2010

Temporal reframing of prices: a conceptual framework

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TEMPORAL REFRAMING OF PRICES:
A CONCEPTUAL FRAMEWORK

A Dissertation

Submitted to the Graduate Faculty of the
Louisiana State University and
Agricultural and Mechanical College
in partial fulfillment of the
requirements for the degree of
Doctor of Philosophy

in

The Interdepartmental Program
in
Business Administration (Marketing)

by

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December 2010
DEDICATION

To Mom and Dad,
Thank you for your love, encouragement and support.
ACKNOWLEDGMENTS

I would like to thank my mentor, professor, friend, and dissertation co-chair, Dr. Ronald Niedrich, for his continual support and guidance throughout the entire program. I will forever be indebted to him for his advice, knowledge, and inspiration through every stage of this dissertation. I would like to also thank Dr. Peter “Danny” Weathers, also my dissertation co-chair, for his time, insight, valuable suggestions, and his willingness to endure this journey with me; my committee members, as well as Dr. Alvin Burns and Dr. Jason Hicks, who shared their helpful comments and talents, for which I am grateful.

Also, I would like to thank my entire family for their love and support throughout the years. Mom and Dad, although thousands of miles away, you were always there for me when I needed you and never let me give up; as for my brother and friend, Wissam, I would not be here without your support; my two younger sisters, Layal and Sahar for their never-ending encouragements.

Lastly, thanks go to my colleagues and friends in the program, Anna, Mousumi, Yana, Katie, Elle, and Carolyn; I would not have survived those five years without you; “et surtout” I thank you as well, Igor and Nobu, for the great times we spent together working and having fun. I will never forget those days.
# TABLE OF CONTENTS

DEDICATION.......................................................................................................................... ii

ACKNOWLEDGMENTS ........................................................................................................ iii

LIST OF TABLES .................................................................................................................. vii

LIST OF FIGURES .............................................................................................................. viii

ABSTRACT .......................................................................................................................... ix

CHAPTER 1. ESSAY ONE .................................................................................................. 1
  1.1 Introduction and Overview ......................................................................................... 1
  1.2 Literature Review ....................................................................................................... 2
    1.2.1 Temporal Reframing of Prices: Supporting Evidence ......................................... 2
    1.2.2 Temporal Reframing of Prices: Invalidating Evidence ........................................ 4
  1.3 Conceptual Framework ............................................................................................... 6
    1.3.1 Type of Exchange .................................................................................................. 7
    1.3.2 Type of Expense ................................................................................................... 19
  1.4 Cause Related Marketing: An Extended Framework ................................................... 21
    1.4.1 CRM: Literature Review ..................................................................................... 24
    1.4.2 Conceptual Model ............................................................................................... 27
    1.4.3 Conclusion ........................................................................................................... 33

CHAPTER 2. ESSAY TWO ................................................................................................ 35
  2.1 Introduction ................................................................................................................. 35
  2.2 Literature Review ....................................................................................................... 36
  2.3 Study Constructs ......................................................................................................... 39
    2.3.1 Frame .................................................................................................................. 40
    2.3.2 Price ................................................................................................................... 40
    2.3.3 Exchange Type ................................................................................................... 40
    2.3.4 Expense Type ..................................................................................................... 40
    2.3.5 Sympathy ............................................................................................................ 40
    2.3.6 Offer Attractiveness ............................................................................................ 40
    2.3.7 Participation Intentions ....................................................................................... 40
  2.4 Conceptual Model ....................................................................................................... 40
    2.4.1 Exchange Type ................................................................................................... 41
    2.4.2 Expense Type ..................................................................................................... 50
  2.5 Pretest ........................................................................................................................ 53
    2.5.1 Sample and Design ............................................................................................. 53
    2.5.2 Results ................................................................................................................. 53
  2.6 Main Experiment ......................................................................................................... 54
    2.6.1 Methods .............................................................................................................. 54
    2.6.2 Measures ............................................................................................................. 55
    2.6.3 Results ................................................................................................................. 55
CHAPTER 3. ESSAY THREE.................................................................................. 64
3.1 Introduction ......................................................................................... 64
  3.1.1 Price Frame ................................................................. 65
  3.1.2 Donation Amount and Frame ......................................................... 66
3.2 Literature Review .................................................................................. 67
  3.2.1 CRM and Donation Amount ............................................................. 68
  3.2.2 CRM as a Form of Pro-Social Behavior ............................................. 69
3.3 Conceptual Model ............................................................................... 70
  3.3.1 Product Exchange ........................................................................... 70
  3.3.2 Exchange in CRM and PAD Effect .................................................. 72
3.4 Construct Definitions ........................................................................ 73
  3.4.1 Frame .......................................................................................... 73
  3.4.2 Price ............................................................................................. 73
  3.4.3 Donation Amount ........................................................................... 73
  3.4.4 Sympathy ..................................................................................... 73
  3.4.5 Offer Attractiveness ....................................................................... 74
  3.4.6 Cost-Benefit Deliberation ................................................................ 75
  3.4.7 Corporate Social Responsibility ....................................................... 76
  3.4.8 Attitude Toward the Manufacturer .................................................. 76
  3.4.9 Participation Intentions .................................................................... 77
3.5 Hypotheses ......................................................................................... 77
  3.5.1 The Effects of Price, Donation Amount, and Frame on Participation Intentions ...... 77
  3.5.2 The Mediating Roles of Sympathy, Cost-Benefit Deliberation, Corporate
      Responsibility and Manufacturer Attitude .............................................. 77
3.6 Pilot Study ........................................................................................ 86
  3.6.1 Methods ....................................................................................... 86
  3.6.2 Measures ..................................................................................... 87
  3.6.3 Results ......................................................................................... 88
3.7 Experiment One .................................................................................. 90
  3.7.1 Methods ....................................................................................... 90
  3.7.2 Measures ..................................................................................... 91
  3.7.3 Results ......................................................................................... 91
3.8 Experiment Two .................................................................................. 95
  3.8.1 Methods ....................................................................................... 96
  3.8.2 Measures ..................................................................................... 97
  3.8.3 Results ......................................................................................... 98
3.9 Discussion ........................................................................................ 106
  3.9.1 Summary of Findings .................................................................... 106
  3.9.2 Implications .................................................................................. 108
  3.9.3 Future Research ............................................................................ 109

REFERENCES ............................................................................................. 110
LIST OF TABLES

Table 2.1: Competing Theories ANOVA Results ................................................................. 56
Table 2.2a: Generalized Exchange: Structural Model Results ............................................. 60
Table 2.2b: Restricted Exchange: Structural Model Results ............................................... 60
Table 3.1: Sphericity Test Results ......................................................................................... 92
Table 3.2a: Repeated Measures ANOVA Results ................................................................. 92
Table 3.2b: Repeated Measures ANOVA Results – Split by Frame: PAD ................................ 94
Table 3.2c: Repeated Measures ANOVA Results – Split by Frame: Aggregate .................. 95
Table 3.3a: Donation Amount Moderation Test: ANOVA Results ....................................... 99
Table 3.3b: Donation Amount Moderation Test: ANOVA Results – Split by Frame: PAD ... 100
Table 3.3c: Donation Amount Moderation Test: ANOVA Results – Split by Frame: Aggregate ................................................................. 101
Table 3.4a: Structural Model Results: Low Price, PAD Frame ........................................... 105
Table 3.4b: Structural Model Results: Low Price, Aggregate Frame .................................. 105
Table 3.4c: Structural Model Results: High Price, PAD Frame ........................................... 106
Table 3.4d: Structural Model Results: High Price, Aggregate Frame ................................. 106
LIST OF FIGURES

Figure 1.1: CRM Conceptual Model ........................................................................................................ 30

Figure 2.1: The 3-way interaction between Price, Frame, and Exchange Type on Purchase Intentions.................................................................................................................. 58

Figure 2.2: The 3-way Interaction between Price, Frame, and Expense Type on Purchase Intentions................................................................................................................................. 58

Figure 2.3: Effect of Exchange Type: Structural Model................................................................................................. 59

Figure 3.1a: Effect of Donation Amount: Conceptual Model ......................................................................................... 81

Figure 3.1b: Effect of Donation Amount: Conceptual Model ......................................................................................... 82

Figure 3.1c: Effect of Donation Amount: Conceptual Model ......................................................................................... 84

Figure 3.1d: Effect of Donation Amount: Conceptual Model ......................................................................................... 86

Figure 3.2a: The Two-Way Interaction Between Frame and Donation Amount on Participation Intentions ......................................................................................................................... 89

Figure 3.2b: The Two-Way Interaction Between Frame and Donation Amount on Attractiveness ................................................................................................................................. 90

Figure 3.3a: The Three-Way Interaction Between Donation Amount, Price and Frame (EXP 1) .................................................................................................................................................. 93

Figure 3.3a: The Three-Way Interaction Between Donation Amount, Price and Frame (EXP 1) .................................................................................................................................................. 93

Figure 3.4: The Three-Way Interaction Between Price, Frame, and Donation Amount (EXP 2) .................................................................................................................................................. 101
ABSTRACT

Research on consumer’s response to pricing tactics has been plentiful and is still ongoing. One strategy that research has sought to explain and endorse is pennies-a-day (Gourville, 1998), where the cost of a product is expressed as a small ongoing expense.

This dissertation tests two competing theories that may explain the effect of PAD on consumer participation intentions. The first theory, marketing exchange (Bagozzi, 1975) predicts different effects across exchange type; in particular, generalized exchange (charity) and restricted exchange (consumer products and services). The second theory, mental budgeting (Heath and Soll, 1996) predicts different effects across expense type; this study addresses recurring and non-recurring expenses. This research then extends this framework to a cause-related marketing (CRM) context.

First, a pretest and one experiment test the competing theories, while considering process measures, such as sympathy and deliberation, to explain the effect of PAD on participation intentions. Results provide evidence that the relationship between PAD frame and participation intentions is moderated by exchange type. Consistent with the predictions, PAD frame improved perception of offer attractiveness and increased sympathy towards the object of the offer in a generalized exchange context (charity); the same was not supported in a restricted exchange context (consumer products).

Second, a pilot test and two experiments test the effect of PAD on participation intentions in a CRM context. The studies explore the effects of sympathy, deliberation, corporate social responsibility (CSR), and attitude towards the manufacturer (ATTM) as mediating variables. Results provide support to the moderating role of donation amount on the effect of PAD on participation intentions. While PAD did not have a significant impact on participation intentions as donation amount increased, aggregate frame led to a significant increase in participation
intentions. Results highlighted the mediating role of sympathy, CSR, deliberation, and ATTM between donation amount and participation intentions.

Overall, this research helps companies to frame prices to improve consumers’ likelihood of participation. In addition, it helps companies to frame donations in CRM campaigns to improve participation. This research also identifies several variables with a potential to affect the relationships between price frame, donation amount, and participation intentions.
CHAPTER 1. ESSAY ONE

The term “behavioral pricing” is used to capture aspects of how price presentations influence perceived value and consumer judgment. Behavioral pricing as a research field studies the psychology of price perceptions and its economic implications. It draws on insights from cognitive psychology in an effort to overcome the limitations of rational choice theory in explaining many economic outcomes; it also investigates consumers’ price perceptions and information processing; and most importantly, how and which price cues are utilized when forming price judgments and making product choices.

One area in behavioral pricing, mental accounting, proposes that consumers follow a cognitive version of cost accounting, in order to interpret and explain transaction information when making decisions. Thaler (1985), the father of the mental accounting system, proposes three important aspects to be considered: (1) how monetary outcomes are framed and evaluated, which relates to Khaneman and Tversky’s (1981) prospect theory, (2) the range of the mental account, inclusive of the bracket and time, and (3) the mental accounting currency (Liu and Soman, 2008). Thus, one of the mental accounting effects in pricing will represent temporal reframing.

1.1 Introduction and Overview

The research on consumer response to different pricing tactics has been plentiful for the past three decades, and marketers still seek new ways to make products and services more attractive. An important strategy that research has sought to explain and endorse is the pennies-a-day effect (PAD), where the price of a product or service is expressed as a small ongoing expense, rather than a full or aggregate cost (Gourville, 1998). Citing practitioners’ use of pennies-a-day strategies, Gourville (1998) examined the effect of temporal reframing of costs on charitable donations.
Many companies, magazine publishers, retailers, social welfare institutions, and others, are utilizing this strategy to boost their sales and to attract more customers. Despite their application in retailing, these strategies have not garnered the approval of all theorists in the field. The debate on the effectiveness of these strategies remains, where a number of theories do not support the PAD effect. Based on standard economic theory, reframing a transaction from an aggregate price to a series of small daily expenses should not alter compliance, unless accompanied by a change in cash flows.

This dissertation will proceed as follows. In this essay, I explore the temporal reframing of price effect by first reviewing the literature on PAD effect; second, I examine this effect across different product categories and expense types; and finally, I propose a new conceptual framework for the temporal reframing of transaction costs. In Essay Two, I develop specific hypotheses and empirically test the proposed model. Finally, in Essay Three, I propose and test hypotheses that extend the model to a cause-related marketing context.

1.2 Literature Review

1.2.1 Temporal Reframing of Prices: Supporting Evidence

Thaler (1985) introduced a sequential analysis to describe purchase behavior that optimizes transaction utility. According to Thaler (1985), consumers respond to certain local temporal budget constraints, where expenditures are grouped into categories and expenditures are considered within their respective categories. Thus, in consideration of any choice prospect, consumers will map that prospect into similar purchase categories. When a match occurs, the purchase will be evaluated, taking into consideration the time and category-specific budget constraints. Consequently, if a price is temporally reframed, the transaction will be mapped into categories with small, daily expenses, which tend to have loose budget constraints in a peanuts effect (Markowitz, 1952) and evaluated accordingly.
The first research to propose the pennies-a-day effect was Gourville (1998). Gourville (1998) proposed a two-step model to explain PAD effectiveness. The first step encompasses comparison retrieval: When faced with a transaction, customers retrieve a category of comparable expenses to use as a standard of comparison. In the case of PAD, the categories retrieved for comparison represent small, ongoing, expense categories. In Step Two, transaction evaluation, the target transaction is evaluated in the context of the retrieved category. This stage builds on Schwarz and Bless’ (1992) inclusion/exclusion model (IEM). IEM proposes that assimilation and contrast effects are functions of the mental interpretations of targets and standards. Both are based on what is accessible at the time of the judgment. Assimilation occurs when the target is included in the primed category, whereas contrast occurs when the target is excluded from the primed category. Similarity of the target to the prime suggests that they belong to the same category, thus increasing the likelihood of inclusion. On the other hand, extreme primes by definition are more remote from the target. Therefore extreme primes are more likely to be excluded and to lead to contrast than are moderate primes (Forster, Liberman, and Kuschel, 2008). In the case of temporal reframing of a price, when the target transaction is matched with a sufficiently similar expense category, assimilation occurs and the target transaction will be accepted as a member of that category by assuming its general characteristics. On the contrary, if the transaction fails to satisfy all conditions of the prospective category, a contrast will occur. As a result, the transaction will not be considered similar, and thus cannot be evaluated together with other expenses in that category.

In a series of studies, Gourville (1998) found support for the PAD effect in a charity context, using donation likelihood as the dependent variable. The results showed that PAD strategy increased respondents’ mean donation likelihood, yet only at low price levels ($1 and $350 for the PAD and aggregate conditions, respectively), but not at the high price levels ($5 and
In a related study, Gourville (1999) explored the PAD effect in a product context using “perceived value” as the dependent variable and concluded that the strategy effectiveness is bounded by the characteristics of the product being promoted, after finding mixed results. Gourville (2003), building on the earlier research, explored the robustness of the PAD phenomenon across a range of product categories, different levels of temporal aggregation, and an array of price levels; in this research Gourville utilized a palatability of offer frame to a consumer as a dependent variable, and the results varied as well.

1.2.2 Temporal Reframing of Prices: Invalidating Evidence

Prospect theory (Kahneman and Tversky, 1979) distinguishes between two phases in the choice process – an early editing phase and a later phase of evaluation. In the editing phase prospects are analyzed, yielding a simpler representation of those prospects; in the process, outcomes are first coded as gains or losses, rather than as final states of welfare or wealth. Whether an outcome is coded as a gain or a loss will depend upon a reference point that corresponds to the person’s current asset position, in which case gains and losses coincide with the actual amounts that are received or paid. In the evaluation stage, prospects are evaluated, based on a value function. The value function is defined over perceived gains and losses relative to some neutral reference point; it is assumed to be concave for gains and convex for losses; and finally, the loss function is steeper than the gain function. Thaler (1985) extended the prospect theory value function to incorporate compound outcomes and concluded that when faced with multiple losses, people prefer to integrate those losses. Thus, when faced with a series of small costs, consumers would tend to combine those costs into one large expense. Accordingly PAD, or any form of temporally reframing of prices, will lead to a negative effect on consumer purchase intentions. One would rather take advantage of the flattening of the prospect theory’s
value function at large costs and not suffer the most painful and steepest part of the value function for a series of small costs (Gourville, 1998; Kahneman and Tversky, 1979).

Another theory disconfirming the PAD effect is the very one that Gourville (1998) used to support it, i.e., the assimilation-contrast theory (Schwarz and Bless, 1992). Forster, Liberman, and Kuscehl (2008) stated that a general perspective on both the prime and the target is likely to make them seem similar to each other and thus will lead to assimilation; yet a close, detailed look is likely to produce a contrast. This leads to a conclusion that the PAD frame will lead to a negative or no effect on participation intentions, should the consumers spend more time studying, and so elaborate on the offer at hand. The more time spent studying the offer, the higher the likelihood of finding distinct features between the prime and the target, leading the consumer to realize the mismatch between the product and the target category. For example, when a consumer first encounters a dollar-a-day offer for an encyclopedia, the daily expenses category will be triggered; however, as the consumer elaborates on that offer, the corresponding product schema (e.g., books and encyclopedias) will be activated and the purchase decision will be based on the rules of this category.

Fuzziness of the boundaries for the prime and the target is yet another moderator of assimilation versus contrast in IEM (Forster, Liberman, and Kuscehl, 2008). When the boundaries are ill-defined or more permeable, assimilation is more likely to occur. In the case of temporally reframed prices, the target category is fuzzy enough to lead to assimilation, yet the prime boundaries are not fuzzy and ill-defined all the time. When consumers encounter a PAD offer for a product belonging to a well-defined category, especially an exemplar, contrast is more likely to occur (Forster, Liberman, and Kuscehl, 2008).

Thaler (1999) discussed the effects of “payment decoupling,” where prepayment separates the purchase from consumption, thus reducing the perceived cost of the activity; this
effect suggests that the mental accounting advantages of decoupling are not just associated with prepayment. A major disadvantage of the piece-rate pricing policy is that it sheds a light on the links between the payment and the act of consumption (Thaler, 1999), when the opposite is a lot more helpful. “Consumers don't like the experience of having the meter running,” (Thaler, 1999, p. 192), the strategy of decoupling consumption from fees minimizes the marginal cost, which is more attractive to the consumer. That is why health clubs will charge for their membership on a monthly or yearly basis, thus decoupling usage from fees; when the consumer fails to visit every day they do not have to think about exactly how much money they lost.

PAD breaks down a price into smaller daily expenses, and in the process ties the cost to the daily use of the product. Making this link between the cost and the specific consumption act salient will lead the PAD effect to have a negative effect on purchase intentions.

1.3 Conceptual Framework

Research studies on the effect of PAD cover a range of products. In a distinct research study, Gourville (1998) observed the PAD effect on charitable donation requests; in two experiments, the PAD effect was tested on the likelihood of accepting a PAD offer, i.e., likelihood to donate. This study was distinct because subsequent research tended to avoid the use of purchase likelihood, relying on both offer attractiveness and perceived value (Gourville, 1999, 2003) to measure the PAD effect on a wide variety of products. In this essay, two competing theories will be suggested in order to understand how the PAD effect will vary across different types of exchange (consumer products vs. charity donations), and across different types of expenses (recurring vs. non-recurring expenses). PAD effect will also be measured on several dependent variables, because as the exchange type varies, the effect on some of these variables will change as well, and possibly lead PAD to produce a negative effect on purchase likelihood.
1.3.1 Type of Exchange

Bagozzi (1975) realized the importance of the exchange paradigm in conceptualizing marketing behavior. In fact, Bagozzi (1975) suggested that marketing exchanges will affect more than two parties, involve intangible and symbolic aspects, and be indirect; then he further distinguished between three exchange types based on the expectations of equality and reciprocity, the number of actors, and the relationship structures. Two of these types are at the core of this research, composed of (a) restricted exchange, which involves direct, reciprocal, and two-way transfers of values between willing parties, as in for-profit transactions; and (b) generalized exchange, which involves a chain of indirect, univocal, and reciprocal transfers among at least three actors, where actor A provides value to actor B, who in turn provides value to actor C, who provides value to actor A.

Marshall (1998) elaborated on the distinctness of restricted and generalized exchanges, based on the structural relationships among actors, as well as the resulting patterns by which value is transferred. First, the paper posited that in a restricted exchange, two actors are in a mutually reciprocal exchange relationship, such that actor A provides value to actor B and in return, actor B provides value to actor A. Second, both actors attempt to maintain an equality regarding activities and exchange items. In a generalized exchange, on the other hand, at least three actors are in a system of exchange where univocal and indirect reciprocity occurs such that benefits are transferred from A to B, who then transfers benefits to C, who in turn provides benefits to A. Most importantly, indirect self-interest is the motivator for exchange.

Thus, restricted exchange resembles everyday retail transactions, where something of value is exchanged for another of value, and both direct service recipients respond to potential utilitarian benefits; on the other hand, a generalized exchange is common in situations involving public policy programs, social welfare programs, and not-for-profit organizations, where
enhancements to the common good, improvements to a quality of life, civic duty, altruism, or personal pride become potential benefits to non-recipients of these direct services (Marshall, 1998). Generalized exchange thus refers to indirect processes, where the elements of exchange are less concrete, but direct and immediate, leading us to the conclusion that pro-social behavior, such as charitable donations, represents a form of generalized exchange (Basil, Ridgway, and Basil, 2006).

