THE EFFECT OF CAUSE-RELATED MARKETING ON CUSTOMER PURCHASE INTENTION IN MALAYSIA

LEE CHENG CHEN

The thesis is submitted in partial fulfilment of the requirements for the award of
Bachelor of Technology Management (High Technology Marketing)

Faculty of Technology Management and Technopreneurship
Universiti Teknikal Malaysia Melaka

June 2019

I hereby declare that this research thesis is my own original work and it has been written by me in its entirety. I have duly acknowledged all the sources of information which have been used in the thesis

Signature : ……………………………………………..
Name : LEE CHENG CHEN
Date : ……………………………………………..

For my beloved father, mother, brothers and friends

ACKNOWLEDGEMENT

First and foremost, I would like to thank my final year project (PSM) supervisor, Madam Nor Ratna Binti Masrom for her continuous support and guidance through the research phase.

Madam Nor Ratna had been a very helpful lecturer and supervisor. Her guidance helped me in all the time of this research and thesis writing. She always gave me much advice on my research phase, despite her busy schedule. I sincerely appreciate all her effort throughout the years, I wish her all the best in her career of lecturing. I also sincerely thank all my fellow course mates, seniors, juniors and friends from another course who had been supporting me.

Last but most importantly, I own this achievement to my family for supporting me and encouraging during my university life. Their love always being my strength to empower me.

ABSTRACT

In the absence of CRM communication research in the field of CSR, especially to gain insight into customer awareness of CRM communication. Thus, the current study was conducted to explain the awareness level of Cause-Related Marketing (CRM) among Malaysian customer, the impact of socio-demographic characteristic on customer purchase intention for CRM product as well as the relationship between cause attributes and customer purchase intention for CRM product. Quantitative methods have been used in carrying out this research. Data were collected on the ten-point scale through questionnaire from the customer across Malaysia. The data was gathered from 384 respondents located in Malaysia. Statistical Packages for Social Sciences (S.P.S.S) version 21 was used to analyze the data. The reliability of the instrument was ensured by Cronbach's Alpha test. Pearson Correlation and multiple regression tests were applied to measure the nature and size of the association between variables and test hypotheses. The results showed Malaysian customers have a low level of awareness for CRM. In addition, the results also stated significant positive relationships between four of the variables used in measuring customer purchase intention for CRM product. Furthermore, the findings showed the socio-demographic characteristic including gender, age group and employment status have a significant impact on the customer purchase intention for CRM product. Finally, this research should help companies explore CRM trends and identify clear target audiences in order to provide advice on how to maximize their CRM effectiveness.

Keyword: CRM, Cause Attributes, Customer Purchase Intention, Awareness Level

ABSTRAK

Tanpa ketiadaan penyelidikan komunikasi tentang pemasaran yang berkaitan dengan sebab (CRM) dalam bidang tanggungjawab sosial korporat (CSR), terutamanya untuk mendapatkan maklumat tentang kesedaran pelanggan terhadap komunikasi CRM. Oleh itu, kajian semasa dijalankan untuk menjelaskan tahap kesedaran CRM di kalangan pelanggan Malaysia, kesan ciri-ciri sosio-demografi ke atas niat pembelian pelanggan untuk produk CRM serta hubungan antara atribut penyebab dan niat pembelian pelanggan untuk CRM produk. Data dikumpulkan pada skala sepuluh mata melalui soal selidik dari pelanggan di seluruh Malaysia. Kaedah kuantitatif telah digunakan dalam menjalankan kajian ini. Data ini dikumpulkan dari 384 responden yang terletak di Malaysia. Statistical Packages for Social Sciences (S.P.S.S) versi 21 digunakan untuk menganalisis data. Kebolehpercayaan instrumen telah dipastikan oleh ujian Cronbach’s Alpha. Pearson Correlation dan Multi Regression digunakan untuk mengukur sifat dan saiz hubungan antara pemboleh ubah dan hipotesis uji. Hasilnya menunjukkan pelanggan Malaysia mempunyai tahap kesedaran yang rendah untuk CRM. Di samping itu, keputusan tersebut juga menyatakan hubungan positif yang signifikan antara empat pembolehubah yang digunakan dalam mengukur niat pembelian pelanggan untuk produk CRM. Selain itu, penemuan menunjukkan ciri-ciri sosio-demografi termasuk jantina, kumpulan umur dan status pekerjaan mempunyai kesan yang signifikan terhadap niat pembelian pelanggan untuk produk CRM. Akhirnya, penyelidikan ini membantu syarikat meneroka trend CRM dan mengenal pasti khalayak sasaran yang jelas untuk memberi nasihat tentang cara-cara untuk memaksimumkan keberkesanan CRM mereka.

