

Cause Marketing Effectiveness and the Moderating Role of Price Promotions

Michelle Andrews, Xueming Luo (Temple U),
Zheng Fang (Sichuan U), Jaakko Aspara (AaltoU)



Cause Marketing (CM)



Charitable Sponsorship



Corporate spending

\$18B

What is the Sales Revenue Impact of CM?

- Typical CM effectiveness measures in industry

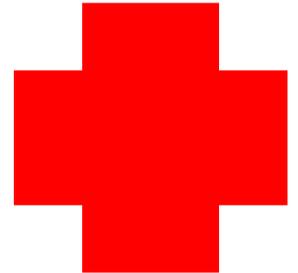
Impressions generated



People helped



Dollars raised



What is the Sales Revenue Impact of CM?

- Measurements in academic studies:

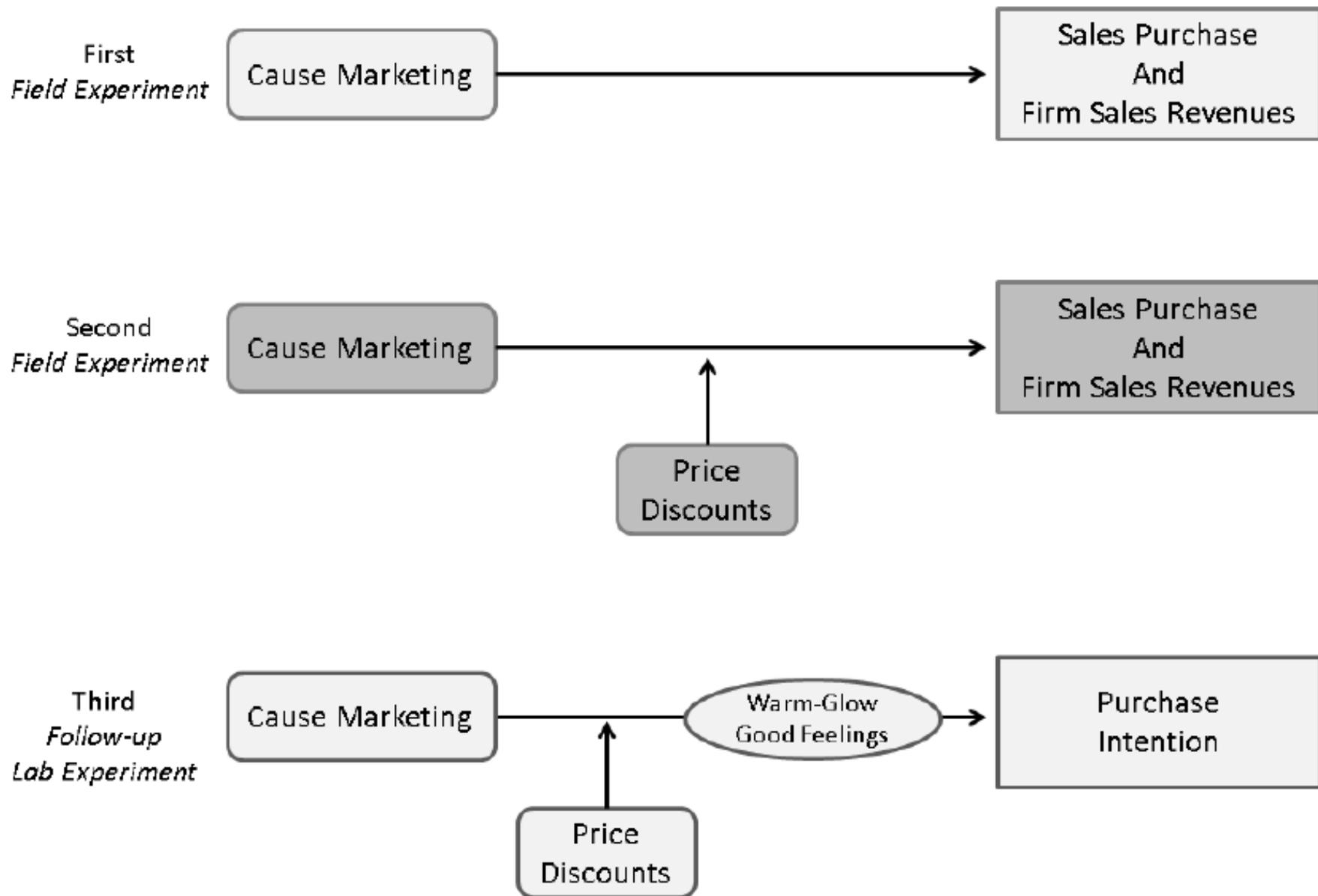


Hypothetical lab experiment



Survey items

Figure 1: Theoretical Framework



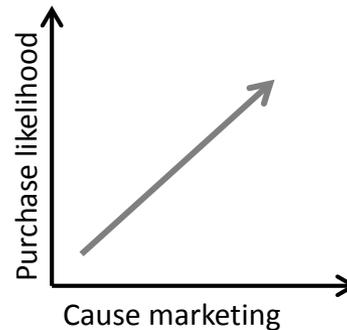
Research Goal # 1

- Quantify sales-impact of CM via field experiment with
 - real firms
 - real CM offers
 - real purchase/sales data



CM Effectiveness

- Opportunity to help others boosts consumers' pleasant feelings will lead to purchase



P₁: CM has a positive impact on the likelihood of consumer purchases.