As noted, many of the factors leading PAD effect to have a negative effect on purchase intentions are related to how consumers will evaluate the offer they encounter, and whether a series of small costs will cause the consumer to suffer more. In a restricted exchange of product, offers will be evaluated and actors will want to guarantee equality regarding exchange, thus each offer will be evaluated, based on the budgeting rules of the corresponding category. In a generalized exchange, charity is symbolic (Bagozzi, 1975), where actors do not seek equality or maximizing utility; yet social norms and guilt about failing to help the less fortunate will be considered (Basil, Ridgway, and Basil, 2006). In addition, Hibbert and Horne (1996) suggested that little energy will be expended on information search or processing.

Based on the proposition that consumers view charitable donations as gains that are segregated and view product expenses as losses that are integrated, the author predicts a three-way interaction between price (low, high), price frame (PAD, aggregate) and exchange type (generalized, restricted) on participation intentions, such that:

P1: Participation intentions will be determined by a three-way interaction between price, price frame, and exchange type.

Although the decision making process concerning a donation will not go under the scrutiny of our mental accounting rules, there remain other factors that will hinder the helping process.
1.3.1.1 The Helping Process

1.3.1.1.1 Attitude towards Charity Organization

When people encounter a donation request, the helping decision process is triggered, beginning with the potential donor's perception of the extent to which the charity is in need of help. This perception is affected by personal experience and exposure to information (via external and internal sources). For the perception of need to be realized, prospective donors must believe in the authenticity of the charity's message; authenticity of the message is a function of the charity's image. Thus the charity’s image familiarity and personal evaluation (attitude) represent the most critical elements of its promotional program, as these factors may determine whether the first step of the helping decision process may be initiated (Bendapudi, Singh, and Bendapudi, 1996).

Few studies examine attitudes towards charitable organizations, and most constructs used in research are either too complex or have been theorized as single-item constructs (Ranganathan and Henley, 2008). Based on a definition proffered by Eagley and Chaiken (1993), the attitude towards a charity organization (ACO) fits in the attitude-toward-the-target category, and thus will have an indirect, positive effect on behavioral intentions. Accordingly, this study proposes:

P2: Attitude toward the charity organization will have a positive effect on behavioral intentions.

1.3.1.1.2 Donation Amount

Another factor affecting the donor’s perception of need is an evaluation of the degree to which the donor is actually in a position to deliver help (Loewenstein and Small, 2007), thus in this case, the requested amount. As the magnitude of the request increases, deliberations on the cost versus the benefits of helping will lead the donor to question the deservingness of the
charity, so affecting his/her perception of the need (A topic revisited below, in the Motivation section).

P3: The magnitude of the request will have a negative impact on behavioral intentions.

1.3.1.1.3 Attitude towards Helping Others

The motivation for helping may be triggered by the donor’s persistent or transient characteristics, or both. Persistent characteristics may be altruistic or egoistic (moral identity), while transient characteristics may be affective (sympathy and anticipated guilt) or cognitive (deliberation) (Andreoni, 1990; Loewenstein and O’Donoghue, 2004). In addition, at this stage in the model, differences between an aggregate request and a temporally reframed request begin to show.

Altruistic motivation has the ultimate goal of enhancing the welfare of the needy (Martin 1994), even at the expense of a person’s own welfare. The term “altruism” is fairly new and the debate over whether true altruism exists has held an abiding fascination for philosophers and scholars (Bendapudi et al., 1996). Webb et al. (2000) did not differentiate altruism from an attitude toward helping others (AHO), defined as global and relatively enduring evaluations with regard to helping or assisting other people. Webb et al. (2000) viewed altruism as a helping motive, but also noted that attitudes are embedded in cognitive structures, including beliefs, values, and other attitudes.

Altruism was conceptualized as an activity to help others (Brewer, 2003), an attitude (Frydman et al., 1995), and as a motive (Sober, 1990). Dawson (1988) defined altruism as the motivation to improve one’s self-image or social worth; yet others viewed it as a helping behavior and as a desire to improve another's condition. Accordingly, in this paper, similar to Ranganathan and Henley (2008), AHO and altruism are viewed as conceptually identical variables, due to the similarity of their definitions in literature.
Piliavin and Chang (1990) found that charitable giving is strongly motivated by altruism. Chiang (2003) also reported a direct relationship between altruism and donation intention. Ranganathan and Henley (2008), in turn, found that an attitude toward helping others (altruism) has a direct positive effect on donation intentions.

P4: Attitude toward helping others will have a positive impact on behavioral intentions.

1.3.1.1.4 Anticipated Guilt

Research indicates that anticipated emotions can shape intentions and behaviors (Lindsey, Yun, and Hill, 2007). O’Keefe (2002) opined that people tend to avoid actions that they anticipate will make them feel guilty, while Lindsey (2005) observed that people induced to anticipate feelings of guilt were more likely to engage in prescribed behaviors to avoid the guilt that would likely result from inaction.

Bagozzi et al. (2000) differentiated importantly between frameworks, focusing on the behavioral effects of current (or past) emotional experiences versus frameworks in which the anticipation of future emotional experiences influence behavioral effects. The effects of anticipated positive and negative affective reactions on behavior have also been studied in the context of Ajzen’s (1991) theory of planned behavior (Parker et al., 1995). However, the range of negative anticipated emotions, inclusive of guilt, that potentially affects one’s intention to perform a given behavior, is much greater (Perugini and Bagozzi, 2004; Steenhaut and Van Kenhove, 2006).

Baumeister et al. (1994) defined guilt as “an individual’s unpleasant emotional state, associated with possible objections to one’s own actions, inaction, circumstances, or intentions. It is an aroused form of emotional distress that is distinct from fear and anger and based on the possibility that one may be in the wrong.” Guilt can occur while buying, using, and even disposing of a product in a consumer context (Dahl et al., 2003); it is a pervasive aspect of daily
life. Guilt has been identified as a moral emotion, and is linked to the interests or welfare of others (Eisenberg, 2000; Skoe et al., 2002). Typically, it involves concern for moral standards or harm done to others (Tangney and Dearing, 2002). This explains why researchers suggest an importance of guilt in ethically questionable consumer situations. Consumers are likely to anticipate the same feelings of guilt they would experience if they were engaged in an unethical act; consequently, consumers would allow their behavior to be guided by this anticipatory, affective experience (Steenhaut and Van Kenhove, 2006). This reasoning is consistent with the literature denoting guilt as a behavioral deterrent or action control-mechanism (e.g., Baumeister et al., 1994; Tangney, 1995); thus, anticipated guilt may signal that a particular event or action is unacceptable and therefore should be interrupted or avoided.

In sum, researchers agree that anticipated guilt may be aroused by the thought of a potential act of transgression or a failure to act; people have a need to avoid and relieve such feelings. Additionally, people will be motivated to comply with behavioral requests that will help them avoid future feelings of guilt. Although anticipated guilt has been found to motivate behavior previously (Lindsey, 2005), it is unclear if individual differences impact this process. Specifically, the basis for experiencing guilt is in the capacity to feel or anticipate the suffering and distress of others (Baumeister et al. 1994).

P5: Anticipated guilt is positively related with behavioral intentions.

1.3.1.1.5 Sympathy

Similar to Loewenstein and O’Donoghue (2004), the author uses the term “affect” to focus on the subjective feeling states that are associated with emotion and its role in human motivation. By definition, all affects have valence and many carry action tendencies (Frijda, 1986). As Zajonc (1998) averred, affective processes are those that address approach/avoidance behavior. Affect embodies not only emotions such as anger, fear, and jealousy, but also drives
states of hunger, thirst, and sexual desire, as well as motivational states such as physical pain, discomfort, and drug craving (Loewenstein and O’Donoghue, 2004). One important motivation in this research is sympathy. Sympathy continues to be of great importance to humanity (Loewenstein and Small, 2007) due to its direct relationship to helping behavior. As a mental process, sympathy is caring, yet immature and irrational; it makes one cry every time one watches Sophie’s Choice, hoping that this time the Nazi officer will let Meryl Streep keep both her children, although in the earlier ten times one saw the movie, he did not.

When a person feels sympathetic toward a particular victim or cause, the human mind is adept at generating reasons why that victim deserves aid. This can be a matter of rationalization or simply a consequence of sense making; when one feels something, there is a natural and automatic tendency to try to make logical sense of that feeling (Loewenstein and Small, 2007).

Loewenstein and O’Donoghue (2004) further state that one’s affect (sympathy) can influence deliberation (cognition), for input from the affective system may be required for sound, deliberative thinking. Sufficient evidence shows that affect serves as an essential input for decision-making, especially in evaluating the value of future outcomes. There is also a large body of research dealing with motivational bias on judgment that shows the various ways affect may bias cognitive deliberations (Kunda, 1990). Other research shows the negative effects of blocking decision-makers’ affective reactions to a set of alternatives (Wilson and Schooler, 1991; Wilson et al., 1993).

The capacity for sympathy evolved for reasons that probably had to do with the nurturance of genetic offspring, but which subsequently became generalized to unrelated individuals. The specific situations and target-objects that evoke sympathy are certainly mediated by culture and personal experience, but many responses seem to be programmed at a more fundamental level, as they may also be discerned in lower animals such as nonhuman primates.
and even rats (de Waal, 1996; Preston & de Waal, 2002). Situations and stimuli that reliably affect sympathy include: one’s personal state, past experience, proximity, in-group similarity, and vividness (Loewenstein and Small, 2007).

In sum, sympathy is responsive to a variety of factors that are difficult to justify normatively. Victims who share one’s own affective state, who are geographically or socially proximate, who are similar, or are presented in a vivid fashion, logically are no more deserving of aid; but they are far more likely to elicit sympathetic responses.

In the generalized exchange (charity), the author predicts that consumer sympathy will mediate the effects of price and price frame on participation intentions, such that:

P6: Sympathy will have a positive impact on behavioral intentions.

1.3.1.1.6 Deliberation

People also encounter stimuli, which can potentially trigger deliberations about whether aid would be helpful in a particular situation. For example, one might conclude at a cognitive level that an amorphous charity, such as United Way, merits one’s support, yet feel little visceral sympathy toward the people who would be helped (Loewenstein and Small, 2007). Loewenstein and O’Donoghue (2004) suggested that the deliberative system can also influence the affective system, taking the form of deliberative thoughts activating emotions in the affective system. The deliberative system can attempt to control or override the motivations in the affective system as well. In other instances, the control attempt itself will exhaust the person emotionally and physically exacerbate the very emotion one attempts to suppress (Wegner, 1992; Smart and Wegner, 1996).

Motivational processes also come into play in the absence of affect. If one does not experience sympathy toward a target, one will focus on any pretext to provide an excuse to avoid coming to the target’s aid. Deliberation channels the inclinations induced by sympathy toward
more rational directions. However, distorted by the very emotions that provide the impetus for aid, deliberation rarely provides a rational and accurate calculation of the costs and benefits of such aid (Loewenstein and Small, 2007).

Deliberations about the benefits of providing aid will also affect feelings. As an example, while unmoved about a specific cause, yet believing that it could and should be dealt with, one can attempt to move oneself emotionally, by means of empathizing with the victims. Conversely, the cognitive realization that helping is impossible or excessively costly to self might lead people to reappraise the situation, in order to mitigate emotion (Loewenstein and O’Donghue, 2004).

Although various types of people will vary in the types of deliberations in which they engage, and different situations may elicit differing types of deliberations, two major components may be found in most deliberations: (a) calculations of the degree to which an aid recipient merits assistance, perhaps based on a judged level of misery; and (b) an evaluation of the degree to which one is actually in a position to deliver helpful aid (Loewenstein and Small, 2007).

Accordingly, the author avers that deliberation will act as an emotional deterrent under certain circumstances. When potential donors are presented with a small, temporally reframed request, emotional factors will overpower the effect of cognitive deliberation, due to the perceived, low cost-to-benefit ratio. Thus affect will have a stronger influence on participation intentions, than will cognitive deliberation. As the amount requested increases, even in the case of temporally reframed requests, the deliberation effect begins to overpower the affective effect on participation intentions. At a certain point, reversal will take place, thus influencing donors to tone down their emotions. For example, when presented with a dollar-a-day request, potential donors will perceive the amount as too small, and with benefits far outweighing that cost in a peanuts effect (Markowitz, 1952); however, as this daily expense increases, the amount is no
longer small, but would deduct a significant amount from their daily budgets, thus influencing them to deliberate further on the cost of this transaction, which from the perspective of a prospect theory, would prove to be more painful than an aggregate request.

In the generalized exchange (charity), this author predicts that deliberation will mediate the effects of price and price frame on participation intentions, such that:

P7: Deliberation will have a negative relationship with behavioral intentions

It is noteworthy that it is possible for people to simultaneously experience several motives, some of which may even be conflicting. The opportunity to help by volunteering at a disaster site may evoke an altruistic motive to help others, as well as an egoistic motive to avoid the distress caused by human anguish. If the different motivational states are compatible, there is an additive effect. If they are not, there is a drive to satisfy the stronger motivational state (Batson, 1987).

The potential donor faced with a helping situation may form expectations regarding the rewards (or punishments) for helping (or not helping). The expectations may stem from the donor's learning history (direct and vicarious experiences), or they may be created by the organization's appeals for help. For example, a charity soliciting blood donations may invoke the rewards of helping (e.g., promising first-time donors $25) or the punishments for not helping (e.g., suggesting that non-donors are sure to experience pangs of guilt).

1.3.1.2 The Product Process

Campbell (1999) argued that knowledge regarding the selling tactics of marketers can influence consumer responses to marketing stimuli such as prices, price presentation, and price advertising. Also, attribution theory related research, where consistency and distinctiveness of pricing tactics were varied experimentally, supports the premise that consumers do possess
knowledge schemata through which they evaluate price promotions (Lichtenstein and Bearden, 1986, 1989; Hardesty, Bearden, and Carlson, 2006).

Perceived price changes may elicit consumer feelings of anger, happiness, sadness, or relief; yet, an overwhelming portion of behavioral pricing research focuses on cognitive price-related phenomena such as price thresholds, reference prices, value-for-money judgments, and price fairness perceptions. The impact of emotions on consumer behavior is well established in the literature (Bagozzi et al., 1999).

Multi-component models (Ajzen, 2001, for example) suggest that affect and cognition influence behavior independently. Thus, the consideration of consumers’ emotional responses to price information may help provide a more detailed account of consumer processing of price information and thereby improve the prediction of consumer behavior.

To explain the effect of temporally reframing of a price on purchase intentions, the author proposes a two-component model. The affective component considers a buyer’s feelings about the price, while the cognitive component follows Thaler’s (1985) mental accounting rules and processes.

1.3.1.2.1 Affective Component

According to appraisal theory, individuals appraise surrounding events in terms of the consequences for their physical and/or psychological well-being (Lazarus, 1991). Thus, emotions will arise from the cognitive appraisal of an event, rather than from the event itself (Lazarus, 1999); Xia et al. (2004) supports the premise that consumers seeking fair economic exchange may experience contempt, anger, guilt, or liking, depending on whether their perceptions of price are fair or unfair. Fairness has been defined as a judgment of whether an outcome, or the process to reach an outcome, is reasonable or acceptable (Bolton, Warlop, and Alba, 2003).
The cognitive aspect of this definition indicates that price fairness judgments involve comparison of a price with a pertinent standard, reference, or norm. When the price being judged differs from the price in the reference transaction, the price difference may induce an unfairness perception (Xia et al., 2004). Consumers may also draw on their general knowledge about the marketplace. Bolton, Warlop, and Alba (2003) suggested that buyers may judge fairness at an aggregate level across multiple dimensions of a transaction. Social norms of economic exchange, as the rules that guide behavior for both buyers and sellers, will also influence the buyer’s perceptions of price fairness (Maxwell, 1999). In turn, Maxwell (1995) claimed that consumers also rely on their beliefs about the exchange norms to refine their price fairness judgments.

Little behavioral pricing research has addressed the effect of price presentation on a buyer’s price fairness perception. Although previous research has shown that unfair price perceptions influence customer satisfaction, participation intentions, and complaints (Campbell, 1999; Martins, 1995), researchers still tend to ignore the effect of price presentation. Accordingly, the author predicts that when consumers face an atypical/abnormal price request (in this case a temporally reframed price request), negative feelings of unfair treatment will arise that lead to psychological reactance, i.e., increased resistance to persuasion.

1.3.1.2.2 Cognitive Component

In a restricted exchange, cognitive deliberation emanates from a mental accounting perspective, and the focus will be on price. Based on mental accounting rules, the author predicts that in the temporally-framed, low, price condition, consumers will perceive the offer as a recurring daily expense. Thus, in accordance with the prospect theory of Khaneman and Tversky (1979), these expenses will maximize the pain for consumers, since losses are aggregated. In the temporally framed high price condition, on the other hand, expenses are too large to be
considered as small, daily recurring expenses, and consumers will aggregate prices. Thus, the price will be evaluated in its aggregate form in both conditions.

Since in a product purchase situation, the cost of the transaction is the subject of both the affective and cognitive evaluations, offer attractiveness seems to be a fit construct to reflect both effects on purchase intentions.

In the restricted exchange (product), the author predicts that offer attractiveness mediates the effects of price and price frame on participation intentions, such that:

P8: An increase in price decreases offer attractiveness and subsequent participation intentions.

P9: Compared to aggregate frame, PAD frame increases offer attractiveness and subsequent participation intentions.

1.3.2 Type of Expense

This section will discuss how temporally reframing price across different expense types (recurring, daily expenses vs. non-recurring, one-time-only expenses) will affect participation intentions. Mental accounting principles are employed by consumers to minimize time and thinking costs, and self-control purposes as well (Thaler, 1999). Mental accounts, although a formal and a key device in self-regulation, are not rigid; when consumers consider an ambiguous, unclassified expense, they create new accounts for those expenses in many instances, even bending some rules to accommodate those expenses in their budget (Cheema and Soman, 2006). On the other hand, when expenses are clear and unambiguous, money cannot be moved across accounts without representing a clear violation of the accounts’ set constraints.

Henderson and Peterson (1992) argued that mental accounts represent categories, and the categorization decisions of their elements are driven by the same cognitive processes that people use for object categorization. Most categorization theories postulate that categories will provide a
set of expectations about the nature of their members; similarly, mental accounts have reference states that provide expectations and thus serve as a guide in evaluation (Kahneman and Tversky, 1979; Thaler, 1985; Henderson and Peterson, 1992).

Mental accounts cannot be described by a set of necessary and sufficient features; people may categorize items on many dimensions. Thus, an expense may be assigned to a particular account because it meets a common goal, or because of similarity in purchase characteristics such as magnitude, format, or location (Heath and Soll, 1996). Thus, people may assign expenses to categories that are characterized as recurring or non-recurring expense accounts; recurring expenditures are expenses that by nature a consumer expects to occur over a course of time, while non-recurring expenditures are one-time-only expenses.

While making decisions, consumers assign a variety of purchases to their proper accounts. When expenses are difficult to categorize, expenses will travel through expense tracking (Heath and Soll, 1996). The tracking process is broken down into stages: (a) expenses must first be noticed; and (b) then assigned to their proper accounts. These two stages depend on different cognitive systems; the first rests on attention and memory, and the second stage depends on similarity judgments and categorizations. Most importantly, posting an expense to the proper account requires people to decide how to categorize an expense that may vary in its relevance for existing accounts (Heath and Soll, 1996). Failure at any of the two steps would render the budget unaffected, and no action would be taken.

When prices are temporally reframed, the expenses are perceived as recurring expenses. Typical expenses are more likely to be posted to their corresponding account, and will affect budgets much more than less typical expenses; yet typical goods will be most subject to budgeting constraints (Heath and Soll, 1996). If temporal reframing is applied to an expense that typically recurs, consumers are more likely to perceive the model as a perfect representative of
its category, and thus that expense will be the most subject to rigorous budgeting (Heath and Soll, 1996). On the other hand, non-recurring expenses that are temporally reframed are less representative of their category and will be subject to less budgeting constraints (Heath and Soll, 1996). In sum, the author proposes that temporal reframing will have more influence on participation intentions for expenses that are non-recurring by nature versus expenses that consumers perceive as recurring.

Similar to Gourville (1998), the author acknowledges that PAD can only be effective when the daily amount is small enough to be considered a daily recurring expense; thus, at high price levels, potential buyers tend to aggregate prices, even in the temporally reframed condition.

An alternative explanation to the previous conceptualization is the notion that consumers may categorize expenses as recurring or non-recurring. Thus, the author predicts a three-way interaction between price (low, high), price frame (PAD, aggregate), and expense type (recurring, non-recurring) on participation intentions, such that:

P10: In the low-price condition, the author expects (a) higher participation intentions for the PAD frame than for the aggregate frame with non-recurring expenses; and (b) higher participation intentions for the aggregate frame than with the PAD frame for recurring expenses.

P11: In the high-price condition, the author expects no differences in participation intentions between PAD frame and aggregate frame, regardless of expense type.

1.4 Cause-Related Marketing: An Extended Framework

The previous conceptual framework explains the effect of temporal reframing of prices on behavioral intentions in generalized exchange (donation) and restricted exchange (purchase) contexts. The study now extends this framework to a cause-related marketing context, which combines the two exchange types.
Cause-related marketing is a marketing activity distinct from sales promotion, corporate philanthropy, and public relations; actually, it is a mix of all these. Varadarajan and Menon (1988) defined CRM as “the process of formulating and implementing marketing activities that are characterized by an offer from the firm to contribute a specified amount to a designated cause when customers engage in revenue-providing exchanges that satisfy organizational and individual objectives.” Adkins (1999) defines CRM as “a commercial activity by which businesses and charities or causes form a partnership with each other to market an image, product, or service for mutual benefit.” Thus, the motives for engaging in CRM are not purely altruistic, as both the business and the charity forge a partnership to achieve their own objectives and benefits. Businesses and charities may mutually benefit from CRM. Charities may achieve their goals with the new funds. In addition, businesses may increase their public relations and image while eventually experiencing an increase on their bottom lines. Businesses can effectively engage in CRM in several ways, such as offering a donation for each purchased good, or by directly sponsoring a particular charity.

