 1998; Singh, 2009).

According to Olsen, Pracejus and Brown (2003) consumers are often confused about the donation amounts in CrM programs. Two general options to communicate CrM measures exist; providing information as 1) project-specific donations (project-oriented donations) and 2) exclusive monetary terms e.g. in Euros or Dollars – regarding the money donated in absolute terms or percent of retail price or profit. The use of project-specific donations implies that own currencies like e.g. 'schooling hours provided', 'wells built' or 'trees planted' are defined and reported. In this case the actual amount donated is generally not known to the consumer as it is difficult for a consumer to assess the cost of 'providing a schooling hour', 'building a well' or 'planting a tree'. Thus this information does not lead to transparency. This can be illustrated taking the example of the Dallmayr Ethiopia CrM campaign: The campaign promotes that per coffee package sold five trees are planted in Ethiopia. If German consumers assume a tree in Ethiopia to be as expensive as in Germany this type of labelling is misleading⁺⁺⁺ and intransparent.

For the consumer it is difficult to know the costs of e.g. five trees and how those costs relate to the sales volume the firm earned by the CrM promotion. In contrast, a very transparent form of labelling is indicating a donation amount in absolute units. This has been done e.g. by the furniture company IKEA in a CrM promotion in 2007. The company informed consumers that from each soft toy sold 1 € was donated (Unicef 2010). Other formats used by businesses are percentage-of-the-profit (e.g. the product red initiative (Joinred, 2010)) and percentage-of-the-sales-price. According to Olsen, Pracejus and Brown (2003) the former is problematic because consumers have to calculate two steps to arrive at the final amount of money donated: first estimate the profit as a percentage of the price and then calculate the amount donated as a percentage of the profit. But usually people take computational shortcuts and fail to take into account that profit is only a small fraction of price. This leads to overestimation in the case of percentage-of-the-profit formats. Furthermore, consumers oftentimes do not know the actual profit level of a firm or brand and overestimate profit in general. In addition, it remains in most cases unclear whether net or gross profit is meant (Olsen, Pracejus, and Brown, 2003).

2.3 Previous studies on Cause-related Marketing

So far, studies with a focus on the German market primarily looked at general issues of CrM such as consumers' knowledge (sources) of CrM campaigns and their general opinion towards CrM (see e.g. Huber, Regier, and Rinino, 2008). Oloko (2008), in addition, investigated consumers' assumption with respect to the firm's intentions using CrM and to the share of money dedicated to the cause by the companies. The findings reveal that German consumers are sceptic with regard to the "fair" amount of money spent on the "cause" as well as with regard to the altruistic motives of firms (see Oloko, 2008). Also, according to Singh (2009) scepticism with respect to CrM arises primarily because customers question the company's motivations for participating in such actions, they are having doubts towards unselfish motives of firms. This is in line with results of Havas Media (2009), indicating that consumers mistrust the sustainability efforts of companies in general. Consumers believe that CrM is primarily used as a marketing tool and a fig leaf. This may be partly because little information is provided in CrM campaigns on how much of the sales price is spent on the 'cause' by the respective organization or on the success of the campaign. Also, CrM campaigns rarely disclose details of the agreement between the NPO and the company (Berglind and Nakata, 2005).⁺⁺⁺ Hence, a great number of CrM promotions lack transparency.

While such a transparency requirement is not included in the German Act Against Unfair Competition (UWG) (Online Werberecht, 2010), Adkins (2004) identifies transparency in general to be crucial for a

⁺⁺⁺ According to Menschen für Menschen (2009) five trees have a value of € 0.12. No further costs incur, because coffee farmers plant the trees without being paid.

⁺⁺⁺ In Norway (see Singh, 2009) the labelling and communication of the monetary amount donated to the cause is not allowed. This does not hold for Germany.

firms' credibility. This is an important finding, considering that credibility is identified as one of the four critical success factors for effective CrM (Blumberg and Conrad, 2006). In this respect, one key aspect of successful CrM is the way the donation is communicated. Oloko (2008) shows that providing information on **project-specific donations** in form of own currencies lacks transparency (see also discussion above). But also if information is provided in percent of the retail price and thus as exclusive monetary terms, most consumers are confused as Olsen, Pracejus, and Brown (2003) show based on a series of five studies. Though highly educated people are in general able to convert information provided in percent into the respective absolute numbers and vice versa, this does not hold for the population at large. Also other studies (see e.g. Daly, 1976; Estelam, 1999; Schapira et al., 1990) reveal that for many consumers' e.g. 10 % of 5 Euro and 50 cents is not the same. Based on a content analysis Olsen, Pracejus and Brown (2003) found that percentage-of-the-profit formats are used five times more often than percentage-of-the-sales-price formats. Up to now, there is no study available reporting the dominant format donations are reported in CrM campaigns in Germany. Though, as has been shown above examples for several kinds of donation formats exist.

