Linking sponsorship and cause related marketing
Complementarities and conflicts
Michael Jay Polonsky
School of Management, University of Newcastle, Newcastle, Australia, and
Richard Speed
Melbourne Business School, University of Melbourne, Carlton, Australia

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Abstract Sponsorship activities have become a mainstream component of the marketing mix. As such, there are attempts to make these activities more effective by leveraging them using advertising, sales promotions, or in an increasing number of cases, through cause related marketing (CRM). This paper explores the relationship between sponsorship and CRM and identifies the potential opportunities that arise from leveraging sponsorships using CRM. The paper also examines the limitations of CRM as a leveraging strategy, puts forward a typology for categorising CRM and identifies some future research issues related to CRM-leveraging of sponsorship.

Introduction
Sponsorship programs of various descriptions are of increasing importance in the marketing activities of firms around the world (Bird, 1998; Cornwell and Maingnan, 1998; File and Prince, 1998; Meenaghan and Shipley, 1999). This presents opportunities for both businesses and business consultants/advisers, which has been recognised by advertising agencies such as Saatchi & Saatchi who have established special units concerned with integrating sponsorship and social issues into promotional activities (Richards, 1998). It has been suggested that academics have generally slow to examine sponsorship and thus assist businesses to understand how better sponsorship decisions can be made (Cornwell and Maingnan, 1998). Although this appears to be changing with a number of journals publishing special issues examining sponsorship-related topics (Asia-Australia Marketing Journal (1997), International Marketing Review (1997), Psychology and Marketing (1998), International Journal of Advertising (1998)). The most recent of these special issues was European Journal of Marketing (1999), covering a broad range of sports and marketing issues including sponsorship (Amis et al., 1999; Bennett, 1999; Meenaghan and Shipley, 1999; Nicholls et al., 1999), sports marketing theory (Erickson and Kushner, 1999; Mason, 1999; Ferrand and Pages, 1999) and consumer behaviour (Hopkinson and Pujari, 1999). In addition, sponsorship-related topics

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are appearing in a number of regular issues of journals (File and Prince, 1998; Johar and Pham, 1999; Klincewicz, 1998; McDaniel, 1999; Meyer, 1999; Speed and Thompson, 2000).

In a major review of academic sponsorship research Cornwell and Maignan (1998) point to the need to understand the role of sponsorship in integrated communication, and its relationship to other marketing activities. In particular, they identify the relationship between sponsorship and cause-related marketing (CRM). Sponsorship and CRM are distinct activities that have traditionally been investigated and managed separately. They also have considerable similarity, and can potentially be combined in an integrated program. Some firms are already attempting to integrate the two, but because of the separate research traditions past research provides no guidance to these firms regarding the benefits and risks they face in combining sponsorship and CRM. Neither does the research help determine the context in which these benefits and risks are greatest. This may explain why Cornwell and Maignan (1998, p. 12) explicitly suggest that “future research should also examine how companies combine sponsorship with other activities such as . . . CRM, and how they evaluate the relative benefit of each communication element”.

This paper is offered in part as a response to this call for further examination of leveraging sponsorships using CRM (Cornwell and Maignan, 1998; Lannon, 1998). The objectives of the paper are to identify the similarities and differences between the two activities, and to highlight areas where complementary benefits can be obtained. The paper focuses on identifying the circumstances under which the potential for such benefits from linking CRM and sponsorship is greatest, and identifies some potential risks associated with such a CRM-sponsorship strategy. It also seeks to identify circumstances where CRM-type activities may not be appropriate leveraging for sponsorship arrangements and provides a typology discussing different types of CRM programs.

Before considering how these activities may be combined, the paper provides an overview of the concepts and their expected impact when used independently. The paper then considers the impact of combining sponsorship and CRM by making the assumption that the impact of the combined activity is simply the additive impact of the independent activities, and that there are zero interaction effects. This is followed by an examination of moderators and outlines circumstances where the CRM leveraging may be inappropriate and finally consideration of the interaction effects that may occur when linking sponsorship and CRM.

“Giving” as a promotional tool
Corporate “giving”, in whatever form it takes, (philanthropy, sponsorship, CRM) can be seen as potentially generating a competitive resource for those firms involved (Hoffman, 1998; Mack, 1999; Mullen, 1997; Smith, 1994). The competitive resource is the ability to associate the firm with the recipient. In truly altruistic giving, the firm makes no use of this resource and therefore the
generation of this resource is not important in the firm’s decision making (i.e. to
give or not). Strategic “giving” on the other hand is not truly altruistic, as the
firm uses the firm-recipient association as a mechanism to achieve promotional
ends (Meenaghan and O’Sullivan, 1999). The most common mechanism to
achieve this is to “leverage” the association in other promotional activities.

Firms have long attempted to leverage corporate “giving” through broader
promotional activities (Bloom et al., 1997; Collins, 1994; Meenaghan, 1998a;
Meenaghan and O’Sullivan, 1999; Menon and Menon, 1997; Mescon and
Tilson, 1987; Osterhus, 1997; Sharfmann, 1994; Smith, 1994). The promotional
activities used for leverage are not necessarily traditional. Spethmann (2000)
documents how many US fundraisers and their supporters are leveraging
“giving” through on-line activities. The objective of leveraging “giving”, is to
increase the return generated by the resources the firm acquires through
their “giving” activities and thus make “giving” more cost effective (Smith,
1994; Stipp, 1998; Ulman, 1996). Despite the prevalence of such leveraging
activities, there is little guidance for firms on what activities are required
to effectively leverage a particular form of “giving”. The guidance that is
available is often contradictory. For instance, consultants are often quoted
recommending firms undertake “giving” in the form of sponsorship because
it is a cheap alternative to advertising (Meenaghan, 1991). Whereas other
consultants also recommend that sponsors spend anything from the same
amount as was spent acquiring the sponsorship rights to four times that
amount on advertising in order to exploit the association (Shoebibridge, 1997).
Such inconsistent advice makes it extremely difficult for firms to develop
strategies that most effectively include “giving” activities into integrated
communication efforts, where the rights and resources gained through the
sponsorship arrangement are utilised as inputs into other promotional
activities (Joachimsthaler and Aaker, 1997).

