Good Deeds With Good Deals? the Influence of Price Promotion on Consumers’ Intention to Participate in Donations At Checkouts

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We examine the impact of price discount levels on consumers’ reaction to donation requests at checkouts. In four studies, we show that comparing to no discount, high discount increases but low discount decreases likelihood to donate. The effects are due to different mediators and are influenced by different moderators.

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EXTENDED ABSTRACT

“Would you like to donate $1 to support the XYZ cause?” We frequently hear such requests at store checkouts. More than $354 million were raised by big corporations in 2012 through such donations (Johnsen 2013). Even small local stores are teaming up with local charities. While there has been considerable amount of research devoted to understanding consumer charity donations, checkout donations are unique in that the request is made right on the purchase spot and consumers have no time to contemplate a decision. Given the spontaneous nature of checkout donations, we propose that purchase-related factors may have a significant impact on consumers’ decision to participate. We specifically examine the influence of price promotions, a context specific factor, on checkout donations.

We draw on research in behavioral pricing, particularly that focusing on perceptions of price promotions, to propose a model linking price discounts to consumers’ willingness to donate at checkouts. Price is a double-edged sword which can signal benefits as well as sacrifice (Bornemann and Homburg 2011). We argue that characteristics of price promotions affect consumers’ focus on either benefits or sacrifice and, hence, influence subsequent donation behaviors. More specifically, we propose that the level of price promotion influences consumers’ intention to participate in checkout donations (Gupta and Cooper 1992). Compared to no price promotions, higher discount levels enhance consumers’ intention to donate while lower discount levels reduce consumers’ intention to donate. The qualitatively differential effect is due to the different feelings and perceptions experienced at high versus low discount levels. At high discount levels, price promotion induces a feeling of gratitude which enhances donation intention. At low discount levels, price promotion heightens perceived sacrifice to donate and reduces donation intention.

We used a scenario based approach to test the hypotheses. All participants were recruited on Amazon M-Turk. In Study 1, we asked participants to imagine that they are shopping for a camera ($299) on BestBuy website. The camera happens to be on sale. As they check out, a screen pops up and asks them whether they would donate to a cause (local public schools for school supplies). We manipulated the level of price promotion using a wide range of discounts (0%, 5%, 10%, 20%, 40%, and 70%). We measured participants’ perceived value of the purchase, general affect associated with the purchase, intention to donate, amount intended to donate, and perceived sacrifice of donation. While it is intuitive that a higher discount leads to higher intention to donate compared to no discount due to consumers’ feelings of gratitude, interestingly, we find that a smaller discount (5% or 10%) actually produces a negative effect compared to no discount. Mediation analysis showed that, as hypothesized, the result is due to the heightened sense of sacrifice when the donation request follows a small price discount.

We also propose four factors that moderate the impact of discount level on donation intention through influencing either feelings of gratitude or perceptions of sacrifice. The moderating factors are consumer-brand connection with the retailer, consumer’s effort level in obtaining the price promotion, price promotion presentation format, and retailer’s matching of donation.

We argue that higher brand connection with the retailer will enhance the gratitude generated from the larger discount levels, where the benefit of the price promotion is further confirmed by the close relationship between the consumer and the retailer. However, at the low discount levels, the close relationship with the retailer may not be emotionally strong enough to overcome the perceived sacrifice to donate, which is induced by the immediate purchase. Results showed main effect of brand connection, and a marginal interaction at high discount levels. Also as expected, at low discount levels, brand connection did not have a significant effect.

In Study 2, we test our hypothesis that shoppers who extend higher effort to find the price promotion will be less likely to donate at checkouts than those who extend lower effort and this effect is more prominent at higher discount levels than lower discount levels. We argue that feelings of gratitude will be lower in shoppers who extended more effort to get the promotion since they would attribute the promotion internally, i.e., to themselves.

Study 3 was designed to examine our hypothesis that the effect of low discount levels on likelihood to donate at checkouts (relative to no discount) is moderated by price promotion presentation format. We argue that when the discount is framed as dollar-off instead of percentage-off for relatively high-price items, perceived value is enhanced, i.e., the perceived sacrifice associated with the donation is reduced. A high perceived value helps overcome the negative effect of small discount on likelihood to donate when discount levels are low. ANOVA analyses supported our hypotheses.

Study 4 tests the hypothesis that retailer matching enhances the potential value of the donation and makes it a better deal and less of a sacrifice. We argue that this matching will offset, to some extent, the perceived sacrifice with the donation and erase the negative effect of small discount levels. Details regarding the study design and results are presented in Table 1.

This paper contributes to the pricing literature by examining the impact of price promotions, a common retail practice, on checkout donation, a growing market phenomenon. In this research, we identify the counterintuitive negative effects of low levels of price promotion on checkout donations. Theoretically, we advance understanding of price promotion and consumers’ interpretations of promotions and the underlying feelings of gratitude and perceptions of sacrifice. We show that while the positive affect and feeling of gratitude gradually increase as discount size increases, a small discount actually makes consumers more sensitive to the sacrifice associated with the donation due to the heightened focus on price. Our research points to the important influence of purchase specific factors on participation in checkout donations and provides insightful managerial implications.

REFERENCES: