



Impact of Cause Related Marketing in Lottery Business: A Study on Karunya Lottery in Kottayam, Kerala, India

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Abstract:

The introduction of Cause Related Marketing in lottery business has brought a face lift to the lottery business. It has changed the perception of people towards lottery purchase. This study examines the effect of Cause Related Marketing on lottery business. The study identifies that after the introduction of CRM the sale has increased tremendously.

Research participants (N = 100), selected based on a convenient sampling process, comprised of customer who had purchased lottery tickets from the retail outlets of Kottayam, Athirampuzha and Ettumanur. They completed a questionnaire that was derived from a qualitative research process. A factor analysis extracted four factors associated with level of satisfaction among the customers: winning related factors, seller related factors, product related factors and pricing

The research also points out that the demographic factors have a significant impact on the purchase decision of lottery products. The aim of this paper is to draw a more detailed picture of the lottery business after the introduction of cause related marketing.

Keywords: Lottery business, cause related marketing, lottery department, karunya benevolent fund

1. Introduction

Cause related marketing (CRM) is increasingly a common form of marketing used by the marketers to attract customers. Cause-related marketing campaigns vary in their scope and design, the types of non-profit partners, and the nature of the relationships between companies and their marketing partners. In the most common type of relationship, a company might donate a portion of each purchase made by its customers during a specific period of time to the non-profit entity. However, there are several variations on this theme and not all CRM campaigns channel money to non-profit entities some engage principally in educational or awareness-building activities (Business for Social Responsibility, 2001). One reason is that companies are taking a more strategic approach to their community-involvement efforts, seeking ways of benefiting community organizations while also furthering company's business goals. Another reason for CRM's growth is that public-opinion research has shown that effective Cause related marketing programs can enhance a company's reputation and brand image and increase the credibility of its marketing effort, while giving customers a convenient way to contribute to non-profit organizations through their purchasing decisions. It is basically a marketing program that strives to achieve two objectives-improve corporate performance and help worthy causes-by linking fund raising for the benefit of a cause to the purchase of the firm's products and/or services (vardarajan and menon, 1988). There are many successful CRM programs which make this form of marketing a favorite to the marketing managers.

Cause-related marketing first became popular in the United States in the early 1980s as a marketing strategy, but more recently it has been adopted by a broad range of companies throughout the world. For instance the American Express Company launched a cause-related marketing program (CRMP) in support of the renovation of the Statue of Liberty (1983). American Express promised to donate a penny to the renovation for each use of its charge card and a dollar for each new card issued in the U.S. American Express had a 28% increase in card usage over the same period in 1982 and a sizable increase in the number of new

cards issued. This \$6 million national promotion campaign resulted in a \$1.7 million contribution by American Express to the Statue of Liberty-Ellis Island Foundation (Wall 1984). Recently research has woken up the corporates to the possibility that consumers are drawn to Cause-Related Marketing (CRM) programs. For instance, in a study conducted by IES 2011, 37 percentage of customer purchased a product associated with a cause and 75 percent purchased a brand because they supported a cause. In the same study it was further revealed that most of the customers would try a new brand if it is associated with a cause especially one they care about.

In India Cause Related Marketing is been widely used by many companies as a marketing strategy. For example Novartis India Ltd., in a cause-related marketing scheme, donated 2% of the value of sales of Ovaltine Plus towards CRY's Gujarat rehabilitation operations. The total amount raised was approximately Rs. 40,000. Oberoi Hotels had specially designed and printed envelopes placed in all Oberoi properties, wherein their guests could contribute to CRY which was a huge success, collecting more than Rs. 6.50 lakhs in 18 months (source:-CRY website). ITC contributes Re. 1 for every four Classmate Notebooks purchased, to its social development initiative that supports, among other projects, primary education (source:-ITC website). The greatest successes story in recent time has been the CRM strategy adopted by Kerala State Lottery Department.