Several studies investigated the impact of the donation volume on consumers' attitude and purchase intention of CrM products. Dahl and Lavack (1996 in Hajjat, 2003) show that CrM is more effective with larger donations to the NPO or the charity cause than with smaller ones. In the case of small contributions consumers are more likely to believe that the company exploits the NPO and is primarily driven by egoistic rather than altruistic motives. Consumers' disappointment will likely be negatively reflected in their attitudes and purchase intentions of the product/brand (Hajjat, 2003). In contrast, Holmes and Kilbane (1993 in Hajjat, 2003) find no significant differences in consumer responses to different levels of charitable giving's or price levels. In their study, consumers' attitudes towards the product as well as their purchase intentions were not influenced in a negative way, even if the increases in price relative to the donation being made to the NPO were disproportionate.

Some studies indicate that consumers' interpretation of CrM depends on their level of scepticism towards the CrM claim (Webb and Mohr, 1998) which differs from individual to individual. Scepticism in Webb and Mohr's (1998) study was formed through four issues: Firstly, consumers distrust the company to donate the promised amount of money to the NPO. Secondly, consumers perceive the donated amount of money as small. Thirdly, the relation between firms gains by increased sales versus the money collected for the charity is perceived to be unfair. And fourthly, consumers fear to be forced to buy products that are of minor quality or overpriced. This reveals that the money dedicated to the cause as well as the transparent communication of this is of importance for sceptic consumers.

Against this background the contribution of this study is to answer the question whether promotions efficiency and transparency are important issues for consumers with regard to CrM. In addition, we examine whether consumers with a high risk perception are more sceptic towards CrM products. The product under investigation in this study is coffee. Coffee seems to be especially suitable for the analysis as (i) it has been one product containing ethical and CrM labelling (see Dallmayr Ethiopia), (ii) it is a commonly used fast moving consumer good (Vantomme, Geuens, De Houwer, and De Pelsmacker, 2006) and the most popular beverage of German consumers^{§§§}. In addition, coffee is an outstanding export product for producers in the developing world, with over 90% of the coffee production taking place in those countries (Ponte, 2002). Thus, coffee is crucial for the lifestyle of consumers in Germany while being at the same time a relevant export product for many producers in the developing world.

3 Methodological Background

We investigate (i) whether consumers want products to carry a label indicating the percentage and/or absolute amount of money being spent on the 'cause', (ii) how much money consumers think should be contributed to the 'cause' in the case of CrM, and (iii) how much money consumers assume companies actually do spend on the 'cause'. To analyze determinants that shape those attitudes we apply ordered logit models. As we are measuring the attitude towards CrM on a 7-point Likert scale we need a model for ordered categorical response such as the ordered logit model. Because ordered categorical response is a natural extension of a binary response such data can be analyzed using a generalization of the logistic regression model (Collet, 2003). In this model the probabilities of each outcome (e.g. strongly agree, moderately agree, strongly disagree), conditional on the independent variables (such as income,

^{§§§} The per capita consumption in 2008 is about 148 litre compared to 133 litre of potable water and has increased by 4 litre since 2005 (Deutscher Kaffeeverband, 2009).

education) are modeled using the Weibull distribution (Stock and Watson, 2004). In the following the ordered logit model will be explained.

Suppose U_i^m is the utility that consumer i derives from holding the attitude m which can be expressed as follows:

$$U_i^m = X_i \beta^m + \varepsilon_i^m ; i = 1, \dots, n ; m = 1, \dots, M \tag{1}$$

where X_i is the design matrix which is a row vector of the i th consumer's characteristics. These characteristics include socio-demographics and attitudes. β^m is the coefficient associated with X_i . And ε_i^m is the residual error term that is not captured by design matrix X_i . There are n consumers and M attitudes.

