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The role of choice in cause-related marketing – investigating the underlying mechanisms of cause and product involvement

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Abstract

Linking consumer purchases to corporate donations has become common business practice to increase sales volumes. Most Cause-Related Marketing (CRM) campaigns support charitable causes that are predetermined by the company. Thereby, the role and underlying mechanisms of individual choice options of donation components remain unclear and were examined within this paper. In a one-factor between-subject online experimental survey the presence and different choice options of the charitable donation issued with the product purchase were manipulated in a product advertisement. Through planned contrasts and regression analysis it is shown that a Cause-Related Marketing campaign can be able to positively influence consumer purchase intentions - under the condition of no choice. Individual choice of cause even mitigates purchase intention in this context. Cause- and product involvement sequentially mediate this effect.

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Introduction

Rooted in the globally widespread Corporate Social Responsibility landscape, Cause-Related Marketing (CRM) describes the corporate practice of linking product sales to company donations to a charitable cause (Varadarajan &

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Menon, 1988). Thereby, the charitable cause and organization that are supported through CRM usually are (pre-) determined by the company - giving the consumer no possibility to choose according to individual preferences.

Embedded in the existing research on the success factors of CRM campaigns, this paper aims at responding to calls in the literature (e.g. Robinson et al., 2012) to further investigate the influence of different choice options on consumer reactions within CRM campaigns. Moreover, the paper aims at transferring the previous findings regarding CRM to the Mobile Commerce (M-Commerce) environment. After the rise and successful establishment of Electronic Commerce in the past years, the current advancement towards M-Commerce shows impressive business potential. Many industries have recognized this potential and have integrated mobile channel solutions in their strategy. For the insurance industry however, consumers are hesitant due to complexity and high perceived risks (Grahl & Heinze, 2014). In this context mobile insurances refer to insurances that can be bought using mobile devices such as smartphones or tablets. They are characterized by a limited scope and a short contract term. The research questions are as follows: Is Cause-Related Marketing able to increase purchase intention for mobile insurances? Which effects has personal choice of donation elements on purchase intention within a CRM campaign for mobile insurances? What are the underlying mechanisms that drive this effect? Although prior attempts to explicate the role of choice within CRM have been made, an understanding of the underlying mechanisms of individual choice options of donation components has yet to be developed. A one-factor between-subject online experimental survey that uses different manipulations of a product advertisement poster according to the different levels of choice options within the donation process served to test for differences in consumer reaction due to the different choice levels. Planned contrasts, regression and mediation analyses were then applied to quantify these effects.

1. Conceptual background

Cause-Related Marketing is considered as a form of taking over social responsibility. It is defined by Varadarajan and Menon (1988, p. 60) 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.” Specifically, CRM has been found to enhance brand image (Varadarajan & Menon, 1988) and to improve attitudes towards the brand (Nan & Heo, 2007). Others attribute successful CRM campaigns the ability to increase customer loyalty and to motivate brand switching behavior (Strahilevitz, 1999). Linking corporate donations to product sales was found to lead to increased willingness to pay for otherwise similar products (Koschate-Fischer, Stefan, & Hoyer, 2012). Furthermore, consumers benefit from CRM campaigns through obtaining an additional favorable attribute when buying a CRM product (Drumwright, 1996; Varadarajan & Menon, 1988). Thereof, it is assumed that consumers also prefer CRM-linked mobile insurances over non-CRM-linked mobile insurances. Hypothesis 1: Linking product sales to charitable donations will increase purchase intention (compared to no donation is offered for the same product).

Findings from classical decision making theory concerning the role of choice might be transferrable to the CRM context. Deci et al. (1981) identified higher intrinsic motivation among consumers through personal choice while Wortmann (1975) found that choice can increase perceived control. Nevertheless; the implicit theory that more choice is always better is increasingly challenged. Given the fact that with increasing choice options also information search for each option rises, individuals might be unwilling to cope with the inherent more complex decision-making process. Iyengar and Lepper (2000) confirmed this choice overload hypothesis by showing that providing (too) many choice options resulted in decreasing purchase behavior and performance. By comparing the effects of choice vs. no choice options, Dhar (1997) identified that individuals’ uncertainty about preferences and thus the lacking perception of (dis-) advantages of different choice options may lead to choice deferral. Especially, if alternatives seem equally attractive, Tversky and Shafir (1992) showed that individuals tend to delay the purchase decision or even seek for alternatives. Given the fact that the donated amount per purchase is always equal for CRM campaigns and thus has the same charitable effect, individuals might perceive the different options as equally attractive. Hypothesis 2: Providing subjects the possibility to choose the charitable cause within a CRM campaign for mobile insurances leads to lower purchase intention (compared to CRM campaign with no choice).

The involvement with a cause is a central concept within research on charitable donations. Grau and Folse (2007, p. 20) define cause involvement as “the degree to which consumers find the cause to be personally relevant to

them". In the context of CRM, through choice, subjects can be part of the donation process which increases their perceived personal role with the cause (Robinson et al., 2012). Based on congruity theory (Osgood & Tannenbaum, 1955), consumers prefer harmony and consistency in their thoughts and thus strive to avoid conflicting thoughts. When buying a choice-linked CRM product, consumers are asked to select a charitable organization that receives a donation from their purchase. Through the increased personal relevance in helping the cause, it is thus likely, that consumers tend to consider that cause more personally relevant. Hypothesis 3: Choice is positively associated with cause involvement.