Worldwide, lotteries are now well established and are probably perceived quite positively by most people perhaps because of their link with good causes (Griffiths 1997). There are many lottery games that take place in India, all of which are run by State Government organisations under the rules and regulations of the Central Government. State Governments such as Kerala, Punjab, Goa and Sikkim run their own lottery departments and conduct lucky draws, daily or weekly. Kerala State Lotteries, established in 1967, under the lottery department by the Government of Kerala was the first of its kind in India.

During 2011 this department introduced Karunya lottery which aims at providing fund for the medical treatment of people belonging to poor section of the society who otherwise were deprived of treating themselves for severe ailments because of the exorbitant cost involved. Within 20 months of its introduction this scheme could mobilise Rs. 200 crore which was used for the medical treatment of the poor people. This was highlighted as the greatest success story of cause related marketing (CRM) effort in India. This success is considered important in the context of a high court ruling which said daily lottery should be banned in Kerala as it was doing more harm than good to the society. The introduction and success of CRM strategy by Kerala State Lottery Development has made the high court to have a different view from the earlier thinking.

2. Literature Review

2.1. Cause Related Marketing

In the past, researchers have found that cause related marketing (CRM) may have a significant impact on choice behaviour. They had also pointed out that the brand/cause fit (John W. Pracejus, G. Douglas Olsen 2004), primary need (Joe'le Vanhamme, Adam Lindgreen, Jon Reast and Nathalie van Popering, 2011) and long term commitment (Gordon Liu), is very much important in selecting the cause. It was also noted that Cause -Related Marketing help the companies to attract and build a long-term relationships with customer (Rajeswari S.P, 2007) and increase sales (Michael J. Barone, Anthony D. Miyazaki, Kimberly A. Taylor, 2000).

A study by Ms. Sanjeela Mathur Ms. Aditi Midha (2012) finds that the support for the causes was high enough to induce not only purchase decision but also willingness to pay higher prices for the same.

2.2. State Lottery Business

A recent study conducted in china found geographical areas, educational backgrounds and occupational status had a positive perception about CSR issues associated with sports gambling administration i.e. Regulatory and Prevention Responsibilities (RPR) and Product Development Responsibilities (PDR) (Hai Li, James J. Zhang, Luke Lunhua Mao, Sophia D. Min, 2011)

A study in Taiwan on the public welfare lottery (PWL) by Yukang Lee and Chuntuan (debbie) Chang (2005) identifies that the majority of Taiwanese people agrees that the issue of PWL would bring negative impacts towards the society.

According to Korbkul Jantarakolica, Hatairath Kaweewitayawong, Tatre Jantarakolica (2012) lottery buyers are more likely to have gambling addiction through the online lottery. They also points out that the player tend to follows prospect theory, in a situation when player lose money in the game but with gross negligence of the risks, the player will continue to purchase lottery tickets in an attempt to recoup his/her losses. They also suggest that demographic variable, risk attitude; psychology factor and conviction in lottery analysis information will affect the lottery purchase.

In a study conducted by Peter G. Moore (1997) it was found that if the lottery were made a charity, the prize pool and good causes would be able to have higher pay-outs.

According to a study on fixed prize charitable lottery and revenue-dependent lottery it was found that the prize structure of a charitable lottery plays a substantial role in influencing individuals' decisions. (Donald J. Dale, 2004)

Mark Griffiths, Richard Wood (2008) in their article The psychology of lottery gambling states that weekly or bi-weekly lotteries are less addictive compared to daily lotteries.

2.3. Research Gap and Research Problem

The introduction of cause related marketing (CRM) on lottery business is a new strategy for attracting customer and avoiding interventions from social groups because of its bad effect in society. The introduction of CRM in lottery business is of recent origin in Kerala and no study has taken place in Kerala to understand the level of satisfaction and awareness among the customers of lottery ticket. Though some literature show that lottery business is good for raising fund for developmental purpose it has got many negative impacts like addictiveness, higher purchase by low income group etc. So this study aims to find the effect of consumer buying behaviour, awareness, satisfaction levels of lottery purchase and also to study the growth of this industry after the introduction of CRM.