CONTENTS

CHAPTER	CONTENTS	PAGES
	TITLE	i
	DECLARATION	ii
	DEDICATION	iii
	ACKNOWLEDGEMENT	iv
	ABSTRACT	v
	ABSTRAK	vi
	CONTENTS	vii
	LIST OF TABLES	xi
	LIST OF FIGURES	xiii
	LIST OF ABBREVIATIONS	xiv
	LIST OF APPENDICES	xv
CHAPTER 1	**INTRODUCTION**	
	1.1 Background of Study	1
	1.2 Problem Statement	2
	1.3 Research Questions	4
	1.4 Research Objectives	4
	1.5 Purpose of the Study	5
	1.6 Scope and Limitation	5
	1.7 Significance of the Study	6
CHAPTER 2	**LITERATURE REVIEW**	
	2.1 Corporate Social Responsibility (CSR)	7
	2.2 Cause-Related Marketing (CRM)	8
	2.3 Customer Response to CRM	10

CHAPTER **CONTENT** **PAGES**

CHAPTER 2 LITERATURE REVIEW

2.4 Persuasion Knowledge Model 11
2.5 Attribution Theory 12
2.6 The Role of Cause's Attribution 13
  2.6.1 Cause Important 14
  2.6.2 Congruence between the company's product and the cause 15
  2.6.3 Cause Proximity 16
  2.6.4 Length or Frequency of Support 17
2.7 Socio-Demographic 18
2.8 Theoretical Framework 19
  2.8.1 Purchase Intention Model 19
  2.8.2 Conceptual/Research Framework 20
2.9 Research Hypotheses 21

CHAPTER 3 RESEARCH METHODOLOGY

3.1 Research Design 22
3.2 Methodological Choices 23
3.3 Data Collection Method 23
3.4 Data Source 24
3.5 Questionnaires Design 24
3.6 Sampling Technique 25
3.7 Location of Research 26
3.8 Data Analysis Tools 26
  3.8.1 Pilot Test 26
  3.8.2 Reliability Test 27
  3.8.3 Descriptive Statistics 27
  3.8.4 Pearson's Correlation Coefficient 28
  3.8.5 Multiple Regression Analysis 28

CHAPTER 4 DATA ANALYSIS

4.0 Introduction 30

CHATER **CONTENT** **PAGES**

CHAPTER 4 **DATA ANALYSIS**

4.1 Pilot Test 31
4.2 Reliability Test 32
4.3 Respondents Rate 34
4.4 Descriptive Data Analysis 34
  4.4.1 Socio-Demographic 34
    4.4.1.1 Gender 36
    4.4.1.2 Age Group 37
    4.4.1.3 Employment Status 38
    4.4.1.4 Income Level 39
    4.4.1.5 Location 40
  4.4.2 Awareness Level of CRM 41
  4.4.3 Cause Attributes (IV) 42
  4.4.4 Customer Purchase Intention (DV) 43
4.5 Inferential Statistics 44
  4.5.1 Pearson Correlation Coefficient Analysis 45
  4.5.2 Multiple Regression Analysis 47
  4.5.3 Hypothesis Testing 51
  4.5.4 Socio-demographic characteristic effect on Customer Purchase Intention for CRM product 54
    4.5.4.1 Gender 54
    4.5.4.2 Age Group 55
    4.5.4.3 Employment Status 56
    4.5.4.4 Income Level 57
    4.5.4.5 Location 58

CHAPTER 5 **DISCUSSION, CONCLUSION AND RECOMMENDATION**

5.1 Introduction 60
5.2 Discussion 61

CHAPTER	CONTENT	PAGES
CHAPTER 5	DISCUSSION, CONCLUSION AND RECOMMENDATION	
	5.2.1 Research Objective 1: To explore the awareness level of CRM among customer in Malaysia	61
	5.2.2 Research Objective 2: To identify the impact of the socio-demographic characteristic on the customer purchase intention for CRM product	62
	5.2.3 Research Objective 3: To investigate the relationship between cause attributes and customer purchase intention for CRM product	64
	5.3 Implication of research	67
	5.4 Conclusion	68
	5.4 Recommendation	69
	REFERENCES	70
	APPENDIX	83

