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The Impact of Cause-Related Marketing Programs on Purchase Behavior Improvement of Loyal Customers

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ABSTRACT

In this paper, we discuss the impact of cause-related marketing programs on purchase behavior improvement of loyal customers by studying the relationship between customer loyalty and purchase behavior. And then, we discuss the influence of CRM programs on purchase behavior. At last, we establish a conceptual model of this study and make a prospect of the future research.

KEYWORDS : CRM programs, customer loyalty, purchase behavior

Introduction

Customer profitability is the main concern of a company, which is determined by the purchase behavior of customer. Plenty studies have already proved that loyal customers can bring profit the most profits to a company, but some of the studies have shown that this relationship is not certain. Therefore, we discuss the customer purchase behavior of loyal customer and the impact of cause-related marketing programs on this relation.

Customer Loyalty

The literature of loyal customer can be derived from a very long time ago. Tucker (1964) believes that the most appropriate definition of loyal customers should accord to their purchase behavior, in which the times of purchase should be the best. He states that we could judge a customer to be a loyal if he continuously purchases a certain brand for three times. Thereafter, Newman (1973) considers those who only purchase the same types of products in a brand to be the loyal customers. By the study of Bain & Company which lasted for ten years, we know that the significant difference of company performances is not determined by the share of market or level of operation skill but the amount of loyal customers. In these industries, the profit will improve 25-80 percent if the amount of loyal customers increases 5percent (Frederick, 1996). Therefore, we know that it is meaningful to study purchase behavior of loyal customer for improvement of business performance.

However, there is not an agreement on the definition of loyal customer in the current studies. So it is hard to tell loyal customers from the normal ones. Therefore, we use the measurement of customer loyalty to study the behavior of loyal customers.

As far as customer loyalty is concerned, there is two phases of the development of the measurement of it. In the first phase, scholars only measure customer loyalty from the perspective of behavior. As the study getting more thorough, scholars define customer loyalty not only in aspect of behavior but also including the attitude of customer (Dick, 1994). Therefore, we consider customer loyalty in two indicators which refer to attitudinal and behavioral loyalties.

Purchase improvement

As far as the theory about customer purchase behavior is concerned, it has been the focus of the academia and already investigate thoroughly by the scholars worldwide. In this paper, we pay attention to the relationship between customer loyalty and purchase behavior. We can interpret the relationship in two ways below.

The first one is to explain it from the perspective of organizational behavior, basing on the "Antecedent-Behavior-Consequence" (ABC) theory. On one hand, behavior loyalty appears as re-purchase behavior and it directly influence customer profitability. On the other hand, internal behavior habit also affects the actual behavior of customer. Grant et al. (2010) divided customer behavior as antecedent and subsequent behavior and indicated the former would affect the later. According to the reasoning part of conceptual model of Meade (2010), customer re-purchase behavior is a probability-tree-like multistage process, in which re-purchase behavior always exists in certain prior probability. Therefore, behavior loyalty belongs to antecedent behavior. Furthermore, attitude is a stable and evaluative inner disposition when an individual responses to a specific social object (Allport, 1937). Therefore, attitudinal loyalty is an antecedent of behavior. Since both behavioral and attitudinal loyalty belong to "antecedent" and purchase behavior belongs to "behavior", we can discuss the influence mechanism between customer loyalty and purchase behavior according to the process analyzed above.

The second way to explain this relationship is from the aspect of consumer behavior. Basing on the general model of purchase behavior, customer purchase behavior refers to the whole process of purchase, including information collection, purchase decision and post-purchase evaluation. In short, the basic mode of purchase is demand motive model, which is a stimulate-respond model.

Fig.1 demand motive model



In the model above, attitudinal and behavioral loyalty belong to "Purchase motive" and "Mode of act" so they can be a leading factor of "Purchase behavior". Obviously, we can establish the theory model between customer loyalty and purchase behavior in order to discuss the mediate effect between customer loyalty and profitability.

