



Ethical Issues of Cause Related Marketing: With Special Reference to Melborn Milk Life Saving Programme

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Abstract

Cause-related marketing has been described as a versatile marketing tool capable of accomplishing a wide range of marketing objectives. The fact that each year thousands of marketers use charitable donations to promote their products demonstrates that many companies consider cause-related marketing to be a valuable marketing tool. Yet, the benefits of such campaigns are not always obvious and many critics claim that CRM reduces traditional philanthropy. As far as Sri Lankan milk powder industry is concerned, CRM is one of the strategies, applied by the marketers. In this study, the attention has been paid to analyze the Ethical Issues of Melborn's CRM strategy, because Melborn Milk was highly controversial recently as a product which contains DCD. Primary data were collected from Colombo and Matara districts by using a survey based questionnaire and 100 Housewives were selected randomly as the sample. Basically, it was attempted to analyze the Ethical Issues of Melborn's Life saving program by using four variables. Based on the analyzed results, it was revealed that consumers believe the company's CRM strategy as an unethical strategy. Further, customers expressed their negative views towards all the 15 issues related to the four variables and the mean values closer to 2 for all the statements proved this idea.

Keywords: *cause related marketing; ethical issues; housewives*

1. Introduction

Cause-related marketing has been described as a versatile marketing tool capable of accomplishing a wide range of marketing objectives (Varadarajan & Menon, 1988). The fact that each year thousands of marketers use charitable donations to promote their products demonstrates that many companies consider cause-related marketing to be a valuable marketing tool (Strahilevitz 1999). Yet, the benefits of such campaigns are not always obvious, and they can vary depending on the nature of the product or service being promoted (Strahilevitz and Myers, 1998), the specific charity chosen (Lafferty, Michal, & Strahilevitz, 1996), the perceived quality of the product being promoted (Folkes & Kamins 1999), the size of the donation (Holmes & Kilbane 1993, Dahl & Lavack 1995, Strahilevitz 1999), the interaction between donation size and product type (Strahilevitz 1999) and the way that the cause-related marketing plan is communicated to the target market.

Many critics of CRM claim that CRM reduces traditional philanthropy (Gurin 1987). They pointed out that CRM provides a more tangible, direct return to firms and, unlike traditional giving, often places constraints on the charity such as the purpose for which the donation will be used.

As far as Sri Lankan milk powder industry is concerned, several suppliers produce the product in the market. To attract customers in this competitive market, they are applying several strategies and Cause Related Marketing is one of them. According to the Melborn Company, Melborn milk "Life saving" program is aimed to save cows that are condemned to death, aiming to grow - up "Milking Cow" herd within the country and customers can automatically contribute to that task by buying of Melborn milk. Further, they revealed

that they are reserving some money, to save the life of a cow, every week (Melborn Company, 2012). Through this program, called “Life saving”, the company is trying to create a good image about Melborn milk powder, in the target customers’ mind. However, after the DCD (Dicyandiamide) incident, the company’s Cause Related Marketing strategy was controversial as “Unethical”. Here, the growing number of critics say that it is unethical to market an unhealthy product, by highlighting a good cause.

Research Problem

‘Melborn’ is one of the Sri Lankan multinational company, operating in around 25 countries all over the world. In Sri Lanka, they have introduced their milk powder products under the brand name of “Melborn Kiri”. Basically, this product has been categorized into three parts as Melborn Full Cream Milk Powder, Melborn Milk Time and Melborn Non fat (Melbourn Company, 2005). Though, they are a Sri Lankan company, Milk powders are imported from a milk powder company in Australia.

For the purpose of marketing this product, the company has applied a Cause Related Marketing strategy, that is, contributing some portion of the profits earned from each milk packet to save cows that condemned to death. However, recently, Melborn milk powder was considered as one of the milk products which contain an unhealthy chemical called DCD (Dicyandiamide). The four foreign milk powder brands where traces of DCD were detected are Alpha, Alpha 1+, Beta and Melborn Non-Fat. Traces of DCD were detected in all four foreign branded milk powder samples, while DCD was not detected in the two local brands that were tested, according to the ITI report. (*Health Ministry of Sri Lanka, 2013*).

The controversy of Melborn marketing practices were began after this incident. Further, a growing number of critics say that Melborn is misusing their Cause Related Marketing strategy to market an unhealthy product and it is unethical according to the Sri Lankan culture. Not only that, but also the “Life saving” program was criticized as unethical in several other aspects. Through this research, the attention has been paid to analyze the Unethical issues of the company’s Cause Related Marketing strategy.

Therefore, the question to be addressed in this study is that Is Melbourn’s Cause Related Marketing Strategy (Life saving Program) unethical? To this end the study aims to answer following questions as well.

1. What type of awareness customers have about Milk Powder products available in the market?
2. What is the customer’s attitude towards Foreign Milk Powder products?