2.4. Objectives of the Study

The specific objectives formulated for the study are-

1. To find the consumer buying behaviour of lottery products.
2. To find the growth of lottery business after introduction of cause related marketing (CRM).
3. To study the awareness of cause related activities done by the Karunya lottery.
4. To measure the level of satisfaction among the customers of Karunya lottery.

3. Hypothesis

The hypothesis for the study is set as

- $H1_0$ Introduction of cause related marketing (CRM) has brought no change in revenue and profit of the organisation.
- $H2_0$ Income has no effect on the frequency of lottery purchase.
- $H3_0$ Education has no effect on lottery purchase
- $H4_0$ Age has no effect on the frequency of lottery purchase

3.1. Methodology

The study was done in two stages. In the first stage evaluation of revenue of Kerala lottery department for past decade was made using an exponential regression analysis. The analysis helped the researcher to find the unexpected deviation from the exponential growth line during the past 10 years.

In the second stage the study analysed the response of 100 lottery customer from the selected three retail outlets situated in Kottayam, Ettumanur, and Athirumpuzha. The stores were selected based on the convenience of the researcher. The outlets at Kottayam and Ettumanur are fixed outlets but in Athirumpuzha the study was done on sale made by a street vendor. Factor analysis was performed to identify the important factors which influence the satisfaction of the respondents. These factors were further cross tabulated with the demographic variable for further description.

4. Analysis

4.1. Net Profit Analysis

Here the effect of cause related marketing (CRM) on the sales is analysed by studying the net profit of the industry for last 10 years. During last 2 years the data shows a hyper growth in revenue and profit, this is the time when Karunya lottery was introduced. From the Table 1 it is very much clear that during last 2 years there was a rapid growth in the industry.

Year	Revenue	Profit
2003-04	135.0	19.87
2004-05	156.6	30.02
2005-06	237.2	55.65
2006-07	236.3	36.36
2007-08	333.9	48.28
2008-09	484.8	104.20
2009-10	625.7	114.70
2010-11	557.7	92.02
2011-12	1287.1	394.87
2012-13	2778.8	681.76

Table 1: Profit and Revenue for past 10 years
Courtesy: Kerala state lottery department

For further analysis a 10 year exponential regression was done. From Table 2 it is clear that the last two years observed values shows a hyper deviation from the expected value. The estimated value of exponential regression analysis for 2011-12 and 2012-13 showed 278.578 and 392.572 crores respectively which was approximately 100 and 200 crore less than their corresponding observed values (394.87 and 681.76). Just prior to that in 2010-11 a downward movement was seen, the profit was reduced from 114.7 crore in 2009-10 to 92.02 cores this was because of many scam which was brought up during this time and many products were withdrawn because of the intervention of high court. But after the introduction of Karunya in September 2011 this scenario has changed dramatically. The government started using advertisements and public relations activities to promote the lotteries. Seeing the huge growth and lesser interventions from public it is very well clear that it has created a good image in the minds of the people.

Year	Profit	Estimated
2003-04	19.87	17.9248
2004-05	30.02	25.2577
2005-06	55.65	35.5906
2006-07	36.36	50.1505
2007-08	48.28	70.6669
2008-09	104.2	99.5765
2009-10	114.7	140.313
2010-11	92.02	197.714
2011-12	394.87	278.598
2012-13	681.76	392.572

