Cause Marketing Effectiveness and the Moderating Role of Price Promotions

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Cause Marketing (CM)
Charitable Sponsorship

Corporate spending

$370M

$18B
What is the Sales Revenue Impact of CM?

- Typical CM effectiveness measures in industry

| Impressions generated | People helped | Dollars raised |
What is the Sales Revenue Impact of CM?

- Measurements in academic studies:
  - Hypothetical lab experiment
  - Survey items
Figure 1: Theoretical Framework

First Field Experiment

Cause Marketing -> Sales Purchase And Firm Sales Revenues

Second Field Experiment

Cause Marketing -> Price Discounts -> Sales Purchase And Firm Sales Revenues

Third Follow-up Lab Experiment

Cause Marketing -> Price Discounts -> Warm-Glow Good Feelings -> Purchase Intention
Research Goal # 1

• Quantify sales-impact of CM via field experiment with
  – real firms
  – real CM offers
  – real purchase/sales data
Opportunity to help others boosts consumers’ pleasant feelings will lead to purchase

\[ P_1: \text{CM has a positive impact on the likelihood of consumer purchases.} \]

Andreoni 1989; Strahilevitz and Myers 1998
Initial Field Experiment Evidence

• CM - movie promotion

• Between-subjects design
  – CM donation vs. No donation

• SMS promoting movie tickets to 11,794 mobiles
  – Conducted with world’s largest wireless providers & IMAX theater
  – Large city
CM Manipulation

• CM donation condition
  – SMS began “To participate in [wireless provider’s] charitable activities of helping newly-admitted poor college students,”

• No donation condition
  – Same message without the donation text
Dear Respected User, to participate in [wireless provider’s] charitable activities of helping newly-admitted poor college students, enjoy [movie name] showing this Saturday at 4pm at IMAX’s [theater name] by downloading this online ticket app to purchase your tickets and reserve your seats. This message is certified by [university name].

Dear Respected User, enjoy [movie name] showing this Saturday at 4pm at IMAX’s [theater name] by downloading this online ticket app to purchase your tickets and reserve your seats.
Purchase incidence

- **DV**: Choice share of the decision to buy tickets or not

- 901 of 11,794 users downloaded app and bought tickets = 7.64%
## Evidence: CM Promotions

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th>Model 2</th>
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</thead>
<tbody>
<tr>
<td><strong>Cause Marketing (CM)</strong></td>
<td></td>
<td>.658***</td>
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<tr>
<td><strong>Treatment Effects</strong></td>
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<td></td>
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<tr>
<td>Ln(ARPU)</td>
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<td>Ln(MOU)</td>
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<td>Ln(SMS)</td>
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<tr>
<td>Ln(GPRS)</td>
<td>.213***</td>
<td>.227***</td>
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<td><strong>Theater Effects</strong></td>
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<td>Chi-Square</td>
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<tr>
<td>Observations</td>
<td>11,794</td>
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</table>
Today, firms increasingly combine price promotions with CM donations!
Research Goal # 2

• Investigate how price discounts moderate CM effectiveness
  – Do price discounts amplify or attenuate the impact of CM on consumer purchase?
Moderating Role of Price Discounts

• Increasing discounts from zero to moderate → Licensing
  – Discounting price & sacrificing revenue = firm effort
    consumers feel gratitude and reward firm
  – Amplifies CM’s impact on good feelings

Gneezy and List 2013; Morales 2005; Palmatier et al. 2009
Moderating Role of Price Discounts

• Increasing discounts from moderate to deep → Stymie
  – Consumers may perceive their actions are not about doing good, but doing well
    👈 feel robbed of good feelings from CM
  – Attenuates CM’s impact on good feelings

Benabou and Tirole 2006; Fiske and Tetlock 1997
Moderating Role of Price Discounts

- Complicated interaction

\[ P_2: \text{The impact of CM on consumer purchases is moderated by price discounts in an inverted-U shape: this impact is highest at a moderate (rather than at a too deep or zero) price discount level.} \]
More Field Experiment Evidence