Objectives of the study

The objective of this study is to analyze the Ethical Issues of Cause Related Marketing Strategy of Melborn life saving Promotional Program. For that purpose the study aims to

1. Analyze the customers’ awareness about Milk Powders
2. Identify the Customers’ attitudes towards Foreign Milk Powders

2. Literature Review

Cause-related marketing has been described as a versatile marketing tool capable of accomplishing a wide range of marketing objectives (Varadarajan & Menon 1988). The fact that each year thousands of marketers use charitable donations to promote their products demonstrates that many companies consider cause-related marketing to be a valuable marketing tool (Strahilevitz 1999). Yet, the benefits of such campaigns are not always obvious, and they can vary depending the nature of the product or service being promoted (Strahilevitz & Myers 1998), the specific charity chosen (Lafferty, Michal, & Strahilevitz 1996), the perceived quality of the product being promoted (Folkes & Kamins 1999), the size of the donation (Holmes & Kilbane 1993, Dahl & Lavack 1995, Strahilevitz 1999), the interaction between donation size and product type (Strahilevitz 1999)

and the way that the cause-related marketing plan is communicated to the target market.

Ethics refers to the intellectual discipline that deals with the rightness and wrongness of human actions. It includes the moral principles and values that govern the actions of an individual or group, and methods for applying them (New Zealand Qualifications Authority, 2003). A person begins to do ethics when he or she turns to look at the moral standards that have been absorbed from family, church, friends and the overall society. One begins asking whether these standards are reasonable or unreasonable and what these standards mean for different situations and issues. (Manual, 2002).

Cause-related marketing should not be confused with social marketing. A key difference is that a major purpose of cause-related marketing is to help a business. It might be used to improve the image of the firm or to increase market share. The technique involves associating a business with a cause. Social marketing, on the other hand, is generally not associated with any company and issued solely to help society by dealing with a social problem. Cause-related marketing has to be done correctly or it can hurt a company. A firm may look like it is exploiting a charity. It is important for the firm to be transparent and honest about what it is doing. There should also be a fit between the company and the cause. A good fit would be, for example, might be a bottled water company and a cause, it deals with providing clean water for poor people in Asia and Africa (Mohamed, 2007).

According to Adam (2001), Cause marketing is transforming the very nature of acquisition: It has become a mechanism to both indulge and do good, a new kind of heroic hedonism. Through this conflation of giving and getting, marketers have found a device for sanctioning away any remaining guilt over the need to own stuff. Further, Folkes and Kamins (1999) found that superior product attributes enhance attitudes towards ethically behaving firms more than toward unethically behaving firms. However, when product quality was seen as inferior, the firm's ethical behavior had less of an effect. Based on the findings of Strahilevitz and Myers (1998), the benefits of cause related marketing campaigns are not always obvious, and they can vary depending the nature of the product or service being promoted. Additionally, Drumwright in 1996 found that the ethics of the company's Cause Related Marketing activity is dependent on the customers' initial perception of the cause-related marketing strategy. Further, he revealed that it is unethical if customers are believing that the company is exploiting the charity, rather than providing benefits. As far as the findings of Lafferty, Michal, and Strahilevitz (1996) are concerned, the ethics of the cause related marketing campaign is determined by the specific charity chosen by the Company. Moreover, Folkes and Kamins in 1999 found that the ethics of the cause related marketing program is dependent on the perceived quality of the product being promoted by the companies. The findings of (Holmes & Kilbane 1993, Dahl & Lavack 1995, Strahilevitz 1999) revealed that the customers' perceived ethics of a particular cause related marketing campaign is determined by the relative size of the donation. Further, in their studies, autho money from the campaign. Finally, Strahilevitz, (1999) in his research identified that the ethics of the cause related marketing campaign is depended on the way that the contribution to the charity is communicated to the target market.

3. Methods

Although, the study measures a qualitative phenomena, quantitative techniques have been applied for the purpose of facilitating the analysis. Before entering into this study, information was gathered from extensive searching of internet sites, published articles, and informal talking with housewives.

Based on the information collected from the secondary data sources, a pilot study was carried out to assess the practicability of the research. A Survey Based Questionnaire was used to collect primary data from a sample of 100 Housewives. Basically, questions were designed with special consideration given to several demographic variables such as age, gender, area of living, level of income and religion. The sample of 100 housewives was selected randomly from Colombo and Matara districts, on the basis of criterion that they are making purchase decisions on behalf of their family. Further, the sample consists of customers who are working and non-working, customers from different educational backgrounds, customers from different income levels and specially customers from different religious backgrounds. Additionally, to measure ethical

issues of cause related marketing strategy, a five point positively ranked likert scale was used by giving the value 1 = Strongly agree to value 5 = Strongly disagree.

Basically, frequency statistics were calculated to analyze the demographic variables. Further, the answers for the scale based questions were measured by using descriptive statistics. Here, the Ethical Issues of Melborn company's cause related marketing strategy were determined by using mean values. Additionally, through Cronbach's Alpha, the reliability of the scale was measured.