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

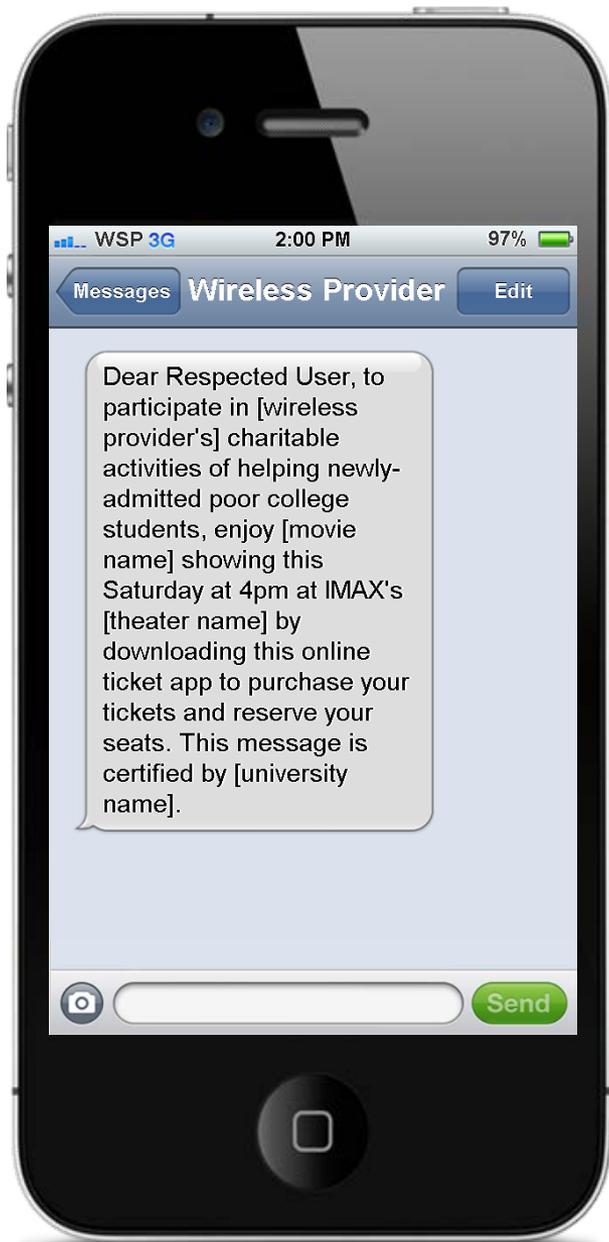
- CM donation condition
 - SMS began “To participate in [wireless provider’s] charitable activities of helping newly-admitted poor college students,”



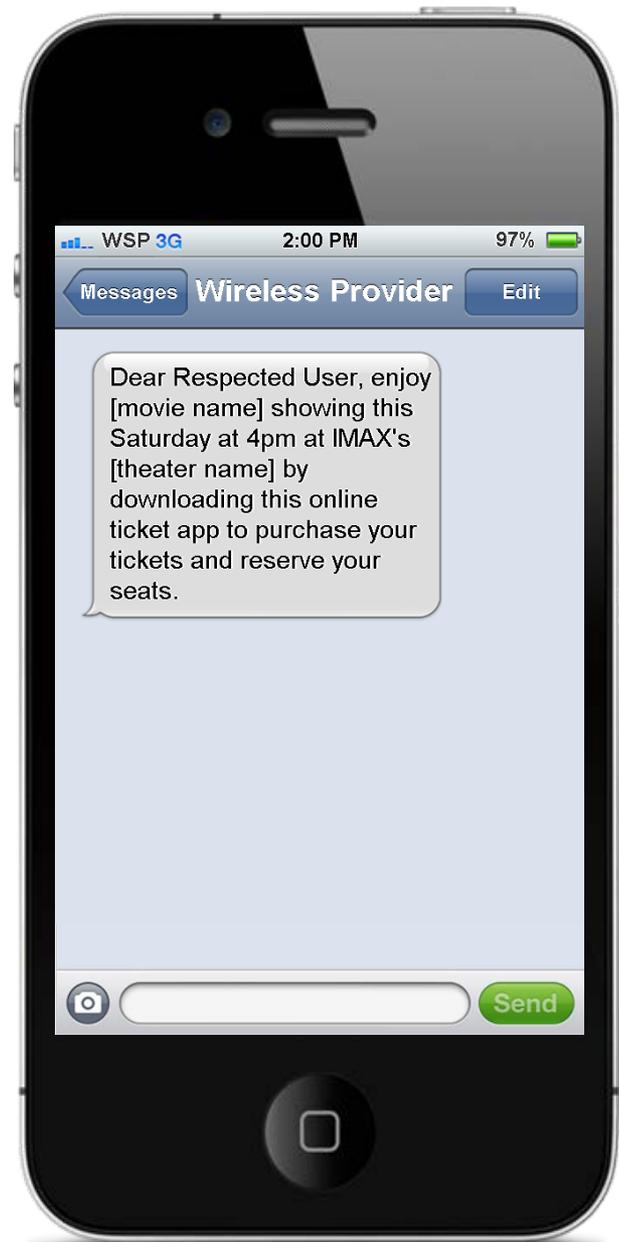
- No donation condition
 - Same message without the donation text

SMS Message

CM



No CM



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

	Model 1	Model 2
Cause Marketing (CM) Treatment Effects		.658***
Ln(ARPU)	.036	.034
Ln(MOU)	-.078**	-.079**
Ln(SMS)	.029	.021
Ln(GPRS)	.213***	.227***
Theater Effects	Yes	Yes
Chi-Square	1,018.672	1,212.587
Cox & Snell R-square	.116	.173
Nagelkerke R-square	.425	.495
Observations	11,794	11,794

Research Goal # 2



Today: 15% off -- \$5 to charity per shopper

Today, firms increasingly combine price promotions with CM donations!

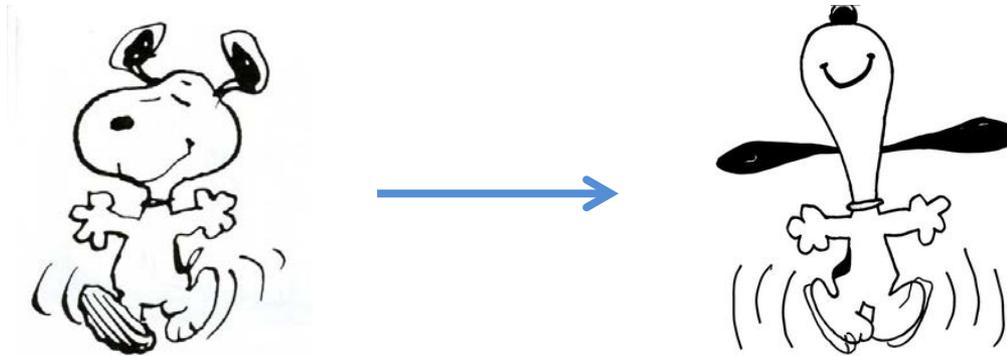
Research Goal # 2

- Investigate how price discounts moderate CM effectiveness
 - Do price discounts amplify or attenuate the impact of CM on consumer purchase?



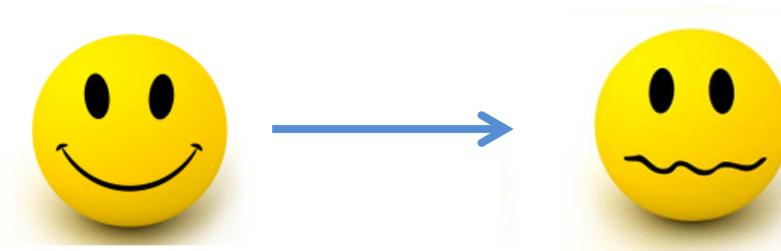
Moderating Role of Price Discounts

- 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



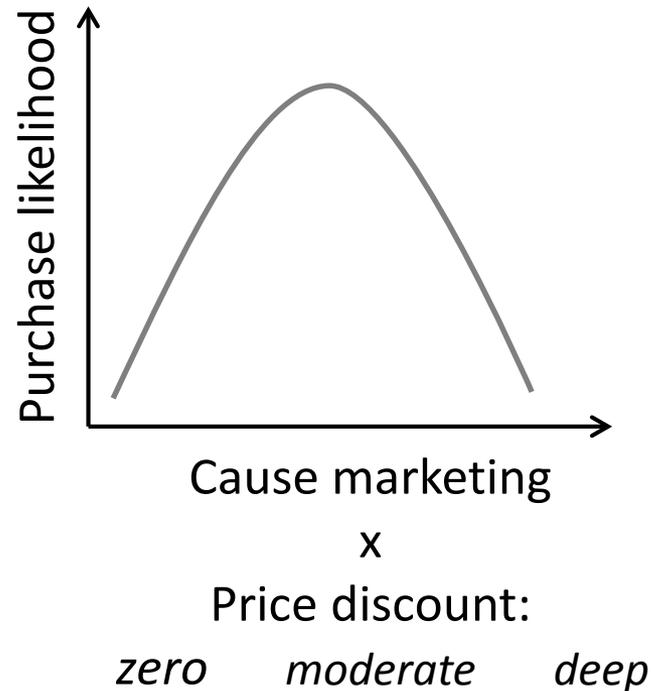
Moderating Role of Price Discounts

- 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



Moderating Role of Price Discounts

- Complicated interaction



***P₂**: 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

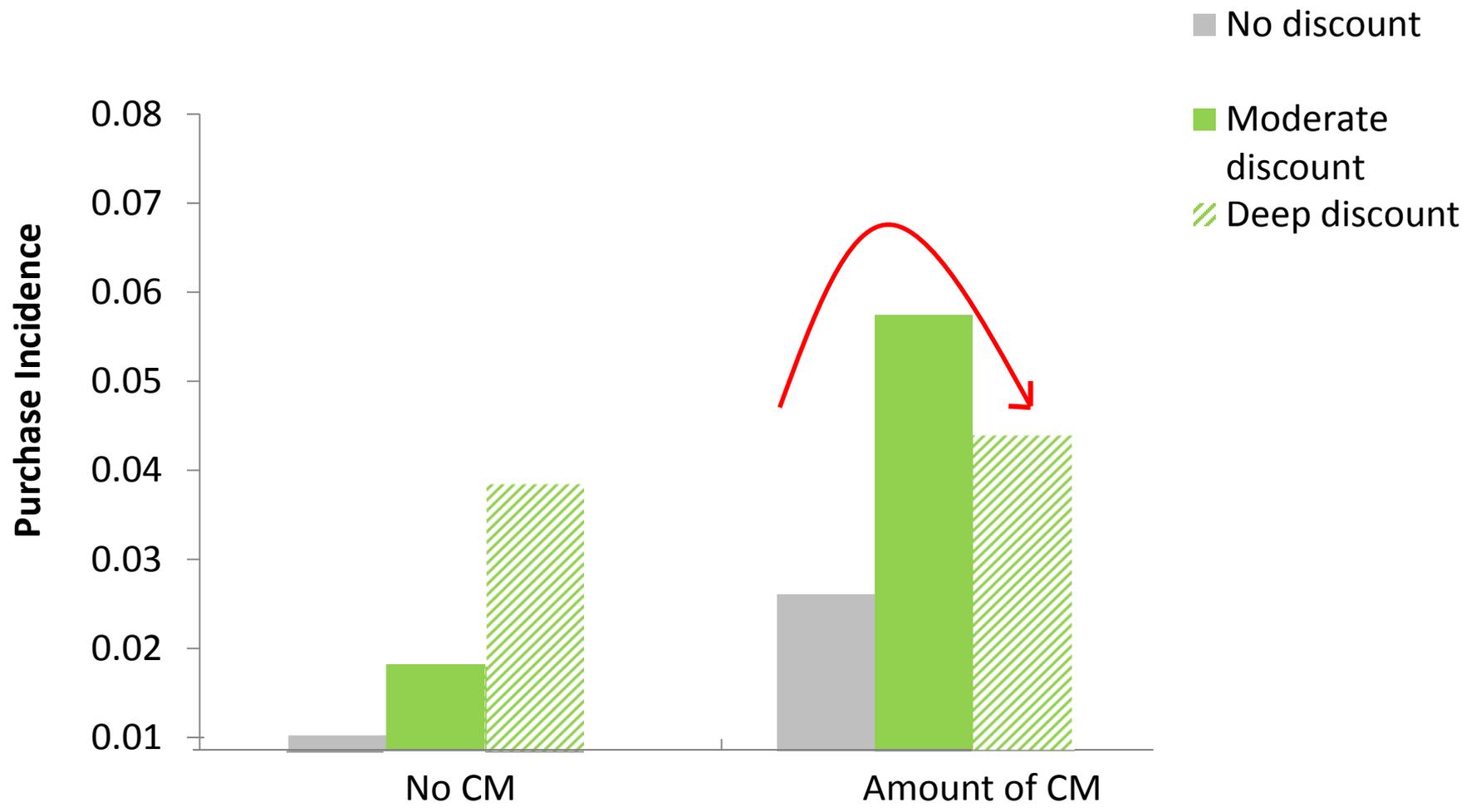
- Between-subjects design:
 - 2 (CM amount: none, 5 RMB) x
 - 3 (Discount: none, moderate = 30% off, deep = 50% off)