In the following section we briefly review the main characteristics of
sponsorship and CRM. In this paper we focus on the external and promotional
aspects of these activities, but recognise that they can also have internal and
motivational implications (see Duncan and Moriarty, 1997) that are beyond the
scope of this discussion. However, given that sponsorship and CRM represent
refinements of philanthropy-type giving, we begin by reviewing the literature
in this area.

Corporate philanthropy
The traditional concept of corporate philanthropy is founded on altruism, and
involves the firm making a contribution of “... - cash or kind - without an
expectation of a tied benefit” (Collins, 1994, p. 226). This perspective considers
philanthropy to be “... returning or investing a share of the company’s profits
into the community” (Mescon and Tilson, 1987, p. 49). The firm donates funds
to a worthy cause because it wishes to be a good corporate citizen and without
seeking to generate or exploit any association with the cause (Shaw and Post,
1993). Under this model corporate philanthropy is not viewed as part of a firm’s
marketing activity, but rather, is seen as within the domain of broader corporate social performance (File and Prince, 1998; Sharfmann, 1994).

The key features of corporate philanthropy are summarised in Table I. In its pure form, corporate philanthropy does not have an impact on consumer’s attitudes and behaviours, and hence on sales, because no firm-recipient association is generated or exploited. However, as researchers have noted, much of what is labelled as corporate philanthropy does seek to generate and exploit an association between the “giving” company and a “recipient” organisation. Collins (1994, p. 227) referred to this as “pseudo-altruism”, which is in fact commercially motivated corporate “giving”, and includes activities such as sponsorship and CRM. Within the business literature this has often been referred to as strategic giving (Smith, 1994).

Sponsorship
Although various definitions of sponsorship have been proposed (Meenaghan, 1983; Gardner and Schuman, 1987; Sandler and Shani, 1989, 1993), they all recognise that sponsorship is first and foremost a commercial activity. The definitions all identify that in return for support, the sponsoring firm acquires the right to promote an association with the recipient. There are, however, some differences between these definitions, that affect the domain captured and hence the estimates of the global dollar amounts involved in sponsorship. Global estimates of spending therefore vary significantly depending on the exact definition used (Lannon, 1998).

Within the literature authors have identified a diverse range of corporate objectives with which sponsorship can assist. For example, Meenaghan (1983, 1991) suggested that sponsorship can be used to: provide community involvement; counter adverse publicity; build goodwill among staff, opinion formers and decision makers; increase company, product or brand awareness; reinforce or alter perceptions of product or brand; identify a product or brand with a particular market segment; and indirectly increase product sales. Sponsorship can be used to pursue such a diversity of objectives because it is centred upon generating and using the right to an association. The nature of the association acquired, and the manner in which it is leveraged will determine the performance of the sponsorship in terms of a particular objective.

Empirical research into the outcomes of sponsorship tends to be inconclusive and/or inconsistent. In part, this arises because of the diversity of objectives that can be pursued using sponsorship. Each objective is linked to a different set of desired outcomes, which may or may not correspond with those taken as the dependent measure in the empirical research (Mack, 1999).

The diversity of the types of objectives pursued through sponsorship is one of its basic characteristics (Cornwell and Maignan, 1998). Theoretically, there are no constraints on the objectives pursued or activities undertaken through sponsorship. Sponsors have acquired the right to an association with the recipient and, subject only to the terms of the sponsorship agreement, may use this right in pursuit of any objective as well as leverage it through any activity
they choose to use. Similarly, there is no conceptual requirement that a sponsor has to undertake any specific leveraging activity or pursue any specific objective(s). Table I summarises the key features of sponsorship.

**Cause-related marketing**

CRM is generally considered to have started, or at least gain prominence, in 1983 with American Express’s (Amex) initiative to link card sales to support and card related spending with Amex’s financial support for the restoration of the Statue of Liberty. However, this was not Amex’s first foray into CRM, as they had actually used CRM two years earlier in 1981 to support the San Jose Symphony (Kelly, 1991; Smith, 1994). While still relatively new CRM has grown rapidly from almost nothing in the early 1980s, to an estimated US$500 million in 1997 (Ptacek and Salazar, 1997).

As noted above, CRM like sponsorship is commercially motivated and involves the “giving” firm acquiring and leveraging the right to be associated with the recipient. However, unlike sponsorship, CRM is defined in terms of the activities undertaken using these rights. According to Varadarajan and Menon (1988, p. 60) CRM “…is the process of formulating and implementing activities that are characterized by an offer from the firm to contribute a specified amount to a designed cause when customers engage in revenue-providing exchanges that satisfy organizational and individual objectives”.

In a CRM program donations to the recipient are based on exchanges that provide revenue to the donor, i.e. sales. Hence a specific objective of all CRM campaigns is to generate sales, and a promotion campaign (advertising, sales promotion, etc.) is undertaken to leverage the right to the association. Unlike

<table>
<thead>
<tr>
<th>Activity</th>
<th>Corporate philanthropy</th>
<th>Sponsorship</th>
<th>CRM program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding Resources</td>
<td>Fixed</td>
<td>Fixed</td>
<td>Variable possible capped</td>
</tr>
<tr>
<td>Use of resources</td>
<td>No commercial use made of association</td>
<td>Association is used in attempt to change customer attitudes, behavioural intentions and behaviours</td>
<td>Association is used to create a customer offer, linked to a specific contribution to the cause</td>
</tr>
<tr>
<td>Key market outcomes</td>
<td>None</td>
<td>Attitudes (positioning), behavioural intentions (loyalty and preference) and behaviours (sales)</td>
<td>Behaviours (sales), behavioural intentions (loyalty and preference) and attitudes (positioning)</td>
</tr>
<tr>
<td>Sales impact</td>
<td>None</td>
<td>Indirect sales impact</td>
<td>Direct sales impact</td>
</tr>
<tr>
<td>Revenue flows</td>
<td>None</td>
<td>Exclusively to the sponsor</td>
<td>Split between the cause and the sponsor</td>
</tr>
</tbody>
</table>

Table I. Key features of alternative funding mechanisms
In the case of sponsorship there is a requirement for a donor to undertake specific activities and pursue specific objectives for the campaign to be classified as CRM. An additional distinction is that in both philanthropy and sponsorship, the amount donated to the recipient is normally negotiated in advance and fixed. In the case of the sponsorship, this represents the price of the right to an association. In the case of CRM, the amount donated can be variable, since the donation is on a per transaction basis. Although in many cases the total donation is capped at predetermined maximum.

