To Profit Or Not to Profit? Consumer Support For the Social Venture Question

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We demonstrate a general aversion among consumers to social ventures with a profit orientation. This aversion is driven by perceptions of greed and reduced feelings of warm glow when social ventures make a profit. Superior support for the cause with minimal profits is required to overcome this aversion.

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Money Orients People Away From Small-Group Sociality And Toward Large-Group Sociality: Evidence From Big Data, Experiments, And Field Studies

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Paper #1: The Prosocial Glow of Cash: How Payment Method Affects Customers’ Perceptions of Helpfulness
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Paper #2: Can The Way Individuals Are Rewarded Affect Motivation and Engagement?
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Paper #4: To Profit or Not to Profit? Consumer Support For The Social Venture Question
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SESSION OVERVIEW
Money is the most influential tool for enabling mutually-beneficial interactions with outgroup members and strangers. Money thus connects people to others outside their small, intimate sphere, making it conducive to a style of sociality best for dealings in the large group (Baumeister and Sommer 1997). Large-group sociality differs qualitatively from behaviors that suit relationships with intimate others and kin (Baumeister and Sommer 1997), suggesting that money should be helpful for outcomes pertaining to large-group endeavors, such as being an employee or consumer, and harmful for outcomes that have features of small-group relating. The four talks in this session show both patterns.

Given that companies are representations of large-group collectives, how do consumers react when firms act in a manner befitting small-group sociality? Lee, Bolton, and Winterich measured the support consumers give organizations that are for-profit versus non-profit and that aim to benefit society. Prosociality is a feature of small groups, whereas profit-making benefits the large group. This conflict leads people to be averse to supporting — through donation or product purchase — prosocially-oriented for-profit organizations.

Studies ranging from large-scale surveys to field investigations involving customers and donors suggest that money is a vehicle for participating in nominal relationships and group endeavors (e.g., businesses), and thus brings people beyond the close, intimate sphere of relating. Money connects people in a manner that enables larger groups, such as societies and cultures, to flourish — but is incongruent and thus disruptive to interactions among close, intimate ties.

The Prosocial Glow of Cash: How Payment Method Affects Customers’ Perceptions of Helpfulness

EXTENDED ABSTRACT

Over the last decade, many have researched the motivational and interpersonal consequences of having money on the mind. When money becomes a salient topic for people in words, images, or actual currency (compared to neutral concepts and stimuli), it has potential to fray social ties by decreasing generosity, cooperation, and social interaction (see Vohs 2015 for review). Money primes an “exchange mindset,” including a focus on costs (e.g., Chatterjee and Rose 2012). Social ties become unnecessary baggage — a barrier in the pursuit of personal reward. Yet, the exchange of money between people is an ever-present component of their daily lives, from infrequent large purchases to daily morning coffees, that is done for mutual benefit. Consequently, it is important to better understand the psychology of money and, specifically, how it affects people’s social experiences in an exchange setting.

The salience of money depends, in part, on how people pay. Cash most clearly embodies the general construct of money, compared to the less-symbolic payment types (Prelec and Lowenstein 1998). Not surprisingly, cash possesses a social dark side. For example, participants who counted $1 bills (compared to days on a paper calendar) were more likely cheat in a task by lying to the researcher (Gino and Mogilner 2014). However, an emerging line of research points to the bright side of cash, which best signals costs people endure when they pay. The psychological “pain of paying” with cash (compared to less symbolic methods) brings a gain of greater post-purchase satisfaction (Shah, Eisenkraft, Bettman and Chartrand, 2016). Building on these findings, we examine the role of money salience in how buyers feel about their exchange with the sellers. If cash (compared to debit or credit cards, for example) best represents costs to the self, can it also pleasantly remind people of the contributions they make to others?

In Study 1, we investigated people’s perceived helpfulness to the seller based on salience of money in the payment (cash or card) and characteristics of the seller (small or large business). We surveyed customers (N = 222), exiting either a small or multinational-chain coffee store. Customers reported their payment method and its perceived helpfulness to the business. Neither store encouraged cash
payments or required a minimum purchase amount for electronic payments. We observed a main effect of cash payments on perceived helpfulness (with and without controlling for total amount spent). Moreover, post-hoc tests revealed that consumers judged cash to be more helpful than cards at the small business, rather than the large business.