Table 2: Showing observed and estimated profit for past 10 years

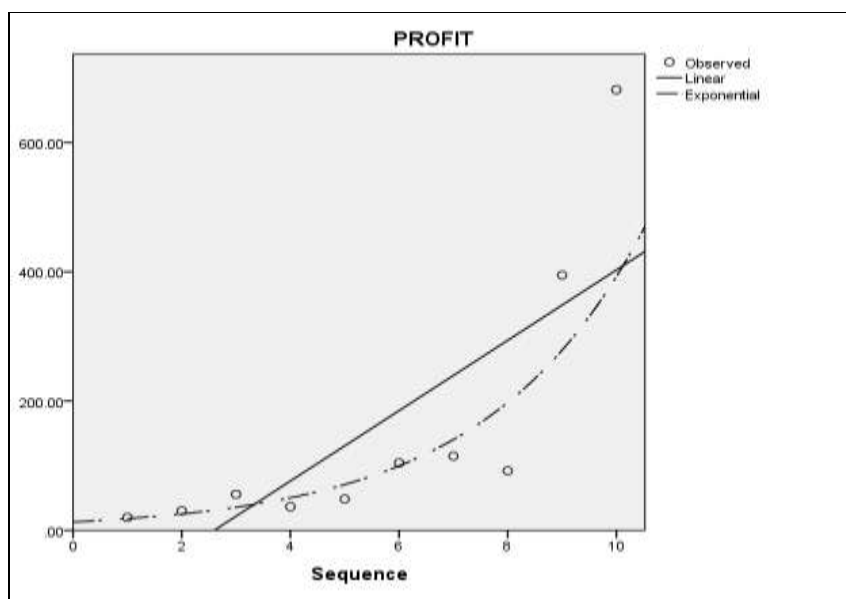


Figure 1: Showing observed and estimated profit for past 10 years
 Courtesy: Kerala state lottery department

For further understanding of customer behaviour and impact of Cause Related Marketing a field survey was made. To detect scale dimensionality, an EFA with a principal component method with varimax rotation was conducted. The appropriateness of factor analysis was determined by examining the Kaiser–Meyer–Olkin (KMO) measure of sampling adequacy and Bartlett’s test of sphericity. The KMO value for the data was 0.587 which is above .5 and the significance level for Bartlett’s Test of sphericity was 0.000. The dimensions having communality below 0.5 was eliminated from the analysis. In order to ensure that each factor identified by EFA had only one dimension and each attribute loaded only on one factor, attributes that had factor loadings of lower than 0.40 and attributes loading on more than one factor with a loading score of equal to or greater than 0.40 on each factor were eliminated from the analysis. After the analysis 4 factor were identified these factors were further cross tabulated with the demographic variable for further description. Factor 1 consist of variables winning chances, winning mechanism, fairness of wining which was named as winning related factors. Factor 2 consists of 3 variables they are regulations and aiding mechanism, guidance, level of transparency which is named as seller related factors. Factor 3 consisted of 2 dimensions they are price money and righteous of cause which was named as product related factors. The factor 4 consists of only one dimension which is pricing.

Dimensions	Factors			
	Winning Related	Seller Related	Product Related	Pricing Related
Satisfaction of winning chance	.799			
Satisfaction regarding fairness of winning	.757			
Satisfaction of winning mechanism	.692			
Satisfaction with regulations and aiding mechanism		.775		
Satisfaction regarding guidance		.763		
Satisfaction with level of transparency		.645		
Satisfaction regarding price money			.901	
Rightness of cause			.623	
Satisfaction regarding pricing				.905
Eigen value	2.548	1.410	1.161	1.057
The total variance explained	68.625			
The Bartlett's Test of sphericity(significance level)	.000			
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.587			