American Express was the first company to coin the term “cause-related marketing” (Adkins, 1999). They donated two cents to charities for every purchase made with their card. Overall, they raised $108,000. Since then, American Express saw the potential of CRM and has supported over forty-five other charities, including the Restoration of the Statue of Liberty Project. By contributing one cent to this project per American Express card use, $1.7 million was donated to the restoration project. American Express also benefitted, experiencing a twenty-eight percent increase in the use of their credit cards. Thus, unlike traditional product strategies, CRM is more creative, more cost-effective, and it helps to fulfill social responsibilities (Smith and Alcorn, 1991), thus utilizing consumers’ “concern about and desire to help causes about which they care” as a motivation for behavior (Webb and Mohr, 1998). Several firms including Avon,
Apple, Yoplait, Tropicana, Ocean Spray, Polaroid, Ramada Inns, Arm and Hammer and Wal-Mart have entered into social alliances with non-profit causes, including cancer research, AIDS research, and education initiatives. CRM has, in many instances, increased profitability (Stroup and Neubert, 1987); researchers suggested that CRM might be “the most creative and cost-effective product strategy to evolve in years, and one that directly addresses the issue of measured financial returns” (Smith and Alcorn, 1991, p. 20)

In general, CRM leads to more favorable consumer attitudes toward the firm, their products, and the non-profit organization (Berger, Cunningham, and Kozinets 1996; Ross, Patterson, and Stutts 1992). Consumers are likely to switch brands and retailers for those who demonstrate social responsibility (Smith and Alcorn, 1991; Landreth, 2002). There are several variables that influence the effectiveness of CRM campaigns, including gender, proximity, product type, and donation size (Dahl and Lavack, 1995; Ross, Patterson, and Stutts, 1992; Strahilevitz and Myers, 1998). Much of the current CRM research examines the aforementioned areas; however, there has been no research, at the time of writing this essay, that addresses how price frame affects consumer perception of an offer, as well as consumer willingness to participate. This research addresses this issue and draws upon several theories to understand consumer participation intentions, including exchange theory, pro-social behavior, and mental accounting. Specifically, the author will examine the effect of the pennies-a-day frame (Gourville 1998) on consumer purchase/participation intentions in a cause-related marketing context. The results in the second essay of this dissertation demonstrate that exchange theory (Bagozzi, 1975) plays an important role in determining the effect of the PAD frame on participation intentions. In particular, the PAD frame has a stronger effect on participation intentions in a generalized exchange (charity donation) than a restricted exchange (regular purchases). Since CRM promises a corporate donation (generalized exchange) to a specific cause
whenever a purchase (restricted exchange) is made, it is important to examine how the PAD frame will affect consumer perceptions and participation intentions.

1.4.1 CRM: Literature Review

Consumers perform acts of altruism every day (Strahilevitz 1999). Acts include donating to charitable organizations, giving blood, donating organs, volunteering time, and even risking their own lives for the good of others. “Altruistic behavior has been observed in every culture, among men and women, children and adults, the wealthy and the needy” (Strahilevitz, 1999). Several explanations have been proposed to address the question of why people help others including, “doing the right thing” aspiration (Dawes and Thaler, 1988), moral satisfaction quest (Kahneman and Knetsch, 1992), being viewed as good and kind (Walster, Berschield, and Walster, 1973), and the “warm glow” experience (Andreoni, 1990; Isen and Levin, 1972); these explanations suggest that helping others leads one to experience positive emotions. Cialdini, Darby, and Vincent (1973) concluded that the mere act of giving often causes an otherwise painful sacrifice to feel like an overall, hedonically pleasant experience.

Giving does feel good, in part because people like to think of themselves as selfless (Strahilevitz, 1999). The tactic of suggesting a connection between altruism and happiness has been used to encourage financial contributions. For example, “give a gift to charity and make a lot of people very happy, including yourself,” has been used by New York Philanthropic Advisory Service and “Feel Good. Give Blood” has been used by the American Red Cross. Strahilevitz (1999) concludes that if giving is about feeling good, then the extent to which a promised donation to charity will add value to a product should be a direct reflection of how successful that incentive is in making consumers feel good about their purchases. Strahilevitz and Myers (1998) viewed this bundling approach (product and a donation) as a method of offering consumers two different positive outcomes for the same price: a gain in acquiring the
product, as well as a gain in good feelings, generated from knowing that one is supporting a worthy cause.

Research on CRM suggests that an individual’s judgments and decisions may be influenced greatly by how donation information is presented or framed (Grau and Garretson, 2007; Grau, Garretson, and Pirsch, 2007). Olsen, Pracejus, and Brown (2003) proposed that CRM should be stated in a transparent and straightforward way, in order not to confuse consumers. Consumers dislike ambiguous statements regarding the proposed donation and prefer to know exactly how much of their purchase is being contributed to the cause (Grau, Garretson, and Pirsch, 2007; Olsen, Pracejus, and Brown, 2003). The donation amount represents the “good deed” and is more comprehensible than those in the form of percentages (Chang, 2008); consequently, when the dollar amount being donated is specified, it can enhance the fulfillment of an important social need (Berger, Cunningham, and Kozinets, 1999). This may lead to a stronger intention to purchase a product affiliated with a charity. Chang (2008) adds that when a person desires to reduce the negative affect of guilt by engaging in the pro-social behavior of supporting a cause, an absolute amount of a donation presents a heuristic about the amount going to charity. Such a cue may mitigate negative affect and boost positive affect.

Strahilevitz and Myers (1998) proposed the concept of affect-based complementarity, whereby emotions stimulated by hedonic products are countered or complemented by the feelings inspired by donations to charity. In reality, people are more likely to choose a product offering a donation over another offering an equivalent cash discount, when the donation and corresponding price difference are relatively small, as opposed to when they are relatively large (Strahilevitz, 1999).

Pro-social behavior is described as “behavior to designate helping, sharing, and other seemingly intentional and voluntary positive behavior for which the motive is unspecified,
unknown or not altruistic” (Mussen and Eisenberg-Berg, 1977). In all cases, pro-social behavior concerns represent the overall enhancement in the well-being of groups and individuals, or society in general (Burnett and Woods, 1988).

According to Burnett and Woods (1988), people help because they conform to norms that prescribe helping, following this prescription because of external norms and self-imposed internal pressures. Helping behavior can be considered a subcategory of pro-social behavior, and helping behavior may be defined as “voluntary acts performed with the intent to provide some benefit to another person, that may or may not require personal contact with the recipient, and may or may not involve anticipation of external rewards” (Burnett and Woods, 1988). From an economic perspective, helping occurs only when the costs of the behavior exceed the benefits, and when some sacrifice is involved (Bendapudi et al., 1996).

Similar to the social exchange theory, equity theory (Walster, Walster, and Berscheid, 1978) states that individuals try to maximize positive results in an exchange; in contrast to social exchange theory, equity theory assumes that society rewards people for seeking equity in their relations. Based on equity theory, people involved in inequitable relationships are motivated to restore equity. The drive strength will vary, based on whether the individual is getting or giving too much (Burnett and Woods, 1988), relative to what the other party is getting and giving. Thus, equity theory may explain why the rich contribute to charities: the rich seek to equalize their inequitable relationships with society. This logic could also extend to consumers who feel compelled to give something back to the community in order to justify their purchases (Landreth, 2002). In summary, pro-social and helping behaviors support why consumers are willing to participate in CRM programs.
1.4.2 Conceptual Model

Bagozzi (1975) proposed that exchange forms represent the core phenomena in the study of marketing. Bagozzi (1975) also opined that marketing exchanges will affect more than two parties, will involve intangible and symbolic aspects, and can be indirect. The author then distinguished between three types of exchange situations, based on the expectations of equality and reciprocity, number of actors, and relationship structures. Two of these types are at the core of this research; a restricted exchange involves a direct, reciprocal, and two-way transfer of value between willing parties, as in for-profit sales situations; a generalized exchange involves a chain of indirect, univocal, and reciprocal transfers among at least three actors. In other words, Actor A provides value to Actor B, who provides value to Actor C, who provides value to Actor A.

Marshall (1998) elaborated on the distinctness of restricted and generalized exchanges, based on structural relationships among actors, and the resulting patterns by which value is transferred. The paper posited that in restricted exchange, two actors are in a mutually reciprocal relationship, in that Actor A provides value to Actor B and in return, Actor B provides value to Actor A. Both actors attempt to maintain equality in regard to activities and exchange items. In generalized exchange, on the other hand, at least three actors are in a system of exchange where univocal and indirect reciprocity occur such that, benefits are transferred from A to B, who then transfers benefits to C, who then provides benefits to A. Most importantly, indirect self-interest is the motivator for exchange.

Thus, restricted exchange resembles everyday retail transactions, where something of value is exchanged for another of value and both direct recipients respond to potential utilitarian benefits. On the other hand, generalized exchange is common in situations involving public policy programs, social welfare programs, and not-for-profit organizations, where enhancements to the common good, improvements to quality of life, civic duty, altruism, or personal pride
represent potential benefits to non-recipients of the direct services (Marshall, 1998). Generalized exchange thus refers to indirect processes where the elements of exchange are less concrete, less direct, and less immediate, leading to the conclusion that pro-social behavior, such as charitable donations, is a form of generalized exchange (Basil, Ridgway, and Basil, 2006).

As noted, many of the factors leading PAD to affect participation intentions negatively are related to how consumers will evaluate the offer they encounter, and whether the series of small costs will cause the consumer less satisfaction. In a restricted exchange, offers will be evaluated and actors want to guarantee equality regarding exchange; thus, each offer will be evaluated based on the budgeting rules of its corresponding category. In a generalized exchange, the exchange is symbolic (Bagozzi, 1975); the actors do not seek equality or maximizing utility, and offers won’t be evaluated, yet social norms and guilt about failing to help the less fortunate will be in effect (Basil, Ridgway, and Basil, 2006). Furthermore, in a generalized exchange context, people are more focused on the benefits, the helping side of the transaction, and not the cost they are incurring.

In a CRM context, the “charity side” of the transaction will be treated as “helping behavior,” while the “product side” will be treated as a regular purchase. When a CRM offer is framed in PAD (the purchase price as well as the donation amount), multiple donations to the cause will be treated as a series of gains in prospect theory (Khaneman and Tversky, 1979) and will outweigh the pain of the recurring costs. On the other hand, the recurring costs of the product are treated as losses (in prospect theory). However, as Strahilevitz (1999) posited, if giving is about feeling good, then a promised donation to charity will add value to the product and will help consumers to feel good about their purchases. Hence, not only will the donation be an incentive, it will also help consumers feel less guilty about the purchase they’re making and the loss. Strahilevitz (1999) also suggested that by linking small donations to the purchase of
products, marketers can actually make consumers feel good about making a contribution, without feeling bad that they are not giving more. Therefore, when consumers face a product linked to a correspondingly small contribution to charity, the frame may serve as a peripheral cue, increasing purchase willingness.

Conversely, CRM research suggests that an individual’s participation intentions are greatly influenced by how the donation information is presented (Chang, 2008; Olsen, Pracejus, and Brown, 2003). Researchers Olsen, Pracejus, and Brown (2003), further proposed that a CRM donation should be stated in a straight-forward and transparent way; consumers dislike ambiguous, proposed donations and prefer to know exactly how much money is being contributed to the cause in a CRM transaction (Grau, Garretson, and Pirsch, 2007), and as Berger, Cunningham, and Kozinets (1999) opined, when one specifies the dollar amount donated, that action can augment the fulfillment of an important social need, and “may lead to a stronger intention to purchase a product affiliated with charity” (Chang, 2008, p. 1093).

CRM allows consumers the option of being caring citizens while doing their routine shopping; however, consumers are more likely to accept a smaller request than a large one (Chang, 2008; Strahilevitz, 1999). Accordingly, in a cause-related marketing context, the author predicts that the effects of price and donation amount on participation intentions depend on the price/donation frame. That is, in the PAD frame, where the price and donation amount are both framed in dollars per day, their effects will be additive. However, in the aggregate frame, where the price and donation amounts are provided in total amounts, the author predicts a multiplicative effect. Thus, a three-way interaction between price, donation amount and framed will affect participation intentions, such that:
P12: In the PAD frame condition, there will be (a) a negative effect of price on participation intentions, (b) a positive effect of donation amount on participation intentions, and (c) no interaction between donation amount and price.

P13: In the aggregate frame condition, there will be (a) a negative effect of price on participation intentions, (b) a positive effect of donation amount on participation intentions, and (c) an interaction between donation amount and price, such that the effect of donation amount increases with a decrease in price.

1.4.2.1 CRM Process Evidence

In this part of the essay, the study addresses the effects of four factors: sympathy, cost-benefit deliberation, attitude towards the laptop manufacturer, and corporate social responsibility (Figure 1.1).

Figure 1.1: CRM Conceptual Model

1.4.2.1.1 Sympathy and deliberation

As discussed in the earlier section, the author predicts that sympathy and deliberation will affect participation intentions, such that:

P14: In low price condition, but not in higher prices, an increase in donation amount increases consumer sympathy and subsequent participation intentions.
P15a: In the low price condition, an increase in donation amount increases consumer deliberations about the benefits and subsequent participation intentions.

P15b: In the high price condition, an increase in donation amount decreases consumer deliberation about the benefits and subsequent participation intentions.

1.4.2.1.2 Corporate Social Responsibility

Mohr, Webb, and Harris (2001) defined CSR as “a company’s commitment to minimizing harmful effects and maximizing its long-run beneficial impact on society.” The definition implies that a socially responsible company considers the effects of its actions on everyone, whether directly related to the company or not. Bhattacharya and Sen (2003) argued that consumers are likely to identify with a company that offers them a positive and meaningful social identity; moreover, when a company’s behavior is perceived as socially responsible, consumers will infer that it has desirable traits that “resonate with their sense of self,” which then leads the consumer to identify with the company and behave in a manner that supports the company’s objectives (Lichtenstein, Drumwright, and Braig, 2004). Further, consumer behavior, driven by identification, will extend beyond a support of objectives to include patronage and support of company promotions. Mohr and Webb (2005) extended these arguments to suggest that CSR may add value to a product.

Similar to Lichtenstein, Drumwright, and Braig (2004), the author posits that when the perception of a company’s CSR is high, customers will identify with the corporation and are more likely to support the particular non-profit cause and the company. Folse, Niedrich and Grau (2010) proposed that in a CRM offer, the firm’s donation amount will lead to consumer inferences about the firm’s CSR; specifically, the amount of the donation has a positive effect on CSR. Thus, the author predicts:
P16: In low price condition, but not in higher prices, an increase in Donation amount increases consumer perceptions of Corporate Social Responsibility and subsequent participation intentions.

1.4.2.1.3 Attitude toward the Manufacturer

Till and Nowak (2000) found that cause marketing benefits the brand, while Cone (2007) reported that consumers favor companies that support causes. A stream of research supports that cause-related marketing offers can improve the image of the brand or improve consumer attitudes toward the company supporting the cause (Creyer and Ross, 1996; Brown and Dacin, 1997). Strahilevitz (2003) found that when consumers perceive a firm to be unethical, skepticism is evoked, negating any positive effects of cause-related marketing. Firms perceived to be ethical or ethically neutral avoided this negative effect.

Barone et al. (2000) found that consumer attributions of a company's motive for associating with a cause tend to influence consumer attitudes toward the company. Varadarajan and Menon (1988) warned that firms making cause-related marketing offers could be perceived as primarily self-interested and thus experience negative outcomes. Webb and Mohr (1998) also found that consumers, when skeptical of the cause-related marketing efforts, are likely to respond negatively to a cause-related marketing initiative. The negative attitudes stem from consumer distrust of either the honesty or fairness of the amount donated to the nonprofit organization. Dahl and Lavack (1995) found a stronger belief that the company was exploiting the cause, when the donation was perceived as small.

Berger, Cunningham, and Kozinets (1999) suggested that when the exact dollar amount being donated is specified, it can enhance the fulfillment of an important consumer social need; the donated amount represents a “good deed” (Chang, 2008) and as such is more comprehensible than donations framed differently (as in PAD). Olsen, Pracejus and Brown (2003) indicated that
consumers report a more favorable attitude toward a company when the donation is presented in an absolute amount that is “readily and accurately interpretable by consumers” (Chang, 2008). Consequently, the author proposes:

**P17a**: In a low price, PAD frame, an increase in donation decreases consumer attitudes toward the manufacturer and subsequent participation intentions.

**P17b**: In low price, Aggregate frame, an increase in donation increases consumer attitudes towards the manufacturer and subsequent participation intentions.

### 1.4.3 Conclusion

To conclude, there have been many recent trends and innovations that influenced the implementation of CRM. Purchases that trigger a donation remain one of the most effective means of a CRM. However, a CRM that is more personalized moves to the forefront. Some businesses have effectively engaged in CRM by printing the mission of their charity’s cause on their packaging. Consumers increasingly show interest in businesses that donate to a cause of the consumer’s choosing; for example, Cooperative Bank engaged in this type of donating scheme by allowing customers to choose from a selection of causes.

Consumers today expect much more from businesses and have access to more information than ever before; an event halfway across the world can be known in a matter of seconds in the Internet Age. There is also a rising number of vigilante consumers who will boycott a company, based on a company’s ethics or lack thereof. CRM allows businesses to communicate their positive philanthropy to the consumer. CRM can be a differentiator to these consumers. Companies will increasingly seek longer, sustainable relationships with charities, in order to be associated with a cause.

CRM in the future could be properly used in the long-term to benefit businesses, charities and consumers. Conversely, it could be taken advantage of by short-term, oriented businesses
seeking one-sided benefits. CRM in the future could also initially begin as pilot programs with eventual long-term implications. The future of CRM may be found in partnerships formed with respect and consideration for one another’s goals and objectives.

The present research extends previous work on cause-related marketing and pennies-a-day effect or temporal reframing of prices. In addition, this research offers interesting implications for marketing managers working on a cause-related marketing campaign. The research brings new variables of interest to the area and examines how these variables may affect the pricing, donation amount, and frame of a CRM campaign.
CHAPTER 2. ESSAY TWO

2.1 Introduction

Research on consumer response to different pricing tactics has been plentiful in the past three decades, and marketers still seek new ways to make products and services more attractive. An important strategy that research has sought to explain and endorse is the pennies-a-day effect (PAD), where the price of a product or service is expressed as a small ongoing expense, rather than a full or aggregate cost (Gourville, 1998). Citing practitioners’ use of pennies-a-day strategies, Gourville (1998) examined the effect of temporal reframing of costs on charitable donations.

Many companies, magazine publishers, retailers, social welfare institutions, and others are utilizing this strategy to boost their sales and to attract more customers. Despite their application in retailing, these strategies have not garnered the approval of all theorists in the field. The debate on the effectiveness of these strategies remains, where a number of theories do not support the PAD effect. Based on standard economic theory, reframing a transaction from an aggregate price to a series of small daily expenses should not alter compliance unless accompanied by a change in cash flows.

The purpose of this essay is to study the pennies-a-day (PAD) effect and to explain some of the factors that mediate and moderate the phenomenon. This essay will also help understand how the effect on respondents’ behavioral intentions will vary across different product categories (charity and consumer products), expense categories (recurring and non-recurring expenses), and price levels (low vs. high).

The essay is organized as follows: First, the study will review literature related to pennies-a-day. Second, this study will propose a conceptual model, including discussions of the
independent and dependent variables of interest. Third, pretests and main study findings will be discussed. Finally, discussion of the findings and their implications from both academic and managerial perspectives will be included.

2.2 Literature Review

Thaler (1985) introduced a sequential analysis to describe purchase behavior that optimizes transaction utility. According to Thaler (1985), consumers respond to certain local temporal budget constraints, where expenditures are grouped into categories and then considered within their respective categories. Thus, in considering any choice prospect, consumers will map that prospect into similar purchase categories; when a match occurs, the purchase will be evaluated, taking into consideration the time and category-specific budget constraints. Consequently, if a price is temporally reframed, the transaction will be mapped into categories with small, daily expenses, which tend to have loose budget constraints in the peanuts effect, noted by Markowitz (1952), and evaluated accordingly.

The first research to propose the pennies-a-day effect was Gourville (1998). Gourville (1998) proposed a two-step model to explain PAD effectiveness. In the first step, we see comparison retrieval: When consumers are faced with a transaction, they will retrieve a category of comparable expenses to use as a standard of comparison. In the case of PAD, the categories retrieved for comparison are small, ongoing, expense categories. In the second step of transaction evaluation, the target transaction is evaluated in the context of the retrieved category. This stage builds on Schwarz and Bless’ (1992) inclusion/exclusion model (IEM). IEM proposes that assimilation and contrast effects are functions of the mental interpretations of targets and standards, and both are based on what is accessible at the time of the judgment. Assimilation occurs when the target is included in the primed category, whereas contrast occurs when the target is excluded from the primed category. Similarity of the target to the prime suggests that
these two belong to the same category, thus increasing the likelihood of inclusion. On the other hand, extreme primes are, by definition, more remote from the target, and are therefore more likely to be excluded and to lead to contrast than are moderate primes (Forster, Liberman, and Kuschel, 2008). In the case of temporal reframing of a price, when the target transaction is matched with a sufficiently similar expense category, assimilation occurs and the target transaction will be accepted as a member of that category, and will take on its general characteristics. On the contrary, if the transaction does not satisfy all of the conditions of the prospective category, contrast will occur and the transaction will not be considered similar to, and cannot be evaluated as, the other expenses that belong to that category.

In a series of studies, Gourville (1998) found support for the PAD effect in a charity context, using donation likelihood as the dependent variable. The results showed that PAD strategy increased respondents’ mean donation likelihood, yet only at low price levels ($1 and $350 for the PAD and aggregate conditions, respectively) but not at high price levels ($5 and $1750). In a related study, Gourville (1999) explored the PAD effect in a product context, using perceived value as the dependent variable and concluded after finding mixed results, that strategy effectiveness is bounded by the characteristics of the product being promoted. Gourville (2003) builds on the earlier research and explores the robustness of the PAD phenomenon across a range of product categories, different levels of temporal aggregation, and an array of price levels; in this research, Gourville utilized the palatability of an offer frame to a consumer as a dependent variable; the results varied as well.