In many situations, the respondents are not asked to respond to U directly. Instead, they are given a set of possible answers. Consumers choose the option that most closely corresponds to their response to the question. For example, for attitude m (here e.g. donation amount should be labelled), consumer i is asked to choose among the seven categories: agree very strongly ($y_i^m = 7$), agree strongly ($y_i^m = 6$), agree ($y_i^m = 5$), neither agree nor disagree ($y_i^m = 4$), disagree ($y_i^m = 3$), disagree strongly ($y_i^m = 2$), and disagree very strongly ($y_i^m = 1$).

The ordered logit model is based on the idea of the cumulative logit which relies on the concept of the cumulative probability. Let C_{ij}^m denote the probability that the i th individual is in the j th or higher category for attitude m :

$$C_{ij}^m = \Pr ob(y_i^m \leq j) = \sum_{k=1}^j \Pr ob(y_i^m = k) \tag{2}$$

Equation 2 can be transferred into the cumulative logit for attitude m :

$$\text{logit}(C_{ij}^m) = \log \left(\frac{C_{ij}^m}{1 - C_{ij}^m} \right) = \alpha_j^m - \beta^m X_i. \tag{3}$$

In this paper consumers' attitude is expressed in degree of agreement (from agree very strongly to disagree very strongly) to measure the corresponding latent utilities.

4 The sample

Data were collected via a written survey with $n=217$ consumers in Germany in 2009. Participants were recruited from the general public according to quotas on gender, age, and education level. Table 2 describes participants' socioeconomic characteristics. Compared to the German population young and highly educated people are overrepresented in the sample.

Table 2
Sample characteristics

Variable	Specification	% of the sample (N=217)	% of the population (Year 2007)
Gender	Female	53.6	51.0
	Male	46.4	49.0
Age¹	18-24 years	11.5	9.9
	25-34 years	23.4	14.5
	35-44 years	20.1	20.4
	45-54 years	19.6	17.6
	55-64 years	17.2	14.0
	older than 64 years	8.1	23.4
Income¹ (N=214)	lower than 500 €	16.0	3.3
	500 to 1299 €	30.6	27.1
	1300 to 1999 €	24.1	24.5
	2000 to 3599 €	19.6	2000 to 4500 €: 33.8
	3600 to 4999 €	7.0	
	greater than 5000 €	2.0	> 4500 €: 5.4
Education	Without any graduation	0.0	2.9
	Low school education	19.4	42.9
	Medium school education	26.3	26.4
	University entrance diploma	27.6	
	University degree	23.0	27.7

¹ Compared to German statistical office year 2005.
Source: Own calculation; StBA 2007; StBA 2008.

5 Empirical results

Consumers' desire for transparent CrM labelling

To start with the empirical analysis, we investigate whether German consumers want CrM products to carry a label that indicates the amount of money being spent on the CrM cause – in percent and/or as the absolute amount. **** A seven-point scale with 1: I strongly agree to 7: I strongly disagree was applied. Results show that in general respondents are very interested in the information labelled. 71 % agree or strongly agree (Top 2 answers) that such a label should provide the information in percent (M=2.1; SD=1.5) and 64 % agree or strongly agree that absolute figures are appropriate (M=2.3; SD=1.6). Both answers are weakly correlated with 0.3 at a significance level of 0.001. The difference between the means is not significant. 60 % agreed or strongly agreed on both questions. Thus, we conclude that most consumers request to be informed about the amount of money spent to the cause by the firm but that they are indifferent regarding the way the information is provided.

Determinants of interest in transparency of CrM labelling

To gain deeper insight into the characteristics of those consumers who are interested in the information we performed a k-means cluster analysis to group respondents according to these two questions. 149 persons are classified in cluster 1 and 61 in cluster 2. In the first cluster all respondents indicated that the donation amount should be labelled in percent of the retail price (Top-2-boxes 100 %). The compliance to labelling this share in absolute figures is less strong (80 % Top-2-boxes). Respondents attached to cluster 2 are not interested in labelling as percentage share (0 % Top-2-boxes) and only a small share of them is interested in the absolute figures (Top-2-boxes 28 %). This reveals that those who attach a lower

**** The German questionnaire will be provided by the authors upon request.

relevance to transparency are grouped in cluster 2. A Kruskal Wallis test indicates that there is a statistically significant difference among the two clusters.