LIST OF TABLES

TABLES	CONTENTS	PAGES
3.1	Sample Size For Different Sizes Of Population	25
3.2	Cronbach's Alpha Coefficient Range	27
3.3	Equation of Multiple Regression Analysis	29
4.1	Reliability Statistic of Variables	31
4.2	Reliability Statistic of Overall Pilot Test	32
4.3	Reliability Statistic of All Variables	33
4.4	Reliability Statistic of Overall Variables	33
4.5	Respondents Rate	34
4.6	Summary of Socio-demographic of respondent	35
4.7	Gender	36
4.8	Age Group	37
4.9	Employment Status	38
4.10	Income Level	39
4.11	Location	40
4.12	Descriptive Statistics of Awareness Level	41
4.13	Descriptive Statistics of Cause Attributes	42
4.14	Descriptive Statistics of Customer Purchase Intention	43
4.15	Pearson Correlation Coefficient Analysis	45
4.16	Strength of Pearson's Correlation Coefficient	46
4.17	Model Summary	47
4.18	ANOVA	47
4.19	Coefficients	48

TABLES	CONTENTS	PAGES
4.20	Equation of Multiple Regression Analysis	50
4.21	Hypothesis Testing	53
4.22	Descriptive of Gender	54
4.23	Independent Samples Test	54
4.24	Descriptive of Age Group	55
4.25	ANOVA of Age Group	55
4.26	Descriptive of Employment Status	56
4.27	ANOVA of Employment Status	56
4.28	Descriptive of Income Level	57
4.29	ANOVA of Income Level	57
4.30	Descriptive of Location	58
4.31	ANOVA of Location	59

LIST OF FIGURES

FIGURES	CONTENTS	PAGES
2.1	Theoretical Model – Purchase Intention Model	19
2.2	Proposal Conceptual Framework	20
3.1	Pearson’s Correlations Coefficient	28
4.1	Gender	36
4.2	Age Group	37
4.3	Employment Status	38
4.4	Income Level	39
4.5	Location	40

LIST OF ABBREVIATIONS

CBA - Cause–Brand Alliance

CRM - Cause-Related Marketing

CSR - Corporate Social Responsibility

DV - Dependent Variable

IV - Independent Variable

NGO - Non-Profit Organization

LIST OF APPENDICES

APPENDICES	CONTENTS	PAGES
A	Gantt Chart	83
B	Questionnaires	86

CHAPTER 1

INTRODUCTION

1.1 Background of Study

In the 21st century, organizations are becoming sensible and active when the markets expanded beyond the border. In the entrance of many competitors, their sales and profit margins are suppressed. As a result, companies are looking for new ways to engage customers because many companies are promoting similar products (Shabbir, et al., 2017). Corporate social responsibility (CSR) helps companies achieve their goals by promoting moral values and respecting others, the environment and society (Bhattacharya & Sen, S, 2004; Parguel, et al., 2011) . Thus, CSR has often been used by companies in recent years as a lever on reputation and financial return (Skarmeas & Leonidou, 2013).

More and more companies are integrating their CSR initiatives into their marketing strategies by launching cause-related marketing (CRM) programs (Steckstor & Von Wangenheim, 2012) in which the companies donate a portion of the sales of products or services to a charity organization (Varadarajan & Menon, 1988; He, et al., 2016). Companies often partnered with a non-profit organization (NGO) to create a mutually beneficial relationship designed to increase product sales and to provide financial support to the charity (Kotler, et al., 2012). In addition, CRM able to improve company's consumer perceptions and help with valuable causes (Stroup, et al., 1987). For example, several companies including Avon, Ocean Spray, and Walmart have established social alliances with NGO including cancer research and education program (Andreasen & Alan, 1996). In addition, most of the commercial interest with CRM campaign are marketing-related. For example, successful initiatives can support companies to attract new customers, enter niche markets, increase product sales, and build positive brand recognition, and fostering significant funds for cause (Kotler, et al., 2012).