While earlier literature supports the effect of PAD on consumer choice, the following theories do not share the same perspective. Prospect Theory (Kahneman and Tversky, 1979) distinguishes between two phases in the choice process, an early editing phase and a later phase of evaluation. In the editing phase, prospects are analyzed, yielding a simpler representation of
those prospects; in the process, outcomes are first coded as gains or losses, rather than final states of welfare or wealth. Whether an outcome is coded as a gain or a loss will depend on a reference point that corresponds to the person’s current asset position, in which case gains and losses coincide with the actual amounts that are received or paid. In the evaluation stage, prospects are evaluated, based on a value function. The value function is defined over perceived gains and losses relative to some neutral reference point; it is assumed to be concave for gains and convex for losses, until finally, the loss function is steeper than the gain function. Thaler (1985) extended the prospect theory value function to incorporate compound outcomes and concluded that when faced with multiple losses, people prefer to integrate those losses. Thus, when faced with a series of small costs, consumers would combine those costs into one large expense. Accordingly PAD, or any form of temporally reframing of prices, will lead to a negative effect on consumer purchase intentions, because one would rather take advantage of the flattening of the prospect theory’s value function at large costs, rather than suffer the most painful and steepest part of the value function for a series of small costs (Gourville, 1998; Kahneman and Tversky, 1979).

Another theory disconfirming the PAD effect is the very same one that Gourville (1998) uses to support its assimilation – the contrast theory (Schwarz and Bless, 1992). Forster, Liberman, and Kuschehl (2008) stated that a general perspective on both the prime and the target is likely to make them seem similar to each other and thus will lead to assimilation; yet a close, detailed look is likely to produce a contrast. This guides us to the conclusion that the PAD frame will lead to a negative or no-effect on participation intentions, if the consumers elaborate on, or spend more time studying, the offer at hand. The more time spent studying the offer, the higher the likelihood of finding distinct features between the prime and the target, leading the consumer to realize a mismatch between the product and the target category. For example, when a consumer first encounters a dollar-a-day offer for an encyclopedia, the daily expenses category
will be triggered; however, as the consumer elaborates on that offer, the corresponding product schema (e.g. books and encyclopedias) will be activated, and the purchase decision will be based on the rules of this category.

Fuzziness of the boundaries of the prime and the targets presents yet another moderator of assimilation versus contrast in IEM (Forster, Liberman, and Kuschehl, 2008). When the boundaries are ill defined or more permeable, assimilation is more likely to occur. In the case of temporally reframed prices, the target category is fuzzy enough to lead to assimilation, yet the prime boundaries are not fuzzy and ill-defined all the time. When consumers encounter a PAD offer for a product belonging to a well-defined category, especially an exemplar, contrast is more likely to occur (Forster, Liberman, and Kuschehl, 2008).

Thaler (1999) discussed the effects of payment decoupling, where prepayment separates purchase from consumption, thus reducing the perceived cost of the activity. The author suggested that the mental accounting advantages of decoupling are not just associated with prepayment. According to Thaler, (1999), a major disadvantage of the piece-rate pricing policy is that it sheds a light on the links between the payment and the act of consumption, when the opposite is a lot more helpful. “Consumers don't like the experience of having the meter running,” (Thaler, 1999, p. 192), presenting the notion that the strategy of decoupling consumption from fees minimizes the marginal cost, which is more attractive to the consumer. That is why health clubs will charge for their membership on a monthly or yearly basis, thus decoupling usage from fees; when the consumer fails to visit every day, they have no need to think about exactly how much money they lost.

2.3 Study Constructs

In this section, the author will define the manipulated and measured constructs that will be studied in this essay.
2.3.1 Frame

Frame is the temporal frame of the offer, i.e., whether the price is displayed as a daily recurring expense or a full price.

2.3.2 Price

Price is the asking price or the cost of accepting the offer.

2.3.3 Exchange Type

Exchange type was defined first by Bagozzi (1975), as the type of exchange that the offer comprises; it is directly related to the type of product exchanged/offered.

2.3.4 Expense Type

Expense type is the type of expense that the offer comprises, an expense perceived as recurring (something a consumer expects to buy frequently), or an expense perceived as non-recurring (something a consumer expects to be a one-time charge, that is unlikely to occur again in the near future). It is directly related to the product offered.

2.3.5 Sympathy

Sympathy is the consumer’s affect or subjective feelings associated with the offer.

2.3.6 Offer Attractiveness

Offer attractiveness is the cognitive evaluation of the offer (deliberation on the offer).

2.3.7 Participation Intentions

Participation intention is the consumer’s likelihood to participate in an offer.

2.4 Conceptual Model

Research studies on the effect of PAD cover a range of products. One distinct research study, Gourville (1998), studies the PAD effect on charitable donation requests; in two experiments, the PAD effect is tested on the likelihood of accepting a PAD offer, specifically likelihood to donate, as the dependent variable. This study was distinct, because subsequent
research avoids the use of purchase likelihood and relies on offer attractiveness and perceived value (Gourville, 1999, 2003) to measure the PAD effect on a wide variety of products. In this essay, two competing theories will be suggested in order to understand how the PAD effect will vary across different types of exchange (consumer products vs. charity donations), and across different types of expenses (recurring vs. non-recurring expenses). The PAD effect will also be measured on several dependent variables, because the author avers that as the exchange type varies, the effect on some of these variables will change as well, and might even lead PAD to produce a negative effect on purchase likelihood.

2.4.1 Exchange Type

Bagozzi (1975) realized the importance of the exchange paradigm in conceptualizing marketing behavior; the author proposed that exchange forms are central to the study of marketing. In fact, Bagozzi (1975) suggested that marketing exchanges will affect more than two parties, involve intangible and symbolic aspects, and be indirect; the author further distinguishes between three exchange types, based on expectations of equality and reciprocity, the number of actors, and relationship structures. Two of these types are at the core of this research. A restricted exchange involves direct, reciprocal, and two-way transfers of values between willing parties, as in for-profit transactions. A generalized exchange involves a chain of indirect, univocal, and reciprocal transfers among at least three actors, where Actor A provides value to Actor B, who provides value to Actor C, who provides value to Actor A.

Marshall (1998) elaborates on the distinctness of restricted and generalized exchanges, based on structural relationships among actors and the resulting patterns by which value is transferred. The paper posits that in a restricted exchange, first, two actors are in an exchange relationship that is mutually reciprocal, such that Actor A provides value to Actor B, and in return, Actor B provides value to Actor A. Second, both actors attempt to maintain equality
regarding activities and exchange items. In a generalized exchange, on the other hand, at least three actors are in a system of exchange, where univocal and indirect reciprocity occurs, such that benefits are transferred from A to B, who then transfers benefits to C, who in turn provides benefits to A. Most importantly, indirect self-interest is the motivator for exchange.

Thus, restricted exchange resembles everyday retail transactions, where something of value is exchanged for another of value and both direct service recipients are responding to potential utilitarian benefits; on the other hand, generalized exchange is common in situations involving public policy programs, social welfare programs, and not-for-profit organizations, where enhancements to the common good, improvements to quality of life, civic duty, altruism, or personal pride are potential benefits to non-recipients of the direct services (Marshall, 1998). Generalized exchange thus refers to indirect processes where the elements of exchange are less concrete, direct, and immediate, leading to the conclusion that pro-social behavior, such as charitable donations, is a form of generalized exchange (Basil, Ridgway, and Basil, 2006).

As noted, many of the factors leading PAD strategy to have a negative effect, or in the best case no effect at all, on purchase intentions are related to how consumers will evaluate the offer they encounter and whether the series of small costs will cause the consumer to suffer more. In a restricted exchange of a product, offers will be evaluated, and actors will want to guarantee equality regarding the exchange; thus each offer will be evaluated based on the budgeting rules of its corresponding category. In a generalized exchange, charity is symbolic (Bagozzi, 1975), where actors do not seek equality or maximizing utility; however social norms and guilt about failing to help the less fortunate will be considered (Basil, Ridgway, and Basil, 2006). In addition, Hibbert and Horne (1996) suggested that little energy will be expended on information search or processing in a generalized exchange.
As per Markowitz (1952) and Gourville (1998, 1999, and 2003), the PAD effect can only take place when the recurring expense is small enough to be considered insignificant. Thus, the author expects no PAD effect on participation intentions at high price levels.

Based on the conceptualization that consumers view charitable donations as gains that are segregated and view product expenses as losses that are integrated, the author predicts:

**H1:** Participation intentions will be determined by a three-way interaction between price, price frame, and exchange type. The nature of this interaction is as follows:

**H1 (a):** In the low-price condition, there will be an interaction between frame and exchange type. Participation intentions will be higher for PAD frame than for aggregate frame in the generalized exchange, while participation intentions will be higher for aggregate frame than for PAD frame in the restricted exchange.

**H1 (b):** In the high-price condition, participation intentions will not be affected by frame or exchange type.

**H2:** Expense type will not affect participation intentions.

Although the decision making process concerning a donation will not go under the scrutiny of our mental accounting rules, there are other factors that will hinder the process.

**2.4.1.1 Process Evidence: Charity**

After encountering a donation request, the helping decision process is triggered, which begins with the donor's perception of how much the charity is in need of help. This perception is affected by personal experience and exposure to information (via external and internal sources). For perception of need to result, prospective donors must believe in the authenticity of the charity's message, which is a function of the charity's image. Thus the charity’s image familiarity and personal evaluation (attitude) is the most critical element of its promotional program, because it may determine whether the helping decision process is initiated (Bendapudi, Singh,
and Bendapudi 1996). The attitude towards a charity organization (ACO) fits in the attitude towards the target category (Eagley and Chaiken, 1993), and thus will have an indirect positive effect on behavioral intentions.

The motivation for helping may be triggered by the donor’s persistent or transient characteristics, or both. Persistent characteristics may be altruistic or egoistic (moral identity); while transient characteristics may be affective (sympathy and anticipated guilt) or cognitive (deliberation). This study is mostly interested in the effect of two factors, sympathy and offer attractiveness, which represent the affective and cognitive components, respectively.

2.4.1.1.1 Sympathy (Affect)

Similar to Loewenstein and O’Donoghue (2004), the term “affect” focuses on the subjective feeling states which are associated with emotion and its role in human motivation. By definition, all affect has valence, and many carry action tendencies (Frijda, 1986). As Zajonc (1998) opined, affective processes are those that address the approach/avoidance behavior. Affect embodies not only emotions such as anger, fear, and jealousy, but also drive states such as hunger, thirst, and sexual desire, as well as motivational states such as physical pain, discomfort, and drug craving (Loewenstein and O’Donoghue, 2004). One important motivation in this research is sympathy. Sympathy continues to be of great importance to humanity (Loewenstein and Small, 2007) due to its direct relationship to helping behavior. Sympathy as a mental process is caring, yet immature and irrational; the emotion makes one cry every time one watches Sophie’s Choice, hoping that this time the Nazi officer will let Meryl Streep keep both her children, although in the earlier ten times one viewed the movie, he did not.

When a person feels sympathetic toward a particular victim or cause, the human mind is adept at generating reasons why that victim deserves aid. This can be a matter of rationalization
or simply a consequence of sense making; thus when one feels something, there is a natural and automatic tendency to try to make logical sense of that feeling (Loewenstein and Small, 2007).

Loewenstein and O’Donoghue (2004) further stated that the effect of sympathy can influence deliberation (cognition), since input from the affective system may be required for sound, deliberative thinking. Sufficient evidence shows that affect serves as an essential input for decision-making, especially in evaluating the value of future outcomes. There is also a large body of research dealing with motivational biases on judgment that shows the various ways in which affect biases cognitive deliberations (Kunda, 1990). Other research shows the negative effects of blocking decision-makers’ affective reactions to a set of alternatives (Wilson and Schooler, 1991; Wilson et al, 1993).

The capacity for sympathy evolved for reasons that probably had to do with the nurturance of genetic offspring, but which subsequently became generalized to unrelated individuals. The specific situations and target-objects that evoke sympathy are certainly mediated by culture and personal experience, but many responses seem to be programmed at a more fundamental level, as they can also be discerned in lower animals such as nonhuman primates and even rats (de Waal, 1996; Preston & de Waal, 2002). Situations and stimuli that reliably affect sympathy include: own personal state, past experience, proximity, in-group similarity, and vividness (Loewenstein and Small, 2007).

In sum, sympathy is responsive to a variety of factors that are difficult to justify normatively. Victims who share our own affective state, who are geographically or socially proximate, who are similar to us or are presented to us in a vivid fashion are, logically, no more deserving of aid; but they are far more likely to elicit sympathetic responses.
2.4.1.1.2 Deliberation (Offer Attractiveness)

People also encounter stimuli, which can potentially trigger deliberations about whether aid would be helpful in a particular situation. One might, for example, conclude, at a cognitive level, that an amorphous charity, such as United Way, merits one’s support, yet feel little visceral sympathy toward the people who would be helped (Loewenstein and Small, 2007). Loewenstein and O’Donoghue (2004) suggested that the deliberative system can also influence the affective system, taking the form of deliberative thoughts that activate emotions in the affective system. The deliberative system can, as well, attempt to control or override the motivations in the affective system. In other instances, the control attempt itself will exhaust the person emotionally, and physically exacerbate the very emotion one is trying to suppress (Wegner, 1992; Smart and Wegner, 1996).

Motivational processes also come into play in the absence of affect. If one does not experience sympathy toward a target, one will hone in on any pretext to provide an excuse to avoid coming to the target’s aid. Deliberation channels the inclinations induced by sympathy in more rational directions. However, distorted by the very emotions that provide the impetus for aid, deliberation rarely provides a rational and accurate calculation of the costs and benefits of such aid (Loewenstein and Small, 2007).

Deliberations about the benefits of providing aid will also affect feelings. Unmoved about a specific cause, but believing that it can and should be dealt with, one can attempt to move oneself emotionally, for example, through empathizing with the victims. Conversely, the cognitive realization that helping is impossible or excessively costly to the self might lead people to reappraise the situation so as to mitigate emotion (Loewenstein and O’Donoghue, 2004).

Although different people will differ in the types of deliberations in which they engage, and different situations may elicit different types of deliberations, most deliberations probably
include these major components: (a) calculations of the degree to which an aid recipient merits assistance, perhaps based on a judged level of misery; and (b) an evaluation of the degree to which one is actually in a position to deliver helpful aid (Loewenstein and Small, 2007).

Accordingly, the author believes that deliberation will act as an emotional deterrent under certain circumstances. When potential donors are presented with a small, temporally reframed request, emotional factors will overpower the effect of cognitive deliberation, due to the low perceived cost-to-benefit ratio. Thus, affect will have a stronger influence on participation intentions than will cognitive deliberation. As the amount requested increases, even in the case of temporally reframed requests, deliberation effect starts to overpower the affective effect on participation intentions, and at a certain point reversal will take place, thus compelling donors to tone down their emotions. For example, when presented with a dollar-a-day request, potential donors will perceive the amount as too small with benefits far more outweighing that cost, showing the peanuts effect (Markowitz, 1952); however, as this daily expense increases, the amount is no longer small, but a significant amount taken from their daily budgets, thus pushing them to deliberate more than usual on the cost of this transaction, which from a prospect theory perspective will be more painful than an aggregate request.

In the generalized exchange (charity), the author predicts:

**H3:** The effect of price on participation intentions is mediated by (a) offer attractiveness and (b) consumer sympathy.

**H4:** The effect of price frame on participation intentions is mediated by (a) offer attractiveness and (b) consumer sympathy.

It is noteworthy that it is possible for people to simultaneously experience several motives, some of which may even be conflicting. The opportunity to help by volunteering at a disaster site may evoke an altruistic motive to help others, as well as an egoistic motive to avoid
the distress caused by human anguish. If the different motivational states are compatible, there is an additive effect. If they are not, there is a drive to satisfy the stronger motivational state (Batson 1987).

The potential donor faced with a helping situation may form expectations regarding the rewards (or punishments) for helping (or not helping). The expectations may stem from the donor's learning history (direct and vicarious experiences), or they may be created by the organization's appeals for help. For example, a charity soliciting blood donations may invoke the rewards of helping (e.g., promising first-time donors $25) or the punishments for not helping (e.g., suggesting that non-donors are sure to experience pangs of guilt).

2.4.1.2 Process Evidence: Product

Campbell (1999) argued that knowledge regarding selling tactics of marketers can influence consumer responses to marketing stimuli such as prices, price presentation, and price advertising. Also, attribution theory related researches, where consistency and distinctiveness of pricing tactics have been varied experimentally, supports the premise that consumers do possess knowledge schemata, through which they evaluate price promotions (Lichtenstein and Bearden, 1986, 1989; Hardesty, Bearden, and Carlson, 2006).

Perceived price changes may elicit consumer feelings of anger, happiness, sadness, or relief; yet, an overwhelming portion of behavioral pricing research focuses on cognitive price-related phenomena, such as price thresholds, reference prices, value-for-money judgments, and price fairness perceptions. The impact of emotions on consumer behavior is well established in the literature (Bagozzi et al., 1999). Multi-component models (Ajzen, 2001, for example) suggested that affect and cognition influence behavior independently. Thus, the consideration of consumer emotional responses to price information may help provide a more detailed account of
consumer processing of price information, and thus improve the prediction of consumer behavior.

To explain the effect of temporally reframing of a price on purchase intentions, this study proposes a two-component model. The affective component considers a buyer’s feelings about the price, while the cognitive component follows Thaler’s mental accounting rules and processes.

According to appraisal theory, individuals appraise surrounding events in terms of the consequences for their physical and/or psychological well-being (Lazarus, 1991). Thus, emotions will arise from the cognitive appraisal of an event, rather than from the event itself (Lazarus, 1999). Xia et al. (2004) supported the premise that consumers seeking fair economic exchange may experience contempt, anger, guilt, or liking, depending on whether their perceptions of price are fair, or unfair. Fairness is defined as a judgment of whether an outcome, or the process to reach an outcome, is reasonable or acceptable (Bolton, Warlop, and Alba, 2003). The cognitive aspect of this definition indicates that price fairness judgments involve a comparison of a price with a pertinent standard, reference, or norm. When the price being judged differs from the price in the reference transaction, the price difference may induce an unfairness perception (Xia et al., 2004). Consumers may also draw on their general knowledge about the marketplace. Bolton, Warlop, and Alba (2003) suggested that buyers may judge fairness at an aggregate level across multiple dimensions of a transaction. Social norms of economic exchange, which are the rules that guide behavior for both buyers and sellers, will also influence the buyer’s perceptions of price fairness (Maxwell, 1999). Maxwell (1995), in turn, claims that consumers also rely on their beliefs about the exchange norms to refine their price fairness judgments.

Little behavioral pricing research has addressed the effect of price presentation on a buyer’s price fairness perception. Although previous research has shown that unfair price perceptions influence customer satisfaction, participation intentions, and complaints (Campbell,
1999; Martins, 1995), researchers still tend to ignore the effect of price presentation. Accordingly, the author predicts that when consumers face an atypical/abnormal price request (in this case, a temporally reframed price request), negative feelings of unfair treatment will arise leading to psychological reactance; i.e., increased resistance to persuasion.

As per the discussion earlier concerning mental accounting rules, the author predicts that in the low, temporally reframed price condition, potential buyers will perceive the expenses as ongoing/recurring daily expenses. Thus, in accordance with the Prospect Theory value function (Kahneman and Tversky, 1979), this set of expenses will maximize the pain for consumers, for losses are supposed to be aggregated in comparison to a full aggregate price request. On the other hand, in the high temporally reframed condition, the expenses are too large to consider daily expenses; and potential buyers, when deliberating on the purchase, will automatically calculate an aggregate amount to be spent. Thus, the price will be evaluated in its aggregate form in both conditions.

In the restricted exchange (product), the author predicts that:

H5: The effect of price on participation intentions is mediated by (a) offer attractiveness, (b) but not by consumer sympathy.

H6: The effect of price frame on participation intentions is mediated by (a) offer attractiveness, (b) but not by consumer sympathy.

2.4.2 Expense Type

In this section, the study will discuss how temporally reframing price across different expense types (recurring, daily expenses vs. non-recurring, one-time-only expenses) will affect participation intentions.

Mental accounting principles are employed by consumers to minimize time and thinking costs and for self-control purposes (Thaler, 1999). Mental accounts, although formal and a key
device in self-regulation, are not rigid. In many instances, when consumers consider an ambiguous, unclassified expense, they create new accounts for those expenses, even bending some rules to accommodate those expenses in their budget (Cheema and Soman, 2006). When expenses are clear and unambiguous, on the other hand, money cannot be moved across accounts without the action being a clear violation of the set constraints of the accounts.

Henderson and Peterson (1992) argued that mental accounts represent categories, and the categorization decisions of the elements are driven by the same cognitive processes that people use for object categorization. Most categorization theories postulate that categories will provide a set of expectations about the nature of their members; similarly, mental accounts have reference states that provide expectations and serve as a guide in evaluation (Kahneman and Tversky 1979; Thaler 1985; Henderson and Peterson 1992).

Mental accounts cannot be described by a set of necessary and sufficient features; therefore people may categorize items on many dimensions. Thus, an expense may be assigned to a particular account because it meets a common goal, or because of similarity in purchase characteristics such as magnitude, format, or location (Heath and Soll, 1996). Thus, the author expects that people may assign expenses to categories characterized as recurring or non-recurring expense accounts. Although recurring expenditures are expenses that by nature a consumer expects to occur over a course of time, non-recurring expenditures are one-time-only expenses.

While making decisions, consumers assign a variety of purchases to their proper accounts. When expenses are difficult to categorize, expenses will go through what Heath and Soll (1996) labeled as expense tracking. The tracking process is broken down into two stages: (a) expenses must first be noticed; and (b) then assigned to their proper accounts. The two stages depend on different cognitive systems: the first depends on attention and memory, and the second stage depends on similarity judgments and categorization. Most importantly, posting an
expense to the proper account requires people to decide how to categorize an expense that may vary in its relevance for existing accounts (Heath and Soll, 1996). Failure at any of the two steps will render the budget unaffected, and no action would be taken.

When prices are temporally reframed, the expenses are perceived as recurring expenses. Typical expenses are more likely to be posted to the corresponding account and will affect budgets much more than less typical expenses; yet, prototypical goods will be most subject to budgeting constraints (Heath and Soll, 1996).