To analyze whether the socioeconomic characteristics age, gender, household size, presence of children under the age of 18 in the household, respondents' education level and income determine consumer segmentation with regard to the type of labelling a logistic regression model is applied. Results reveal that none of the socioeconomic characteristics significantly influence participants' affiliation to one of the two segments. Therefore, we assumed that other, behavioural factors and attributes^{††††} may be able to explain preference for labels regarding donations and might allow a characterization of the two clusters. We tested this assumption and incorporated additional items - "paying attention to product information", "buy CrM" and "requested donation of a 5 € CrM coffee" - in the analysis. But again, no significant differences regarding the two clusters can be identified. Finally, we applied a risk perception scale from the domain-specific risk taking scale by Weber (2003). For a series of statements the risk perception of consumers was measured on a scale from 5 (high risk) to 1 (low risk). A risk perception index was then calculated as an unweighted average of the obtained scores over all statements. We expected that people who perceive a greater number of events as highly risky would request information on CrM's efficiency rather than others. However, the item "Risk Perception" did not show a significant influence on differences regarding the two clusters.

In the next step, we calculate a labelling index as sum of the answers to the labelling in percent and in absolute figures statement. This index ranges from 2 (very strong agreement on labelling in percent and in absolute figures) to 14 (both labelling methods are not of interest for the participant who gave two times a seven as answer). We use an ordered logit model to analyze whether socioeconomic factors and risk perception influence the interest in a labelling scheme using the labelling index as the dependent variable. As Table 3 reveals age, gender and university degree significantly influence interest in labelling. Female and elderly consumers are more interested in the provision of information than men and younger consumers. Also, the better educated shoppers are, the more they desire the labelling. This is in line with previous findings in the literature where education showed a positive impact on the interest in using labels (e.g. Nayga et al., 1998). Furthermore, we included respondents' attitude towards the efficiency of Fair Trade (*Effi_FT*) and donations (*Effi_Donation*) as dummy variables (equal to 1 if respondent requests a higher than average efficiency of FT, i.e. if respondent requests a higher than average efficiency of donations, 0 otherwise). We assume that consumers interested in a high efficiency of Fair Trade and donations to charity organisations are also more interested in the efficiency of CrM and thus ask for information about this on the product itself. However, both variables have no significant influence in this model.

Table 3
Influence of socioeconomic factors and risk perception on interest in labels on CrM products:
an ordered logit model

	Coef.	Std. Err.	z value ^a	
Effi_Donation	-0.37	0.48	-0,76	
Effi_FT	0.02	0.48	0.04	
Risk Personality	-0.18	0.30	-0.61	
Age class	-0.11	0.06	-2.01	**
Female	-0.54	0.33	-1.66	*
Children < 18	0.32	0.29	1.10	
HH size	-0.06	0.16	-0.37	
Low edu	-1.36	0.1	-1.38	
Medium edu	-0.84	0.89	-0.95	
High edu	-1.27	0.92	-1.38	
University degree	-1.66	0.92	-1.79	*
Income	0.03	0.08	0.38	

^a p<0.1 =*, p<0.05 =*, p<0.01 =***, n.s. = not significant.

Number of observations: 151, Wald $\chi^2(12) = 19.88$, Prob> $\chi^2 = 0.07$, Log pseudo likelihood = -286.13, Pseudo R² = 0.03.

^{††††} For a variable description see table A1 in the appendix.

Consumers' expected efficiency of CrM

We are interested in consumers general expectation regarding the share of the price of a CrM product donated to the cause. Results are illustrated in Figure 4.