In Study 2, we aimed to a) control for people’s self-selection into buying at small versus large businesses, b) conceptually replicate Study 1, and c) extend our understanding of why customers judge cash payments as helpful. We randomly assigned Amazon Mechanical Turk participants (N = 404) to answer questions regarding a hypothetical purchase of an umbrella in a 2 (cash vs. credit card) x 2 (small vs. large business) between-subjects design. We replicated our results from the field study in that cash payments were perceived as more helpful than card payments, especially to small businesses. Moreover, regardless of business size, people who imagined paying with cash (compared to credit cards) imagined lesser overhead costs to the business, a more direct exchange between themselves and the business, greater closeness to the business, and stronger empathizing with its employees. In a moderated dual-mediation model, we found that people felt helpful paying cash because they recognized that cash helps businesses avoid overhead costs (e.g., "to benefit from my entire payment"). Further, in the case of small businesses, empathizing with employees (e.g., “think of the business as a group of people”) also explained the relationship between cash payments and perceived helpfulness.

Then, in Study 3 (N = 608 mTurk participants), we examined whether empathizing with relatable employees of a large business can elicit stronger perceptions of helpfulness from paying with cash. We compared judgments of helpfulness between payment method, business size, and three variations of additional business descriptions: control (none), a description prompting consideration of employees (i.e., a description of employees who believe their identity is intertwined with the business identity), and a description prompting a more specific consideration of relatable employees (i.e., a description of employees being similar to the participant). Only in the "relatable employees" condition there was no difference in consumers’ perceived helpfulness of cash between small and large businesses. In a post-test, another group of mTurk participants read one of three business descriptions, paired with mention of either small or large business size (N=50 per cell). In response, they selected one out of seven circles, one circle representing “self” and the other “employees,” with varying degrees of overlap (per Aaron, Aaron, and Smollan, 1992). As expected, judges evaluating the relatable-employees scenario indicated a greater self-employees overlap than judges evaluating the consideration-of-employees or control scenarios, regardless of whether the business in question was small or large. Thus, large-business customers can also feel helpful when paying with cash, rather than by card, to the extent they can empathize with the employees.

Examining the downstream consequences of perceived helpfulness, we then surveyed customers of a food truck plaza (N = 460) about their purchases in Study 4. Each customer was asked to recall how much they had paid, payment method, perceived helpfulness to the business, and purchase satisfaction. People who paid with cash judged their payment to be more helpful than people who paid with debit or credit cards, and they were also happier with their purchase. Perceived helpfulness mediated the relationship between payment type and purchase satisfaction.

These findings illustrate a bright side for the psychology of money in the context of large-group sociality. Money is meant to maximize mutual benefit in exchanges of resources, and methods of payment that make money salient have potential to further enhance the value of such exchanges for both buyers and recipients. Consequently, businesses may benefit from encouraging cash payments while serving happier and more connected customers.

Can The Way Individuals Are Rewarded Affect Motivation And Engagement?

EXTENDED ABSTRACT

The individuals at the head of Houston-based oil company Hilcorp decided to give out $100,000 bonuses to each of the company’s 1,381 employees for the 2015 holiday season after reaching their goal to double the size of their company within a five-year period. One reporter commented, “with the way Hilcorp treats their employees, it might be worth sticking around for a few more years.” (Grainger 2015). The reporter taps into an important topic in consumer behavior. Bonuses, as incentives or anticipated rewards, are important drivers of motivation and engagement with the organization (Gagné and Deci 2005). And while the Hilcorp example is on the extreme end, it is quite common for rewards to be given out, whether for the accomplishment of individual goals or milestones. However, not all bonuses are distributed in the same form within organizations; bonus types can range from cash (as at Hilcorp) to check to gift cards to direct deposit. Thus, a natural question emerges: can these different forms have differential effects on an individual’s behavior, influencing their motivation and connection to their organization? Finally, what happens when individuals anticipate this bonus but fall just short? Do different forms of a bonus payment affect subsequent motivation, engagement, and connection with the organization after the bonus has been lost?