4. Data Analysis

Basically, four variables were developed to measure Ethical Issues of Melborn's Cause Related Marketing strategy, as Misleading Customers, Not providing proper information, Marketing a harmful product and Exploiting the non-profit organization. Additionally, to measure each variable, fifteen items were used as three items for the first variable, another four to measure the second variable, two items for the third variable and six items for the fourth variable respectively. The detailed analysis of the findings can be explained as follows.

Misleading customers

Misleading customers is considered as the first and foremost variable which was developed to measure ethical issues of the company. Here, the respondents were asked three questions related to this variable and the findings can be explained as follows.

Table 1: Misleading customers

Variable	Items	Mean	S.D.
Misleading Customers	Melborn Life saving program Mislead customers	2.21	0.868
	Melboun is Covering up defects that could cause harm to consumers	2.16	0.692
	Melborn is Withholding critical performance information that could affect a purchase decision	2.14	0.876

Source: Survey data, 2013

As far as the data on table 01 is concerned, it was the view of most of the housewives that the company is misleading customers through their cause related marketing strategy. Further, they revealed that Melborn is covering up defects that cause harm to consumers while withholding critical performance information. The statistical mean closer to 2 for all the three items proved these ideas.

Table 2: Not providing proper information

Variable	Items	Mean	S.D.
Not providing proper information	Melborn does not provide product information in thier advertisement	2.27	0.709
	Melborn is misrepresenting the actual benefits	2.15	0.672
	Melborn does not provide price information in thier advertisements	2.86	0.667
	Melborn does not communicate clearly how much they are contributing to the good cause	1.90	0.644

Source: Survey data, 2013

Not providing proper information

Not providing proper information is the next variable identified to measure the unethical issues of Life saving program. The four questions relating to this variable and the findings are explained in table 2. According to the data on table 2, a significant portion of housewives believe that the company is not providing information properly in their promotional programs, specially in tv advertisements. These information can be identified

in several areas as information related to the product, price, performance attributes and contribution to the good cause. As in the above case, the mean values closer to 2 for all the statements suggested this idea furthermore.

Marketing a harmful product

The Melborn milk is highly controversial recently as a product which is harmful for the consumers. So, Marketing a harmful product was recognized as the third variable to measure the unethical issues of company’s cause related marketing strategy. Even here, the respondents were asked two questions and the analyzed data are given in table 3.

Table 3: Marketing a harmful product

Variable	Items	Mean	S.D.
Marketing a harmful product	Melborn is promoting a milk powder which Causes diabetes by highlighting a good cause	2.10	0.905
	Melborn is promoting a milk powder which Creates obesity by highlighting a good cause	2.33	0.829

Source: Survey data, 2013

As mentioned in the table above, housewives have recognized that the company is marketing a product which causes diabetes and creates obesity. According to their views, they have been informed about this milk powder products through mass communication. Like in the earlier two situations, the statistical mean values closer to 2 for both items proved this idea furthermore.

Exploiting the non-profit organization

The fourth variable, which was identified to measure the ethical issues of cause related marketing strategy is the exploitation of the nonprofit by the company. Here, the study focuses six areas of exploitation, as mentioned in the table below.

Table 4: Exploiting the non-profit organization

Variable	Items	Mean	S.D.
Exploiting the non-profit organization	The objective of Life Saving is to ‘gaining something than giving’	1.75	0.730
	Melborn is exaggerating this good cause in all of thier promotional programs	2.05	0.730
	Melborn’s contribution to "Life saving" is relatively very low	2.49	0.785
	Melborn milk is earning large profits by highlighting this good cause	1.91	0.842
	Melborn exploits the non-profit organization through Life saving program	2.09	0.753
	Company remits Sri Lankan rupees earned through Melborn milk to a foreign country	1.98	0.791

Source: Survey data, 2013

The data on table 04 disclosed customers views relating to the above six items. Based on the statistical data, it seems that respondents are in a negative perception towards ‘Life saving’ program. Further, when answering to these questions, customers explained that the company is not disclosing clearly the percentage of contribution to the good cause from profits earned through each milk packet. The idea of exploiting the non-profit was formed based on this issue.

Reliability statistics

The scale is reliable (Cronbach's Alpha = .606, N=15) and ethical issues are properly measured by the 15 statements. This idea is proved by the Alpha values > .6 for all the statements.

5. Conclusion

The controversy of Melborn Milk Powder began after the DCD incident and Melborn is one of the four foreign milk powder brands where traces of DCD were detected. As a result of this incident, Sri Lankan customers searched more and more information about the company's marketing practices. So, through this study, the attention was paid to analyze the Ethical Issues of company's Cause Related Marketing strategy by using four variables.

Based on the analysis results of 100 housewives, 15 unethical issues were identified relating to the four basic variables as three issues of misleading customers, four issues of not providing proper information, another two issues of marketing a harmful product and six issues of exploiting the non-profit organization respectively. This conclusion was formed based on the statistical mean values closer to 2 for all the 15 items represented by the four basic variables.

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