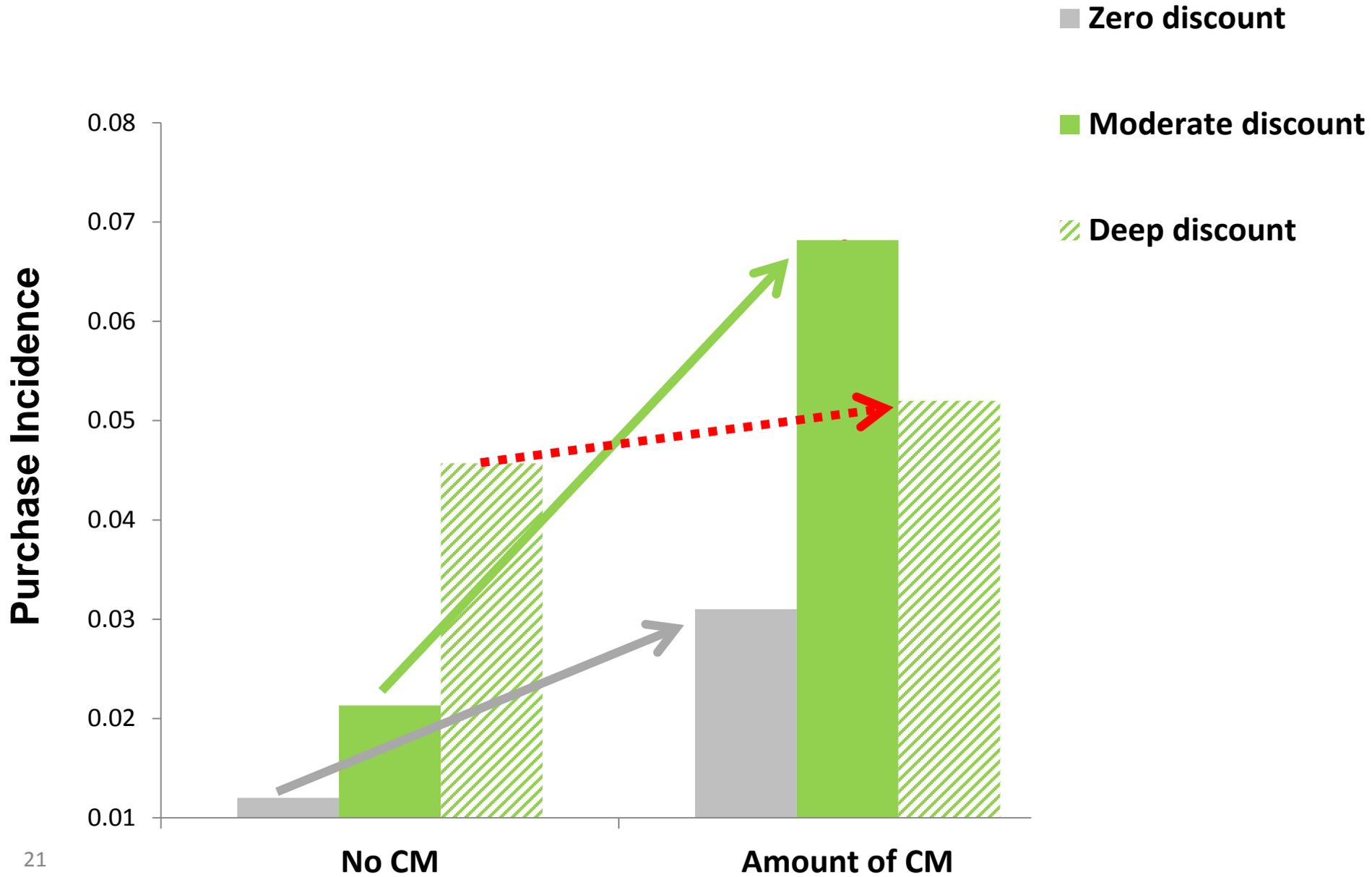
- 267 of 5,828 users downloaded app and bought tickets
= 4.58%



- **Moderate** price discounts **reinforce** the effectiveness of CM donations
- **Deep** price discounts **reduce** the effectiveness of CM donations