If temporal reframing is applied to an expense that typically recurs, consumers are more likely to perceive it as a perfect representative of its category, and thus the recurring expense will be the most subject to the rigors of budgeting (Heath and Soll, 1996). Non-recurring expenses, on the other hand, that are temporally reframed, are less representative of their category and therefore will be subject to less budgeting constraints (Heath and Soll, 1996). In sum, the author proposes that temporal reframing will have more influence on participation intentions for expenses that are non-recurring by nature versus expenses that consumers perceive as recurring expenses.

Like Gourville (1998), the author acknowledges that PAD can only be effective when the daily amount is small enough to be considered a daily, recurring expense; thus, at high price levels, potential buyers tend to aggregate prices, even in the temporally reframed condition.

An alternative explanation to the previous conceptualization is the notion that consumers may categorize expenses as recurring or non-recurring. Thus, the author predicts:

H7: Participation intentions will be determined by a three way interaction between price, price frame, and expense type. The nature of this interaction is as follows:
H7 (a): In the low-price condition, this study expects (a) higher participation intentions for PAD frame than for aggregate frame with non-recurring expenses; and (b) higher participation intentions for aggregate frame than with PAD frame for recurring expenses.

H7 (b): In the high-price condition, the author expects no differences in participation intentions between a PAD frame and an aggregate frame, regardless of expense type.

H8: Exchange-type will not affect participation intentions.

2.5 Pretest

2.5.1 Sample and Design

Two products (laptop and health club) and two charities (well-known charity and life-saving donations) were pretested to determine whether each item will reflect the intended expense type. The laptop and the life-saving surgery donation were expected to be categorized as non-recurring expenses. For example, when buying a laptop, a consumer will not expect a similar purchase in the near future. However, when donating money to help an individual undergo a one-time surgery the individual cannot afford, it is a donation that one rarely encounters. Conversely, the health club membership and charity donation were expected to be recurring expenses. Respondents (N = 39) were asked to rate whether they perceived each expense as a recurring or a non-recurring expense (1 = recurring, 9 = non-recurring).

2.5.2 Results

The means were as follows: $\text{Mean}_{\text{Laptop}} = 7.3333$; $\text{Mean}_{\text{Charity Donation}} = 3.7949$; $\text{Mean}_{\text{Health Club}} = 3.0769$; and $\text{Mean}_{\text{Life-Saving Donation}} = 7.1795$. A paired t-test for the product pair was run and the means were significantly different ($t(38) = 11.01; p < 0.001$), as were the charity pair ($t(38) = -8.53; p < 0.001$). In addition, a paired t-test for our proposed recurring expenses (charity and health club) and another for the proposed non-recurring expenses (Laptop and Life-Saving...
Surgery), which showed the mean differences not significantly different (t (38) = 1.91; p=.065 and t (38) = 0.39; p=.699 respectively).

2.6 Main Experiment

2.6.1 Methods

2.6.1.1 Sample

To test our hypotheses and to assess the PAD effectiveness, a computer-based experiment was conducted. Four hundred undergraduate students took the study for extra-credit.

2.6.1.2 Stimuli and Design

Different scenarios were provided to subjects in the experiment; two manipulations were provided in the following scenario: “Assume that you've just graduated from college and started a new job that pays $50,000 annually. Your company's monthly newsletter contains employee specials (donation pleas or retail offers) from (well-known charities or different retailers). If you were to participate in one of these offers, the payment for your purchases would be pro-rated (assessed/ distributed proportionately) and automatically deducted from every paycheck FOR A PERIOD OF ONE YEAR. In this study, you will be asked to evaluate some of these offers.” The price of the offer or plea was also manipulated (high, low) in the experiment, as was the price frame (PAD, aggregate). The final manipulation was the expense type (recurring, non-recurring).

After the instructions, respondents were presented with one of sixteen offers that are manipulated in a 2 x 2 x 2 x 2 between subjects design. The first factor is the type of exchange where the laptop and the health club represent the restricted exchange (consumer product) category, while a well-known charity donation and a life-saving surgery donation represent the generalized exchange (charity) category. The second factor is the expense type: the life-saving surgery and the laptop represent the non-recurring expenses category, and the health club and charity donation represent the recurring expenses category, as per the pre-test. The third factor is
the offer temporal frame: the subjects saw either a PAD framed offer or an aggregate-framed offer. The fourth factor is the price (low price vs. high price); i.e., the dollar amount of the offer seen as: $1 and $365 for the low price level and $5 and $1825 for the high price level. The dollar values were chosen in accordance with Gourville (1998), where $1 was the relatively low price, and $5 was the relatively high price level, based on market prices.

2.6.2 Measures

2.6.2.1 Participation Intentions

After observing one of the offers, respondents were asked, “How likely are you to participate…?” and responded on a 9-point scale with “Not at all likely” at one, to “Extremely likely” at nine, as anchors.

2.6.2.2 Sympathy

The three-item sympathy scale developed by Moore (1997) was modified to include two additional items; this five-item scale measures situational sympathy and was included in the main experiment. A sample item was “While exposed to the (stimulus), how strongly did you feel compassionate? (1) Not at all, to (9) Very.

2.6.2.3 Offer Attractiveness

A single item measured the attractiveness of the offer as part of the cognitive component. “How attractive was the (stimulus)? (1) Very unattractive, to (9) Very attractive.

Response times for the measurement items were also measured, except for participation intentions, which was on the same screen with the stimuli.

2.6.3 Results

2.6.3.1 ANOVA

A 2 (frame: PAD/aggregate) x 2 price: high/low) x 2 (exchange type: generalized/restricted) x 2 (expense type: recurring/non-recurring) ANOVA was run with
participation intention as the dependent variable. The results showed significant main effects for price (F (1, 402) = 63.78, p < 0.001) and exchange type (F (1, 402) = 6.129, p<0.014). Two 2-way interactions between frame and exchange type (F (1, 402) = 40.297, p < 0.001) and product and expense type (F (1, 402) = 7.397, p<.007) were also significant. Most importantly, the 3-way interaction between price, frame, and exchange type was significant (F (1, 402) = 18.259, p < 0.001). Table 2.1 illustrates the results of the ANOVA.

2.6.3.1.1 Test of Hypothesis One

In the low price condition, H1 predicted (a) higher participation intentions for the PAD frame than for the aggregate frame in the generalized exchange (charity), and (b) higher participation intentions for the aggregate frame than for the PAD frame in the restricted exchange (product). In the high-price condition, H1 predicted no differences in participation intentions between the PAD frame and the aggregate frame, regardless of exchange type.

A planned comparison for the significant, three-way interaction of exchange type x price x frame was conducted (Figure 2.1).

<table>
<thead>
<tr>
<th>Table 2.1: ANOVA Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Source</strong></td>
</tr>
<tr>
<td>Corrected Model</td>
</tr>
<tr>
<td>Intercept</td>
</tr>
<tr>
<td>Price</td>
</tr>
<tr>
<td>Frame</td>
</tr>
<tr>
<td>Exchange Type</td>
</tr>
<tr>
<td>Expense Type</td>
</tr>
<tr>
<td>Price * Frame</td>
</tr>
<tr>
<td>Price * Exchange Type</td>
</tr>
<tr>
<td>Price * Expense Type</td>
</tr>
<tr>
<td>Expense Type * Frame</td>
</tr>
<tr>
<td>Exchange Type * Frame</td>
</tr>
<tr>
<td>Exchange Type * Expense Type</td>
</tr>
<tr>
<td>Price * Frame * Expense Type</td>
</tr>
</tbody>
</table>
The planned comparisons show that in the low price condition, the mean participation intention was higher for the PAD frame than for the aggregate frame in a generalized exchange (charity), $M_{PAD} = 6.924$ vs. $M_{Aggregate} = 4.916$ ($F(1, 386) = 22.752, p < 0.001$); while in the restricted exchange condition (product), the mean participation intention was higher in the aggregate frame than in the PAD frame, $M_{Aggregate} = 6.588$ vs. $M_{PAD} = 4.036$ ($F(1, 386) = 37.215$, $p < 0.001$), thus supporting H1(a).

In the high price condition, none of the mean differences in participation intentions were significant, thus confirming H1 (b).

### 2.6.3.1.2 Test of Hypotheses Two, Seven and Eight

The expense type had no significant effects, neither were the main effects nor interactions in the data ($p > 0.05$) significant; thus H2 were supported, which refutes the notion that the PAD frame of a price across different expense types (recurring, daily expenses vs. non-recurring, one-time-only expenses) will affect participation intentions. H7 and H8 are not supported in the model, as evidenced by the insignificant 3-way interaction of price, frame and expense type (Table 2.1; Figure 2.2).

### 2.6.3.2 Multi-Group SEM

To evaluate our ANOVA and to incorporate the hypothesized process measures, structural equation modeling was utilized (Graham 2008). The model is provided in Figure 2.3, where the effects of price and frame on participation intentions are predicted to be mediated by
sympathy and offer attractiveness. To incorporate these manipulations of price level and frame, a MIMIC type model, multiple indicators/multiple causes, was required (Graham, 2008) because the latent variables have both multiple causes and multiple effects.
Using AMOS, a multiple group analysis was conducted on two groups, restricted exchange (product) group and generalized exchange (charity). The model estimation produced the following statistics: $\chi^2 (43) = 80.065$ (p<.001), $\chi^2$/df = 1.862, NFI = .962, CFI = .982, IFI = .982, RMSEA = .046.

**Figure 2.3: Effect of Exchange Type, Structural Model**

The model fit, as shown by these indexes, was deemed satisfactory; thus it provides a good basis for testing the hypothesized paths. The results of the test of the hypotheses are presented in Tables 2.2a and b for generalized and restricted exchanges, respectively.

**2.6.3.2.1 Generalized Exchange**

**2.6.3.2.1.1 Test of Hypothesis Three**

In the generalized exchange (charity) group, as predicted, price had a negative and significant impact on both sympathy and offer attractiveness, while sympathy and offer attractiveness both had a positive and significant impact on participation intentions. Thus, as price increases (low to high levels) offer attractiveness and sympathy will decrease, leading to a decrease in participation intentions, thereby providing full support to H3.
2.6.3.2.1.2 Test of Hypothesis Four

On the other hand, frame had a negative and significant impact on both sympathy and offer attractiveness, thus as frame is changed from PAD to aggregate, offer attractiveness and sympathy will decrease, leading to a decrease in participation intentions, thereby providing full support to H4. The model also showed two negative and significant direct effects of price and frame on participation intentions.

Table 2.2 a: Generalized Exchange
Standardized Parameter estimates, t-values, and p-values

<table>
<thead>
<tr>
<th>Structural Path</th>
<th>t-value</th>
<th>p</th>
<th>Standardized value</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price ---&gt; Sympathy</td>
<td>-0.782</td>
<td>0.005</td>
<td>-0.194</td>
<td>H3</td>
</tr>
<tr>
<td>Price ---&gt; Attractiveness</td>
<td>-1.487</td>
<td>0.000</td>
<td>-0.329</td>
<td>H3</td>
</tr>
<tr>
<td>Frame ---&gt; Sympathy</td>
<td>-0.822</td>
<td>0.003</td>
<td>-0.204</td>
<td>H4</td>
</tr>
<tr>
<td>Frame ---&gt; Attractiveness</td>
<td>-0.970</td>
<td>0.000</td>
<td>-0.215</td>
<td>H4</td>
</tr>
<tr>
<td>Price ---&gt; Participation Intention</td>
<td>-0.814</td>
<td>0.000</td>
<td>-0.173</td>
<td>H3</td>
</tr>
<tr>
<td>Frame ---&gt; Participation Intention</td>
<td>-0.797</td>
<td>0.000</td>
<td>-0.170</td>
<td>H4</td>
</tr>
<tr>
<td>Attractiveness ---&gt; Participation Intention</td>
<td>0.553</td>
<td>0.000</td>
<td>0.532</td>
<td>H3, H4</td>
</tr>
<tr>
<td>Sympathy ---&gt; Participation Intention</td>
<td>0.167</td>
<td>0.016</td>
<td>0.143</td>
<td>H3, H4</td>
</tr>
</tbody>
</table>

Table 2.2 b: Restricted Exchange
Standardized Parameter estimates, t-values, and p-values

<table>
<thead>
<tr>
<th>Structural Path</th>
<th>t-value</th>
<th>p</th>
<th>Standardized value</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price ---&gt; Sympathy</td>
<td>-0.183</td>
<td>0.321</td>
<td>-0.073</td>
<td></td>
</tr>
<tr>
<td>Price ---&gt; Attractiveness</td>
<td>-1.902</td>
<td>0.000</td>
<td>-0.391</td>
<td>H5</td>
</tr>
<tr>
<td>Frame ---&gt; Sympathy</td>
<td>0.147</td>
<td>0.423</td>
<td>0.059</td>
<td></td>
</tr>
<tr>
<td>Frame ---&gt; Attractiveness</td>
<td>-0.781</td>
<td>0.012</td>
<td>-0.161</td>
<td>H6</td>
</tr>
<tr>
<td>Price ---&gt; Participation Intention</td>
<td>-0.656</td>
<td>0.039</td>
<td>-0.127</td>
<td>H5</td>
</tr>
<tr>
<td>Frame ---&gt; Participation Intention</td>
<td>1.693</td>
<td>0.000</td>
<td>0.328</td>
<td>H6</td>
</tr>
<tr>
<td>Attractiveness ---&gt; Participation Intention</td>
<td>0.464</td>
<td>0.000</td>
<td>0.437</td>
<td>H5, H6</td>
</tr>
<tr>
<td>Sympathy ---&gt; Participation Intention</td>
<td>0.331</td>
<td>0.007</td>
<td>0.161</td>
<td></td>
</tr>
</tbody>
</table>
2.6.3.2.2 Restricted Exchange

2.6.3.2.2.1 Test of Hypothesis Five

In the restricted exchange (Product) group, price had a negative and significant impact on offer attractiveness, which in turn had a positive and significant impact on participation intentions. Consequently, as price increases (low to high levels) offer attractiveness will decrease, leading to a decrease in participation intentions, thereby supporting H5.

2.6.3.2.2.2 Test of Hypothesis Six

Frame also had a negative and significant impact on offer attractiveness, with a positive and significant direct impact on participation intentions; observing the net effect of this partial mediation, H6 is fully supported.

2.7 General Discussion

2.7.1 Summary of Empirical Findings

This experiment provides support for the moderating effect of exchange type on the PAD frame (Gourville 1998). It suggests that the type of exchange will affect the participation intentions of the PAD frame. Consistent with the hypotheses, the PAD frame increased respondents’ mean sympathy and mean offer attractiveness in a generalized exchange (charity), leading to an increase in mean participation intentions. This effect was reversed in a restricted exchange (product), as PAD led to a negative net impact on participation intentions. Therefore, the affective component (sympathy) plays an important role in this type of price frame, which is consistent with prospect theory (Kahneman and Tversky, 1979) where consumers would prefer to segregate gains. On the other hand, a product purchase is perceived as a loss and accordingly an aggregated frame would minimize the losses (Kahneman and Tversky, 1979). The PAD effect disappeared at high price levels in both contexts (generalized and restricted), which is consistent with previous research on temporal reframing of prices; the null effect at higher prices occurs
because this price level is not categorized as small daily expenses. These findings, corroborating the hypothesized model, have several implications.

2.7.2 Implications

2.7.2.1 Theoretical Implications

The present research extends previous work on the Pennies-a-Day effect, or temporal reframing of prices. Gourville (1998) studied this effect on behavioral intentions in a charity context, and then attempted to extend it to a product context (Gourville 1999, 2003), by measuring this effect on product quality perceptions, rather than on purchase intentions. By contrast, the present paper studies the PAD effect on behavioral intentions in both restricted and generalized exchange contexts and conceptualizes a model to explain why PAD will not be effective on behavioral intentions in a product context, although it will be effective on other constructs such as attractiveness as noted in this paper and others as well, in a quality perception (Gourville, 1999, 2003).

Based on this conceptualization, the affective component of evaluating a transaction in a generalized exchange (charity donation) context leads to a positive effect of PAD on behavioral intentions. Thaler (1999) averred that a PAD framed transaction will seem to keep the meter running on consumers and thus should be avoided; however, in a generalized exchange context, the meter is running – yet not on the costs, but on the benefits received. Consumers will want to have that “running meter” feeling while helping others (donation) in order to maximize the utility from the corresponding transaction. Thus, Prospect Theory’s (1979) “segregate the gains” seems to be what is driving this effect in a charity context.

In a regular purchase situation (restricted exchange), the PAD frame will lead to the running meter effect; thus the pain is going to be maximized (losses) and consumers will try their best to avoid it.
2.7.2.2 Managerial Implications

The finding that PAD is effective in a charity context, rather than a product/service context, poses a challenge to retailers, but not charitable organizations. Thus, in marketing communications, companies may have to avoid using this type of price framing to avert any negative effect on consumers’ behavioral intentions. On the other hand, charitable organizations should make more use of this type of framing, and if possible, make the cause they are pursuing more salient to potential donors, to allow the affect component (sympathy) to further increase the likelihood to donate.
CHAPTER 3. ESSAY THREE

3.1 Introduction

Cause-related marketing is a marketing activity distinct from sales promotion, corporate philanthropy, and public relations; actually, it is a mix of all these. Varadarajan and Menon (1988, p. 60) defined CRM as “the process of formulating and implementing marketing activities that are characterized by an offer from the firm to contribute a specified amount to a designated cause when customers engage in revenue-providing exchanges that satisfy organizational and individual objectives.” Adkins (1999) defined CRM as “a commercial activity by which businesses and charities or causes form a partnership with one another to market an image, product, or service for mutual benefit.” Thus, the motives for engaging in CRM are not purely altruistic, since both the business and the charity forge a partnership to achieve their own objectives. Businesses and charities can mutually benefit from CRM. Charities can achieve their goals with the new funds. In addition, businesses can increase their public relations and image while eventually experiencing an increase on the bottom line. Businesses can effectively engage in CRM in several ways, such as offering a donation for each purchased good, or by directly sponsoring a particular charity.

American Express was the first company to coin the term “cause-related marketing” (Adkins, 1999). The company donated two cents to charities for every purchase made with their card. Overall, they raised $108,000. Since that time, American Express saw the potential of CRM and has supported over forty-five other charities, including the Restoration of the Statue of Liberty Project. By contributing one cent to this project per use of the American Express card, $1.7 million was donated to the restoration project. American Express also benefitted, experiencing a twenty-eight percent increase in the use of their credit cards. Thus, unlike traditional product strategies, CRM is more creative and cost effective, and helps to fulfill social
responsibilities (Smith and Alcorn, 1991), thus utilizing consumer “concern about and desire to help causes about which they care” (Webb and Mohr, 1998), as a motivation for behavior. Several firms, including Avon, Apple, Yoplait, Tropicana, Ocean Spray, Polaroid, Ramada Inns, Arm and Hammer and Wal-Mart have entered into social alliances with non-profit causes, including cancer research, AIDS research, and education initiatives. CRM has, in many instances, increased profitability (Stroup and Neubert, 1987; Smith and Alcorn, 1991, p. 20). This result suggests that CRM may be “the most creative and cost effective product strategy to evolve in years, and one that directly addresses the issue of measured financial returns.”

3.1.1 Price Frame

In general, CRM leads to more favorable consumer attitudes toward firms, their products and non-profit organizations (Berger, Cunningham and Kozinets, 1996; Ross, Patterson and Stutts, 1992). Consumers are likely to switch brands and retailers to those who demonstrate social responsibility (Smith and Alcorn, 1991; Landreth, 2002). There are several variables that influence the effectiveness of CRM campaigns, including gender, proximity, product type, and donation size (Dahl and Lavack, 1995; Ross, Patterson and Stutts, 1992; Strahilevitz and Myers, 1998). Much of the current CRM research examines the aforementioned areas; however, there has been no research that addresses how price frame affects consumer perceptions of an offer, coupled with a willingness to participate. This research addresses that issue and draws upon several theories to understand consumer participation intentions, including exchange theory, pro-social behavior, and mental accounting. Specifically, the author will examine the effect of pennies-a-day framing (Gourville 1998) on consumers’ purchase/participation intentions in a cause-related marketing context.

The results in the second essay of this dissertation demonstrate that the exchange theory (Bagozzi 1975) plays an important role in determining the effect of the PAD frame on
participation intentions. In particular, the PAD frame has a stronger effect on participation intentions in generalized exchange (charity donation), than a restricted exchange (regular purchases). Since CRM promises a corporate donation (generalized exchange) to a specific cause whenever a purchase (restricted exchange) is made, it is important to examine how a PAD frame will affect consumers’ perceptions and participation intentions.

3.1.2 Donation Amount and Frame

Another factor this study will investigate is the donation amount. CRM research suggests a great influence of donation amount and frame on an individual’s decision and intentions (Chang, 2008; Grau and Garretson, 2007; Grau, Garretson, and Pirsch, 2007; Strahilevitz, 1999). Olsen, Pracejus, and Brown (2003) found that donation amounts should be stated in a transparent and straightforward way to avoid consumer confusion. They also found that framing the donation amount as a percentage of profit leads consumers to overestimate the amount being donated. Strahilevitz (1999) found that people are more likely to choose a product offering a donation over a product offering an equal cash discount, when donation amounts were small, but not when the donation was relatively large.

A great deal of previous research focused on the effect of donation amount framing on participation intentions from a dollar value vs. percentage vs. vague quantifier perspective. In this essay, the author will extend this research stream by considering two variables: PAD donation framing and donation amount. As the results of Essay Two showed, the author expects PAD frame to moderate the effect of donation amount on participation intentions in CRM.

This essay will proceed as follows. First, cause-related marketing is examined, along with a review of prominent literature on the topic. Second, a conceptual model for the study will be introduced, including discussions of the independent and dependent variables of interest. Third, pretests, main study findings, and their implications will be discussed. Finally, discussion of the
findings and their implications from both academic and managerial perspectives will be included.

3.2 Literature Review

Consumers perform acts of altruism every day (Strahilevitz 1999). These acts include donating to charitable organizations, giving blood, donating organs, volunteering time, and even risking one’s life for the good of others. “Altruistic behavior has been observed in every culture, among men and women, children and adults, the wealthy and the needy” (Strahilevitz 1999, p 216). Several explanations have been proposed to address the question of why people help others including the “doing the right thing” aspiration (Dawes and Thaler 1988), the moral satisfaction quest (Kahneman and Knetsch, 1992), being viewed as good and kind (Walster, Berschield, and Walster 1973), and the “warm glow” experience (Andreoni 1990; Isen and Levin 1972); these explanations suggest that helping others leads one to experience positive emotions. Cialdini, Darby, and Vincent (1973) concluded that the mere act of giving often causes an otherwise painful sacrifice to feel like an overall hedonically pleasant experience.