Table I summarises the similarities and differences between the three types of “giving” – philanthropic giving, sponsorship and CRM. The next section of the paper examines the benefits of better integrating CRM into sponsorship activities, and identifies situations in which its use may be less than effective.

**Integrating CRM into sponsorship programs**

As was mentioned earlier, Cornwell and Maignan (1998) highlighted the potential of combining CRM with sponsorship and leveraging sponsorship through a CRM campaign. Firms typically choose to leverage their sponsorship activities with advertising, promoting the existence of their sponsorship association, and/or through sales promotions, offering event related prizes to winners.

Leveraging sponsorship through advertising allows the sponsor to increase awareness of the association and to deliver a message about why the sponsorship is being undertaken. Hence it presents an opportunity to increase the effectiveness of the sponsorship in terms of its impact on consumers’ knowledge, attitudes and perceptions about the sponsor (Meenaghan and Shipley, 1999). The limitation of such leveraging is that it is not necessary connected to consumer behaviour i.e. sales (Hoek, 1997).

By contrast, leveraging a sponsorship through sales promotion allows the firm to link sponsorship directly to an incentive to purchase. Hence it presents an opportunity to increase the effectiveness of the sponsorship in terms of its impact on consumers’ behaviour towards the sponsor’s brand (Wilson, 1997). The limitation of such leveraging is that it carries a risk of a negative impact on attitudes and perceptions about the sponsor (Speed and Thompson, 2000).

A CRM-leveraged sponsorship involves the sponsor using the right of association as an input into a sales promotion campaign. To qualify as CRM, the sales promotion campaign must include an offer to the customer by the firm (i.e. sponsor) to contribute a specified amount to the recipient organisation when customers engage in revenue-providing exchanges i.e. sales. For example, a manufacture may promote, both in advertising and at point of sale, the fact that it will give x amount for each unit sold to a worthy cause. Socially, based CRM-leveraged sponsorship will therefore have as one of its objectives to increase sales of a given product (Osterhus, 1997; Strahilevitz and Meyers, 1998; Webb and Mohr, 1998). Beyond this, the sales promotion campaign can be implemented as the firm chooses.
Sponsorship leveraging of this type is already occurring. For the 2000 Olympic Summer Games in Australia sponsors commenced promotional activities using the rights of association with the Olympic games arising from their sponsorship investment well in advance of the games beginning. In some cases they began several years in advance. Most used their association as an input into activities such as image-related advertising, promoting the association on packaging and through sales promotions that allow consumers to win tickets to Olympic events. At least two Australian sponsors of the Sydney 2000 Olympics actively used CRM to leverage their Olympics sponsorship arrangements. In the advertising of one firm they promoted the fact that purchasing their products contributes to a foundation, which gives grants to sports people. The other promoted the fact the $0.05 from each purchase of specially labelled products goes to the Australian Olympic team.

In order to understand whether CRM leveraging strategy is superior to a more conventional sponsorship approach, the following sub-sections explore the implications of such a strategy. These sub-sections assume that the impact of the combined activity is simply the additive impact of the independent activities, and that there are zero interaction effects. If interactions exist they would make the discussion more complex, as will be identified latter in the paper.

Nature of response
Research into sponsorship outcomes has produced equivocal results and there is considerable debate about whether sponsorships generate additional sales (Cornwell and Maignan, 1998; Otker and Hayes, 1987; Wilson, 1997). Whilst an impact on recall, attitudinal and behavioural intention objectives has frequently been observed (Cornwell et al., 1997; Crimmins and Horn, 1996; Johar and Pham, 1999; Meenaghan and Shipley, 1999; Nicholls et al., 1994, 1999; Speed and Thompson, 2000; Strahilevitz and Meyers, 1998; Stipp and Schiavone, 1996; Webb and Mohr, 1988), behavioural effects such as sales have been much harder to identify in sponsorship activities (Wilson, 1997). In fact, some sponsorship literature argues that there is not a direct link between sponsorship and long-term sales, but there is a link between attitudes towards the brand (Nicholls et al., 1999; Stipp, 1998). In most sponsorship literature the impact of sponsorship is modelled using the hierarchy of effects (Hoek, 1997), implying that short-term sales effects are not expected and if changes in purchasing patterns occur, they occur in medium to longer term. In fact it has been proposed that an indirect increase in product sales is only one “possible” benefit of sponsorship, with Meenaghan (1991) and Wilson (1997) suggesting that there is no clear direct link to sales. In short, sponsorship is normally conceptualised as a promotional tool that has stronger effects on awareness, image and attitudes, than on sales.

In contrast, CRM program is normally conceptualised as a promotional tool that has stronger effects on short-term sales, and that can also favourably impact on image and attitudes (File and Prince, 1998; Stipp and Schiavone,
A CRM program provides the purchaser with a reason to change their purchase behaviour in favour of the sponsoring brand at the point of purchase (Cone, 1996; Webb and Mohr, 1998). Within the CRM literature there is considerable evidence that CRM programs differentiate suppliers in a meaningful way in the eyes of customers. Smith and Alcorn (1991) found that 45 per cent of their sample would be likely to switch brands to support a company that donates to a charitable cause, although this did vary based on the type of product, cause and level of donation. This was supported by the 1997 Cone Communication CRM study, which found that 76 per cent of consumers would be more likely to switch retailers, assuming quality and price were equal, based on whether one supported a cause (Waugh, 1997). This represented an increase of 14 per cent since Cone’s 1993 study, where 62 per cent of respondents said they would switch brands. Others such as Ross et al. (1992) found consumers were likely to purchase products that supported causes. The work of Business in the Community (1998) also supported this view, as they found that 86 per cent of the 1,053 UK consumers surveyed would switch to firms that supported causes. Other work has started to identify variations in response to CRM, with Webb and Mohr (1998) undertaking cluster analysis to identify five groups of customers, ranging from “skeptics” to “socially concerned” on the basis of response to CRM.