CRM is one of the most quickly growing marketing strategies (Chang, 2008), and CRM has also been an on-going discussion in the mass press (Porter & Karmer, 2006). However, a company that claims to commit some part of its revenue to support a charitable has aroused consumer gratitude, so they are more willing to reward companies through follow-on purchase (Gneezy & List, 2013). (Patel & Gadhavi, 2017) point out that half of the companies putting into use CRM programs try to increase the customers purchase intention. As they provide value to customers, they will support products that participate in CSR (Green & Peloza, 2011).

1.2 Problem Statement

Over the past 20 years, the public is more and more expecting companies, whether large or small, to contribute to some non-profit activities (Davidson, 1994). However, the customer generally has a lower level of awareness of CRM (Pomering & Dolnicar, 2009). There is a lack of research in CRM communication in the field of CSR (Beckmann, et al., 2006; Reisch, 2006; Du, et al., 2010) especially in terms of the level of customers awareness and understanding of CRM (Podnar, 2008; Bigné, et al., 2012; Öberseder, et al., 2013). Therefore, one of the objectives of this research is to explore the awareness level of CRM among Malaysian.

It is important to promote companies to participate in social causes because many researchers have linked this support with better brand attitudes, preferences, and a greater purchase intention (Aguinis & Glavas, 2012; Du, et al., 2010; Torres, et al., 2012). Some studies have attempted to determine the customers' purchase of a CRM product based on demographic characteristics. Several studies have found that a CRM customer with a comparatively high salary, learning, and social position (Roberts, 1996; Carrigan & Attalla, 2001). Torgler & Garcia-Valinãs (2007) indicated differences in choices according to age, income, gender and education. The customers are really confronted with budgetary restrictions that may limit spending, especially on CRM products. Thus, the other objectives of this study are to identify the impact of the socio-demographic characteristic on customers purchase intention for CRM product.

At present, most of the research has explored the CRM elements and their impact on purchase intention toward the companies and products (Hou, et al., 2008). Some studies have examined the motivation to purchase a socially desirable product, but most of the research is based on the survey of importance rating. In addition, attribute importance rating is influenced by social expectations bias, and some assumption about the technology deviates from actual customer sentiments (Bacon, 2003). There are certain disadvantages to attribute rating. They exaggerate the attributes are important because of customers are able to assign all the attributes with the same rating (Myers, 1999). Based on Auger et al. (2006), different levels of functionality and social attributes with creating different types of products will push customers to weigh and allow them to measure the trade-offs they make. Therefore, the main objective of this paper is to investigate the relationship between cause attributes and customers purchase intention for the CRM product in Malaysia.

1.3 Research Questions

This research aims to answer the following research questions:

i. What is the awareness level of CRM among customers in Malaysia?
ii. What is the impact of the socio-demographic characteristic on customers purchase intention for CRM product?
iii. What is the relationship between cause attributes and customers purchase intention for the CRM product?

1.4 Research Objectives

Objectives are aims by the statement of research that needs to answer the research questions mentioned above. The following are some of the research objectives for this study:

i. To explore the awareness level of CRM among customers in Malaysia.
ii. To identify the impact of the socio-demographic characteristic on customers purchase intention for CRM product.
iii. To investigate the relationship between cause attributes and customers purchase intention for CRM product.

1.5 Purpose of Study

The study was a purpose to determine the factors that influencing customers purchase intention for CRM product in Malaysia. Additionally, the cause's attributes in designing effective CRM strategies will be analyzed based on the independent variable: cause important, cause proximity, length or frequency of support, and congruence between the company's product and the cause that contribute to affecting the dependent variable, customers purchase intention in Malaysia.

1.6 Scope and Limitation

This study to find out the effect of the cause's attributes on customers purchase intention toward CRM. This study conducted in Malaysia while the respondents of this research are selected in Malaysia. Although the research has achieved its goals, there are some inevitable limitations. First of all, there are very few people in Malaysia willing to accept the questionnaire, which may not represent the majority of Malaysia and lead to inaccurate data.

Next, the questionnaire is intended to determine customers purchases intention toward CRM products, it may provide useful information about the CRM strategy; there does not appear to be sufficient evidence to prove the actual performance of customers in the CRM strategy.