Giving does feel good, in part because people like to think of themselves as selfless (Strahilevitz, 1999). The tactic of suggesting a connection between altruism and happiness has been used to encourage financial contributions, for example, “Give a gift to charity and make a lot of people very happy, including yourself,” has been used by the New York Philanthropic Advisory Service and “Feel Good. Give Blood” has been used by the American Red Cross. Strahilevitz (1999) concludes that if giving is about feeling good, then the extent to which a promised donation to charity will add value to a product should be a direct reflection of how successful that incentive is toward making consumers feel good about their purchases. Strahilevitz and Myers (1998) viewed this bundling approach (product and a donation) as a method of offering consumers two different positive outcomes for the same price: a gain in
acquiring the product, as well as a gain in good feelings, generated from knowing that one is supporting a worthy cause.

3.2.1 CRM and Donation Amount

Research on CRM suggests that an individual’s judgments and decisions can be influenced greatly by how donation information is presented or framed (Grau and Garretson, 2007; Grau, Garretson, and Pirsch, 2007). Olsen, Pracejus, and Brown (2003) proposed that CRM should be stated in a transparent and straightforward way, in order not to confuse consumers. Consumers dislike ambiguous statements regarding the proposed donation and prefer to know exactly how much of their purchase is being contributed to the cause (Grau, Garretson, and Pirsch, 2007; Olsen, Pracejus, and Brown, 2003). The donation amount represents the “good deed” and is more comprehensible than those in the form of percentages (Chang, 2008); consequently, when the dollar amount being donated is specified, it can enhance the fulfillment of an important social need (Berger, Cunningham, and Kozinets, 1999). This may lead to a stronger intention to purchase a product affiliated with a charity. Chang (2008) added that when a person desires to reduce the negative affect of guilt by engaging in the pro-social behavior of supporting a cause, an absolute amount of a donation presents a heuristic regarding the amount going to charity. Such a cue may mitigate negative affect and boost positive affect.

Strahilevitz and Myers (1998) proposed the concept of affect-based complementarity, whereby emotions stimulated by hedonic products are countered or complemented by the feelings inspired by donations to charity. In effect, people are more likely to choose a product offering a donation over another product which offers an equivalent cash discount, when the donation and corresponding price difference are relatively small, as opposed to when they are relatively large (Strahilevitz, 1999).
Pro-social behavior is described as a behavior to designate “helping, sharing and other seemingly intentional and voluntary positive behavior for which the motive is unspecified, unknown or not altruistic” (Burnett and Wood, 1988, p. 14). Pro-social behavior concerns the overall enhancement of well-being of groups, individuals, or society in general (Burnett and Woods, 1988).

3.2.2 CRM as a Form of Pro-Social Behavior

According to Burnett and Woods (1988), people help others to conform to norms that prescribe helping. They follow this prescription, because of external norms and self-imposed internal pressures. Helping behavior can be considered a subcategory of pro-social behavior and is defined as “voluntary acts performed with the intent to provide some benefit to another person that may or may not require personal contact with the recipient and may or may not involve anticipation of external rewards” (Burnett and Woods, 1988, p. 3). From an economic perspective, helping occurs only when the costs of the behavior exceed the benefits, and when some sacrifice is involved (Bendapudi et al., 1996).

Like social exchange theory, equity theory (Walster, Walster and Berscheid, 1978) states that individuals try to maximize positive results in an exchange. In contrast to the social exchange theory, equity theory assumes that society rewards people for seeking equity in their relations. Based on the equity theory, people involved in inequitable relationships are motivated to restore equity. The drive strength will vary, based on whether the individual is getting or giving too much (Burnett and Woods, 1988), relative to what the other party is getting and giving. Thus, the equity theory might explain why the rich contribute to charities; they seek to equalize their inequitable relationships with society. This logic could also extend to consumers, where they feel compelled to give something back to the community in order to justify their
purchases (Landreth, 2002). In summary, pro-social and helping behaviors support why consumers are willing to participate in CRM programs.

In the first and second essays, the author examined the effect of the PAD frame on participation intentions under different exchange types. The results showed that the PAD frame will have a stronger effect on behavioral intentions in a generalized exchange, rather than a restricted exchange context. In CRM, both generalized exchange and restricted exchange terms seem to govern how consumers evaluate an offer. Accordingly, the conceptual model this study is building for CRM will borrow from that of generalized and restricted exchanges.

3.3 Conceptual Model

3.3.1 Product Exchange

Bagozzi (1975) proposed that exchange forms represent the core phenomena in the study of marketing. Bagozzi (1975) believes that marketing exchanges will affect more than two parties, will involve intangible and symbolic aspects, and can be indirect; he then distinguishes between three types of exchange situations, based on the expectations of equality and reciprocity, the number of actors, and the relationship structures. Two of these types are at the core of this research; restricted exchange involves a direct, reciprocal, and two-way transfer of value between willing parties, as in for-profit sales situations; generalized exchange involves a chain of indirect, univocal, and reciprocal transfers among at least three actors. Actor A provides value to Actor B who provides value to Actor C who provides value to Actor A.

Marshall (1998) elaborated on the distinctness of restricted and generalized exchanges, based on the structural relationships among actors and the resulting patterns by which value is transferred. The paper posits that in restricted exchange, two actors are in a mutually reciprocal relationship, in that Actor A provides value to Actor B and in return, Actor B provides value to Actor A. Both actors attempt to maintain equality regarding activities and exchange items. In
generalized exchange, on the other hand, at least three actors are in a system of exchange where univocal and indirect reciprocity occur, such that benefits are transferred from A to B, who then transfers benefits to C, who in turn provides benefits to A. Most importantly, indirect self-interest is the motivator for exchange.

Thus, restricted exchange resembles everyday retail transactions where something of value is exchanged for another of value and both direct recipients are responding to potential utilitarian benefits; on the other hand, generalized exchange is common in situations involving public policy programs, social welfare programs, and not-for-profit organizations where enhancements to the common good, improvements to quality of life, civic duty, altruism, or personal pride are potential benefits to non-recipients of the direct services (Marshall, 1998). Generalized exchange thus refers to indirect processes where the elements of exchange are less concrete, less direct, and less immediate, leading us to the conclusion that pro-social behavior, such as charitable donations, is a form of generalized exchange (Basil, Ridgway, and Basil, 2006).

As noted, many of the factors leading PAD to affect participation intentions negatively are related to how consumers will evaluate the offer they encounter and whether the series of small costs will cause the consumer less satisfaction. In a restricted exchange, offers will be evaluated, and actors want to guarantee equality regarding exchange; thus each offer will be evaluated, based on the budgeting rules of its corresponding category. In a generalized exchange, the exchange is symbolic (Bagozzi, 1975), therefore the actors do not seek equality or maximize utility, and offers won’t be evaluated; yet social norms and guilt about failing to help the less fortunate will be in effect (Basil, Ridgway, and Basil, 2006). Furthermore, in a generalized exchange context, people are more focused on the benefits, or the helping side of the transaction, and not the cost they incur.
3.3.2 Exchange in CRM and PAD Effect

In a CRM context, the charity side of the transaction will be treated as a “helping behavior,” while the “product side” will be treated as a regular purchase. When a CRM offer is framed in PAD (the purchase price, as well as the donation amount), multiple donations to the cause will be treated as a series of gains in prospect theory (Khaneman and Tversky, 1979), and will outweigh the pain of the recurring costs. On the other hand, the recurring costs of the product are treated as losses (in prospect theory); however, as Strahilevitz (1999) posited, if giving is about feeling good, then a promised donation to charity will add value to the product and will help consumers to feel good about their purchases. Hence, not only will the donation be an incentive, it will also help consumers feel less guilty about the purchase they’re making and the loss. Strahilevitz (1999) also suggested that by linking small donations to the purchase of products, marketers can actually make consumers feel good about making a contribution, without feeling bad that they are not giving more. Therefore, when consumers face a product linked to a correspondingly small contribution to charity, the frame may serve as a peripheral cue, increasing purchase willingness.

Conversely, CRM research suggests that an individual’s participation intentions are greatly influenced by how the donation information is presented (Chang, 2008; Olsen, Pracejus, and Brown, 2003). Some research studies, like that of Olsen, Pracejus, and Brown (2003), go further to propose that a CRM donation should be stated in a straightforward and transparent way; consumers dislike ambiguous proposed donations and prefer to know exactly how much money is being contributed to the cause in a CRM transaction (Grau, Garretson, and Pirsch, 2007), and as Berger, Cunningham, and Kozinets (1999) asserted, when one specifies the dollar amount donated, it can augment the fulfillment of an important social need, and “may lead to a stronger intention to purchase a product affiliated with charity” (Chang, 2008, p. 1093).
3.4 Construct Definitions

In this section the author will define the constructs, manipulated and measured, to be studied in this essay.

3.4.1 Frame

Frame is the temporal frame of the offer (both price and donation frames). This construct has two levels.

3.4.2 Price

Price is the asking price or the cost of accepting the offer. This construct has two levels.

3.4.3 Donation Amount

Donation amount is the dollar amount donated by the manufacturer if the consumer accepts/ participates in the offer.

3.4.4 Sympathy

Sympathy is the consumer’s affect or subjective feelings associated with the offer. Similar to Loewenstein and O’Donoghue (2004), this study uses the term “affect” to focus on the subjective feeling states associated with emotions and its role in human motivation. By definition, all affects have valences and many carry action tendencies (Frijda, 1986). As Zajonc (1998) posited, affective processes are those that address the approach/avoidance behavior. Affect embodies not only emotions such as anger, fear, and jealousy, but also drives states such as hunger, thirst, and sexual desire, and motivational states such as physical pain, discomfort, and drug craving (Loewenstein and O’Donoghue, 2004). One important motivation state in our research is sympathy. Sympathy continues to be of great importance to humanity (Loewenstein and Small, 2007) due to its direct relationship to helping behavior. Sympathy, as a mental process, is caring yet immature and irrational; it makes one cry every time one watches Sophie’s
Choice, hoping that this time the Nazi officer will let Meryl Streep keep both her children, although in the earlier ten times one viewed the movie, he did not.

When a person feels sympathetic toward a particular victim or cause, the human mind is adept at coming up with reasons why that victim deserves aid. This can be a matter of rationalization or simply a consequence of sense making; when one feels something, there is a natural and automatic tendency to try to make logical sense of that feeling (Loewenstein and Small, 2007).

Loewenstein and O’Donoghue (2004) further stated that one’s affect (sympathy) can actually influence one’s deliberation (cognition), for input from the affective system may be required for sound, deliberative thinking. Ample evidence shows that affect serves as an essential input to decision-making, especially in evaluating the value of future outcomes. There is also a large body of research dealing with motivational biases on judgment that documents the diverse ways that affect biases cognitive deliberations (Kunda, 1990). Another set of studies shows the detrimental effects of blocking decision-makers’ affective reactions to alternatives (Wilson and Schooler, 1991; Wilson et al, 1993).

Sympathy does not operate according to any kind of normative rules or higher level principles. The capacity for sympathy evolved for reasons that probably have to do with the nurturance of genetic offspring, but which subsequently become generalized to unrelated individuals. The specific situations and target-objects that evoke sympathy are certainly mediated by culture and personal experience, but many responses seem to be programmed at a more fundamental level, as they can be discerned in lower animals such as nonhuman primates and even rats as well (de Waal, 1996; Preston & de Waal, 2002).

3.4.5 Offer Attractiveness

Offer attractiveness is the cognitive evaluation of the offer (deliberation on the offer).
3.4.6 Cost-Benefit Deliberation

Cost-benefit deliberation is whether the consumer deliberated more on the cost/offer price or the benefit/donation to be made in an offer.

People encounter stimuli, which can potentially trigger deliberations about whether aid would be helpful in a particular situation. One might, for example, conclude at a cognitive level that an amorphous charity, such as United Way, merits one’s support, yet feel little visceral sympathy toward the people who would be helped (Loewenstein and Small, 2007). Loewenstein and O’Donoghue (2004) suggested that the deliberative system can also influence the affective system, taking the form of deliberative thoughts activating emotions in the affective system. The deliberative system can, as well, attempt to control or override the motivations in the affective system. In other instances, the control attempt itself will exhaust the person emotionally, and physically exacerbate the very emotion one is trying to suppress (Wegner, 1992; Smart and Wegner, 1996).

Motivational processes also come into play in the absence of affect. If one does not experience sympathy toward a target, one will focus on any pretext to provide an excuse to avoid coming to the target’s aid. Deliberation channels the inclinations induced by sympathy in more rational directions. However, distorted by the very emotions that provide the impetus for aid, deliberation rarely provides a rational and accurate calculation of the costs and benefits of such aid (Loewenstein and Small, 2007).

Deliberations about the benefits of providing aid will also affect feelings. Unmoved about a specific cause, but believing that it can and should be dealt with, one can attempt to move oneself emotionally, for example, through empathizing with the victims. Conversely, the cognitive realization that helping is impossible or excessively costly to self might lead people to reappraise the situation, in order to mitigate emotion (Loewenstein and Small, 2007).
3.4.7 Corporate Social Responsibility

Corporate social responsibility is the consumer’s perception of the manufacturer’s social responsibility. Mohr, Webb, and Harris (2001, p. 47) define CSR as “a company’s commitment to minimizing harmful effects and maximizing its long-run beneficial impact on society.” Thus, a socially responsible company considers the effects of its actions on everyone, whether directly related to the company or not. Bhattacharya and Sen (2003) argued that consumers are likely to identify with a company that offers them a positive and meaningful social identity; moreover, when a company’s behavior is perceived as socially responsible, consumers will infer that it has desirable traits that “resonate with their sense of self,” which then leads the consumer to identify with the company and behave in a manner that supports the company’s objectives (Lichtenstein, Drumwright, and Braig, 2004). Further, consumer behavior, driven by identification, will extend beyond support of objectives to include patronage and support of company promotions. Mohr and Webb (2005) extended these arguments to suggest that CSR may add value to a product.

3.4.8 Attitude Toward the Manufacturer

Attitude toward the manufacturer is the consumer’s attitude towards the manufacturer and the seller. Till and Nowak (2000) found that cause marketing benefits the brand, while Cone (2007) reported that consumers favor companies that support causes. A stream of research supports that cause-related marketing offers can improve the image of the brand or improve consumer attitudes toward the company supporting the cause (Creyer and Ross, 1996; Brown and Dacin, 1997). Strahilevitz (2003) found that when consumers perceive a firm to be unethical, skepticism is evoked, negating any positive effects of cause-related marketing. Firms perceived to be ethical or ethically neutral avoid this negative effect.

Barone et al. (2000) found that consumer attributions of a company's motive for associating with a cause influenced consumer attitudes toward the company. Varadarajan and
Menon (1988) warned that firms making cause-related marketing offers could be perceived as primarily self-interested and thus experience negative outcomes. Webb and Mohr (1998) also found that consumers skeptical of the cause-related marketing efforts are likely to respond negatively to a cause-related marketing initiative. The negative attitudes stem from consumers' distrust of either the honesty or fairness of the amount donated to the nonprofit organization. Dahl and Lavack (1995) found a stronger belief that the company was exploiting the cause, when the donation was perceived as small.

3.4.9 Participation Intentions

“Participation intentions” is the consumer’s participation likelihood in an offer.

3.5 Hypotheses

3.5.1 The Effects of Price, Donation Amount, and Frame on Participation Intentions

3.5.1.1 Hypotheses 1 and 2

CRM gives consumers the option of being caring citizens while doing their routine shopping; however, they are more likely to accept a smaller request than a large one (Chang, 2008; Strahilevitz, 1999). Accordingly, in a cause-related marketing context, the author predicts that the effects of price and donation amount on participation intentions depend on the price/donation frame. In other words, in the PAD frame where the price and donation amount are both framed in dollars per day, the author predicts their effects will be additive. However, in the aggregate frame where price and donation amount are provided in the total amounts, the author predicts a multiplicative effect. Thus, the author predicts a three-way interaction between price, donation amount and frame on participation intentions, such that:

H1: In the PAD frame condition, there will be (a) a negative effect of price on participation intentions, (b) a positive effect of donation amount on participation intentions, and (c) no interaction between donation amount and price.
H2: In the aggregate frame condition, there will be (a) a negative effect of price on participation intentions, (b) a positive effect of donation amount on participation intentions, and (c) an interaction between donation amount and price, such that the effect of donation amount increases with a decrease in price.

3.5.2 The Mediating Roles of Sympathy, Cost-Benefit Deliberation, Corporate Social Responsibility and Manufacturer Attitude

As discussed earlier in this study, the author is mostly interested in the mediating effect of four factors, sympathy, cost-benefit deliberation, and attitude towards the laptop manufacturer, as well as corporate social responsibility between donation amount and participation intentions. To understand the different phenomena occurring, we will study those variables under four different conditions: low price, PAD frame condition; low price, aggregate frame condition; high price, PAD frame condition; and high price, aggregate frame condition.

3.5.2.1 Low Price, PAD Frame Condition

The proposed relationships are presented below (Figure 3.1a).

3.5.2.1.1 Hypothesis 3a

Sympathy is responsive to a variety of factors that are difficult to justify normatively. Victims who share our own affective state, who are geographically or socially proximate, who are similar to us or are presented to us in a vivid fashion are, logically, no more deserving of aid. Yet they are far more likely to elicit sympathetic responses.

On the other hand, deliberation about the cost/benefit of providing aid (donating) can also affect sympathy; the cognitive realization that helping is excessively costly might lead people to reappraise the situation, in order to mitigate sympathy (Loewenstein and Small, 2007). In a cause related marketing context, the cost represents the price of the offer, while the amount donated to charity represents the benefits; thus an increase in donation amount, when the price is held
constant, will lead to more deliberation on the benefits leading a person “to move oneself emotionally,” thus eliciting more sympathy towards the cause (Loewenstein and Small, 2007). Accordingly, the author predicts that sympathy will mediate the effect of donation amount on participation intentions, such that:

H3a: Donation amount positively affects sympathy, and ultimately participation intentions.

3.5.2.1.2 Hypothesis 4a

People will differ in the types of deliberations in which they engage, and different situations may elicit different types of deliberations; yet, most deliberations probably include two major components: (a) calculations of the degree to which an aid recipient merits assistance, perhaps based on the judged level of misery; and (b) an evaluation of the degree to which one is actually in a position to deliver helpful aid (Loewenstein and Small, 2007).

Loewenstein and Small (2007) also found that deliberation may act as an emotional deterrent under certain circumstances. When buyers are presented with a low price CRM offer, they are more likely to deliberate on the benefits of helping, due to the low perceived cost-to-benefit ratio. Accordingly, I propose that deliberation will mediate the effect of donation amount on participation intentions, such that:

H4a: Donation amount positively affects deliberation on benefits, and ultimately participation intentions.

3.5.2.1.3 Hypothesis 5a

Similar to Lichtenstein, Drumwright, and Braig (2004), the author posits that when the perception of a company’s CSR is high, customers will identify with the corporation and are more likely to support the particular, nonprofit cause and the company. Folse, Niedrich and Grau (2010) proposed that in a CRM offer, the firm’s donation amount will lead to consumer
inferences about the firm’s CSR; specifically, the amount of the donation has a positive effect on CSR. Accordingly, the author predicts that CSR will mediate the effect of donation amount on participation intentions, such that:

H5a: Donation amount positively affects corporate social responsibility and ultimately participation intentions.

### 3.5.2.1.4 Hypothesis 6a

Berger, Cunningham, and Kozinets (1999) suggested that when the exact dollar amount being donated is specified, it can enhance the fulfillment of an important consumer social need; the donated amount represents the “good deed” (Chang, 2008) and is more comprehensible than donations framed differently (like in PAD). Olsen, Pracejus and Brown (2003) indicated that consumers report a more favorable attitude toward a company when the donation is presented in an absolute amount that is “readily and accurately interpretable by consumers” (Chang, 2008, p. 1093). Webb and Mohr (1998) noted that when the amount donated is not stated clearly, consumer skepticism will rise, thus leading to a negative effect on consumer attitudes. Consequently, the author proposes that attitude toward the manufacturer will mediate the effect of donation amount on participation intentions, such that:

H6a: Donation amount negatively affects attitude towards manufacturer, and ultimately participation intentions.

### 3.5.2.2 Low Price, Aggregate Frame Condition

The proposed relationships are presented below (Figure 3.1b).

### 3.5.2.2.1 Hypothesis 3b

As discussed earlier, at a low price level, even when the price is in an aggregate frame, the cost of helping is still perceived to be low in comparison to the benefits, and thus the person will
still be moved emotionally, and sympathy is elicited towards the cause. Accordingly, the author predicts that sympathy will mediate the effect of the donation amount on participation intentions, such that:

H3b: Donation amount positively affects sympathy and ultimately, participation intentions.

3.5.2.2.2 Hypothesis 4b

When buyers are presented with a low price CRM offer, even when in an aggregate frame, they are still likely to deliberate on the benefits of helping, due to the low perceived cost-to-benefit ratio. Accordingly, I propose that deliberation will mediate the effect of donation amount on participation intentions, such that:

H4b: Donation amount positively affects deliberation on benefits and ultimately, participation intentions.

3.5.2.2.3 Hypothesis 5b

Similar to the PAD frame, with a high perception of a company’s CSR, customers are still likely to identify with the corporation and to support the particular cause and the company. Additionally, when in an aggregate frame, the amount of the donation also has a positive effect
on CSR. Accordingly, the author predicts that CSR will mediate the effect of donation amount on participation intentions, such that:

H5b: Donation amount positively affects corporate social responsibility and ultimately, participation intentions.

3.5.2.2.4 Hypothesis 6b

Like Olsen, Pracejus and Brown (2003), the author predicts that consumers will report a more favorable attitude toward a company when the donation is presented in an absolute amount that is “readily and accurately interpretable by consumers” (Chang, 2008, p. 1093). Thus, when in aggregate frame, the donation amount will positively influence the buyer’s attitude towards the company. Consequently, this study proposes that attitude towards the manufacturer will mediate the effect of donation amount on participation intentions, such that:

H6b: Donation amount positively affects attitude towards manufacturer and ultimately, participation intentions.