In addition, consumer-based CRM studies have found that consumers also generally held positive attitudes towards the firms undertaking CRM (Donlon, 1998; Strahilevitz and Myers, 1998; Waugh, 1997; Webb and Mohr, 1998). Thus, not only does CRM influence behaviour, it also has a favourable impact on image and attitudes. Hence combining CRM and sponsorship brings together two promotional mechanisms that generate outcomes grouped at opposite ends of the hierarchy of effects (Hoek, 1997). CRM therefore acts on some of sponsorships weakest areas in terms of effects (i.e. behaviours), and potentially reinforces the areas where sponsorship does have strong effects (i.e. knowledge).

**Timing**

Not only do the outcomes of CRM campaigns and traditional sponsorships differ, but also these outcomes have potentially very different timing. The relationship between when the additional sales expected from the promotional activity occur, and when the promotional activity has to be paid for is central in determining the financial impact of the promotional campaign. Obviously, this will also have very different cash flow implications for the donor. We consider both the inflows and outflows in turn.

**Corporate inflows.** The sales response associated with sponsorship activity can be examined like other promotional activities. In event sponsorship, the sponsor normally obtains name and/or logo exposure in the promotion undertaken for the sponsored activity before and during the event. The sponsor may also choose to leverage this exposure by undertaking additional advertising that promotes the firm-event association (Meenaghan and Shipley,
This type of leveraging strategy resembles an intense pulse of brand image advertising before and during the period of the event. Researchers suggest that such a promotion is likely to lead to increased sales, but that this increase is not instantaneous, and that the sales slowly return to the pre-promotion level after the promotion ceases (Lilien et al., 1992).

When the exposure prior to the sponsored event is supported by an offer that increases the value that consumers receive (Strahilevitz and Myers, 1998; Waugh, 1997; Webb and Mohr, 1998), the effects are similar to a sales promotion. Such a leveraging strategy directly affects consumers’ behaviour since it provides an incentive to consider brand switching at the point of purchase (Raju, 1995). Research suggests that a positive impact on sales is expected to occur virtually instantaneously during the promotional period and that a decline in sales after the promotion occurs because consumers have overstocked in terms of purchases (Greenleaf, 1995; Lilien et al., 1992). If the sales promotion is successful in attracting new customers, long run sales should exceed pre-promotion sales levels.

Leveraging sponsorship through CRM therefore has the potential to combine the advertising-type and promotion-type communication and sales responses (Gardener and Trivedi, 1998). The donation element of the CRM provides an immediate reason to buy the product, leading to an immediate sales response similar to leveraging advertising with sale promotions. CRM also has a firm-event association that may change consumers’ attitudes and perceptions towards the product, leading to sales effects similar to leveraging through advertising.

Corporate outflows. Although the exact expenditure structure will vary with the contract negotiated, in a conventional sponsorship the direct expenses is generally fixed and paid in advance of the association rights being available for the firms’ (i.e. sponsor’s) use. Leveraging costs will be additional to this and are not explicitly part of the sponsorship contract. A sponsorship involves an up-front expense, the firm then using the rights acquired to generate additional revenue to offset these expenses. The financial risks lies entirely with the sponsor, since the recipient of the sponsorship is guaranteed their income regardless of the performance of the sponsorship in the market place.

A CRM campaign is usually structured differently in terms of outflows. First, the basic structure of a CRM contract traditionally gives access to the association rights in advance of payment. In fact access to the rights is necessary for the revenue to be generated, which in turn is used to fund the payment to the event/cause. A CRM campaign is about the firm acquiring additional revenue in order to make the contribution to the cause being supported. The financial risks in relation to “donation” received lies with the recipient. Although, the donor organisation (i.e. sponsor) would most likely be expecting to generate sales to cover the costs associated with the leveraging activities and thus does bear some financial risk as well. In addition, there may be a prearranged or minimal level of giving agreed to in advance.
Therefore, combining CRM and sponsorship allows much of the risk and costs to be reassigned from donor to recipient. By adopting CRM the donor is able to delay the payment from pre-association to post-association, the donor can change the risk carried by each party and the donor can lower their fixed costs. In fact, the differential payment structures of CRM and sponsorship can further affect the donor-recipient relationship as the donor firm normally determines the level of donation and the relevant base of sales used to calculate the donation. This offers the firm several opportunities to ensure that their donation is made only when they receive “significant” benefit. For instance, the donation need not be made on all sales, but may be triggered only by incremental sales in excess of what would be expected without the CRM program or only on new sales. For example some credit card companies develop CRM programs where they donate a fixed sum for each new card approved. Other programs aim at new segments by promoting causes linked to new target segments, and/or use media (usually magazines) targeting these new segments (Meyer, 1999). It might be possible to also provide coupons in these magazines such that only sales to “targeted” customers, who redeem the coupons, generate corporate giving.

Firms may also cap the donation, such that it cannot exceed a predetermined amount regardless of the size of the increase in sales achieved. Additionally, the donor might require the customer to undertake some secondary action in addition to purchase, to trigger a donation. For example, one national Australian grocery chain developed a CRM program where they contributed computers to local schools based on the till receipts collected by schools. The trigger for the donation was submission by the school of receipts totalling a specified sum. The program effectively required parents and supporters to make purchases, donate their receipts to schools and then the schools had to submit receipts to the sponsoring firm. Failure to collect and then submit receipts rendered changes in consumers’ purchasing behaviour valueless.

The use of caps on donations and requiring secondary consumer action means that donor firms have considerably more power to control the level of risk to which they are exposed in a CRM as compared with sponsorship programs. Donors may even be able to structure a CRM deal such that additional sales not only cover the “donated” funds, but they also cover the costs associated with leveraging the sponsorship program.

Combining sponsorship and CRM therefore has the potential to make a significant impact on the nature of the cash flows, timing of the response to the sponsorship, and also through changing the cost structure and risk profile of the program. We shall return to the alternatives available in structuring CRM leveraging of sponsorship later in the “Implications” section of the paper.

