

## **Does Skepticism Influence Consumers Intention to Purchase Cause-related Products?**

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### **Abstract**

*Cause-related marketing (CRM) is becoming more and more popular among companies in emerging markets. Through CRM, companies donate to a charity each time a consumer purchase a specific product. Because a donation to a cause is linked with a purchase of a product, this type of marketing strategy may be viewed with skepticism by consumers. Skepticism may hinder the success of CRM. Using a survey method this study examined whether consumers are skeptical or not toward CRM. In addition, this study also examined the effect of consumer skepticism on consumer intention to purchase CRM's product. The results show that in general consumers skepticism level fall in the middle range. Using an independent sample T-test the effect of high skepticism versus low skepticism on purchase intention was measured. The results show that there is no significant difference on purchase intention between the high and the low consumer skepticism toward CRM. Considering the widespread of CRM in Malaysia, the results of this study suggest that the future of CRM is promising in Malaysia.*

**Keywords:** Skepticism, cause-related marketing, purchase intention, consumer, Malaysia

### **1. Introduction**

Linking brands with causes are becoming increasingly popular among companies in many parts of the world. This is due to consumers' trend towards socially responsible consumption. Consumers are becoming more concerned over environmental and social issues as never before. Therefore, linking brands with causes has an added benefit. According to Cone 2008 Cause Evolution Study, approximately 87% of the consumers surveyed indicated that given products of equal price and quality, they would be more likely to switch to brands associated with causes. Malaysians are also found to have similar preference. In the Nielsen Survey, it was found that 72% of Malaysian consumers surveyed stated that when the price and quality of products' offerings were similar, they would switch to a brand associated with a cause. In response to the consumer trends toward socially responsible consumption, companies throughout the US have adopted socially responsible business practices (Grau et al., 2007). According to IEG Sponsorship, spending on cause-partnerships is expected to reach USD1.55 billion in 2009, a 2.2% increase from the previous year (IEG Sponsorship Report, 2009; Anuar & Mohamad, 2011).

Socially oriented business practices are also important in Malaysia, a total of RM100 million was allocated specifically for CSR initiatives in 2010 (Abd Rahman & Kong, 2010).

Among CSR initiatives CRM is the most common form and is getting more popular. Compare to other CSR initiatives, CRM is more likely to be viewed with skepticism among consumers. This is due to the linkage of donation to a certain cause with a purchase of a product from the consumer. Considering the widespread adoption of CRM among companies in many parts of the world including Malaysia, it is crucial to understand whether consumers view CRM with skepticism or not. This paper (1) highlights the concept of CRM, (2) highlights consumer skepticism of CRM and (3) examines the impact of consumer skepticism on purchase intention.

## **2. Literature Review**

### **2.1 Cause-related Marketing**

The concept of CRM was introduced by Varadarajan and Menon in their seminal article on CRM in 1988. In their article, the concept of CRM was defined, characteristics of CRM were illustrated and the benefits of CRM to organizations and causes were discussed. Varadarajan and Menon (1988) defined CRM as, “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 consumers engage in revenue-providing exchanges that satisfy organizational and individual objectives (p. 60). From the business perspectives CRM is a combination of philanthropy and marketing. The definition provided by Varadarajan and Menon (1988) suggests that in CRM, a donation to a particular cause is linked with a purchase of a product or service. For example, for every purchase of Safwa Health products from Guardian Pharmacy nationwide in Malaysia, RM1.00 will be donated to a specific charity (Star Publications, 2009).

The objectives of CRM are to enhance a company’s performance and to support good causes. Past studies have shown that CRM can improve brand image and consumer attitude toward a brand, a cause and a company (Brown & Dacin, 1997; Ross et al., 1992). Barone et al. (2007) studies found that CRM can increase sales and profits. CRM helps causes in terms of heightened publicity and awareness and increase fundings. For example in CRM campaign conducted by American Express in 1983, a total of USD1.7 million was raised to the Statue of Liberty’s renovation project (Adkins, 2000). In this very first and successful CRM campaign, for every usage of Amex card and new card application a portion will be donated to the restoration of the Statue of Liberty’s renovation project. At the end of the campaign, the American Express credit card usage increased by 28% and new card application rose by 17%. Meanwhile the cause received a total of USD1.7 million. Hence, CRM benefited both the sponsoring company and the cause supported.