Table 3: Showing factors and dimension score after varimax rotation method

Source: Survey

From table 4 it can be found that the level of satisfaction for the four factors is near to average score of 3.00 which mean the customer have an average satisfaction regarding the product. The seller related factors have lowest mean score of 2.85 and the pricing related factors have highest mean score of 3.16. The level of awareness is also found to be near to the neutral level of 3.55. It is also found that the awareness level remained higher at 4.15 among the customers who purchased the product rarely. But for the same category the level of satisfaction remained below the average level of satisfaction of the group. Most of the respondents (86%) had said that the awareness regarding Karunya was through advertising and public relation activity, but awareness level was highest (3.67) for those who got the awareness from sellers. In the case of reason for lottery purchase most of them purchased the lottery for the windfall gain or trying of luck (47%).The respondent’s attraction towards windfall gain and subsequent purchase showed an addiction effect. It was also observed that most of the lottery buyers are less satisfied with winning related factors and seller related factors but tend to be frequent purchasers this shows an effect of addition among the customers. As stated by prospects theory the lottery consumers also shows a slow addiction where most of the regular customer where occasional buyers when they started and slowly turned into frequent buyer for recouping their losses. This study also observed that most of the respondents belong to the first two category of income level which amounts to 95% this shows that the higher income group are not highly involved in the lottery purchase.

Particulars	Percentage	Level of Awareness		Level of Satisfaction							
				Winning Related		Seller Related		Product Related		Pricing Related	
		Mean	STD DEV	Mean	STD DEV	Mean	STD DEV	Mean	STD DEV	Mean	STD DEV
Gender											
Male	96	3.55	0.91	2.96	0.70	2.83	0.76	3.07	0.78	3.21	0.98
Female	4	3.50	0.58	3.67	0.00	3.17	0.58	4.25	0.29	2.00	1.15
Qualification											
10 th and below	46.00	3.24	0.78	3.14	0.75	2.72	0.71	3.04	0.72	3.20	1.05
+2	8.00	3.50	0.38	2.92	0.61	2.63	0.70	2.88	0.58	2.50	0.76
Degree	17.00	4.12	0.72	2.86	0.55	3.14	0.73	3.12	0.67	3.53	1.12
Post-graduation	29.00	3.72	1.07	2.84	0.70	2.93	0.82	3.31	1.00	3.07	0.88
Employment status											
Employed	16.00	2.91	1.07	2.98	0.81	2.42	0.66	3.59	0.49	3.38	0.81
Retired or unemployed	3.00	3.83	0.29	3.22	0.38	3.89	1.35	3.67	0.29	3.33	0.58
Daily wage earns	28.00	3.39	0.81	2.96	0.74	2.85	0.77	2.98	0.66	2.93	1.12
Student	34.00	4.18	0.65	2.84	0.62	3.02	0.70	3.06	0.97	3.18	1.06
Individual business owners	13.00	3.23	0.44	3.15	0.68	2.72	0.62	2.77	0.60	3.54	0.88
Others	6.00	3.00	0.89	3.44	0.75	2.78	0.62	3.33	1.03	2.67	1.03
Monthly income											
Below 10,000	52.00	3.63	0.85	2.90	0.67	2.72	0.70	2.79	0.67	3.31	1.04
10,000-30,000	43.00	3.50	0.94	3.09	0.69	3.08	0.78	3.44	0.80	3.00	0.98
Above 30,000	5.00	3.20	1.10	3.00	1.00	2.20	0.45	3.80	0.27	3.00	1.00
Frequency of lottery purchase											

Rarely	27.00	4.15	0.66	2.63	0.62	2.83	0.61	2.81	0.94	3.00	1.18
Occasionally	22.00	3.43	1.16	3.05	0.66	2.77	0.96	3.55	0.83	3.55	0.67
Weakly	19.00	3.18	0.63	3.19	0.90	2.74	0.71	3.03	0.74	3.05	1.22
Regular	32.00	3.34	0.78	3.13	0.55	2.98	0.75	3.14	0.54	3.09	0.89
Reasons for lottery purchase											
Trying the luck	47.00	3.59	1.03	2.82	0.71	2.87	0.71	3.17	0.82	3.06	0.92
Cause related initiative	27.00	3.80	0.82	3.27	0.73	2.95	0.89	3.19	0.86	3.33	1.27
Cost is minimal	6.00	3.00	0.00	3.78	0.17	2.89	0.34	3.33	0.52	2.67	0.52
Seller's insistence	10.00	3.30	0.54	2.87	0.48	2.40	0.41	2.50	0.58	3.20	1.03
Others	10.00	3.30	0.79	2.67	0.22	2.87	0.96	3.20	0.71	3.40	0.84
Source of awareness											
Advertising and public relations	86.00	3.57	0.94	2.94	0.70	2.84	0.79	3.16	0.81	3.09	1.00
Friends and relatives	8.00	3.25	0.60	3.17	0.64	2.92	0.68	3.00	0.38	3.25	0.89
Sellers	6.00	3.67	0.41	3.44	0.62	2.83	0.28	2.75	1.08	4.00	1.10
Total	100.00	3.55	0.89	2.99	0.70	2.85	0.75	3.12	0.80	3.16	1.01