Evaluation
As noted above, sponsorship is generally thought of as creating outcomes that are focused on the early stages of the hierarchy of effects (awareness, interest, attitude etc). These outcomes are relatively difficult for the sponsor to observe
(Heckman, 2000; Ukman, 1996; Wilson, 1997). Not surprisingly therefore one of the problems that has been frequently documented in examining sponsorship is the difficulty in evaluating return on investment (Cornwell and Maigian, 1998; Mishra et al., 1997). In absence of a direct measure of outcomes firms evaluating a sponsorship program often fall back on using observable factors that are thought to influence outcomes. For instance a firm may evaluate its sponsorship by measuring exposures of the brand name generated, or knowledge of the sponsorship relationship. Neither of these are measures of anything that is directly beneficial to the sponsoring firm, but they may be considered to be measures of correlates of directly beneficial outcomes. The logic is the same as is found in complex sales situations (Eisenhardt, 1988). If it is not possible to observe or attribute the relationship between sales activity and sales outcomes, then sales outcomes cannot be used for evaluation or reward. Instead firms observe the behaviour of sales personnel and reward for behaviours that are thought to influence sales outcomes.

CRM, in contrast, has a very strong link with sales, since the level of “giving” is tied directly to sales outcomes. To undertake CRM successfully a firm is therefore required to identify the expected sales level without the program and how the program will increase sales, since this will form the basis for the payment to the recipient. In a CRM program outcomes are directly observable by the sponsor, since they have direct knowledge of sales and shipment data. Hence combining CRM and sponsorship has the advantage of introducing a more direct evaluation framework, which is based on identifying incremental sales. It has the potential to move the evaluation of sponsorships from being based on potential correlates to direct measures of outcomes.

**Moderators of CRM-leveraging**

The above discussions are predicated on the assumption that combining CRM and sponsorship will lead to additive effects, with no significant interaction effects. The moderators identified in the literature and circumstances where the CRM may be inappropriate are now discussed.

**Moderators identified in the sponsorship research**

As has been previously discussed, researchers have begun to identify factors that are associated with the direction and strength of consumer response to the brand in sponsorship. It is suggested that understanding these factors would help to generate an insight into the interaction effects between CRM and sponsorship activities. The success of CRM will be affected by these factors, and hence these factors can vary the direction and strength of consumer response to the CRM-leveraging firm/brand.

The moderating factors researchers have identified include, perceptions of the sponsoring firm, perceptions of the sponsored event, and overall perceptions of the sponsorship (Cornwell and Maigian, 1998; D’Astous and Bitz, 1995; Johar and Pham, 1999; Speed and Thompson, 2000). Each of these will be considered in turn.
Sponsorships are intended to influence consumers’ knowledge, attitudes and behaviours towards the sponsor. It is not surprising therefore that prior attitude towards the sponsor has regularly been shown to be a significant factor in determining sponsorship impact (Javalgi et al., 1994; D’Astous and Bitz, 1995; Johar and Pham, 1999; Stipp and Schiavone, 1996). This is entirely consistent with more general research in consumer behaviour that has repeatedly shown that changing consumer attitudes is a difficult and slow process (Sheth et al., 1999). Sponsorship research suggests that consumers tend to reward firms of whom they already think of positively, and are not prepared to change their attitudes toward firms that they dislike, solely based on these firms’ sponsorship activities (Bissell, 1996). Thus using sponsorships or CRM to changing negative attitudes may be difficult, even if it only seeks to counter negative publicity (Wilkinson, 1999). In addition research has found some conceptually distinct attitudes towards the sponsoring firm that affect sponsorship impact such as perceived sincerity (Speed and Thompson, 2000), that is consumers respond less favourably to firms whom they perceive are undertake sponsorships only for commercial motives (Meenaghan and Shipley, 1999).

Studies examining perceptions of the sponsored event often examine overall liking for the event (Cornwell and Maignan, 1998; Nicholls et al., 1999). However more sophisticated designs distinguish between measures relating to personal enjoyment and measures relating to event significance. A result based on personal liking and enjoyment would result in people reacting more favourably to a sponsor if they have personal support for the event (D’Astous and Bitz, 1995; Crimmins and Horn, 1996; Nicholls et al., 1999; Suter et al., 1995). In addition a result based on perceptions of the cause’s significance or worthiness would result in people reacting more favourably to a sponsor if they see the event as valuable for society or the community (Stipp and Schiavone, 1996; Suter, 1995).

The final moderating factors relate to consumers’ perceptions of the sponsorship. Studies examining perceptions of the sponsor-recipient relationship consistently suggest that the impact of a sponsorship is dependent on the fit between the recipient and the sponsor (McDaniel, 1999). Effectiveness of the sponsorship activities is reduced if companies are unable to demonstrate a link between themselves and the recipient of their sponsorship (Crimmins and Horn, 1996; Johar and Pham, 1999; McDaniel, 1999; Otker and Hayes, 1987; Stipp and Schiavone, 1996).

Since perceptions of the firm, the event and the sponsorship all affect consumers’ response to the sponsorship, if using a CRM-based leveraging strategy changes these perceptions interaction effects will arise. There is research evidence that these perceptions may be changed by the use of a CRM leveraging strategy. As noted previously, research (File and Prince, 1998; Webb and Mohr, 1998) has suggested that CRM can improve perceptions of the donating firm. Better perceptions of the firm are associated with better sponsorship response, suggesting that positive interaction effects may occur. A
second potential source of positive interaction effects is that using CRM encourages consumers to think about the cause and its importance, and in this way changes consumers’ perceptions of the recipient (Waugh, 1997). Better perceptions of the recipient are associated with better sponsorship response. A final potential source of positive interaction effects is that the process of donation through CRM draws attention to the fit between sponsor and cause (McDaniel, 1999; Webb and Mohr, 1998). Better perceptions of fit are associated with better sponsorship response.

Not all interaction effects need be positive however. Where sponsorship leveraging using CRM damages perceptions of the firm, the event or the sponsorship then negative consequences will follow. The most obvious negative impact that may arise is to the perceptions of sincerity of the sponsor (Marketing Week, 1998; Speed and Thompson, 2000). Sincerity can be damaged through appearing to exploit the recipient. As noted in the discussion of the effects of combining CRM and sponsorship leveraging sponsorship using CRM has the potential to shift risk to the recipient and away from the donor. CRM has the potential to ensure that the donor only incurs cost if there is an offsetting revenue increase. Astute consumers can recognise when a firm is exploiting a cause rather than supporting it, and will change their evaluation of the firm accordingly. Even if the CRM is not exploitative, it still links donation directly with sales. Other ethical issues associated with sponsorship have also been identified (Andreasen, 1996; Klinecewicz, 1998; O’Sullivan and Murphy, 1998; Varadarajan and Menon, 1988). One of the most pressing issues is that sponsors could pressure organisations to shift their activities’ emphasis and thus the overall benefit to those supposedly being “helped” is reduced.