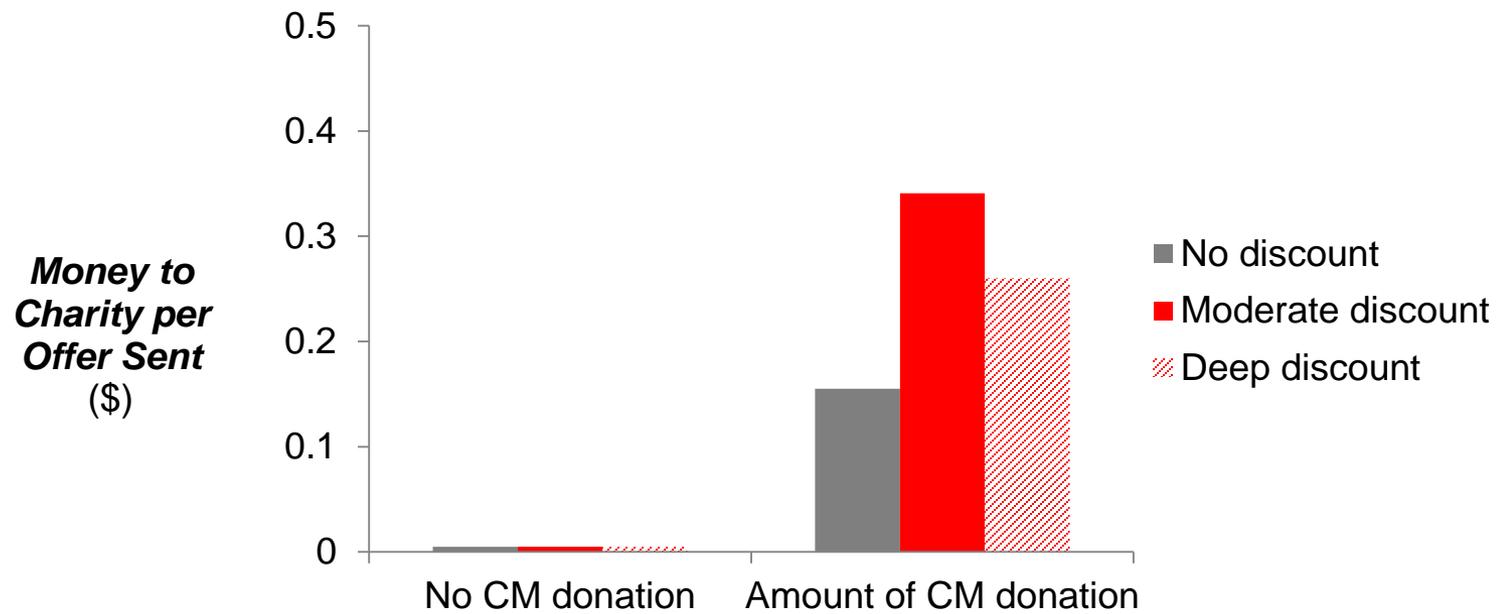
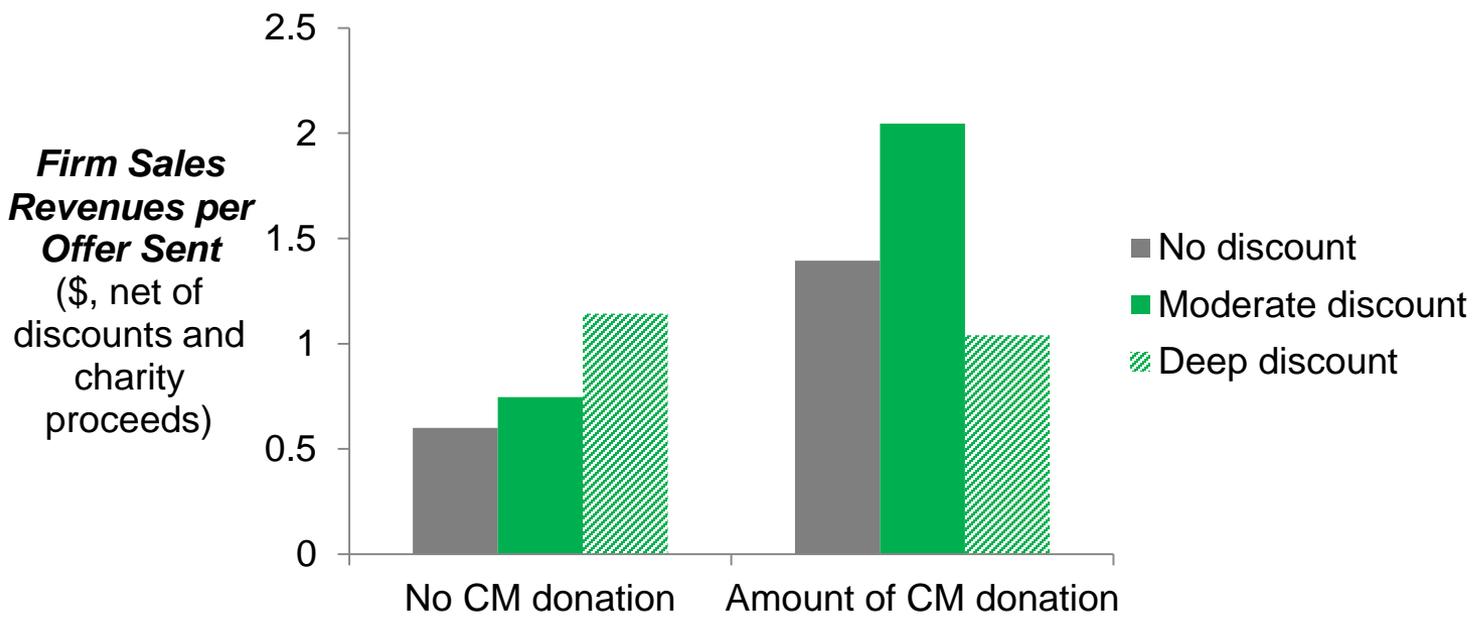
CM x Price Discounts



Evidence: Moderating Role of Price Discounts

	Model 3	Model 4	Model 5
CM x PD1			-.329***
CM x PD2			-.215**
Cause Marketing (CM) Treatment Effects		.608***	.936***
Price Discount _{moderate vs zero} (PD1)		-.408***	-.405***
Price Discount _{moderate vs deep} (PD2)		.342**	.337**
Ln(ARPU)	.028	.025	.026
Ln(MOU)	-.071**	-.072**	-.076**
Ln(SMS)	.023	.021	.022
Ln(GPRS)	.233**	.235**	.232**
Theater Effects	Yes	Yes	Yes
Chi-Square	781.049	894.450	926.612
Cox & Snell R-square	.106	.178	.189
Nagelkerke R-square	.412	.482	.495
Observations	5,828	5,828	5,828

CM & Moderate discounts help the firm & the charity!



