Large Steps Toward Small Donations: Reputational Benefits of Nominal Corporate Generosity

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Cause marketing campaigns often highlight the percent-of-proceeds from each purchase to be donated, and the maximum-donation amount the corporation will donate. We find that the higher evaluability of the percent-of-proceeds makes it more influential in generating perceptions of corporations’ generosity, even when generosity is objectively a function of the maximum-donation.

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EXTENDED ABSTRACT

One prevalent and increasingly lucrative prosocial practice is for brands to donate some portion of sales or profits to designated charitable causes via “cause marketing” campaigns (e.g., Krishna, 2011; Small & Cryder, 2016). Descriptions of such campaigns often highlight two attributes: the percent-of-profits (or percent-of-revenues) from each purchase that the brand will donate, and the maximum amount of money the brand will donate. For example, a 2014 campaign by Chipotle locations in Minnesota pledged that “50% of [its] proceeds up to $35,000 will benefit Como Park Zoo and Conservatory.”

We examine how these numerical attributes of cause marketing campaigns influence perceptions of brands’ generosity. We anticipate that the percent-of-proceeds donated from each purchase will be a stronger predictor of generosity perceptions than maximum donations. Our rationale builds on research by Hsee and colleagues on attribute evaluability. Hsee and Zhang (2010) proposed that sensitivity to variation in the value of an attribute (i.e., the attribute’s evaluability) is partly a function of knowledge of the attribute’s distribution (e.g., its range or mean). In the cause marketing context, consumers are unlikely to recall typical values of the percent-of-proceeds and maximum donation attributes. Nevertheless, consumers are likely to be more sensitive to variation in the percent-of-proceeds attribute than variation in maximum donations, because the former attribute has a clear upper bound (100%), but the latter attribute does not.

A novel implication of our reasoning is that cause marketing campaigns may allow brands to appear highly generous without actually being highly generous (by donating a high percent-of-proceeds and a low maximum donation). In what follows, we investigate that implication and more broadly examine whether the percent-of-proceeds attribute is in fact more predictive of generosity perceptions than the maximum donation attribute. We explore whether this effect holds over a range of percentages. To test our evaluability account, we manipulate the number of different cause marketing campaigns participants encounter (and thus the evaluability of the campaigns’ numerical attributes). In addition, we attempt to rule out several alternative accounts (e.g., that the percent-of-proceeds attribute is more influential because it is the first attribute presented or because it is especially memorable).

Experiment 1

Our first experiment aimed to document initial evidence of consumers’ greater sensitivity to the percent-of-proceeds attribute of cause marketing campaigns than to the maximum donation attribute. We also investigated whether this effect is an artifact of the order in which the two attributes are presented. Typically, the percent-of-proceeds attribute appears first (e.g., when companies pledge to donate X% up to $Y). If people are indeed more sensitive to variation in the percent-of-proceeds attribute, it could be because they simply paid greater attention to the first numerical information they encountered. We therefore counterbalanced which attribute appeared first.

Participants and Procedure

We recruited 600 adults (49% female; mean age: 33) via Amazon Mechanical Turk (MTurk) to participate in exchange for a small payment. We told participants that we were interested in how consumers form impressions of companies based on limited information. In all conditions, we described a clothing retailer with annual profits of $10 million that had conducted a donation campaign over the past year to help raise money for local charities.

We either described the retailer as donating 1% of its profits from each purchase, up to a maximum amount of $26,000 (Lower%/Higher$ condition) or donating 30% of its profits from each purchase, up to a maximum amount of $25,000 (Higher%/Lower$ condition). Because we noted that the retailer has annual profits of $10 million, it should be clear to participants that the retailer would ultimately donate the maximum amount. We emphasized this fact by noting that the retailer “ultimately donated that maximum amount.” Thus, normatively, the retailer should be viewed as (slightly) more generous when they donate $26,000 than when they donate $25,000.

We also counterbalanced the order in which the campaign attributes were presented. Half of the participants were randomly assigned to view the percent-of-proceeds attribute first (e.g., in the Lower%/Higher$ condition, the retailer pledged to “donate 1% of its profits from each purchase, up to a maximum amount of $26,000”). The other half of participants were randomly assigned to view the maximum donation attribute first (e.g., in the Lower%/Higher$ condition, the retailer “pledged to donate up to a maximum amount of $26,000, based on 1% of its profits from each purchase”).

We then asked participants to indicate on a 0-10 scales (where 0=not at all and 10=very) the extent to which they found the retailer to be generous. Next, we asked participants two open-ended recall questions: “What percentage of profits from each purchase did the company donate?” and “What was the total amount of money the company ultimately donated?” Finally, participants provided demographic information.