Figure 3.1b: Low Price, Aggregate Frame Proposed Model

3.5.2.3 High Price, PAD Frame Condition

The proposed relationships are presented below (Figure 3.1c).
3.5.2.3.1 Hypothesis 3c

At a high price level, whether in a PAD or aggregate frame, the cost of helping is high, compared to the benefits, and thus cost deliberation will act as an emotional deterrent (Loewenstein and Small, 2007) and the buyer will not be moved emotionally towards the cause. Accordingly, the author predicts that sympathy will not mediate the effect of donation amount on participation intentions:

H3c: Donation amount has no effect on sympathy and ultimately, participation intentions.

3.5.2.3.2 Hypothesis 4c

When buyers are presented with a high price CRM offer, they are likely to deliberate more on the cost of helping, due to the high cost-to-benefit ratio. As the offer price increases, deliberation on the cost of helping starts to overpower the affective factors; thus, as donation amount increases (benefit), potential buyers will contemplate more on the cost of helping. Accordingly, the author proposes that deliberation will mediate the effect of donation amount on participation intentions, such that:

H4c: Donation amount negatively affects deliberation on benefits and ultimately, participation intentions.

3.5.2.3.3 Hypothesis 5c

At high price levels, buyers will question the genuineness of the firm’s involvement in the CRM campaign; moreover, buyers might perceive the firm’s motives as self-serving, rather than altruistic (Ellen, Mohr and Webb, 2000). Thus, as donation amounts increase, CRM will have no effect on buyer’s perception of the firm’s CSR. Accordingly, the author predicts that CSR will not mediate the effect of donation amount on participation intentions:

H5c: Donation amount has no effect on corporate social responsibility and ultimately, participation intentions.
3.5.2.3.4 Hypothesis 6c

Similar to CSR at high price levels, buyers will question the firm’s motives and thus an increase in donation amount will have no effect on the attitude towards the manufacturer. Consequently, the author proposes that attitude towards manufacturer will not mediate the effect of donation amount on participation intentions:

H6c: Donation amount has no effect on attitude towards manufacturer and ultimately, participation intentions.

![Diagram of High Price, PAD Frame Proposed Model]

3.5.2.4 High Price, Aggregate Frame Condition

The proposed relationships are presented below (Figure 3.1d).

3.5.2.4.1 Hypothesis 3d

At a high price level, whether in PAD or aggregate frame, the cost of helping is high, compared to the benefits, and thus cost deliberation will act as an emotional deterrent (Loewenstein and Small, 2007), and the buyer will not be moved emotionally towards the cause. Accordingly, the author predicts that sympathy will not mediate the effect of donation amount on participation intentions:

H3d: Donation amount has no effect on sympathy and ultimately, participation intentions.
3.5.2.4.2 Hypothesis 4d

When buyers are presented with a high price CRM offer, they will likely deliberate more on the cost of helping, due to the high cost-to-benefit ratio. As the offer price increases, especially in an aggregate frame, deliberation on the cost of helping starts to overpower the affective factors; thus, as donation amount increases (benefit), potential buyers will contemplate more on the cost of helping. Accordingly, the author proposes that deliberation will mediate the effect of donation amount on participation intentions, such that:

H4d: Donation amount negatively affects deliberation on benefits and ultimately, participation intentions.

3.5.2.4.3 Hypothesis 5d

At high price levels, buyers will question the genuineness of the firm’s involvement in the CRM campaign; moreover, buyers might perceive the firm’s motives as self-serving, rather than altruistic (Ellen, Mohr and Webb, 2000). Thus, as donation amounts increase, CRM will have no effect on a buyer’s perception of the firm’s CSR. Accordingly, the author predicts that CSR will not mediate the effect of donation amount on participation intentions:

H5d: Donation amount has no effect on corporate social responsibility and ultimately, participation intentions.

3.5.2.4.4 Hypothesis 6d

As in CSR, at high price levels, the buyers will question the firm’s motives, and thus, an increase in donation amount will have no effect on the attitude towards the manufacturer. Consequently, the author proposes that attitude towards manufacturer will not mediate the effect of donation amount on participation intentions:

H6d: Donation amount has no effect on attitude towards manufacturer and ultimately, participation intentions.
3.6 Pilot Study

3.6.1 Methods

The pilot study was a 2 (Frame: PAD, Full) x 10 (Donation Amounts) design, conducted to assess the effectiveness of the manipulations and to test the reliability of the measures. It essentially tests Hypotheses 1 and 2. The frame was manipulated between subjects, while donation amount was manipulated within subjects. Subjects (N=59) were given either of two scenarios with the common introduction: “Assume that you've just graduated from college and started a new job that pays $50,000 annually. Your company's monthly newsletter contains cause-related marketing (CRM) offers from different retailers. CRM is a common corporate philanthropic trend which donates to a charity every time a consumer makes a purchase. If you were to participate in one of these offers, the payment for your purchases would be pro-rated (assessed/distributed proportionately) and automatically deducted from every paycheck FOR A PERIOD OF ONE YEAR. In this study, you will be asked to evaluate some of these offers.”

After the introduction/instructions, respondents were presented with one of two offers, a PAD or aggregate framed offer, with ten levels of firm’s donations manipulated within subjects. For the PAD offer, a Laptop was offered at $1 a day and the laptop manufacturer will donate
$0.10 to $1.00 to United Way with every purchase; similarly for the aggregate offer, the laptop was priced at $365 and the laptop manufacturer donated $36.5 to $365 to United Way with every purchase.

3.6.2 Measures

3.6.2.1 Participation Intentions

After seeing each offer, respondents were asked, “How likely are you to participate…?” and responded on a 9-point scale anchored by “Not at all likely” (1) and “Extremely likely” (9).

3.6.2.2 Sympathy

To measure sympathy, a modified version of sympathy scale developed by Moore (1997) was utilized. Two more items were added and adapted for this study. This scale measures situational sympathy and it is the same scale utilized in Essay Two.

3.6.2.3 Offer Attractiveness

A single item was utilized to measure the attractiveness of each offer, and it was the same measure mentioned in Essay Two.

3.6.2.4 Corporate Social Responsibility

Using a five-item scale developed by Brown and Dacin (1997), the participants responded on a nine-point scale (Strongly disagree (1) to strongly agree (9)). The items are provided in Appendix A.

3.6.2.5 Cost Benefit Deliberation

A seven-item scale was developed specifically for this study; the items measure whether the respondents are deliberating more on cost or benefits. The participants respond on a nine-point scale (cost (1) to benefit (9)).
3.6.2.6 Manipulation Check

The last question in the survey was to evaluate the study manipulations, and the respondents were to identify the types of offers to which they were exposed (i.e., PAD vs. aggregate offers).

3.6.3 Results

3.6.3.1 Manipulation Checks

Ninety-eight percent of the respondents correctly identified the price frame in the offer they were presented. A 2 x 2 contingency table showed that this is significantly greater than random guessing ($\chi^2 = 57.000, p < 0.001$).

3.6.3.2 Measurement Reliability

The results indicate the reliability of each of the scales (sympathy, elaboration, CSR, and attitude toward United Way). All the scales showed acceptable levels of Chronbach’s $\alpha$ ranging from 0.8 to 0.965. A new seven-item scale was also pretested to help understand whether the consumers deliberated more on the costs or the benefits in the offers, and its $\alpha$ was 0.912 (scale items are provided in Appendix A). The standardized estimates for the items ranged from 0.635 to 0.896 with squared multiple correlations ranging from 0.403 to 0.803, thus meeting the recommended criteria, and the average variance extracted was 0.657. Model Fit Indices were as follows: CFI = 0.996; NFI = 0.942; RMSEA = 0.035; all these numbers show a good fit for the new scale.

3.6.3.3 Repeated Measures MANOVA

In a 2 (Frame: PAD, full) x 10 (donation amounts) repeated measures, MANOVA was conducted with participation likelihood and offer attractiveness as dependent variables. The results of the repeated measures MANOVA showed a marginally significant main effect of frame on purchase intention ($F (1, 55) = 2.870, p < .09$); yet a significant effect on offer
attractiveness (F (1, 55) = 4.528, p < .038); a significant main effect of donation amount on both purchase intention (F (9, 495) = 32.865, p < 0.001) and offer attractiveness (F (9, 495) = 41.082, p < 0.001); and finally, a significant two-way interaction between donation amount and frame, on both purchase intention (F (9, 495) = 10.166, p < 0.001) and offer attractiveness (F (9, 495) = 6.242, p < 0.001). The within subjects two-way interactions of donation amount and frame are provided in Figures 3.2a and 3.2b.

Splitting the data based on frame showed that the within subjects effect of donation amount was not significant in the PAD frame (F (18) = 2.450, p < 0.075), but was significant in the aggregate frame (F (18) = 7.562, p < 0.001).

Means of Purchase Intentions

Figure 3.2a: The two-way interaction between frame and donation amount on participation intentions
3.7 Experiment One

3.7.1 Methods

3.7.1.1 Design and Sample

The first experiment was a 2 (frame: PAD/ aggregate) x 5 (Price: $1/ 365, $2/ 730, $3/ 1095, $4/ 1460, $5/ 1825) x 5 (donation amount: dollar amount corresponding to 10%, 30%, 50%, 70%, and 90% of the asking price) mixed design. The frame was manipulated between subjects, while price and donation amount were manipulated within subjects. Sixty-three student subjects completed the computer-based experiment. The purpose of this study is to understand the effects of price and donation amount on participation intentions in both aggregate and PAD frames.

3.7.1.2 Stimuli and Procedures

Experimental stimuli were constructed as an advertisement and presented to the subjects in the company’s monthly newsletter. The students were given a scenario where they have just...
graduated from college and they obtained a new job that pays $50,000 a year. The annual income was set to 50,000 as in the pilot to isolate the effect of annual income on the dependent variable. Their new company circulates employee special cause-related marketing offers in its monthly newsletter, and they were requested to evaluate some of these offers. Respondents were also told that their purchases are to be prorated and automatically deducted from their monthly paycheck for a period of one year. Each subject was then presented with 25 different laptop offers to evaluate. Finally, subjects answered a questionnaire containing the variables of interest.

3.7.2 Measures

3.7.2.1 Dependent Variable

After seeing each of the offers, respondents were asked, “How likely are you to participate in this offer?” and would respond on a 9-point scale with “Not at all likely” at one and “Extremely likely” at nine, as anchors.

3.7.2.2 Offer Attractiveness

A single item was utilized to measure the attractiveness of each offer as part of the cognitive component.

3.7.3 Results

3.7.3.1 Preliminary Analysis

3.7.3.1.1 Manipulation Checks

One hundred percent of the respondents correctly identified the price frame in the offer they were presented.

3.7.3.1.2 Sphericity Assumption

The results of Mauchly’s test for each of the three effects (two main effects and the one interaction) showed that the assumption of sphericity has been violated; as indicated in Table 3.1, the significance values (p < .05) indicate that all three effects violated the assumption of
sphericity, and accordingly, the F-values should be corrected. Epsilon (the estimate of sphericity) was less than 0.75 for all effects, and thus Greenhouse-Geisser correction was to be used (Table 3.2a).

**Table 3.1: Mauchly’s Test of Sphericity**

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<th>Within Subjects Effect</th>
<th>$\chi^2$</th>
<th>p-value</th>
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</thead>
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<tr>
<td>Price</td>
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<td>0.000</td>
</tr>
<tr>
<td>Donation Amount</td>
<td>56.020</td>
<td>0.000</td>
</tr>
<tr>
<td>Price * Donation Amount</td>
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<td>0.004</td>
</tr>
</tbody>
</table>

**Table 3.2a: Repeated Measures ANOVA Results**

<table>
<thead>
<tr>
<th>Source</th>
<th>F (G-G)</th>
<th>p-value</th>
<th>Effect Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
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<td>0.000</td>
<td>0.723</td>
</tr>
<tr>
<td>Donation Amount</td>
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<td>0.000</td>
<td>0.508</td>
</tr>
<tr>
<td>Price * Donation Amount</td>
<td>3.556</td>
<td>0.000</td>
<td>0.067</td>
</tr>
<tr>
<td>Price * Frame * Donation Amount</td>
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<td>0.055</td>
</tr>
</tbody>
</table>

**3.7.3.2 Repeated Measures ANOVA**

A 2 (Frame: PAD/ Aggregate) x 5 (Price: $1/ 365, $2/ 730, $3/ 1095, $4/ 1460, $5/ 1825) x 5 (Donation Amount: Dollar amount corresponding to 10%, 30%, 50%, 70%, and 90% of the asking price) repeated measures ANOVA was run with participation intention as the dependent variable.

The main effects of price and donation amount were both significant (F (4, 244) = 159.251, p < 0.001; F (4, 244) = 63.041, p < 0.001, respectively). The two-way interaction of price x donation amount was also significant, F (16, 976) = 4.392, p < 0.001; most importantly, the three-way interaction of price x donation amount x frame was significant (F (16, 976) = 3.556, p < 0.001), shown in Figure 3.3a, b, thus supporting our claim of the moderating role of donation amount.
3.7.3.2.1 Test of Hypothesis One

H1 states that in the PAD condition, (a) an increase in price will have a negative effect on participation intentions; (b) an increase in donation amount will have a positive effect on participation intentions; and (c) the interaction between donation amount and price is not significant. To test this hypothesis, a planned comparison of the three-way interaction was run; it shows that at the 10% donation amount level, the mean participation intention for $P = 1/ day
was significantly higher than that of P = $2, $3, $4, and $5/ day (M_{P1} = 6.125 vs. M_{P2} = 4.938 vs. M_{P3} = 2.813 vs. M_{P4} = 2.813 vs. M_{P5} = 2.438; F = 25.649, p < 0.001). At the 90% donation amount level, and still in the PAD condition, the mean participation intention for P = $1/ day was significantly higher than that of P = $2, $3, $4, and $5/ day (M_{P1} = 7.344 vs. M_{P2} = 6.469 vs. M_{P3} = 5.000 vs. M_{P4} = 4.250 vs. M_{P5} = 3.594; F = 17.318, p < 0.001), thus leading to the support of H1 (a).

Similarly, at the $1/day price level, the author found that the mean participation intentions for the 90% donation amount were significantly higher than that of the 10% donation amount (M_{90%} = 7.344 vs. M_{10%} = 6.125; F (4, 58) = 4.237, p<.013). At the $5/day price level, the mean participation intentions for the 90% donation amount was also significantly higher than that of the 10% donation amount (M_{90%} = 3.594 vs. M_{10%} = 2.438; F (4, 58) = 3.279, p<.023), which in turn confirms H1 (b). Finally, a split by frame analysis shows that the interaction between price and donation amount is not significant (F (16, 496) = 1.287; p< .240), thus leading to the full support of H1 (Table 3.2b).

<table>
<thead>
<tr>
<th>Source</th>
<th>F (G-G)</th>
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<tbody>
<tr>
<td>Price</td>
<td>75.969</td>
<td>0.000</td>
</tr>
<tr>
<td>Donation Amount</td>
<td>27.279</td>
<td>0.000</td>
</tr>
<tr>
<td>Price * Donation Amount</td>
<td>1.287</td>
<td>0.240</td>
</tr>
</tbody>
</table>

### 3.7.3.2.2 Test of Hypothesis Two

H2 states that in the aggregate frame condition (a) an increase in price will have a negative effect on participation intentions; (b) an increase in donation amount will have a positive effect on participation intentions; and (c) the interaction between donation amount and price will not be significant. To test that, a planned comparison of the three-way interaction was
run; it shows that at the 10% donation amount level, the mean participation intention for $P = 365$ was significantly higher than that of $P = 730$, $1095$, $1460$, and $1825$ ($M_{P1} = 4.484$ vs. $M_{P2} = 3.839$ vs. $M_{P3} = 2.710$ vs. $M_{P4} = 2.452$ vs. $M_{P5} = 2.387$; $F (4, 58) = 8.801$, $p < 0.001$). At the 90% donation amount level, and still in the PAD condition, the mean participation intention for $P = 365$ was significantly higher than that of $P = 730$, $1095$, $1460$, and $1825$ ($M_{P1} = 8.290$ vs. $M_{P2} = 6.839$ vs. $M_{P3} = 4.323$ vs. $M_{P4} = 3.677$ vs. $M_{P5} = 2.871$; $F (4, 58) = 33.330$, $p < 0.001$), thus leading to the support of H2 (a). Similarly, at the $365$ price level, the author found that the mean participation intentions for the 90% donation amount was significantly higher than that of the 10% donation amount ($M_{90\%} = 8.290$ vs. $M_{10\%} = 4.484$; $F (4, 58) = 25.713$, $p < 0.001$). At the $1825$ price level, the mean participation intentions for the 90% donation amount was not significantly different than that of the 10% donation amount ($M_{90\%} = 3.677$ vs. $M_{10\%} = 2.452$; $F (4, 58) = 3.357$, $p < .005$), which in turn confirms H2 (b). Finally, a split by frame analysis shows that the interaction between price and donation amount is significant in the aggregate frame condition ($F (16, 480) = 6.370$, $p < .001$), thus leading to the full support of H2 (Figure 3.2c).

**Table 3.2c: Repeated Measures ANOVA Results – Split by Frame: Aggregate**

<table>
<thead>
<tr>
<th>Source</th>
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<th>$p$-value</th>
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</thead>
<tbody>
<tr>
<td>Price</td>
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<tr>
<td>Donation Amount</td>
<td>35.692</td>
<td>0.000</td>
</tr>
<tr>
<td>Price * Donation Amount</td>
<td>6.370</td>
<td>0.000</td>
</tr>
</tbody>
</table>

3.8 Experiment Two

The purpose of this experiment is to re-establish the support for H1 and H2 and to test for any mediation effect using structural equation modeling.
3.8.1 Methods

3.8.1.1 Sample

A computer-based experiment was conducted; 251 subjects, mainly undergraduate students with ages ranging between 18 and 52 (90% between 18 and 23 years old), took the study for extra credit.

3.8.1.2 Stimuli and Design

Eight different scenarios were utilized in the experiment with one common theme: “You have just graduated from college with a job that pays $50,000 a year.” Participants were told that their new company sometimes sends employee-special cause-related marketing offers in its monthly newsletter, and that their purchases are to be pro-rated and automatically deducted from their monthly salaries, mainly to make sure that the respondents understand that for the PAD offers, payments won’t be on a daily basis.

After the instructions, participants were presented with one of the eight laptop offers that are manipulated in a 2 x 2 x 2 between subjects design. The first factor is the offer temporal frame: the subjects will see either a PAD framed offer or an aggregate-framed offer. The second factor is the donation amount (low donation vs. high donation); in the low amount, respondents are shown a dollar amount donation corresponding to 10% of the price of the product, and in the high condition respondents are shown a dollar amount donation corresponding to 90% of the asking price in the offer. The third factor is the price (low price vs. high price), i.e., the dollar amount of the offer seen: $1 and $365 for the low price level and $5 and $1825 for the high price level. The dollar values were chosen in accordance with Gourville (1998), where $1 was the low value used in that paper; the author chose $5 as a high price level, based on the market prices of the stimuli presented in the experiment.
3.8.2 Measures

3.8.2.1 Participation Intentions

After seeing one of the offers, participants were asked, “How likely are you to participate…?” and responded on a 9-point scale, anchored by “Not at all likely” (1) and “Extremely likely” (9).

3.8.2.2 Sympathy

The measure of sympathy was developed by Moore (1997) as a 3-item scale. It was modified, adding two more items, to fit this study. This five-item scale measures situational sympathy. Scale items are provided in Appendix A.

3.8.2.3 Offer Attractiveness

A single item was utilized to measure the attractiveness of the request as part of the cognitive component.

3.8.2.4 Corporate Social Responsibility

Using a five-item scale, developed by Brown and Dacin (1997), the participants respond on a nine-point scale (Strongly disagree (1) to strongly agree (9)). Scale items are provided in Appendix A.

3.8.2.5 Attitude towards the Manufacturer

Attitude towards the manufacturer was measured using a four-item scale developed by Mitchell and Olsen (1981) and modified to fit this study; scale items are provided in Appendix A.

3.8.2.6 Cost Benefit Deliberation

A seven-item scale developed specifically for this study was pretested in the pilot study. The scale will measure whether the respondents are deliberating more on cost or on benefits. The
participants respond on a nine-point scale (cost (1) to benefit (9)). Scale items are provided in Appendix A.

3.8.3 Results

3.8.3.1 Preliminary Analysis

3.8.3.1.1 Manipulation Checks

One hundred percent of the respondents correctly identified the price frame in the offer they were presented.

3.8.3.1.2 Measurement Reliability

All scales showed acceptable levels of Chronbach’s α ranging from 0.875 to 0.964. The new seven-item scale, pretested earlier to ascertain whether the consumers deliberated more on the Costs or the Benefits in the offers, also showed an acceptable reliability measure, its α was 0.934.

3.8.3.2 ANOVA

3.8.3.2.1 Test of Hypothesis One

A 2 (frame: PAD/aggregate) x 2 (Price: high/low) x 2 (donation amount) ANOVA was run with participation intention as the dependent variable. The results showed significant main effects for price (F (1, 251) = 50.129, p < 0.001), a significant main effect of donation amount (F = 31.614, p < 0.001) and a marginally significant main effect of frame (F (1, 251) = 3.021, p < .083). The two-way interaction between frame and donation amount was significant (F (1, 251) = 6.935, p < .009), while the two-way interaction between price and donation amount was marginally significant (F (1, 251) = 3.166, p < .076). Finally, the three-way interaction between frame, price, and donation amount was significant (F (1, 251) = 6.718, p < .01). Table 3.3a illustrates the results of the ANOVA. H1 states that in the PAD condition (a) an increase in price will have a negative effect on participation intentions; (b) an increase in donation amount will
have a positive effect on participation intentions; and (c) the interaction between donation amount and price is not significant.