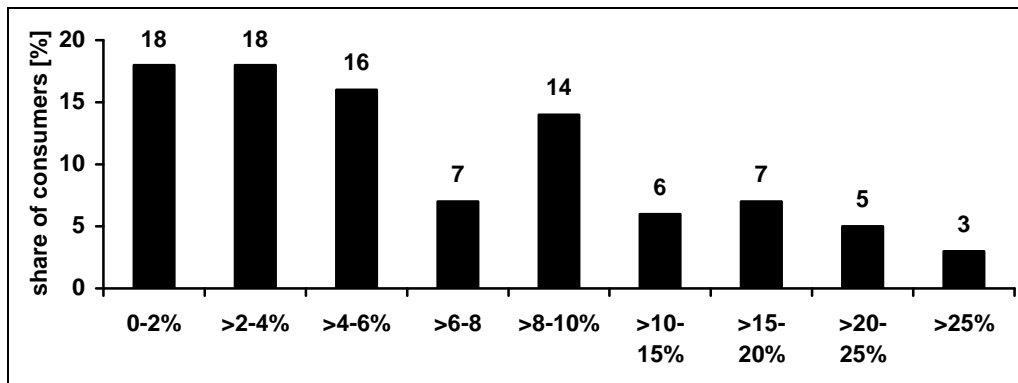


Figure 2. Consumers' expected efficiency of CrM promotions.

The results reveal that 73 % of the respondents expect that less than 10 % of the price of the CrM product is donated to the cause (see Figure 2).

Determinants of expected efficiency of CrM

An ordered logit model shows which factors influence consumers' expectations regarding the efficiency of CrM (Table 4). Factors significantly influencing consumers' expectations are whether consumers desire a high efficiency for FT (more than the on average mentioned 0.74 € should reach the FT producer if the FT products costs 1 € more than a non FT product) and a high efficiency of monetary donations to charity.^{****} While the first has a positive influence the latter has a negative one. This means that, consumers requesting an above average efficiency of FT expect CrM to be more efficient as well.

Table 4

Factors influencing consumers' expectation of CrM efficiency – an ordered logit model

	Coeff.	Std. Err.	z-value ^a	
Effi_Donation	-1.21	0.49	-2.48	***
Effi_FT	1.20	0.50	2.42	***
Risk Personality	0.45	0.32	1.38	n.s.
Age class	0.04	0.06	0.7	n.s.
Female	0.59	0.34	1.72	*
Children < 18	-0.03	0.37	0.08	n.s.
HH size	0.01	0.22	0.05	n.s.
Low edu	1.74	0.69	2.51	***
Medium edu	1.22	0.63	1.92	**
High edu	0.83	0.66	1.25	n.s.
University degree	1.58	0.68	2.32	**
Income	-0.03	0.10	-0.28	n.s.
Labelling Index	-0.02	0.06	-0.44	n.s.

Note: for the variable description see Table A1 in the appendix.

^a p<0.1 =*, p<0.05 =*, p<0.01 =***, n.s. = not significant. Number of observations: 149, Wald $\chi^2(13) = 26.27$, Prob > $\chi^2 = 0.0$, Log-pseudolikelihood = -294.77, Pseudo R² = 0.04.

^{****} Requested efficiency of FT and donations was introduced in the ordered logit model as dummy variable with 0 for those respondents that request compared to all survey participants a below average efficiency level and 1 for those that expect an above average efficiency level for FT and donations, respectively.

Those respondents expecting donations to be efficient expect CrM to have a low efficiency. This shows that charity organisations reputation can be harmed by participation in a CrM campaign. Furthermore, female respondents as well as respondents with low, medium and very high education levels expect a significantly higher CrM efficiency level. Other socioeconomic characteristics such as age and income as well as whether consumers are characterised by a high risk personality or a high desire for transparency of CrM campaigns proved not to be significantly influencing the expected efficiency level.

Consumers' requested efficiency of CrM

While the previous analysis focused on the CrM donation amount *expected* by consumers we were also interested in the share of money consumers *request* to reach the indicated cause. This issue is addressed posing a question on the example of coffee. Respondents were asked how much from a 5 € coffee should be spent to the CrM cause so that consumers would be willing to support such a campaign by buying the coffee. The results, illustrated in Figure 3, show that about 50 % of the respondents would support a CrM campaign if at least 1 € is given to the cause. Only 12 % are willing to buy the product if the donation is below 50 cents.