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



P₃: Consumers' warm-glow good feelings mediate the inverted-U shaped impact of CM on purchases across the zero, moderate, and deep price discounts

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

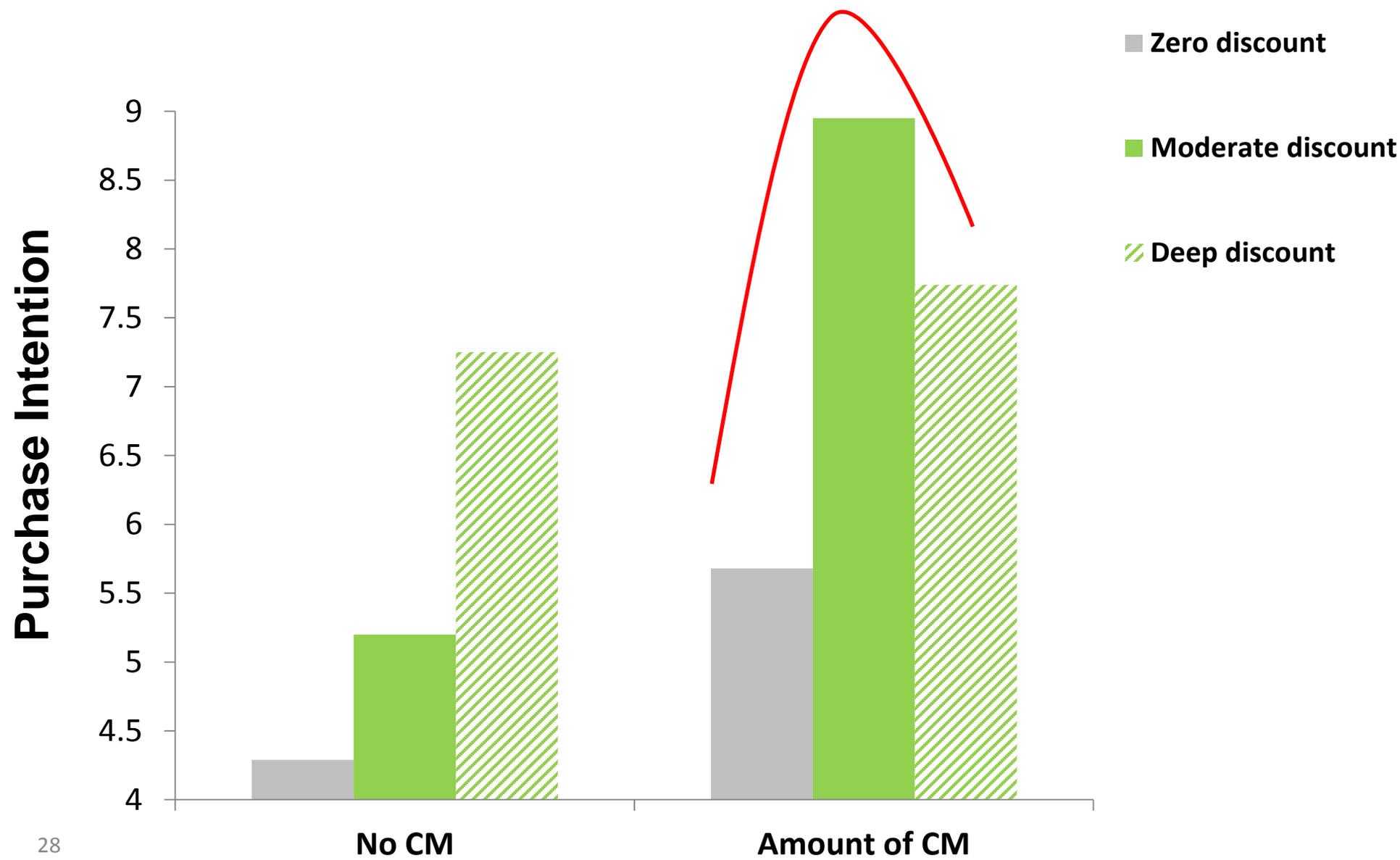


Lab Experiment Survey Items

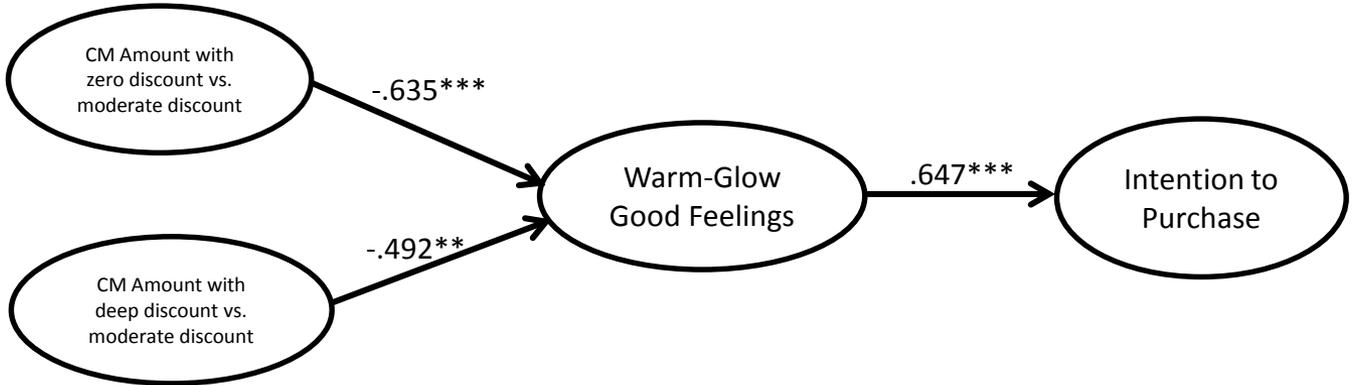
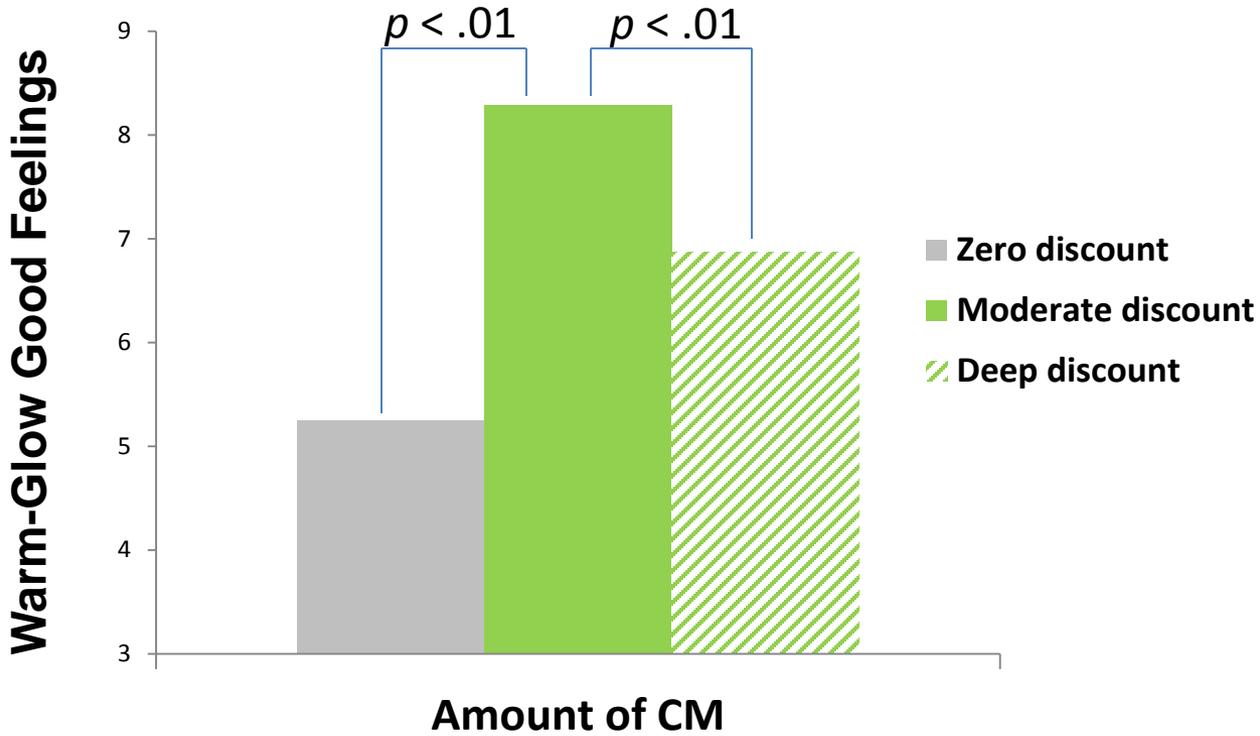
- Good feelings (adapted from Taute and Mcquitty 2004)
 - “I would feel good if I purchased this charity-related deal”
- Purchase intention
 - How likely would you purchase this deal today?
- Demographics



Results on the Moderating Role of Price Discounts



Mediating Role of Warm-Glow Good Feelings



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





Xueming.Luo@temple.edu



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