A CRM-leveraged sponsorship may appear less sincere than ordinary sales promotion leveraged sponsorship because the CRM program makes the firm’s support for the cause conditional upon purchase. Sponsorship and CRM are both derived from philanthropy, where donation is made without thought of commercial benefit. While in many sponsorships, the commercial benefits to the sponsor are not directly apparent to the consumer, in CRM-leveraged activities the commercial benefits to the firm are explicit (Meenaghan and Shipley, 1999). Hence the link with sales highlights the commercial nature of the relationship between sponsor and cause (Marketing Week, 1998).

Poorly managed CRM leveraging, therefore, has the potential to send some very negative signals about sincerity to the target market. As noted, sponsors who are seen as less sincere generate reduced sponsorship impact. Hence past research on sponsorship suggests some key factors that influence impact. These findings suggest that leveraging sponsorship with CRM is not automatically a route to success and improved performance.

**Moderators identified in the CRM research**

CRM is frequently used when dealing with broad social or community issues. Typical CRM programs involve environmental causes (World Wildlife Fund, Australian Conservation Foundation, etc.), disadvantaged groups
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(Special Olympics, Blind Dog Association, etc.), health related groups (Heart Foundation, Red Cross, Cancer Research, etc.) or national or local causes (Funding National Olympic Teams, Restoring the Statue of Liberty, “Youth Development of Sport”, etc.). These causes are ones where consumers can see the need for help, where the help is felt to produce valuable outcomes and where those outcomes are considered to be important. The donation by the firm that is promised as part of the CRM is therefore deemed to be valuable by the consumer. As such, these corporate “giving” activities result in an increased “willingness to help” on the part of consumers and potential consumers (Strahilevitz and Myers, 1998; Suter et al., 1995; Osterhus, 1997; Webb and Mohr, 1998).

The nature of the cause and firm (i.e. objective, focus, issues involved) is therefore important in affecting the response to a CRM campaign (Strahilevitz and Myers, 1998). It may also be inappropriate to use CRM where the cause is not seen as important or the donation is not seen as helpful (Andreasen, 1996; Bird, 1998; Suter et al.; 1995). CRM leveraging of sponsorship may therefore fail if the recipient of CRM-sponsorship is not perceived to need help, where help is insufficient to produce any outcomes, or where the outcomes produced are not perceived to be valuable (Varadarajan and Menon, 1988). For these reasons professional sporting teams or profit-based events are most likely inappropriate for using CRM-leveraged sponsorships and in fact some firms believe that it is no longer appropriate to develop sponsorship programmes with professional sporting groups either ( Heckman, 2000). Consumers will most likely not see donating to professional sporting teams, where players are often paid large sums, as justifying changes in their purchase behaviour. However they may see value in changing their behaviour if it will “help” junior sports or another “needy” cause. A consumer might react very favourably to the firm as a sponsor of the professional team, but the association is not appropriate for using CRM leveraging as few consumers are likely to see it as an issue deserving their individual help.

Recent CRM work has turned attention away from the cause and examined the product, suggesting that the nature of the product has an impact on the response to a CRM campaign (Strahilevitz and Myers, 1998). This study found that CRM was a more effective promotional tool for “frivolous” products (e.g. confectionery) than for “practical” products (e.g. laundry detergents).

It is worth noting that the two Australian Olympic CRM-leveraged sponsorship programs mentioned earlier were providing donations to Olympic teams, rather than the Organising Committee. In these cases, the CRM programs also represented additional corporate “giving”, which complemented and reinforced the firm’s other Olympic sponsorship. Once the workings of CRM activities are understood, it is clear why this is the case. Purchasing a firm’s products as part of a CRM campaign by these firms contributes towards funding the Olympic team. More funding means better training, and better training means more medals and national success, which is a “valuable” outcome to many consumers. By contrast, a CRM campaign that donated to the
Olympic organisation and preparation would be seen as funding activities that will be carried out anyway, and therefore would be replacing spending that should be done by the organisers or government.

Not all sponsorship objectives examined by researchers are well suited to CRM leveraging. This is because the image effects of CRM are quite specific; i.e. CRM tends to build images based around corporate citizenship, such as caring, patriotism or contributing to the local community. CRM leveraging may be inappropriate in circumstances where such corporate benefits are not sought, for instance a sponsor seeking to establish an image of technical excellence may have difficulty achieving this through CRM.

It is also important to understand that a conventional sponsorship and a CRM campaign must be targeted in different ways. For example, consider a sponsorship where no additional leveraging is undertaken. Consumers will be exposed to the sponsorship relationship only through being exposed to the event or property. This means that the sponsor can target their activity only at the audience for the sponsored event. Target customers who are not part of the event audience will not become aware of the association. This is valuable when there is the potential for a negative reaction on the part of some customers to a sponsorship. By contrast, if a CRM campaign is undertaken with no additional leveraging, consumers will be exposed to the CRM relationship through being exposed to product or offer at the point of sale. This means that the sponsor must target their activity at their entire target market, and all consumers can become aware of the association. Because the CRM campaign is implemented through the firm’s normal sales channels, it may be extremely hard to limit exposure to only part of the target market. For example, focused promotional activities may be used to assist with CRM leveraged programs aimed at specific target segments (Meyer, 1999). If any part of the target market is hostile to the cause, this could damage the position of the firm in the market.

This has implications for sponsors of “minority” events/causes such as major arts events (i.e. opera, ballet, etc.) since such events may be perceived to be elitist. Using broad-based consumer appeals in these areas may fail to generate substantial additional sales, because the wider community may be unlikely to value these activities sufficiently and thus not modify individual consumption. As such, corporate sponsorship or philanthropy may be more appropriate than CRM, or firms may use very targeted CRM programs, for example using direct mail to existing customers. Firms that sponsor controversial or political causes (e.g. treatment for drug addicts) may also find that hostility amongst non-supporters outweighs the response from those that value these activities.