The results of Figure 3 have to be interpreted in the framework of market prices for coffee at the time of the survey. The only available CrM coffee in Germany in 2009 was Dallmayr Ethiopia with a minimum price of 5.29 €. However, coffee prices were in general rather low that year. Aggressive promotions were common that year even coffee from companies like Dallmayr or Mövenpick had been available at times for a price below 3 €. Thus, 5 € was likely to be considered as a high price for coffee in 2009 by most consumers. From this point of view the request that 1€ or more has to be devoted to the 'cause' seems reasonable. Nevertheless, as mentioned above in the case of Dallmayr Ethiopia it was indicated that per each pack of coffee sold five trees would be planted in Ethiopia. As discussed before the NPO 'Menschen für Menschen' participating in the CrM promotion informed the authors that the value of five trees is € 0.12. This is much lower than the donation amount consumers think is appropriate if a coffee is sold at a price of 5 €. Hence, it seems reasonable to assume that consumers being knowledgeable about the price of the five trees would have some doubt regarding the fair price of the Dallmayr coffee.

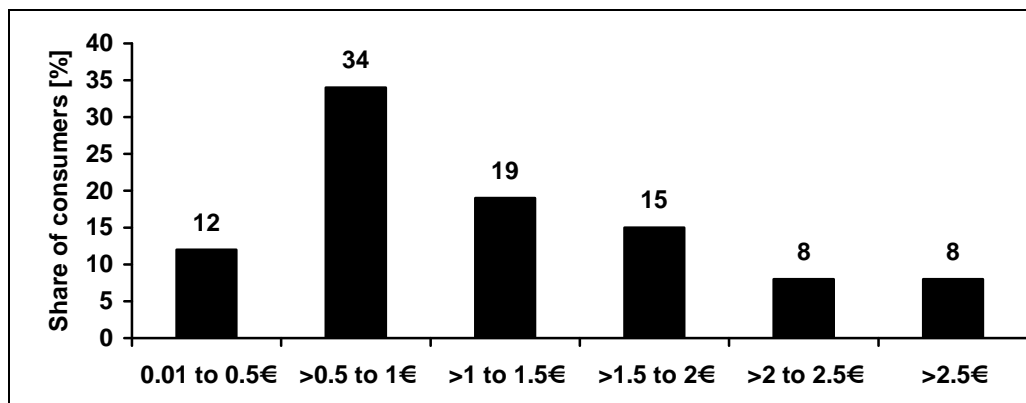


Figure 3. Consumers' requested efficiency for a CrM labelled coffee of 5 €.

As coffee prices are especially low at discounters it can be assumed that price conscious consumers who primarily buy their coffee at those stores require a higher amount to be donated from a 5 € coffee than those consumers who are used to pay more for their coffee. However, a chi-square test revealed no significant differences between the donation requested between those 50 % of respondents who shop for coffee very often and often at the discounter and those survey participants who primarily buy their coffee in e.g. speciality stores and supermarkets.

Because the question regarding the expected efficiency was not framed for an example of a specific food product the results between the *requested* level (targeting the example of coffee) and the *expected* share are not directly comparable. Nevertheless, the results are striking as 73 % of the respondents expect that less than 10 % of the price of the CrM product is donated to the cause (see Figure 2) but in the case of coffee only 12 % would have been willing to buy a 5 € coffee if the donated amount would be less than 0.5 € and thus 10 % of the price (compare Figure 3). This reveals a strong gap between requested and

expected efficiency and might be one explanation for the rather low share of only 20 % of respondents who so far have bought CrM products. It seems that consumers simply do not trust CrM to use the money efficiently. The difference between the 'required' and 'expected' level of donation likely will cause problems with regard to the acceptance of CrM also in the future.

Determinants of requested efficiency of CrM

Based on an ordered logit model potential determinants of the requested CrM efficiency level are analysed (see Table 5). Besides the presence of children under 18 in the household (which influences the request positively) none of the socioeconomic characteristics and also not the higher than average risk perception included in the model proved to be significant. Furthermore, we included respondents' attitude towards the efficiency of Fair Trade and donations. Both variables significantly influence the requested CrM donation level in the way that those expecting that from one Euro they donate to charity more than 0.76 € (this was the average requested share; see also Table A1 in the appendix) reaches the cause request also a higher share of a 5 € CrM coffee to reach the cause. Those requesting Fair Trade to be more than average efficient do in contrast CrM request to be less efficient. Another variable that influences significantly positive consumers demand for a high proportional donation is consumers' expectation of CrM efficiency. The higher the expected efficiency, the higher the requested efficiency.