Table 3.3a: ANOVA Results

<table>
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<th>Source</th>
<th>F</th>
<th>p-value</th>
<th>Effect Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corrected Model</td>
<td>14.633</td>
<td>0.000</td>
<td>0.297</td>
</tr>
<tr>
<td>Intercept</td>
<td>6607.36</td>
<td>0.000</td>
<td>0.885</td>
</tr>
<tr>
<td>Price</td>
<td>50.129</td>
<td>0.000</td>
<td>0.171</td>
</tr>
<tr>
<td>Frame</td>
<td>3.021</td>
<td>0.083</td>
<td>0.012</td>
</tr>
<tr>
<td>Donation Amount</td>
<td>31.614</td>
<td>0.000</td>
<td>0.115</td>
</tr>
<tr>
<td>Price * Frame</td>
<td>0.862</td>
<td>0.354</td>
<td>0.004</td>
</tr>
<tr>
<td>Frame * Donation Amount</td>
<td>6.935</td>
<td>0.009</td>
<td>0.028</td>
</tr>
<tr>
<td>Price * Donation Amount</td>
<td>3.166</td>
<td>0.076</td>
<td>0.013</td>
</tr>
<tr>
<td>Price * Frame * Donation Amount</td>
<td>6.718</td>
<td>0.010</td>
<td>0.027</td>
</tr>
</tbody>
</table>

Adjusted R Squared = 0.276

A planned comparison for the significant three-way interaction of price x frame x donation amount (Figure 3.4) showed that in the low donation condition, PAD frame, the mean participation intention was significantly higher for low price than for high price ($M_{LowP} = 6.031$ vs. $M_{HighP} = 3.935$, $F (1, 243) = 19.536$, $p < 0.001$); similarly, in the high donation amount condition, the mean participation intention was significantly higher for low price than for high price ($M_{LowP} = 6.548$ vs. $M_{HighP} = 4.839$, $F (1, 243) = 12.798$, $p < 0.001$), thus leading to full support of H1 (a). Moreover, at the high price level, the mean participation intentions for the high donation amount was significantly higher than that for the low donation amount ($M_{HighD} = 4.839$ vs. $M_{LowD} = 3.935$, $F (1, 243) = 3.572$, $p < .06$); the same effect did not exist at low price level, leading to partial support of H1 (b). Finally, a split by frame analysis (Table 3.3b) showed that the interaction between price and donation amount was not significant in the PAD frame group ($F (1, 125) = .277$, $P < .600$). Having re-established support for H1, this analysis now moves to testing H2.

Table 3.3b: ANOVA Results – Split by Frame: PAD
### Tests of Hypothesis Two

H2 states that in the aggregate frame condition (a) an increase in price will have a negative effect on participation intentions; (b) an increase in donation amount will have a positive effect on participation intentions; and (c) the interaction between donation amount and price is significant. Another look at the planned comparison for the three-way interaction showed that in the low donation condition, aggregate frame, the participation intentions means were not significantly different for low price vs. high price ($M_{\text{LowP}} = 4.156$ vs. $M_{\text{HighP}} = 3.733$, $F(1, 243) = 0.782$, $p < .377$); however, in the high donation amount condition, the mean participation intention was significantly higher for low price than for high price ($M_{\text{LowP}} = 7.156$ vs. $M_{\text{HighP}} = 4.656$, $F(1, 243) = 28.248$, $p < 0.001$), thus leading to partial support of H2 (a). Moreover, at the high price level, the mean participation intentions for the high donation amount was significantly higher than that for the low donation amount ($M_{\text{HighD}} = 4.656$ vs. $M_{\text{LowD}} = 3.733$, $F(1, 243) = 3.726$, $p < .055$); the same effect at low price level was also significant ($M_{\text{HighD}} = 7.156$ vs. $M_{\text{LowD}} = 4.156$, $F(1, 243) = 40.677$, $p < 0.001$), leading to the full support of H2 (b). Finally, a split by frame analysis (Table 3.3c) showed that the interaction between price and donation amount was significant in the aggregate frame ($F(1, 126) = 11.782$, $P < .001$). A planned comparison for the interaction showed that the effect of the high donation amount on participation intentions increased as price decreased ($M_{\text{LowPrice}} = 7.156$ vs. $M_{\text{HighPrice}} = 4.656$, $F(1, 122) = 34.706$, $p < .001$). This confirms H2 (c) and grants full support for H2.
### Table 3.3c: ANOVA Results – Split by Frame: Aggregate

**Dependent Variable: Participation Intentions**

<table>
<thead>
<tr>
<th>Source</th>
<th>F</th>
<th>p-value</th>
<th>Effect Size</th>
</tr>
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<tr>
<td>Corrected Model</td>
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<td>0.388</td>
</tr>
<tr>
<td>Intercept</td>
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<td>0.897</td>
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<td>Price</td>
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<td>Donation Amount</td>
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<td>Price * Donation Amount</td>
<td>11.782</td>
<td>0.001</td>
<td>0.088</td>
</tr>
</tbody>
</table>

Adjusted R Squared = 0.373

### Means of Participation Intentions

![Means of Participation Intentions graph](image)

**Figure 3.4**: The 3-way Interaction between price, frame, and donation amount on participation intentions
3.8.3.3 Multi-Group SEM

Structural equation modeling was utilized to evaluate the hypothesized process measures. The process measures included four latent variables: sympathy, corporate social responsibility, cost-benefit deliberation, and attitude towards the manufacturer. To incorporate the donation amount (a manipulated variable), a MIMIC type model, multiple indicators/multiple causes was required (Graham, 2008).

Using AMOS, a multiple group analysis was conducted on four groups: low price – PAD frame, low price – aggregate frame, high price – PAD frame, and high price – aggregate frame; mainly representing the four conditions in a 3-way interaction. The model estimation produced the following statistics: \( \chi^2 (728) = 1134.869 \) (p<.001), \( \chi^2/df = 1.559 \), CFI = .906, IFI = .908, RMSEA = .048 (Low = .043, High = .053).

The model’s fit, as indicated by these indexes, was deemed satisfactory; thus, it provides a good basis for testing the hypothesized paths. The results of the hypotheses tests are presented in Tables 3.4 a, b, c and d for low price – PAD frame, low price – aggregate frame, high price – PAD frame, and high price – aggregate frame respectively.

3.8.3.3.1 Low Price, PAD Frame Condition

The results for our first set of hypotheses were as follows.

3.8.3.3.1.1 Hypothesis 3a

In the low price, PAD frame condition (results shown in Table 3.4a), as predicted, donation amount had a positive and significant impact on sympathy, while sympathy had a significant positive effect on participation intentions, confirming the mediating effect of sympathy and supporting H3a.
3.8.3.3.1.2 Hypothesis 4a

Donation amount had a positive and significant impact on deliberation, while deliberation had a significant positive effect on participation intentions, which confirms the mediating effect of deliberation and H4a.

3.8.3.3.1.3 Hypothesis 5a

Donation amount had a positive and significant impact on corporate social responsibility, and CSR had a significant positive effect on participation intentions, which confirms the mediating effect of CSR and H5a.

3.8.3.3.1.4 Hypothesis 6a

Donation amount had a negative and significant impact on attitude towards the manufacturer. Attitude towards the manufacturer in turn had a significant positive effect on participation intentions, which confirms the mediating effect of attitude towards the manufacturer and H6a.

3.8.3.3.2 Low Price, Aggregate Frame Condition

3.8.3.3.2.1 Hypothesis 3b

In the low price, aggregate frame condition (Table 3.4b), donation amount had no impact on sympathy, thus the mediating effect of sympathy between donation amount and participation intentions is not supported under this condition, nor is H3b.

3.8.3.3.2.2 Hypothesis 4b

Donation amount had a positive and significant impact on deliberation, while deliberation had a significant positive effect on participation intentions, which confirms the mediating effect of deliberation and H4b.
3.8.3.3.2.3 Hypothesis 5b

Donation amount had a positive and significant impact on corporate social responsibility, and CSR had a significant positive effect on participation intentions, which confirms the mediating effect of CSR and H5b.

3.8.3.3.2.4 Hypothesis 6b

Donation amount had a negative and significant impact on attitude towards the manufacturer, and the latter had a significant positive effect on participation intentions, which confirms the mediating effect of attitude towards the manufacturer and H6b.

3.8.3.3 High Price, PAD Frame Condition

3.8.3.3.1 Hypothesis 3c

In the low price, aggregate frame condition (Table 3.4c), donation amount had no impact on sympathy, supporting the hypothesis (H3c) that there is no mediating effect of sympathy between donation amount and participation intentions under this condition. Sympathy did have a positive effect on participation intentions.

3.8.3.3.2 Hypothesis 4c

Donation amount had a negative and significant impact on deliberation, while deliberation had a significant positive effect on participation intentions, which confirms the mediating effect of deliberation and H4c.

3.8.3.3.3 Hypothesis 5c

Donation amount had no significant impact on corporate social responsibility, which confirms H5c.

3.8.3.3.4 Hypothesis 6c

Donation amount had no significant impact on attitude towards the manufacturer, which also confirms H6c.
3.8.3.3.4 High Price, Aggregate Frame Condition

As for the last group, high price – aggregate frame condition, donation amount had no significant on sympathy, cost-benefit deliberation, corporate social responsibility, and attitude toward the manufacturer. This confirms H3d, H5d, and H6d. However, the results did not support H4d, as the donation amount had no effect on deliberation.

**Table 3.4 a: Low Price, PAD Frame Condition**

<table>
<thead>
<tr>
<th>Structural Path</th>
<th>t-value</th>
<th>p</th>
<th>Standardized value</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
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<td>0.239</td>
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<tr>
<td>Donation Amount ---&gt; Deliberation</td>
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<td>0.018</td>
<td>0.336</td>
<td>H4a</td>
</tr>
<tr>
<td>Donation Amount ---&gt; Corporate Social Responsibility</td>
<td>2.874</td>
<td>0.004</td>
<td>0.411</td>
<td>H5a</td>
</tr>
<tr>
<td>Donation Amount ---&gt; Laptop Manufacturer Attitude</td>
<td>-1.658</td>
<td>0.090</td>
<td>-0.210</td>
<td>H6a</td>
</tr>
<tr>
<td>Sympathy ---&gt; Participation Intentions</td>
<td>3.168</td>
<td>0.002</td>
<td>0.424</td>
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</tr>
<tr>
<td>Deliberation ---&gt; Participation Intentions</td>
<td>3.080</td>
<td>0.002</td>
<td>0.483</td>
<td>H4a</td>
</tr>
<tr>
<td>Corporate Social Responsibility ---&gt; Participation Intentions</td>
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<td>0.009</td>
<td>0.399</td>
<td>H5a</td>
</tr>
<tr>
<td>Laptop Manufacturer Attitude ---&gt; Participations Intentions</td>
<td>5.496</td>
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<td>0.682</td>
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*Hypothesis Not Supported

**Table 3.4 b: Low Price, Aggregate Frame Condition**

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<tr>
<td>Donation Amount ---&gt; Deliberation</td>
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<td>0.800</td>
<td>H4b</td>
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<tr>
<td>Donation Amount ---&gt; Corporate Social Responsibility</td>
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<td>0.000</td>
<td>0.578</td>
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<td>Donation Amount ---&gt; Laptop Manufacturer Attitude</td>
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<td>0.300</td>
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<td>Sympathy ---&gt; Participation Intentions</td>
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<td>0.134</td>
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<td>0.015</td>
<td>0.276</td>
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<tr>
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<td>0.055</td>
<td>0.184</td>
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</table>

*Hypothesis Not Supported
Table 3.4 c: High Price, PAD Frame Condition
Standardized Parameter estimates, t-values, and p-values

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<th>p</th>
<th>Standardized value</th>
<th>Hypothesis</th>
</tr>
</thead>
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<td>-0.408</td>
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<td>0.330</td>
<td>0.304</td>
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<td>0.359</td>
<td>0.120</td>
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<td>0.806</td>
<td>H3c</td>
</tr>
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<td>0.477</td>
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<td>Corporate Social Responsibility ---&gt;</td>
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<td>0.264</td>
<td>0.236</td>
<td>H5c</td>
</tr>
<tr>
<td>Participation Intentions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Laptop Manufacturer Attitude ---&gt; Participation Intentions</td>
<td>-0.679</td>
<td>0.497</td>
<td>-0.126</td>
<td>H6c</td>
</tr>
</tbody>
</table>

Table 3.4 d: High Price, Aggregate Frame Condition
Standardized Parameter estimates, t-values, and p-values

<table>
<thead>
<tr>
<th>Structural Path</th>
<th>t-value</th>
<th>p</th>
<th>Standardized value</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donation Amount ---&gt; Sympathy</td>
<td>1.101</td>
<td>0.266</td>
<td>0.140</td>
<td>H3d</td>
</tr>
<tr>
<td>Donation Amount ---&gt; Deliberation</td>
<td>-0.720</td>
<td>0.472</td>
<td>-0.097</td>
<td>H4d*</td>
</tr>
<tr>
<td>Donation Amount ---&gt; Corporate Social Responsibility</td>
<td>0.204</td>
<td>0.838</td>
<td>0.027</td>
<td>H5d</td>
</tr>
<tr>
<td>Donation Amount ---&gt; Laptop Manufacturer Attitude</td>
<td>0.123</td>
<td>0.902</td>
<td>0.016</td>
<td>H6d</td>
</tr>
<tr>
<td>Sympathy ---&gt; Participation Intentions</td>
<td>2.290</td>
<td>0.022</td>
<td>0.520</td>
<td>H3d</td>
</tr>
<tr>
<td>Deliberation ---&gt; Participation Intentions</td>
<td>3.261</td>
<td>0.001</td>
<td>0.659</td>
<td>H4d</td>
</tr>
<tr>
<td>Corporate Social Responsibility ---&gt;</td>
<td>-0.297</td>
<td>0.767</td>
<td>-0.062</td>
<td>H5d</td>
</tr>
<tr>
<td>Participation Intentions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Laptop Manufacturer Attitude ---&gt; Participation Intentions</td>
<td>0.561</td>
<td>0.575</td>
<td>0.115</td>
<td>H6d</td>
</tr>
</tbody>
</table>

*Hypothesis Not Supported

3.9 Discussion

3.9.1 Summary of Findings

Essay three provides support to the moderating role of donation amount on the effect of the PAD frame on participation intentions. These findings suggest that although a PAD frame
did not have as much impact on participation intentions as the donation amount increased; the case was different for aggregate frame. Aggregate frame had a significant positive effect on participation intentions at high donation amount levels. Returning to the results of Essay Two, it is clear that the effect of price frame at low donation amounts resembles that in a generalized exchange (charity) context, while at high donation amounts, the frame effect resembles that of a restricted exchange context (product). Consistent with the hypotheses, lower donation amounts in low price, PAD frame offers, increased respondents’ sympathy, perception of corporate social responsibility, and cost-benefit deliberation, and ultimately increased participation intentions. Attitude towards the manufacturer, on the other hand, decreased as donation amounts increased, leading to a negative impact on participation intentions. It is worth mentioning that the impact of sympathy, corporate social responsibility, and cost-benefit deliberation overpowered that of attitude towards the manufacturer leading to a positive net effect on participation intentions. This effect on participation intentions was similar to the one found in the low price, aggregate frame offers at high donation amount levels; however, donation amount in this group increased the attitude towards the manufacturer, which in turn increased the total effect on participation intentions, thus leading to significantly higher participation intention.

At higher price levels, donation amount and price frame had a negative impact on respondents’ participation intentions, as evidenced by the negative effect on respondents’ deliberations. Essentially, respondents focus/deliberate more on the cost of the transaction, rather than the benefits at high price levels, which is consistent with other research on temporal reframing of prices (Gourville, 1998). This is because the higher prices will not be considered daily expenses, and thus the petty cash effect disappears. These findings, corroborating the hypothesized model, have several implications.
3.9.2 Implications

3.9.2.1 Theoretical Implications

This essay extends previous work on cause-related marketing and the pennies-a-day effect, or temporal reframing of prices. Specifically, essay three extends the second essay by testing the PAD frame effect in a CRM context. Gourville (1998) studied this effect on behavioral intentions in a charity context, and then attempted to extend it to a product context (Gourville 1999, 2003), yet measuring this effect on product quality perception. By contrast, this essay studied the PAD effect on behavioral intentions in a CRM context and conceptualized a model to explain why PAD would affect behavioral intentions in a low donation amount context but not high donation amount context. As noted earlier, CRM combines two different types of exchange, i.e., a generalized and a restricted exchange, and this essay’s results actually reflect that. At low donation amounts, the PAD effect resembles that of a generalized exchange where consumers focus more on the benefits of the transaction. In contrast, with high donation amounts, the PAD effect resembles that of a restricted exchange, where an aggregate frame is preferred.

3.9.2.2 Managerial Implications

This study offers interesting implications for marketing managers working on a cause related marketing campaign. The research brings new variables of interest to the area and examines how they may affect the pricing, donation amount, and price and donation frame in a CRM campaign. Specifically, when the donation amount is high, relative to the price, an aggregate frame will have a better effect on participation intentions; however, when the donation amount is low, the PAD frame will have a better effect than an aggregate frame.
3.9.3 Future Research

This research is just the first step and it has opened the way for several future prospects. One potential study would be examining the effect of frame on participation intentions when the donation amount and the price are framed differently (for example, framing the price in PAD, while framing the promised donation amount in aggregate frame). Such a study may lead to a better understanding of how consumers evaluate the price vs. the donation amount in a CRM offer. This will also help realize the portion of the CRM offer consumers contemplate more when making a decision about the purchase.

Another possibility is studying the effect of donation amount and frame in coupon-CRM mix context. Some companies came up with new fruit- of-your-effort CRM offers, where a donation will be made when a coupon is used. Such an offer combines a purchase, a discount, and a donation, and studying the effect of frame on participation intentions can reveal interesting results on how consumers analyze savings vs. helping.

Finally, a comprehensive study, including all aforementioned variables, and utilizing a real market sample with actual consumers is definitely needed, in order to study those effects in the marketplace.
REFERENCES


Cone (2007) Consumer Environmental Survey


APPENDIX A
STUDY MEASURES

Attitude towards Helping: Webb et. al. (2003)
1. People should be willing to help others who are less fortunate.
2. Helping troubled people with their problems is very important to me.
3. People should be more charitable toward others in society.
4. People in need should receive support from others.

Attitude towards United Way: adapted from Mitchel and Olson (1981)
My attitude towards United Way is:
1. Bad/ good
2. Dislike/ like
3. Unfavorable/ favorable
4. Negative/ positive

1. The money given to charities goes for good causes.
2. Much of the money donated to charity is wasted. (R)
3. My image of charitable organizations is positive.
4. Charitable organizations have been quite successful in helping the needy.
5. Charity organizations perform a useful function for society.

Sympathy: adapted from Moore (1997)
While exposed to the (stimulus), how strongly did you feel ______?
9-point scale (Not at all, Very)
1. Concerned
2. Compassionate
3. Sympathetic
4. Soft-Hearted
5. Touched

Sympathy (Trait)
1. Sometimes I feel like praying for someone who is going through hardship
2. I don’t think I am easily moved to tears
3. While everything is going well with me, but think about my friend who is in trouble, I feel sorry for him/ her
4. When someone is outcast from a group, it must be his/ her own fault
5. Even if someone does their best, it means nothing if they are not successful
6. When I see a person who is doing their best, I feel like I want to cheer them up
Anticipated Guilt

1. I would feel tension
2. I would feel remorse
3. I would think that I was in the wrong
4. I would think that I shouldn’t have done what I did
5. I would feel like undoing what I have done
6. I would feel like punishing myself
7. I would apologize
8. I would avoid meeting people’s gaze
9. I would want to make up for what I have done wrong
10. I would want to be forgiven

Offer Elaboration: Lacznia and Muehling (1993)

1. How much attention did you give to the CRM campaign described in the offer?
2. How much did you notice the details of the CRM offer?
3. How much did you concentrate on the information in the CRM offer?
4. How involved were you with the message describing the CRM offer?
5. How much thought did you put into evaluating the CRM campaign described in the offer?

Cost-Benefit Deliberation

While you were considering whether to participate in the offers, were you thinking more about?

1. Costs/ benefits
2. Negatives/ positives
3. Disadvantages/ advantages
4. Sacrifices/ rewards
5. Cons/ Pros
6. Losses/ gains
7. Weaknesses/ strengths

Corporate Social Responsibility Brown and Dacin (1997)

1. I think this company has a legitimate interest in this cause.
2. This is a socially responsibly company.
3. This company is a good corporate citizen.
4. Helping others appears important to this company.
5. This promotion benefits United Way more than it benefits this company

Attitude towards Laptop Manufacturer Mitchell and Olsen, 1981)

My attitude toward the laptop manufacturer is:

1. Bad/ good
2. Dislike/ like
3. Unfavorable/ favorable
4. Negative/ positive
APPENDIX B
SAMPLE OFFERS

Pilot Test: Essay 3

- 13.3" Ultrasharp WXGA display with TrueLife
- 2 GB Shared Dual Channel DDR2 RAM
- 160GB SATA Hard Drive
- CD/DVD Burner (DVD+-RW)

Buy this laptop for $1 a day and the laptop manufacturer will donate $0.10 a day to United Way.

How likely are you to participate?

Not at all Likely

Extremely Likely

Buy this Laptop Computer for $365 and the laptop manufacturer will donate $36.50 to United Way.

How likely are you to participate?

1 2 3 4 5 6 7 8 9

Not at likely Extremely likely

121
Mazen Jaber, a native of Lebanon, is an assistant professor of marketing at Saginaw Valley State University, Saginaw, Michigan. He earned his bachelor’s and master’s degrees in Business Administration from the Lebanese American University, Beirut, Lebanon. In 2005, he started his doctoral studies in Marketing at Louisiana State University, Baton Rouge, Louisiana.

His research interests include behavioral pricing, consumer decision making, sales promotion, cause-related marketing, as well as public policy marketing. Mr. Jaber’s work has been published in *Society for Consumer Psychology Proceedings*, *Fordham Pricing Conference Proceedings*, and *Society for Marketing Advances Proceedings*. Mr. Jaber taught principles of marketing and consumer behavior for several years at Louisiana State University and Saginaw Valley State University at the undergraduate level; he also taught marketing management and global marketing at the graduate level at Saginaw Valley State University.

The degree of Doctor of Philosophy will be conferred on Mr. Jaber at the December, 2010 Commencement.