Recent research has demonstrated systemic psychological and behavioral biases in the way individuals evaluate the value of money based on the payment form (e.g., Raghubir and Srivastava 2008; Soman 2001). More salient forms of money (i.e., paying with cash vs. a debit or credit card; paying with a debit card vs. direct deposit) influence the amount of pain individuals feel when paying with the money. Paying with a less painful form of money increases the propensity to evaluate products more favorably and to feel more psychologically connected to the product, brand or organization (Chattejee and Rose, 2011; Shah et al. 2016). However, most research on the influence of payment form on behavior and relationships has focused on when individuals pay money. Yet, there are so many instances where individuals receive money. We propose and find that individuals feel more connected to the organization and are more motivated, increasing their persistence on a task, when the bonus payment form is more salient (i.e., cash or gift card versus direct deposit). However, this effect reverses when individuals finish just short (i.e., second place), subsequently feeling less connected and decreasing motivation in comparison to those who were told that they lost a less salient bonus.

In study 1 (N=200), we investigated whether the form of the $50 incentive (gift card or direct deposit) influenced perceived motivation and organizational commitment. Individuals reported feeling significantly more, organizational connection, organizational trust, rewarded for their efforts, and more motivated to work harder in a task when the reward was a more tangible and salient reward (i.e., gift card). While we establish initial support for our hypothesis, what happens when individual do not win the bonus? Do more salient forms of payment continue to keep motivation and organizational connection high or is there a backlash effect? In study 2 (N=204) we attempted to get a better sense whether payment form could affect subsequent motivation and connection post-loss. We once again
varied the form of the incentive ($100 cash, $100 direct deposit) and asked individuals questions regarding their perceived motivation and organizational connection. After finishing this questionnaire, individuals were informed that they finished second in the task and would not be receiving the bonus. We asked how motivated they would be in a future task and their organizational connection. We replicated the results in Study 1: cash participants had significantly higher organizational commitment, trust, and motivation prior to finding out whether they won the bonus or not. However, after finding out they finished second, cash participants now reported feeling more disappointed and feeling less connected to their organization than direct deposit participants.

In study 3, we sought to measure actual behavior and engagement, as well as look at the mechanism behind these effects. We invited participants to the lab (N=164) for a two-period task. In the first period, participants that they would be engaging in a copyediting task and that they would be scored on how well they performed in the task. If they finish within the top 5% they would win either a $150 cash prize (a more salient form of money) or a less salient form—$150 directly debited to their student card (which is accepted everywhere on campus and on many locations commonly frequented off campus). Individuals who were told that they would be winning $150 cash if they finished in the top 5% spent more time on the copyediting task, caught more errors, reported putting in more effort, and reported greater feelings of organizational connection and trust than those who were told that they would be winning $150 directly deposited into their account. These results were mediated by anticipatory reward, whereby cash bonus participants felt more anticipatory reward driving motivation, and organizational commitment. Following the first period, we manipulated whether participants lost the task by finishing in the top 6% (i.e., just missing the prize) or merely being told that they lost the task generally. We gave them a subsequent copyediting task, where they would get a $150 cash (or $150 direct deposit) bonus for finishing in the top 5%. Similar to study 2, individuals who just missed the cash bonus in the first round were now significantly less motivated, spent less time on the subsequent copyediting task, and reported feeling less organizational commitment than those who lost the direct deposit bonus. However, this was not the case when individuals were told they lost the prize more generally.

These studies identify an important new aspect of consumer behavior—different forms of payment can influence feelings of reward and subsequently influence motivation and organizational connection. This work has important implications for consumer behavior, motivation, and organizational relationships in understanding how to foster a better workplace.

**Social Class And Social Worlds: Income Affects The Frequency And Nature of Social Contact**

**EXTENDED ABSTRACT**

Does access to money predict social behavior? Past work has shown that money fosters self-reliance and reduces interest in others, both in form of short-term exposure to cash (Vohs, Mead, and Goode 2006) and stable states of wealth (Kraus and Keltner, 2009). Logistically, money allows people to meet their needs with lesser reliance on others for help (see Kraus, Piff, and Keltner 2011; Vohs and Baumeister 2011). Psychologically, this work suggests, presence of money puts people into an agentic mindset, one in which people are motivated to pursue their own goals with their own means (Mogilner 2010). These findings suggest that greater wealth should decrease reliance on those likely to help based on geographical affiliation or communal ties. In contrast, the goal-oriented motivation of money may lead people to more deliberately craft their social networks. Building on these implications, we examined whether income predicts the frequency and type of social interactions.