Table 5
Potential determinants of requested CrM efficiency level – an ordered logit model

	Coef.	Std. Err.	z value ^a	
Dummy_Effi_Donation	1.05	0.42	2.51	***
Dummy_Effi_FT	-0.74	0.41	-1.82	**
Risk Personality	0.29	0.32	0.91	n.s.
Age class	-0.04	0.06	-0.65	n.s.
Female	0.29	0.37	0.79	n.s.
Children < 18	0.56	0.30	1.88	**
HH size	-0.28	0.19	-1.44	n.s.
Low edu	1.37	2.04	0.67	n.s.
Medium edu	1.79	1.99	0.90	n.s.
High edu	2.07	2.03	1.02	n.s.
University degree	1.19	2.02	0.55	n.s.
Income	0.01	0.11	0.08	n.s.
Labelling Index	-0.04	0.06	-0.65	n.s.
Expected efficiency of CrM	0.23	0.08	2.94	***

Note: for the variable description see Table A1 in the appendix.

^a p<0.1 =*, p<0.05 =**, p<0.01 =***, n.s. = not significant. Number of observations: 147, Wald $\chi^2(14) = 25.16$, Prob> $\chi^2 = 0.03$, Log pseudo likelihood = -229.81, Pseudo $R^2 = 0.05$.

Gender differences in expected and requested CrM efficiency

Women are considered to be more compassionate and emphatic than men. Furthermore, they are regarded to be more willing to help others (Wymer and Samu; 2009). Thus, it can be assumed that they place a greater relevance on a high amount of the 5 € coffee being donated to the 'cause'. Our results show that differences exist between male and female participants (see Table 6). Females expect the share of the CrM donation relative to the retail price to be higher (mean 4.11) than men (mean 3.33) as Table 6 illustrates (part A). A Levene Test reveals that the variances differ significantly and according to the t-test the difference between the means is significant. Also with respect to the requested efficiency - measured as the amount a company has to donate to the cause so that the respondent is willing to purchase a coffee for 5 € significant differences between females and males can be reported (see Table 6 part B). Female respondents request a significantly higher amount of donation if the coffee costs 5 € (mean 3.20) than men (mean 2.77).

Table 6
Gender differences with respect to expected and requested CrM efficiency

Gender	N	Mean	Std. Dev.	Std. Error Mean	Levene's Test for Equality of Variances	F ^a	t ^a
A) Expected efficiency of CrM							
Female	102	4.11	2.4	.241	equal var. assumed	3.71*	
Male	95	3.33	2.1	.216	equal var. not assumed		2.418**
B) Requested donation of a 5 € CrM coffee							
Female	107	3.20	1.4	.138	equal var. assumed	.089	2.106**
Male	94	2.77	1.5	.151			

^a p<0.1 =*, p<0.05 =*, p<0.01 =***.

A) 7 point scale from 1 = I fully agree to 7 = I do not agree at all.

B) Ordinal scale (6 levels from 1: 0.01 to 0.5 €, 2: >.5 to 1 €, 3: >1 to 1.5 €, 4: >1.5 to 2 €, 5: >2 to 2.5 and 6: >2.5 €).

6 Conclusion

CrM campaigns, though still of marginal relevance in Germany, reveal strong growth rates. This study provides insights into recent developments and key motives for companies, NPOs and consumers for supporting those activities. So far, most firms provide only little information on their CrM campaigns. Therefore, in the empirical part of the paper we first investigate whether consumers have a preference for transparency and identify factors influencing those preferences. As information on CrM campaigns, e.g. amount of money donated to the cause, is a precondition for consumers to be able to evaluate the efficiency of CrM campaigns we secondly analyse consumers' expectations and requests regarding CrM efficiency and the respective determinants.

Our results reveal that though differences exist between consumers regarding the preferred labelling format, the overwhelming share of consumers is interested in obtaining information on the donation provided by the firm to the NPO/cause. Using an ordered logit model to examine determinants of the interest in more transparency regarding CrM campaigns leads to the conclusion that women, elderly and highly educated people are significantly more interested compared to other shoppers. However, the explanatory power of the model is restricted by a poor model fit.