1.7 Significant of Study

After completing this study, the company can gain some potential benefit. The results of this research will contribute to many companies that are implementing or are already implementing CSR, especially those that focus on CRM strategies. This is because this result allows the company to gain better understand the customer's level of interest, influence, and support on CSR as a future plan for the company, such as choosing an investment or continuing to implement CRM. In addition, the results can help companies reduce the uncertainty of investment in CRM product, and even help companies reduce risk and unnecessary losses. If the market is not accepting high, or lack of high awareness of CRM, the company does not need to spend too much in this area.

CHAPTER 2

LITERATURE REVIEW

2.1 Corporate Social Responsibility (CSR)

In the past, research on CSR has begun to gain more attention to assessing the efficiency of program, corporate interests and stakeholder views on seemingly related programs (Coles, et al., 2013; Galbreath, 2010; Kemper, et al., 2013; Wildes, 2008), although there will still be moral interventions (Jones, 2003; Mintzberg, 1983; Moore, 2003). Several companies think that participating in CSR will help improve the relationship with different companies' partner, but others companies consider that CSR can improve efficiency of operation and lower the costs (Pedersen & Neergaard, 2009). There are many motivations to participate in CSR initiatives. An effective CSR program enables companies to build and improve their reputation of the company. CSR initiatives include multiple types of corporate participation in charitable causes and unprofitable activities (Lichtenstein, et al., 2004).

Green and Peloza (2011) found that when CSR is included in the decision-making process, most consumers consider the functional value of the product. According to a report by Dawkins (2004), the company is beginning to recognize that opportunities and risk associated with CSR are increasingly making the investment.

However, the benefits of CSR communication can only be achieved when the CSR communication meets the stakeholder concern. CSR communication is very important to gain credibility, and the causes the company supports must be in line with their brand (Dawkins, 2004). One part of CSR is cause-related marketing (CRM) will be discussed in the next session.

2.2 Cause-Related Marketing (CRM)

Cause-related marketing (CRM) is a CSR strategy that links non-profits and major social issues through collaborative marketing and fundraising programs. (Varadarajan & Menon, 1988). CRM is also a part of the CSR programs (Kolter & Lee, 2005; Vanhamme, et al., 2012; Guzmán & Davis, 2017) and supports good business practices through NGO, companies and consumers to contribute to society (Lafferty, et al., 2016).

CRM is created as both a tactic and strategy for fulling CSR (Till & Nowak, 2000). The strategical use of CRM can be described as promotional tools and usually focuses on short-term growth in sales (Varadarajan & Menon, 1988). Companies can achieve strategic goals by connecting with external reasons to demonstrate market orientation (McAlister & Ferrell, 2002). For example, a study showed that CRM motivates employees to spread Word of Mouth to their organization which is a promotional strategy, but its goals are to promote sales (Fowler Jr, 2013). However, CRM is not without negative impact. For instance, cause-exploitative marketing is defined as being suspected and distrustful that could lead the customers to view charitable strategies as (Sasse & Trahan, 2007; Varadarajan & Menon, 1988).

In addition, CRM is a strategic partnership between a company's brand and an NGO that conducts a promotional marketing campaign such as donating a portion of the profits from sales of company products or services (Boenigk & Viktoria, 2013). According to Amato and Amato (2012), small companies use CRM to support and develop local communities. In contrast, large companies use CRM to increase the public reputation and improve public relations, primarily in controversial business areas, such as non-environmentally friendly, to deal with potential problems arising from its activities (Du & Vieira, 2012). CRM involves joining a non-profit charity and a company for a profitable partnership (Bae, 2018).

IEG Sponsorship Report (2014) stated that CRM has been the fastest-growing money-base support category in the European and US markets in the past 10 years. Many companies in different businesses, including packaged products, retail, luxury and financial services, have used programs linked them to social causes such as aid initiatives in developing countries or caring for children in need (Nielsen Global Research, 2014; Pringle & Thompson, 1999). KIm & Johnson (2004) stated that in a CRM study focusing on CRM effectiveness from a company's perspective, it has been stated that CRM has a positive influence on customers approach toward the company and its products (Brown & Dacin, 1997; Rose, et al., 1992). In addition, CRM activities can create bilateral benefits through collaboration with NGO, and CRM will also influence customers purchase intention (Rose, et al., 1992). Therefore, the customer response to CRM will be discussed in the next session.