In Study 1, we used a nationally representative sample of American adults (N = 29, 399) who had filled out twenty three annual surveys about their lives as part of the General Social Survey (GSS; Smith, Hout, and Marsden 2012). These participants reported on how frequently they had spent social evenings with relatives, people from their neighborhoods, or friends outside of their neighborhoods in the previous year. Moreover, participants reported income (which was adjusted for inflation) and hours worked per week, among other demographic variables.

Beyond effects of age, marital status, or time spent working, people with higher household incomes (compared to those with lower incomes) reported spending fewer evenings per year socializing with others. Particularly, they reported spending less time with relatives and neighbors; however, higher incomes predicted more frequent socializing with friends outside one’s neighborhood. Predicted values indicated that people with higher incomes (+1 SD) spent 5.8 fewer evenings with family and 10.3 fewer evenings with neighbors each year, compared to people in households with lower incomes (-1SD). Conversely, people with highest incomes spent an additional 6.5 evenings a year with friends compared to people with the lowest incomes.

Next, we addressed the potentially meaningful roles of living with relatives out of economic necessity and having moved away from one’s home state (a life event more common for people with wealthier backgrounds). To do so, we tested the relationship between income and social time in sub-samples of a) people living alone and b) those who had moved away from their home states, respectively, and observed similar patterns: income negatively predicted total time spent with others and, more specifically, greater income predicted less time spent with family and neighbors but more time with friends. This pattern of time use suggests that people with great wealth more voluntarily configure their social worlds.

In Study 2, we sought to examine the influence of people’s income on how and with whom they spend their time in a different nationally representative sample (N = 86,627) and with different metrics used to gauge social activity. As part of the American Time Use Survey (ATUS; 2002 – 2011), participants were asked to reconstruct the previous day by estimating minutes spent on each activity. Social activities included spending time with immediate and extended family members, friends, and by oneself (outside of work). Moreover, participants reported demographic and other relevant information, such as time spent at work and childcare.

People with high (+1 SD), compared to low (-1 SD), household incomes spent an additional 10 minutes alone, 22 minutes with friends, and 26 fewer minutes with family each day. Controlling for marital status, age, time spent working, and childcare activities, we again observed that people’s incomes positively predicted leisure time spent alone and with friends and negatively predicted time spent with close and extended relatives.

This research sheds light on how wealth shapes people’s social relationships and helps qualify previous findings that generally depict money as a social barrier. People with higher incomes reported spending fewer evenings socializing (Study 1) and a smaller fraction of their day in the company of others (Study 2). Moreover, income predicted how people allocated their social time. People with higher incomes spent less time socializing with family and neighbors and more time socializing with friends. Further, the results speak to a broader trend of Americans being more disengaged from community
life than in the past (Putnam 2000), despite the ever-improving quality of economic life that allows greater flexibility in their leisure time. These patterns imply that money, more specifically, may act as a barrier in social relationships that also serve an instrumental function.

**To Profit or Not to Profit? Consumer Support For the Social Venture Question**

**EXTENDED ABSTRACT**

Social ventures—organizations serving an explicit social purpose through transactions in the marketplace—can achieve their social missions through either nonprofit or for-profit orientation (i.e., for-profit social ventures, hereafter FPSVs). Although social ventures have traditionally been nonprofits, increasing number of social entrepreneurs today choose a for-profit status to gain flexibility in generating revenues and greater operational efficiency (Dees and Anderson 2003; Easterly and Mieasing 2007). Is a for-profit status really more beneficial to the social ventures? To help address the social entrepreneur’s quandary of ‘to profit or not to profit’, we investigate consumer reactions to social ventures that vary as a function of profit orientation.

This research proposes consumer support will be lower for FPSVs (vs. nonprofits) due to inferences of greed arising from the FPSV’s profit orientation (Aaker et al. 2010; Gregoire, et al. 2010), which in turn reduce consumers’ anticipated warm glow (i.e., emotional utility consumers get from being benevolent; Andreoni 1990). In addition to exploring this focal proposition, we subsequently identify theoretically and pragmatically relevant boundary conditions that alter the perceptions of greed and warm glow, and in turn, support for social ventures.