Product involvement accordingly describes the personal relevance of a product to an individual, its self-image and values (Beatty, Kahle, & Homer, 1988). Assigning subjects the task to actively choose the charitable cause when purchasing a CRM-linked product represents an attentional stimulus which is likely to increase involvement with the chosen cause (not the advertised product). The increased cause involvement results in more extensive processing of information on the cause options (Garry, Jogi, & Broderick, 2003). Given the fact that short-term memory and attention capacity are both finite and limited resources (Kahneman, 1973), the extensive information processing of choice options "distracts" individuals from the actual advertised product and thus decrease product-related information processing and product involvement (Lord & Burnkrant, 1993). Furthermore, product involvement directly influences consumer reactions: It was found to lead to a better perception of attribute differences, increased product importance and brand commitment (Howard & Sheth, 1969). Petty, Cacioppo, and Schumann (1983) identified in their Elaboration Likelihood Model that greater involvement has higher correlations with brand attitude and purchase intention than lower involvement. Hypothesis 4: Product involvement mediates the relationship between choice and purchase intention.

It was reasoned earlier that choice of cause would increase involvement with the chosen cause due to increased personal role in helping the cause and congruity theory. This positive effect of involvement with the cause might be transferrable to the involvement with the CRM-linked product. Consumers who have to choose a cause to support with their purchase are likely to perceive the chosen cause as personally relevant. Osgood and Tannenbaum (1955) showed that consumers are trying to establish consistency in their thoughts and thus to reduce dissonance between own thoughts and objects. When consumers consider the chosen charitable cause as important and meaningful, they would consider the product (that is advertised in combination with that cause) as similarly meaningful and important. Hypothesis 5: Cause involvement and product involvement sequentially mediate the relationship between choice and purchase intention.

2. Method

The hypotheses were tested through a one-factor between-subject online experimental survey. Subjects were told to imagine they are planning to go on a 14-day holiday to Brazil and that they are already at the airport waiting for their flight to leave. Subsequently, they were shown an advertisement for a day-based travel insurance that can be bought via mobile devices and that is valid right after purchase. The presence and level of charitable donation issued with the product purchase was manipulated as follows: A control group was presented an advertisement without any charitable donation involved while a second group was shown a version of the advertisement that includes a donation that was predefined by the company. A third group could choose one or more elements of the donation (choice of organization, choice of charitable cause, choice of destination). All choice options were derived from the analysis of donation preferences in Germany and were operationalized through dropdown fields and an extra field for individual suggestions. The participants were automatically randomly assigned to one of the groups and were presented a different advertisement accordingly. In line with the findings of Olsen, Brown, and Pracejus (2003), the donation amount was expressed as percent donation (50%) of the sales price for all treatment groups so that subjects perceive the campaign as powerful.

Measures. The study used previously published scales to measure the constructs purchase intention, cause involvement and product involvement. Purchase intention was measured using a 4-item 7-point Likert scale based on Dodds, Monroe, and Grewal (1991) and Grewal, Monroe, and Krishnan (1998). Participants were i.e. asked to rate their probability to consider buying the advertised insurance. Cause involvement was measured through a 5-item 7-point semantic differential scale based on Grau and Folse (2007). Subjects evaluated i.e. how important and

meaningful the charitable cause is to them. Product involvement was measured by a 5-item 7-point semantic differential scale based on Bienstock and Stafford (2006) asking subjects to rate i.e. how valuable and needed they perceive the product.

3. Results

Analysis. Cronbach’s Alpha for all scales are above the desired threshold of .7 (all values even surpass >.93). The sample consists of 420 subjects, thereof 51.2 % male. The random assignment of participants to treatment groups resulted in nearly similar quotes for each treatment group. No major differences in demographic variables among the different experimental conditions were found. Hypotheses were tested through planned contrasts and regression analyses using Hayes (2013) PROCESS macro.

Manipulation check. Subjects’ perceived charitableness of the different advertisements were assessed through a 4-item 7-point Likert scale based on Webb, Green, and Brashear (2000) as manipulation check. Subjects evaluated the advertisements that include a donation significantly more charitable. The corresponding ANOVA with orthogonal contrasts was highly significant ($t(146) = 4.794; p < .001$). Moreover, the provision of personal choice of donation components increased the perceived charitableness of the advertised product package further ($t(121) = 2.783; p < .006$).

Test of hypotheses. Initially, it was tested whether linking product sales to charitable donations would increase purchase intention for the advertised mobile insurance. The corresponding one-way ANOVA with orthogonal contrasts shows that even though subjects indicated to be more likely to buy the advertised mobile travel health insurance if it was linked to charitable donation, this difference was not significant ($M_{no\ campaign} = 4.44; M_{campaign, no\ choice} = 4.69; t(414) = -.952, p = .342$). Thus, hypothesis 1 has to be rejected.