A further factor that is reported as important in the CRM literature is caus sponsoring fit, similar to in sponsorship (Nonprofit World, 1998; Business in the Community, 1998; McNeil and Mirfin, 1998; Richards, 1998; Strahilevitz and Myers, 1998; Webb and Mohr, 1998). Failure to demonstrate fit in CRM campaigns can lead to negative consequences. Strong fit in CRM is taken as a

Reviewing the literature on sponsorship and on CRM has highlighted a range of factors that can moderate the impact or limit the applicability of CRM-leveraging on sponsorship impact. These factors all relate to consumer perceptions of the firm’s activities, suggesting that however a firm chooses to implement a sponsorship, failure to understand consumer perceptions of their activities exposes the firm to substantial risk.

Implications
In this paper we have overviewed how companies can identify whether they can combine sponsorship with CRM. The paper has attempted to outline the principal differences between sponsorship and CRM, and has discussed the benefits that can arise when these two closely related activities are used together. It also sought to outline some of the potential problems and risks.

Our broad recommendation is that managers should investigate using CRM to leverage sponsorship activities. However, it is recognised that there are a number of alternative CRM approaches that can be applied. Based on the academic literature and practice within the CRM area we believe that there are five broad types of CRM programs that can be used, and each will impact on the level of leveraging required. In all these cases, a sponsorship arrangement can provide the initial access to the property that serves as the cause, and in Table II we provide examples of situations where a sponsorship has served as the basis for a CRM-leveraging program. It is worth noting that, as discussed above, in several of these cases the sponsored property is not the cause that is being supported, e.g. Olympic sponsors supporting sport in schools, event sponsors supporting teams, illustrating once again that the factors that make a good sponsorship recipient are not necessarily those that make a good cause.

As can be seen in Table II the categorising of these programs is based on four issues: What type of consumer is targeted (existing or new)? What type of customer action is required (purchase or purchase and secondary action)? What is the firm’s financial commitment (unlimited or capped)? What leveraging activities are required? Each will be briefly discussed, although there is some overlap between the five groups.

Broad-based CRM programs are the most basic form of CRM. In this case firms have provide an unlimited donation for all products purchased. In this way the program targets all types of consumers (existing and new). Advertising is a required leveraging activity. Although other promotional activities can also be used, which include packaging information and/or point of sale information about the program. Leveraging in promotion may also be used to update consumers on the “donation” level, and thus strengthen the firm-cause linkage.

A limited CRM program is a restricted version of the broad-based program that usually targets both new and existing customers. The only substantial difference is that the firm limits its donation (i.e. there is a capped amount
<table>
<thead>
<tr>
<th>Type of CRM program</th>
<th>Customers targeted</th>
<th>Customer action</th>
<th>Corporate financial commitment</th>
<th>Leveraging activities</th>
<th>Pure CRM example</th>
<th>Example of CRM-leveraged sponsorship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broad based</td>
<td>Existing and new</td>
<td>Purchase product</td>
<td>Unlimited – donate $x for each unit sold</td>
<td>Advertising required. Various types of sales promotion may also be used</td>
<td>A petrol company donates $0.01 per litre of petrol sold on a given day to a cause</td>
<td>Royal Crown Cola is the “official cola” for Little League Baseball and use logos on packaging. Royal Crown donate a percentage of sales to fund league programs</td>
</tr>
<tr>
<td>Limited</td>
<td>Existing and new</td>
<td>Purchase product</td>
<td>Capped – donate $x for each units sold up to some predetermined limit</td>
<td>Advertising required. Various other types of sales promotion may also be used</td>
<td>A manufacturer of fast moving consumer goods gives 5 per cent of sales of its product, up to $50,000 to a cause</td>
<td>US Olympic sponsor General Mills Inc launched Team USA Cheerios Special Championship Blend. A donation was made to the US Olympic Team from the first million boxes (up to $300,000)</td>
</tr>
<tr>
<td>Market focused</td>
<td>New</td>
<td>Purchase product and there may be some secondary action required</td>
<td>Unlimited or capped – donate $x for all new sales or sales of special items</td>
<td>Advertising required. Various other types of sales promotion may also be used</td>
<td>A credit card company gives $1.00 to a cause for card issued to a new customer</td>
<td>Women's National Basketball Association. Sponsor General Motors donates 50 cents to breast cancer research for each ticket purchased for WNBA games. Publicity material states that the program is part of the automaker’s initiative to attract more women buyers</td>
</tr>
<tr>
<td>Replacement</td>
<td>Existing and new</td>
<td>Purchase product and</td>
<td>Capped – donate $x for all units sold up</td>
<td>Advertising and information on package</td>
<td>A restaurant chain promotes that profits</td>
<td>Advertising for Olympic supplier Foster’s promotes</td>
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(continued)
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<tr>
<th>Type of CRM program</th>
<th>Customers targeted</th>
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</tr>
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<tbody>
<tr>
<td>Multi-phase</td>
<td>Existing and new</td>
<td>Purchase product and undertake secondary action</td>
<td>Unlimited or capped – donate $x for each unit sold</td>
<td>Advertising, information on package required. Secondary activity requirements can be discussed in any of these, but often emphasised on packaging. Various other types of sales promotion may also be used</td>
<td>A manufacturer of fast moving consumer goods gives 5 per cent of each sale to a cause if the consumer mails in the barcode and coupon on the package. (The amount could be capped or uncapped)</td>
<td>Purchase as &quot;helping a young Australian athlete compete at the Olympics&quot;. Foster’s provides grants to athletes through the Foster’s Sports Foundation, the funding for which is not directly linked to sales. Porridge Company, a manufacturer of private-label health products sponsored the Women’s Sports Foundation. Stockists set aside a portion of sales for donation toward a WSF grant. Girls’ high school sports teams then competed for a grant based on an essay contest. Young athletes also competed for the chance to have a female celebrity athlete appear at a fund-raising event for their team by collecting labels from products. UK Olympic team sponsor Tetley tea promoted specially marked packs with tokens that schools could collect and redeem for sports equipment. The quantity of equipment was capped</td>
</tr>
</tbody>
</table>
of giving) and thus increases the return on investment, as no donation occurs when sales exceed the capped level. In some cases firms can provide a minimum sum to be donated as well, thus increasing the perceived sincerity of the program. All this information would be incorporated into the “fine print”, although if a cap is set too low it may appear that the firm is exploiting the linkage between the firm and cause (Speed and Thompson, 2000).