When it comes to the way to improve customer purchase behavior, there are already plenty relevant statements in academia, who mainly focus on the intention of purchase. The mostly used measurement of purchase intention is that indirectly calculating it via the customer cognition of eight product attributes (Gensch, 1990). Drawn on the experience of practice, we divide purchase behavior improvement into three types. ① Incremental purchase, which means to add the amount of purchase on the former type of purchased product. ② Cross-purchase, which means to buy other types of product in the same company. ③ Up-grade purchase, which means to buy higher class product in the former type of purchased product.

However, there are few literatures about incremental purchase and up-grade purchase, but a lot studies in the field of cross-purchase. When it comes to incremental purchase, there is no systematic discussion about this issue. Bain & Company believes that loyal customers can bring profit, because their serving cost and price sensitive are low and their spending and word-of-mouth value would be higher. Judging from this, we know that loyal customer will incremental purchase in a company if their degree of goodwill to it increases.

The study of cross-purchase is well developed. Kumar (2008) defines cross purchase in a non-contractual background, in which he measures it as the total number of product types a customer buy except the original one from the first time he purchases. However, in contractual background, cross purchase is defined as the purchase of product and service from the other suppliers instead of the current supplier (Ngobo, 2004). So we can use the same method to measure cross-purchase as the studies above.

As far as up-grade purchase is concerned, we find that most of the focus is on Airline Company. Brumelle (1990) put forward an up-grade

purchase strategy under the circumstance of only two levels of ticket price. Therefore, we can tell that up-grade class is a comparative concept to the normal class. When we buy product of the up-grade class, the process can be named up-grade purchase.

Cause-related marketing

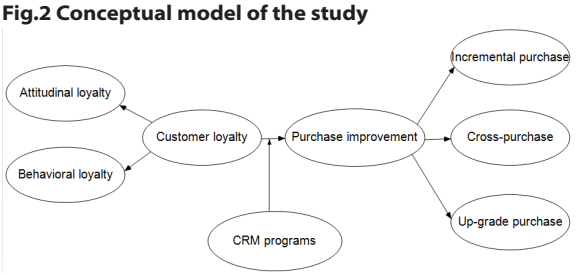
The definition of cause-related marketing (CRM) was derived from the U.S. Varadarajan (1986), who first mentioned CRM and considered CRM as a combination of companies and charity organizations to win profit. After that, academia has classified CRM as two categories. The first one is that taking CRM as a kind of charity activity which increases profitability of a company, while needing no relations between the sale and the activity (Barnes, 1991). The second one is that considering CRM as an activity where a company can profit and donate to the non-profitable organization, but there should be a close connection between the activity and sale of company (Gupta, 2006). In this paper, we take CRM as a complicated utilitarian exchange among customers, companies and non-profitable organizations, in which companies perform charities and sales promotion in the same time.

The literature of impact of cause-related behavior on customers mainly focus on the their charity behavior cognition, respond and change of purchase intention. Creyer (1997) believes that customers are willing to pay higher price to the product or service provided by the companies which conduct charity. Moreover, Pracejus (2004) states that charity influences customer loyalty significantly by studying the fitness between companies and social charitable events. Furthermore, some study shows that the more a family's income is, the more positive their attitudes are toward charity. At the meantime, the educational background of customers will be related to the charity of companies significantly (Cui, 2003). Obviously, CRM programs can affect the customer purchase behavior significantly, which is consistent with this paper.

Conceptual model

Analyzing from the studies above, we know that customer loyalty influence purchase behaviour, which should be affected by the CRM programs. So we put forward a conceptual model as below.

Fig.2 Conceptual model of the study



Conclusion and study prospect

We have put forward a conceptual model in this paper concerning about the relationship between the customer loyalty and purchase behaviour improvement, which is regulated by the conduct of CRM programs. It is a prospective way to study the impact of CRM programs on purchase behaviour of loyal customer in order to make more profit for the companies from them.

However, there are still some problems about measuring the concepts in the model above. What's more, we should find out the way to classify CRM programs and investigate the difference they make in these relations. Furthermore, we should develop and complete the model while considering some extra factors, such as the study background, characteristics of the subjects and so on.

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