Table 3: Percentage, mean and standard deviation

Source: Survey

For understanding the relation of demographic variables like age, income and qualification on the frequency of purchase a correlation test was conducted. The income level below 10,000 was coded as 1 and 10,000-30,000 was coded 2 and above 30,000 was coded 3. The qualification was coded as below 10th -1, +2 -2, Degree -3, Post-Graduation- 4. The coding for frequency of purchase was done using as 1,2,3,4 and 5 for never, rarely, occasionally, weakly, and frequently (daily) respectively.

Correlation	Pearsons correlation	Sig. 2tailed
age	.612	.000
qualification	-.649	.000
monthly income	0.104	0.304

Table 3: correlation of income age and qualification with frequency of lottery purchase

Source: Survey

The table 5 shows the correlation of age, qualification and monthly income with frequency of purchase. From that table it is clear that Sig. value for age (.000) and qualification (.000) is much less than 0.05 and for monthly income (0.304) the value is more than the required sig. value of 0.05. It shows that age and qualification has significant relation with frequency of purchase but monthly income has no significant relationship with frequency of purchase. The correlation coefficient for age i.e.0.612 shows a high positive correlation with frequency of purchase whereas the coefficient for Qualification i.e. -0.649 shows a high negative correlation with frequency of purchase. That mean as the age increase the frequency of purchase also increases and when qualification increases the frequency of purchase decreases. The scenario is much similar to the past studies conducted in different parts of the world (Peter G. Moore, 1997, Hai Li, James J. Zhang, Luke Lunhua Mao, Sophia D. Min, 2011). The income has no significant impact on the frequency of purchase but it is found that most of the respondents belong to the first two classes which mean that the purchasing of lottery is high among the low income groups.

4.2. Findings

The study has revealed that after the introduction of CRM the lottery business has seen a higher growth. It has also shown that the average level of awareness remained above 3 which means the respondents are aware of the cause related activities initiated by using Karunya Benevolent Fund. Most of the respondents got awareness from advertisement and public relation activities conducted by the lottery department. The study also observed four factors of satisfaction as product related satisfaction, winning related satisfaction, seller related satisfaction, and pricing related satisfaction. Winning related variables, seller related variable have shown a value very near neutral level of 3 (2.99 and 2.85) and the other 2 factor, namely product related variable and pricing related variable, shows a above neutral level of satisfaction (3.12 and 3.16). The study also found that age had a positive correlation whereas the qualification had a negative correlation. Even though income has shown an insignificant correlation the percentage analysis of respondent shows a negative impact i.e. number of respondents decrease when income increase.

4.3. Discussion

The study also observed that even with a low satisfaction level the customer tend to purchase the product the phenomena is an exemption from the usual behavioural pattern. This pattern shows addiction behaviour especially among the frequent customers. As observed by Korbkul Jantarakolica, Hatairath Kawewitayawong, and Tatre Jantarakolica this study also shows that the data follows prospect theory, in a situation when player lose money in the game but with gross negligence of the risks, the player will continue to purchase lottery tickets in an attempt to recoup his/her losses.

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