Study 1A-1C tested our fundamental proposition by exploring participants’ actual monetary donations, financial and material donation intentions, and product purchase intentions toward a target organization described as either FPSV or nonprofits. Study 1A found that participants donated less money and reported lower intentions to donate both in-kind goods and money when the organization was described as a FPSV (vs. nonprofits). This aversion to FPSV (vs. nonprofits) was robust for consumer support in the form of product purchase (Study 1B), regardless of the quality of the product (Study 1C). The effect of profit orientation on consumer support occurred due to higher greed perceptions associated with the FPSV, which deterred anticipated warm glow (greed perceptions and warm glow were found as serial mediators in these and all subsequent studies).

Study 2-4 examined boundary conditions that may turn on/off the greed perceptions. Specifically, Study 2 explored the interplay of profits, operational efficiency, and revenue source. We expected that if a FPSV discloses minimal level of profits, it would reduce perceptions of greed associated with profit. Also, given that consumers exhibit ‘overhead aversion’ (Gneezy et al. 2014), justifying profits through greater operational efficiency would reduce greed perceptions. Importantly, the mitigating role of an efficiency justification for the effect of profit would occur, especially when the FPSV’s primary revenue source is from product sales rather than donations. A significant three-way interaction of profits, operational efficiency and revenue source on consumer support for FPSV (vs. nonprofit) indicated that when the revenue source of FPSV was product sales, the negative effect of profit was significant in the absence of the justification but profit had no effect in the presence of the justification. When donation was the revenue source, profit undermined support for the FPSV regardless of whether a justification was provided or not.

Study 2 found increased support for FPSVs (vs. nonprofits) based on minimal profits or operational efficiency when revenue source was product sales but only to the point of indifference between FPSVs and nonprofits. Building on this finding, Study 3 sought to find how to overcome this aversion more effectively. We expected that a superior level of cause support in addition to minimal profits would lead consumers to prefer FPSVs over nonprofits. Additionally, we expected individuals’ communal orientation (Clark et al. 1987) would moderate this effect: communal individuals would be more sensitive to organizational greed and cause support information. An interaction of cause support level and communal orientation indicated that consumers tended to support the nonprofit when cause support was unknown or equal for FPSV with minimal profits but switched to supporting the FPSV with minimal profits (vs. nonprofit) when cause support was higher for it. This effect was stronger for those with communal orientation.

Recognizing only about 24-31% of participants in Studies 1A-1C were aware of FPSVs prior to the studies, Study 4 explores whether disclosure of the organization’s profit orientation is critical for consumer aversion to FPSVs (vs. nonprofits) to arise. To enhance practical and public policy implications, Study 4 examined reactions of actual donors to a social venture (FPSV vs. nonprofit) as a function of disclosure of the organization’s profit orientation and consumers’ communal orientation. We expected communal individuals would be more sensitive to disclosure of profit orientation given their sensitivity to greed. Participants were recruited based on prior donation experience (to Goodwill or USAgain) and were either informed of the organization’s profit orientation (i.e., describing its nonprofit/for-profit status) or not. As expected, a three-way interaction of organization type, disclosure of profit orientation, and communal orientation emerged on repeat donation intentions. In the disclosure condition, participants were less likely to re-donate to FPSV (vs. nonprofit), with this effect stronger for those with higher communal orientation. In the no-disclosure condition, participants were equally likely to re-donate to both organizations and communal orientation uniformly predicted donations to both organizations. These findings suggest actual donors to FPSVs are largely unaware of the organization’s profit orientation and, when so informed, their support declines.

Together, these studies demonstrate a strong aversion among consumers to FPSVs versus nonprofits due to higher greed perceptions and lower anticipated warm glow. This aversion is attenuated by minimizing profits or by justifying profits through operational efficiency and generating revenues through product sales. However, to be preferred to a nonprofit, a FPSV should provide superior cause support and take only minimal profits. Importantly, actual supporters of for-profit social ventures indicate reduced support when the organization’s profit orientation is disclosed. Consumers with higher communal orientation are especially sensitive to disclosure of profit orientation, as well as the level of organization’s cause support. By addressing new and important questions regarding the role of profit orientation in social ventures, we broaden the literature on consumer support for social causes, advance literature on organizational greed and warm glow, and provide important insights for social ventures and public policy.

**REFERENCES**