Anchor or Fiction? The Role of Adding Exchange to Charity

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Charities often bundle donation requests with the offering of a near-worthless token, like a postcard. Little research has examined whether this raises more money than merely asking to donate. Our studies suggest that in mere donation settings people may have difficulties to estimate a socially acceptable donation amount and therefore prefer opportunities that provide them with a fixed price, an anchor. When the suggested reference price is low enough, exchange requests lead to more compliance than mere donation requests. Moreover, we show that, when accompanied by specified amounts, mere donation requests result in even better compliance rates than exchange requests.

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Adding Exchange to Charity: a Reference Price Explanation
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EXTENDED ABSTRACT
Charities often request donations while offering a near-worthless token, like a key chain or a pencil, in exchange. Little research has examined whether such ‘exchange’ requests are met with higher compliance rates than simply asking people to donate.

According to Holmes, Miller, and Lerner (2002), construing the donation as a commercial exchange will allow people to show their genuine compassion, while avoiding the negative feelings associated with violating the norm of self-interest. They argue that the assumption of self-interest has become a collectively shared cultural ideology: people think that other people are mainly driven by self-interest. As a consequence, people prefer self-interested behavior to avoid being exploited by self-interested others, or to avoid social disapproval for being ‘irrational’ (Miller & Ratner, 1998; Miller, 1999). Framing the donation as a commercial exchange may therefore provide potential donors a ‘psychological cover’ that enables them to act altruistically.

In three studies we examine whether and why consumers react positively to donation requests that are framed as the sale of a product. We think that one of the reasons why a priced exchange may increase compliance is that it signals an anchor or a reference price to which potential donors can compare candidate contributions. Just like consumers may have difficulties in estimating the price of a service due to a lack of a salient cost of goods sold (Bolton, Warlop, & Alba, 2003), in a simple donation setting potential donors may also experience difficulties determining what would be an appropriate donation amount. For economic reasons they may want to avoid too large a contribution, while too small a contribution may be perceived as inappropriate. Therefore, the option to ‘buy something’ instead of just donating may make it easier for potential donors to assess the minimally socially acceptable donation amount (cf. Fraser, Hite, & Sauer, 1988).

Clearly, if the token that is offered signals too high a donation amount, people will not donate, not even in exchange for a token. In particular, donation requests coupled with ‘overpriced’ exchanges may not help or may even decrease compliance rates compared to simple donation settings. On the other hand, low-priced tokens may signal a donation amount that people consider being ‘fair’. First, a low priced token may signal a donation price that is lower than the perceived donation price in simple donation settings. Moreover, low priced exchanges may legitimize small contributions and, therefore, render most excuses for noncompliance (e.g., “We can’t afford to help.”) inappropriate. Finally, if the presence of an anchor or reference price is an important factor in triggering donations, the association of simple donations and fixed prices should cause similar effects as the bundling of donation requests and priced tokens.

In the first (scenario) study, participants were asked to donate to a charity without a product being offered (mere donation) or to donate in exchange of staples (exchange condition). To explore our prediction that an exchange might signal an anchor or reference price that may induce people to donate, we asked participants to estimate the value of the offered product either before or after the donation decision. We found that people in the exchange conditions donated more easily when their attention was drawn to the low estimated product value. In the mere donation setting, however, people lacked a fair reference price; they apparently overestimated the cost of ‘giving’ and hence decided not to donate.

In study 2 we tested directly whether the ‘exchange’ effect is moderated by the token’s value. This time, participants had to make a real donation decision. They were invited to just donate, to donate in exchange of paperclips without a shop value mentioned, to donate in exchange of paperclips with a mentioned shop value of €0.3, or to donate in exchange of paperclips with a mentioned shop value of €0.50. In line with study 1, the €0.50-token presented a comfortable reference price, a socially acceptable anchor that urged people to donate. On the other hand, €0.3 was perceived as a too large amount, a too large anchor that did not induce and even inhibited people to donate. In other words, we found evidence for the moderating role of priced tokens to increase compliance rates.

As the value of an exchange can ‘help or hurt’ depending on its price, we hypothesized in study 3 that the bundling of mere donations and fixed prices would generate similar results as the bundling of donation requests and priced tokens. In a scenario study we found data to support this prediction: the presence of a small (€0.50) or large (€0.3) reference price in a mere donation setting fulfilled the same, or an even better, ‘anchoring’ function as a small (€0.50) or large (€0.3) priced exchange. We interpret these findings in the context of the ‘donation deal transparency’: in a mere donation setting the net donation value is explicitly present, whereas the product cost in an exchange context not always is.

In sum, our studies suggest that in simple donation settings people may have difficulties in estimating a socially acceptable donation amount and therefore prefer opportunities that provide them with an anchor price. The value of a material good in a donation setting can play this anchoring role and signal a reference price. To the extent that the suggested reference price is low enough, exchange requests lead to more compliance than simple donation requests. A ‘high’ socially unacceptable or too large an anchor, on the contrary, may inhibit people from donating. It should be noted that our studies were not designed to rule out the exchange fiction theory of Holmes et al. (2002). In fact, our first two studies are still in line with the theory of the norm of self-interest (Miller, 1999). Still, our anchoring explanation gives an additional account for why people react positively to the sale of tokens in a donation request. Moreover, study 3 shows that, as expected by our anchoring explanation, a donation request that explicitly asks for a low amount generates more compliance than a simple donation request.

REFERENCES