### **2.2 Consumer Skepticism toward cause-related marketing**

Consumer skepticism refers to consumers’ tendency to disbelieve or question a company’s motivation to conduct a CRM campaign (Mohr et al., 1998). Obermiller and Spangenberg (1998) defined skepticism about advertising in general as “the general tendency of disbelief about advertising claims and represents a basic marketplace belief that varies across persons and is related to general persuasability (p.159). Consumer skepticism toward advertising and CRM plays an important role in influencing their response toward advertising and CRM campaign. In general, high skeptical consumers would be more likely to response less favorably toward advertising and CRM campaign.

Past studies have showed that consumer traits in particular consumer skepticism can influence consumer response to CRM (e.g., Gupta & Pirsch, 2006; Singh et al., 2009; Webb & Mohr, 1998). In CRM context, consumer skepticism toward CRM is often determined by whether the CRM campaign is perceived as cause-beneficial or cause-exploitative. Unlike other forms of corporate donation, the CRM donation is linked to the purchase of a product or service by the consumer. Skepticism may be generated among consumers as they may perceive companies motivation of conducting such campaigns as for self-interested motives such as to increase sales and gain more profits rather than for altruistic motives of supporting causes. In Webb and Mohr’s (1998) study, half of the respondents in their study indicated that they have negative attitudes toward CRM. The negative attitudes among the respondents are believed to be resulted from their skepticism about the firm’s motive for conducting a CRM campaign. They stated that they thought the firm’s motive of conducting CRM campaign is for the firm’s self-interested motives.

In addition, respondents with a high level of skepticism tend to evaluate CRM campaigns more negatively compared to those with a low level of skepticism and about one third of the respondents stated that CRM do influence their purchase decision.

The amount of money donated to a cause may also contribute to consumer skepticism about CRM claims, especially when the amount contributed to a cause is small. Consumer skepticism level might be reduced when a big amount is donated to a cause. Webb and Mohr (1998) suggest that companies may need to disclose the amount of money donated to a particular cause in order to reduce consumer skepticism level. In addition, Singh et al. (2009) suggest that CRM campaigns should not be advertised so heavily because it may increase consumer skepticism level toward CRM campaign.

### 3. Methodology

The aim of this study was to examine whether Malaysian consumers are skeptical or not toward CRM and to analyze the impact of consumer skepticism on purchase intention of CRM products. Surveys were conducted on students from three public universities in Malaysia. Students were chosen as the respondents of this study due to: (1) students are an emerging potential market with powerful aggregate spending and can be considered as old enough to start establishing values and buying principles that may last a lifetime (Cui et al., 2003), and (2) many products used in CRM campaigns conducted in Malaysia consist of convenience products such as toiletries, foods and drinks. In general these products are products that are affordable and frequently purchased by students. A total of 100 questionnaires were distributed at each university. Out of the 300 questionnaires distributed, 277 questionnaires were used in the data analyses; the remaining (23) were excluded from the data analyses due to answers being incomplete or uniformly answered. The characteristics of the respondents are shown in Table 1.

**Table 1: Characteristics of Respondents (N = 277).**

	Frequency	%
<b>Gender</b>		
Male	118	42.6
Female	159	57.4
<b>Race</b>		
Malay	188	67.9
Chinese	67	24.2
Indian	12	4.3
Others	10	3.6
<b>Major</b>		
Business	113	40.8
Non-Business	164	59.2
<b>Program of Study</b>		
Bachelor's	250	90.2
Master's	25	9.0
PhD/DBA	2	0.7

In the survey, the respondents were asked to: (1) read a CRM advertisement – a color-print advertisement presenting a grocery store supporting a poverty cause through a CRM campaign; (2) indicate their skepticism toward CRM; (3) indicate their intention to purchase CRM products and (4) demographic data. The questions that were used to measure consumer skepticism were adapted from Mohr et al. (1998) and consist of four items. The items used to measure purchase intention were adapted from Cui et al. (2004) and consist of three items.