Results and Discussion

We first conducted a factorial ANOVA treating generosity ratings as the dependent variable and numerical campaign attributes (Lower%/Higher$ vs. Higher%/Lower$) and attribute presentation order as independent variables. We found a significant main effect of numerical campaign attributes ($F(1,596) = 12.30, p < .001$). As predicted, perceived generosity was significantly greater when the company donated a higher percentage of profits and lower maximum amount than when the company donated a lower percentage of profits and higher maximum amount ($M = 6.69, SD = 2.57$ vs. $M = 5.93, SD = 2.73$; $F(596) = 3.49, p < .001, d = .29$). We observed this difference despite the fact that participants were assured that the retailers would ultimately donate their maximum amount. Normatively, we would expect the Lower%/Higher$ campaign to be viewed at least as generous as the Higher%/Lower$ campaign, if not slightly more generous.

There was no main effect of attribute presentation order ($F(1,596) = .12, p = .73$), and no interaction between numerical campaign attributes and attribute presentation order ($F(1,596) = 1.65, p = .20$). This suggests that greater sensitivity to the percent-of-proceeds attribute is not an artifact of attribute presentation order.

We also examined whether the percent-of-proceeds attribute was more memorable than the maximum donation attribute. Participants were not significantly more likely to correctly recall the percent-of-proceeds donated from each purchase than the maximum
donation amount (90% vs. 87%; \( p = .10 \), Fisher’s Exact Test). If we focus only on the 486 participants who correctly recalled both attributes, perceived generosity was still greater when the retailer donated a higher percentage of profits and lower maximum amount than when the retailer donated a lower percentage of profits and higher maximum amount (\( M = 6.76, SD = 2.57 \) vs. \( M = 6.04, SD = 2.71 \); \( t(484) = 3.05, p < .01, d = .27 \)).

Experiment 1 provides initial evidence that, when presented with a description of a cause marketing campaign, consumers’ perceptions of the brand’s generosity are more sensitive to the percent-of-proceeds to be donated than to the maximum donation amount. As a result, in this experiment, the brand was viewed as significantly less generous when it was objectively more generous. We found that this was not driven by the order in which the two key attributes were described or differences in the memorability of the two attributes.

Experiment 2
Our explanation for the greater perceived generosity of the Higher%/Lower$ brand is that the percent-of-proceeds attribute is easier to evaluate and thus more influential. However, it is possible that the effect may have been driven by reactions to the 1% figure in particular, rather the greater evaluability of (all) percentages. That is, the 1% of profits donated in the Lower%/Higher$ condition may have appeared to be an insultingly trivial gesture. Experiment 2 therefore examined whether generosity perceptions are more sensitive to the percent-of-proceeds attribute even when that percentage is not trivially low.

Participants and Procedure
We recruited 600 adults (52% female; mean age: 34) via MTurk to participate in exchange for a small payment. People who had already participated in Experiment 1 were not eligible to participate in this experiment. As in Experiment 1, we told participants that we were interested in how consumers form impressions of companies based on limited information. In all conditions, we described a clothing retailer with annual profits of $10 million that plans to conduct a donation campaign during the current fiscal year to help raise money for local charities.

We randomly assigned participants to one of four conditions. Half of participants were randomly assigned to either a Lower%/Higher$ condition (retailer donates 1% of profits from each purchase, up to a maximum amount of $26,000) or a Higher%/Lower$ condition (retailer donates 25% of profits from each purchase, up to a maximum amount of $25,000). We increased these percentages by 20% for the other half of participants. That is, the other half of participants were randomly assigned to a Lower%/+20 condition (retailer donates 21% of profits from each purchase, up to a maximum amount of $26,000) or a Higher%/+20 condition (retailer donates 45% of profits from each purchase, up to a maximum amount of $25,000).

Next, we asked participants to rate the extent to which they viewed the retailer as generous on a 0-10 scale, where 0=not at all generous and 10=very generous. We also asked participants to recall the percent-of-proceeds and maximum donation values from the campaign they had read about (two open-ended questions). As in Experiment 1, participants were not significantly more likely to correctly recall the percent-of-proceeds value than the maximum donation value (90% vs. 87%; \( p = .11 \), Fisher’s Exact Test). Finally, participants provided demographic information.

Results and Discussion
Consistent with Experiment 1, generosity ratings were significantly greater in the Higher%/Lower$ condition than in Lower%/Higher$ condition (\( M = 6.53, SD = 2.65 \) vs. \( M = 5.13, SD = 2.57 \); \( t(302) = 4.66, p < .001, d = .54 \)). Generosity ratings were also significantly greater in the Higher%/+20 condition than in the Lower%/+20 condition (\( M = 6.72, SD = 2.70 \) vs. \( M = 5.97, SD = 2.70 \); \( t(294) = 2.37, p = .019, d = .28 \)).