The study also reveals that the majority of consumers (73 %) expect firms to donate less than 10 percent of the retail price to the good cause, while given the example of a CrM labelled coffee of 5 € only 12 percent of the respondents would be willing to buy this coffee if 10 % of the price is dedicated to the good cause. Though both results are not strictly comparable they lead to the conclusion that a strong gap between requested and expected efficiency exists. This might explain the very low share of only 20 % of respondents who purchased CrM products in the past. Analysing the determinants of consumers' expectation and requests regarding efficiency does not provide a clear picture. Socioeconomic factors prove to be of limited influence. Gender and education significantly influence consumers' expectation and children under 18 significantly impact consumers' request regarding CrM efficiency. The only variables significantly influencing both models, though neither in a consistent nor in a plausible way, are consumers request for charity and Fair Trade donations to be efficient. Overall also those models suffer from a low explanatory power and insufficient model fit. The comparison of expected and requested efficiency of CrM donations gives evidence that there is a gap between the share of money consumers desire to reach the cause and the share of money they believe is reaching the cause in reality. This might decrease the acceptance of CrM promotions and therefore the success of CrM campaigns. Overall, as stated by 60 % of the respondents; the amount of money donated by means of CrM products should be indicated on the product either in absolute figures or relative to the retail price.

Summarising, the study provides evidence that in order to meet consumers' transparency needs labelling of the donation amount is needed. This will increase the success of CrM campaigns. However, companies also have to consider that the level of money devoted to the good cause is of relevance for consumers.

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Annex

Table A 1. Variable description

Variable	Variable Description	Obs.	Mean	Std. Dev.
Labelling Index	Sum of the answers to the statement “labelling in percent” and the statement “labelling in absolute figures” on a scale from 1: fully agree to 7: do not agree. Categorical variable = 2 (very strong agreement on labelling in percent and in absolute figures) to 14 (both labelling methods are not of interest for the participant who checked twice seven as their answer)	210	4.41	2.59
Requested efficiency of FT	Statement “Assumed a FT product cost 1 € more than a non FT product: how much of this € should reach the producer so that you have not the impression that money trickles away”	192	74.01	20.90
Effi_FT	Dummy variable = 1 if respondent requests a higher than average efficiency of FT, 0 otherwise	192	0.57	0.50
Requested efficiency of donations	Statement “How much from a donation of 1 € should reach the cause so that you have not the impression that money trickles away”	204	76.06	21.36
Effi_Donation	Dummy variable = 1 if respondent requests a higher than average efficiency of donations, 0 otherwise	204	0.63	0.48
Expected efficiency of CrM	Statement: “What do you think is the share of donation going to the CrM cause relative to the retail price you pay for the CrM product”. Categorical variable from 1 (0-2 %) to 9 (>25 %); see also Figure 4	203	3.68	2.30
Requested donation of a 5 € CrM coffee	Statement: “I would support a CrM campaign if from a 5 € coffee at least ...€ are spent to the cause”. Categorical variable from 1 (0.01 to 0.50 €) to 6 (>2.50 €); see also Figure 3	206	3.00	1.46
Buy CrM	Dummy variable = 1 if respondent purchased CrM products before, 0 otherwise	204	0.22	0.41
Buy FT	Dummy variable = 1 if respondent purchased FT products before, 0 otherwise	207	0.41	0.49
Donor	Dummy variable = 1 if respondent donated to charity in the last 12 month, 0 otherwise	214	0.67	0.47
Paying attention to product information	Dummy variable = 1 if respondent states to pay attention to information provided on a product, 0 otherwise	206	0.72	0.45
Age	Age in years	209	42.71	15.03
Age class	Age in categories. Categorical variable from 1 (<25), 2 (25 to 29) to 11 (>70)	209	5.18	2.90
Children < 18	Number of children under the age of 18	210	0.29	0.70
Children < 12	Number of children under the age of 12	210	0.16	0.49
Low edu	Education: Volks-/ Hauptschulabschluss	209	0.20	0.40
Medium edu	Education: Mittlere Reife	209	0.27	0.44
High edu	Education: university entrance diploma (Abitur)	209	0.29	0.45
University degree	Education: university degree	209	0.23	0.42
Female	Gender (1=female, 0=male)	209	0.54	0.50
Income	Household Net-Income (EUR/month); Categorical variable from 1 (< 1100 EUR) to 6 (>3600 EUR)	214	2.45	1.77
Risk Personality	Risk perception index. Dummy variable = 1 if the respondent is more than average risk averse, 0 otherwise	179	0.56	0.50