### 4. Findings

Descriptive statistics for the main variables are shown in Table 2. The results showed the respondents' skepticism level toward CRM ( $M = 4.01$ ), and purchase intention of CRM products ( $M = 5.12$ ). The results indicate that the respondents' skepticism level falls in the middle range.

The results suggest on the average, the respondents can be considered as neither skeptical nor believe CRM claims. In addition, the results also showed that, in general, the respondents have high intention to purchase CRM products (above middle value of 4).

**Table 2: Descriptive Statistics of Main Variables**

Variable	Mean	Std. Deviation
Skepticism	4.01	1.04
Purchase Intention	5.12	0.94

Note: All items used a seven-point scale.

In order to examine the impact of consumer skepticism toward CRM on purchase intention, an independent sample t-test was carried out. Prior to conducting the independent sample t-test, assumptions of conducting the test were first checked. The independent sample t-test have several assumptions: (1) the dependent variable was normally distributed, (2) the groups were independent in their response to the dependent variable and variances between groups were equal. Preliminary checks conducted confirmed that these assumptions were fulfilled. Then, the aggregate score for all variables were computed. In order to divide the respondents into two groups; high and low skepticism groups, a mean split was conducted. Respondent with skepticism scores below the mean ( $< 4.01$ ) fall into the low skepticism group and respondent who scores above the mean ( $> 4.01$ ) fall into the high skepticism group. Next, the independent sample t-test was conducted on low and high consumer skepticism to examine their response on purchase intention. The results are illustrated in Table 3. The results show the means for purchase intention for both groups; high skepticism and low skepticism respondents as well as the t-test values. The results demonstrate that there is a significant difference in terms of intention to purchase CRM products between low skepticism and high skepticism respondents. The results suggest that low skepticism respondents seemed to have higher intention to purchase CRM products compared to high skepticism respondents.

**Table 3: Independent Sample T-test of Consumer Skepticism.**

Variable	Consumer Skepticism	Mean	Std. Deviation	t	p(one-tailed)
Purchase intention	Low skepticism	5.23	0.96	2.011	0.02
	High skepticism	5.00	0.92		

## 5. Discussion

Consumer traits such as awareness and skepticism have been linked with purchase intention of CRM products. This study assesses the Malaysian consumers' skepticism levels toward CRM. Using survey method the impact of consumer skepticism on purchase intention of CRM products was also examined. The results of this study show that in general Malaysian consumers perceive CRM with average level of skepticism. The results further suggest that the future of CRM in Malaysia is quite promising as consumer skepticism can be one of the factors that may hinder consumer from responding favorably toward CRM.

The results also indicate that consumer skepticism level influences consumers' intention to purchase CRM products. Consumers with low level of skepticism tend to have higher intention to purchase CRM products compared to respondents with high level of skepticism. One of possible reasons underlying this could be that the skeptical feeling among highly skeptical consumers makes them evaluate CRM less favorably compared to those that are less skeptical of CRM. Hence, the highly skeptical feelings influence their intention to purchase CRM products. In general, the highly skeptical consumers are skeptical about CRM because they are most likely to perceive CRM as cause-exploitative rather than cause-beneficial. However, past studies suggest that skepticism toward CRM is a situational phenomenon. Consumer skepticism toward CRM can be reduced by increasing their awareness and knowledge about the benefits of CRM to sponsoring companies, causes and consumers.

## 6. Conclusions

The findings of this study can be used by managers in designing CRM campaigns in the future. The results suggest that marketers and managers that are involve in designing and implementing CRM campaign need to take into consideration the level of consumer skepticism.

This is because the results provide empirical evidence upon the impact of consumer skepticism on consumers' intention to purchase CRM products. In general consumers with low level of skepticism tend to have higher intention to purchase CRM products. Hence, marketers should find ways to attract this group of customers and find ways to reduce consumer skepticism levels. Managers need to understand factors that may contribute toward high consumer skepticism of their CRM campaigns, by understanding these factors, consumer favorable response toward CRM can be further enhanced.

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