Market-focused CRM programs allows the firm to target specific types of consumers. This may involve targeting new segments by selectively promoting the CRM program (Meyer, 1999). Alternatively it might involve targeting new customers, although the firm would need to identify sales to new customers. It may be difficult for some firms to identify such sales and thus these programs might be limited to less frequently purchased goods. For example, new credit cards or switching phone providers.

Market-focused programs can be capped or uncapped and require firms to undertake very targeting leveraging activities that access these new consumers. Targeting new segments may also involve secondary behaviour. For example, a firm trying to broaden its appeal to the female segment might choose to either link their CRM program with a female associated cause or include coupons in advertisements run in female oriented magazines, that need to be redeemed to trigger corporate giving. This later type of program enables the firm to give only when the targeted customers purchase goods, assuming that consumers remember to redeem the coupons. Market-focused programs may require more specialised promotions than the previous types of CRM leveraged programs and may also require sales promotions as well. As such market focused achieve corporate objectives, while potentially restricting donations and thus increasing return on giving.

Replacement CRM programs allow firms to replace sponsorships and philanthropic giving with sales triggered giving. These can be aimed at new or existing customers, but are usually targeted at all types of customers. Donations can be triggered by the product’s sale, or the sale and secondary consumer behaviour. The firm’s financial commitment is fixed and organisations promote the “replacement” information within the fine print of the program with a phrase such as “your purchase of this product has just contributed toward a $x cash donation we will make to cause y”. This type of program requires advertising and packaging information. It would also need sales promotion if there is a secondary consumer behaviour required. It is suggested that this has the highest return on investment as it replaces less sales related corporate outlays (sponsorship or philanthropy).

Multi-phase CRM programs have been discussed to some extent above. These programs require that consumers purchase a good and then undertake a secondary activity, like post in the product’s barcode. They can be aimed at either new or existing consumers and can be unlimited or capped in nature. They require advertising and sales promotion to facilitate the secondary behaviour. From a financial perspective, part of the benefit of these programs is in the fact that not all consumers will undertake the secondary activity. Thus,
donations may not reach the targeted amount (if one exists), but the image/positioning related outcomes would be the same as if there was no secondary requirement. These secondary activities can also be used to generate additional firm based value. For example if the firm requires consumers to complete a form as part of the secondary activity, they then have a data based that can be used in future activities.

All types of CRM identified here can be used as leveraging in support of sponsorship. Focusing CRM leveraging of a sponsorship of a sports or art organisation on supporters, members, junior players and their families is not uncommon. Organisations report that one of the resources sought by potential sponsors is their mailing lists, to enable sales offers to be made (Dwyer, 1998). These targeted offers often have a CRM element to them. As noted throughout the paper, CRM leveraging of sponsorships vary widely in their financial structure, and in the consumer behaviour that is linked to the donation. It is not unusual for instance for car companies to publicise that they will donate on the basis of test drives, rather than completed sales. The assumption behind this is that consumers are willing to change their trial decisions on the basis of such a donation, and this may indirectly lead to sales.

Thus firms have a diverse range of strategic options when choosing to use CRM activities in support of a sponsorship. The most appropriate options will of course depend on the strategic objectives that are to be achieved and assumes there is an appropriate firm-cause link. In addition like all promotional activities the effectiveness of the program will be dependent on its implementation and thus CRM is not a panacea for all sponsorship activities.

Conclusions and future research
This paper has highlighted the potential for CRM programs to be used to leverage sponsorship activities better. However for the most part there has been limited research examining CRM and even less examining its role in leveraging sponsorship programs. Thus, there needs to be additional research to examine a diverse range of issues. While there is intuitive and some theoretical support for the idea that CRM will make sponsorships more effective and directly generate sales, there needs to be empirical examination of this link. Such an examination will be especially difficult, given that many firms do not calculate the return on investment of sponsorship programs in general. This would require more detailed experimental designs and move beyond general consumer surveys such as those undertaken by Cone Communications (Waugh, 1997), as it is very difficult to calculate the return on investment from studies that simply ask consumers how they perceive CRM programs and firms that use them.

Any examination of the effectiveness of CRM programs also needs to take into consideration a range of potential moderating factors including: the perceptions of sincerity, firm-sponsor match, involvement with cause and
product, perceived impact on the cause. As such any experiment would need to be sufficiently complex to examine or at least control for these factors.

There is an opportunity to also examine managerial perceptions of CRM leveraged sponsorship activities which would expand on the work of File and Prince (1998) and Donlon (1998) who ask managers about their views of CRM. For the most part CRM leveraged sponsorship is a strategic decision and thus needs to be treated as such, rather than examining it as an extension of philanthropy. In this way it is considered as a part of an integrated marketing communication strategy and is supported by appropriate activities. An alternative method to assess managerial attitudes is the type of event study carried out by Mishra et al. (1997) to examine the impact of sponsorship announcements on stock prices. Such a study could be refined to examine announcements of leveraging intentions.

The issues identified in the proceeding paragraphs focus on the firm and that while this paper has taken a corporate perspective, CRM programs also impact on the cause and could be examined from a causes perspective as well. The question could be asked, whether causes modify their activities to attract CRM leveraged sponsorship programs. For causes that do not elicit an appropriate sales response for their sponsoring brand may receive less funding and thus there will be a change in their donation based, which could have negative societal consequences (Klinewicz, 1998). The linking of corporate objectives of the firm and the social objectives of cause, and the priority put on each when they are incompatible raises significant business ethics issues that are beyond the scope of this paper, but are clearly important areas for further research.

By exploring the implications of using CRM in leveraging a sponsorship, we have attempted to outline some of the benefits and risks associated with one particular mechanism for implementing sponsorship. The paper suggests both theory building and empirical testing can offer considerable benefits to managers struggling to come to grips with these issues.

References


