Small But Moral: the Impact of Firm Size and Gratitude on the Effectiveness of Cause-Marketing Campaigns

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We show the impact of firm size on Cause-Marketing (CM) effectiveness and the importance of gratitude that consumers feel for providing the donation opportunity. Smaller firms enjoy higher morality perceptions as they are doing a bigger effort. This induces stronger feelings of gratitude and consumer intentions to buy CM-promoted products.

[to cite]:

[url]:
http://www.acrwebsite.org/volumes/1700023/la/v4_pdf/LA-04

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Small but Moral: The impact of Firm Size and Gratitude on the Effectiveness of Cause-Marketing Campaigns

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EXTENDED ABSTRACT

Companies are increasingly forced to respond to various morality concerns of consumers and stakeholders to “do good” and behave ethically. Our study focuses on a specific method to do good, known as Cause-Marketing (CM). CM consists of “marketing activities that are characterized by an offer from the firm to contribute a specified amount to a designated philanthropic cause” (Varadarajan & Menon, 1988, p. 60). CM both enables consumers to contribute to a cause while the firm acts morally and gains profit (Pracejus & Olsen, 2004).

CM seems a promising marketing strategy (Nielsen 2015). But is it effective irrespective of firm size? And what role do feelings of gratitude play? The great majority of CM research has focused on big firms (File & Prince, 1998; Lepoutre & Heene, 2006), producing little insight into the effectiveness of CM campaigns for smaller firms. This gap in knowledge is particularly relevant as the proportion of firms that is small lies around 99% across Europe and the United States (European Commission, 2015; Grover & Suominen, 2014). And even more important, research into the affective response of consumers to CM campaigns is lacking. The current research addresses both issues.

THEORETICAL BACKGROUND

Research has shown that small firms are perceived as more authentic (Kovacs, Carroll, & Lehman, 2013) and less likely than big firms to create unfounded perceptions of high involvement in ethical initiatives (Baumann-Pauly et al., 2013). We build on these authors’ notions and propose that it is the way small firms are morally perceived that makes CM campaigns particularly effective for smaller compared to big corporations.

An obvious shortcoming of small compared to big businesses is the more limited cash budgets and access to external financial resources. This implies that, even if small businesses may want to engage in CM campaigns to support a philanthropic cause, they may need to dedicate their capital to more immediate needs.

Another shortcoming for small firms is their lack of visibility. When spending time and effort on social causes, they should relatively heavily invest in marketing expenditures to make consumers aware of their campaign. This means a further increase in costs for small firms, required to capitalize on their responsible actions (Spence, Jeurissen, & Rutherford, 2000).

Taking these arguments together, we hypothesize that small firms, disadvantaged compared to big firms in terms of financial and human resources necessary to engage in charitable donations, are perceived as doing a bigger effort and hence are perceived as more moral once they do contribute to a worthy cause. More specifically, we posit that consumers will infer from the company’s perceived effort put into contributing to a cause, the company’s marketplace morality (Morales 2005). With higher levels of effort perceived as more sincere and trustworthy, signaling a real societal concern and genuine intention to support the cause.

We further argue that the perceived marketplace morality of a firm engaging in CM is particularly relevant for CM effectiveness, as consumers who are skeptical about the company’s underlying motives to engage in the charitable behavior, will not experience feelings of gratitude, and so will not feel motivated to reciprocate the company for its efforts (McCullough et al., 2001; Morales, 2005).

Feelings of gratitude have been defined as a “positive emotion that typically flows from the perception that one has benefited from the costly, intentional, voluntary action of another person” (McCullough, Kimpeldorff, & Cohen, 2008, p. 4). They motivate to behave pro-socially towards the benefactor (McCullough et al., 2001).

Feelings of gratitude arise even if consumers do not directly or tangibly benefit from the action (Fredrickson, 2004). Within the context of CM campaigns, the tangible benefit goes to the philanthropic cause. But on top of the firm’s contribution to the cause, consumers may be grateful towards companies engaging in CM campaigns as buying their products provides a way to contribute to the cause themselves and to satisfy their own social goals (Romani, Grappi, & Bagozzi, 2013).

Our reasoning implies that, if we are right that smaller firms engaging in CM are perceived as doing a bigger effort than larger firms, and hence are perceived as more moral, consumers will experience stronger feelings of gratitude towards small firms engaging in CM and hence are more likely to reciprocate by purchasing the CM-promoted product, translating into greater CM effectiveness for small compared to larger firms.

METHODS, RESULTS AND DISCUSSION

In Experiment 1 we examined the impact of firm size (small/big) on CM effectiveness (purchase intention of CM-promoted product) and the role of perceived marketplace morality, in a scenario study describing a CM initiative.

Regression analyses showed a higher purchase intention with smaller firms, and higher perceived marketplace morality with smaller firms. A mediation analysis (Hayes, 2013) confirmed that the influence of firm size on purchase intention is mediated by perceived marketplace morality. These findings (see Table 1) directly support our hypotheses that the effectiveness of CM may be higher for small than for big firms, as small firms enjoy higher perceptions of marketplace morality.

In Experiment 2 we delved deeper into the underlying reasons. Participants got the same scenario as in Experiment 1. We expected and found that the effect of firm size (small/big) on CM effectiveness (purchase intention) is first mediated by perceived effort, then by perceived marketplace morality and then by feelings of gratitude (Model 6, Hayes 2013; see Figure 1). These results confirm our hypotheses. Compared to big firms, small firms engaging in CM are perceived as doing a bigger effort and hence score higher on perceived marketplace morality. As a result of these morality perceptions, consumers experience stronger feelings of gratitude towards small firms engaging in CM, translating into greater purchase intentions of CM-promoted products of small compared to big firms.

In conclusion, the current research is of academic and managerial relevance by being the first that examines the impact of firm size on CM effectiveness, identifying the important role of gratitude that consumers feel towards small firms for providing a charitable donation opportunity.
Table 1. Results Regression Analyses Experiment 1

<table>
<thead>
<tr>
<th>DV</th>
<th>IV₁</th>
<th>B₁</th>
<th>df₁</th>
<th>t₁</th>
<th>p₁</th>
<th>IV₂</th>
<th>B₂</th>
<th>df₂</th>
<th>t₂</th>
<th>p₂</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase intention</td>
<td>Firm size (0 = big / 1 = small)</td>
<td>3.40</td>
<td>186</td>
<td>2.05</td>
<td>0.04</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Perceived marketplace morality</td>
<td>Firm size (0 = big / 1 = small)</td>
<td>0.70</td>
<td>186</td>
<td>4.70</td>
<td>&lt;0.0001</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Purchase intention</td>
<td>Firm size (0 = big / 1 = small)</td>
<td>0.13</td>
<td>185</td>
<td>0.85</td>
<td>0.57</td>
<td>Perceived marketplace morality</td>
<td>0.47</td>
<td>185</td>
<td>4.49</td>
<td>&lt;0.001</td>
</tr>
</tbody>
</table>

Note. Coefficients marked with * are significant at p < .05. t-statistics are reported in parentheses.

Figure 1  Results Multiple-Mediation Analysis Experiment 2

REFERENCES