These patterns suggest our results were not merely driven by aversive reactions to a somewhat trivial donation of 1% of profits. Instead, these results suggest that generosity perceptions are generally more sensitive to the percent-of-proceeds attribute, even when that percentage is not trivially low.

Experiment 3
One implication of our conceptual framework is that providing information about other cause marketing campaigns should increase the evaluability of both the percent-of-proceeds attribute and the maximum donation attribute; it should especially increase the evaluability of the maximum donation attribute (cf. Hsee, 1996). When maximum donations become more evaluable, the objectively less generous campaign should no longer be viewed as more generous.

Participants and Procedure
We recruited 297 adults (49% female, mean age: 33) via MTurk to participate in exchange for a small payment. People who had already participated in prior experiments were not eligible to participate in this experiment. As in previous experiments, we told participants that we were interested in how consumers form impressions of companies based on limited information. In all conditions, we described a clothing retailer with annual profits of $10 million that plans to conduct a donation campaign during the current fiscal year to help raise money for local charities.

We randomly assigned participants to one of three conditions. In two separate evaluation conditions, participants either learned of a cause marketing campaign that donates 1% of its profits from each purchase, up to a maximum amount of $40,000 (SE:Lower%/Higher$) or donates 20% of its profits from each purchase, up to a maximum amount of $10,000 (SE:Higher%/Lower$). In a third joint evaluation condition (JE), participants viewed both campaigns. The two campaigns were presented as the efforts of two different clothing retailers.

In all three conditions, participants read that all donations would be made at the end of the fiscal year. We included this information to rule out the potential interpretation that the Higher%/Lower$ campaign could reach its target amount faster and donate faster than the Lower%/Higher$ campaign. In other words, we did not want the assumed speed of donation to be confounded with the numerical attributes of the campaign.

We then asked participants to indicate the extent to which they found the company to be generous on a 0-10 scale, where 0=not at all generous and 10=very generous. Next, we asked participants to recall the percent-of-proceeds and maximum donation values from the donation campaign(s) they had read about (open-ended questions). As before, the percent-of-proceeds and maximum donation attributes were about equally likely to be recalled accurately, in both the separate evaluation and joint evaluation conditions (\( ps > .45 \)).

Results and Discussion
Figure 1 displays perceived generosity by condition. Consistent with previous experiments, in the separate evaluation conditions, perceived generosity was significantly greater in the SE:Higher%/Lower$ condition than in the SE:Lower%/Higher$ condition (\( M = 5.99, SD = 2.82 \) vs. \( M = 5.21, SD = 2.59 \); \( t(197) = 2.03, p = .044, d = .29 \)). However, in the joint evaluation condition, where participants could see both campaigns, the numerical attributes of the cam-
paign did not significantly influence perceived generosity (Higher%/Lower$ M = 6.17, SD = 2.38 vs. M = 6.44, SD = 2.52, t(97) = 1.02, p = .31). Using the analysis outlined in Hsee (1996, footnote 2), we found that this was a significant Separate Evaluation/Joint Evaluation interaction (t(296) = 2.29, p = .023). Thus, as predicted, we found the percent-of-proceeds attribute was more influential only when a single cause marketing campaign was evaluated in isolation (which is likely how consumers encounter cause marketing campaigns in the real world – i.e., one at a time). The percent-of-proceeds attribute is less influential when consumers have some comparison information that makes the maximum donation attribute more evaluable.

**General Discussion**

A recent report by Engage for Good (a popular cause marketing forum; Chansky, 2015) expressed concern that, in cause marketing campaigns, a “generous-sounding percentage” of proceeds can be “misleading” (cf. Olsen, Pracejus, & Brown, 2003) and “naturally, what matters, is the actual amount donated.” Our work suggests that this concern is well-placed. In three experiments, we found that brands were viewed as significantly more generous when donating a higher percent-of-proceeds and a lower maximum amount than when donating a lower percent-of-proceeds and a higher maximum amount. This occurred despite descriptions that made it clear that the brand would always make its maximum donation. The effect is not driven by the greater memorability of percentages (Experiment 1) and is not limited to cases in which the percent donated is obviously low (Experiment 2). The presence of comparative context especially helps people evaluate the maximum donation attribute and reduces the undue influence of the percent-of-proceeds attribute (Experiment 3).

Several open questions remain. The extent to which brands and retailers intentionally capitalize on the effect documented here is unclear. Some companies have likely benefitted from the effect documented here, whether intentionally or not (e.g., Chipotle’s offer to donate 50% of sales, up to $35,000). In addition, in many cause marketing campaigns, there will be some uncertainty about whether the brand will reach its maximum donation amount. It would be interesting to examine how consumers form expectations about how close brands will get to their maximum. Questions like these seem worthy of future research.

**REFERENCES**