- Between-subjects design:
  
  2 (CM amount: none, 5 RMB) \times 
  3 (Discount: none, moderate = 30\% off, deep = 50\% off)

- 267 of 5,828 users downloaded app and bought tickets
  
  = 4.58\%
• **Moderate** price discounts reinforce the effectiveness of CM donations
• **Deep** price discounts reduce the effectiveness of CM donations
CM x Price Discounts

- **No CM**: Purchase Incidence
- **Amount of CM**: Zero discount, Moderate discount, Deep discount

Graph showing the effect of CM on purchase incidence with different discount levels.
Evidence: Moderating Role of Price Discounts

<table>
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<tr>
<th></th>
<th>Model 3</th>
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<tbody>
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<td>CM x PD2</td>
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<td>5,828</td>
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</table>
CM & Moderate discounts help the firm & the charity!

**Firm Sales Revenues per Offer Sent**
($, net of discounts and charity proceeds)

<table>
<thead>
<tr>
<th>No CM donation</th>
<th>Amount of CM donation</th>
</tr>
</thead>
<tbody>
<tr>
<td>No discount</td>
<td>Moderate discount</td>
</tr>
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</table>

**Money to Charity per Offer Sent**
($)

- No discount
- Moderate discount
- Deep discount

No CM donation
Amount of CM donation
Robustness and Mechanism

• Experimental design
  – New app (prior purchase experience)
  – 1 non-Blockbuster movie (target audience)
  – 4 theaters (location effects)
  – Randomization (available spending money)

• 2 possible mechanisms:
  – Skepticism (Corporate motives/service quality)
  – Good feelings
The Mediating Role of Warm Glow Good Feelings

- Consumers motivated by good feelings from helping

**Experimental design**
- Moderate discounts produce synergy with CM (license effect)
- Deep discounts can induce consumers to perceive act is about doing well

\[ P_3: \text{Consumers' warm-glow good feelings mediate the inverted-U shaped impact of CM on purchases across the zero, moderate, and deep price discounts} \]

Andreoni 1989; Strahilevitz 1999
Lab Experiment: Underlying Mechanism

• Same cinema & charity deal as field experiments

• Independent variables:
  – Good feelings
  – Purchase intention

• Between-subjects design:
  2 CM (No CM vs. 5RMB) 
  x 3 (discount level: 35% vs. 50% vs. 65% off)

• 426 undergraduates
Lab Experiment Survey Items

• Good feelings (adapted from Taute and Mcquitty 2004)
  – “I would feel good if I purchased this charity-related deal”

• Purchase intention
  – How likely would you purchase this deal today?

• Demographics
Results on the Moderating Role of Price Discounts

Purchase Intention

- No CM
- Amount of CM

- Deep discount
- Moderate discount
- Zero discount

Results on the Moderating Role of Price Discounts
Mediating Role of Warm-Glow Good Feelings

- Amount of CM
  - Zero discount
  - Moderate discount
  - Deep discount

- Warm-Glow Good Feelings

- Intention to Purchase

- CM Amount with zero discount vs. moderate discount: $-0.635^{***}$
- CM Amount with deep discount vs. moderate discount: $-0.492^{**}$
- Warm-Glow Good Feelings: $0.647^{***}$
Overall Key Findings

• CM is effective
  – Is *most* effective with moderate (vs. deep or no) discounts

• Deep discounts dampen consumers’ good feelings → Accounts for underlying mechanism
Contributions

1. Demonstrates CM effects in actual field setting

2. Reveals interaction between price discounts and CM

3. Shows effect sizes and psychological mechanisms
Managerial Implications

• Moderate price discounts & CM = Win for all parties
  – Marketers (pleasant surprise: more bang with smaller buck)
  – Charity (earn more donations [as well as consumer exposure])
  – Customers (others’ value and savings)

• Good news: managers can save promotional $ and boost demand, while increasing the pie for charities
THANK YOU!

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