It was tested further whether offering subjects the possibility to choose the donation recipient (in terms of choice of organization, choice of cause, choice of destination or complete choice) would affect their purchase intention compared to a CRM campaign without choice. Therefore, the choice construct was operationalized as a dummy variable. The total effect of choice on purchase intention is negative and significant ($\beta = -.4206, t = 2.1060, p < .05$) supporting hypothesis 2. It can further be concluded that there is an effect to be mediated. Subsequently, the specific direct effect of choice on cause involvement (as first mediator) is positive and significant ($\beta = .4561, t = 2.4391, p < .05$), supporting hypothesis 3.

The direct effect of choice on product involvement is negative ($\beta = -.4192; t = -2.4517; p < .05$) indicating that those subjects who were asked to choose were less involved with the product. In contrast, the direct effect of product involvement on purchase intention is positive and significant ($\beta = .7202; t = 15.4721; p < .001$) indicating that the more involved subjects are with the product, the higher their intention to purchase this product. The specific indirect effect of choice on purchase intention through product involvement was negative and significant ($b1b2 = -.3019; 95\% \text{ confidence interval} = -.5568 \text{ and } -.0547$). Thus, product involvement competitively mediates the relationship between choice and purchase intention, providing support for hypothesis 4.

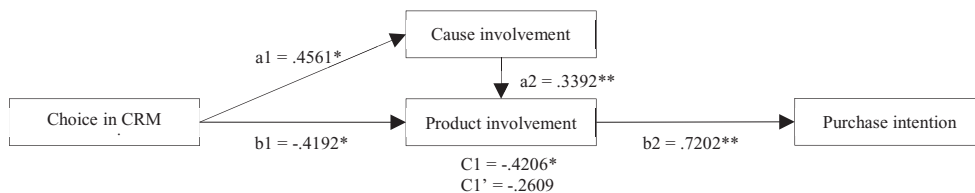


Fig. 1: Direct and sequential model with path coefficients

In order to test whether the effect of choice with CRM campaigns was sequentially mediated by cause involvement and product involvement the authors performed a sequential mediation analyses (Model 6 as described in PROCESS) with bootstrap methods (Hayes, 2013). The direct effects of choice on cause involvement and of product involvement on purchase intention were already shown in the above tests. Given the fact that the direct

effect of cause involvement on product involvement is positive and significant ($\beta = .3392$; $t = 6.9993$; $p < .001$), also the indirect effect (of cause involvement and product involvement on purchase intention) was shown to be significant ($a_1a_3b_2 = .1114$, $CI = .0170$ and $.2388$). Introducing cause involvement and product involvement as sequential mediators reduced the direct effect of choice on purchase intention ($C1'$) and makes it insignificant ($\beta = -.2609$, $t = 1.7398$, $p = .0828$). Thus, hypothesis 5 was supported by the data showing that providing consumers the option to choose donation recipients within CRM campaigns, results in decreased purchase intention for the advertised product with cause and product involvement acting as mediators. Figure 1 visualizes the direct and sequential model with path coefficients.

4. Discussion

The present study challenges the findings of Robinson et al. (2012) who attributed choice of cause a positive effect on consumer reactions through the mechanism of increased perception of personal role in helping the cause. The relative low monetary amount of the donation issued in the present study might have countered this effect. Dahl and Lavack (1995) showed that the effects of CRM are more positive for greater donations than for smaller ones. Additionally, the perceived impact of the individual donation acts as an important motivator (or barrier respectively) for individual donations. In the given setting, this impact might have been too small to cause a meaningful effect.

The present study intended to understand the effect of choice on purchase intention by the underlying consumer involvement with the supported cause and the advertised product. It was successfully shown that both, cause involvement and product involvement sequentially mediate the effect of choice on consumers' intention to purchase the advertised CRM-linked product. Thereby, the competitive mediation through the construct of product involvement is likely to originate from the product category itself. The fast and uncomplicated contract closing associated with mobile insurances is a core feature (transferring insurances from high-involvement products to low-involvement ones). It might therefore be reasonable, that efforts to re-increase involvement such as the choice option implemented in this study, are met with refusal by consumers.

The study sets impulses to further investigate the role of choice within CRM for other products and industries but especially to extend research on the underlying mechanisms that mediate this effect. As this study has tested consumer reactions concerning mobile health insurances paired with a Cause-Related Marketing campaign, results are especially relevant for insurance providers on the one hand but also for any company that is active in M-Commerce on the other hand. Based on the findings of this study, CRM has the potential to increase purchase intention for mobile insurances. As this increase is not statistically significant, practitioners should conduct further analyses (e.g. of their target group) before launching a CRM campaign. It was shown that purchase intention is greatly influenced by product involvement which is largely affected by choice and cause involvement. It is therefore important to understand this link and to design future CRM campaigns accordingly. Furthermore, it is not recommended for insurance firms to include choice within a CRM campaign for mobile insurances. Besides the increased administrative effort and complexity to manage and to initiate the individualized donation which is out of all proportion particularly for low-priced products such as the mobile insurances, consumers disapproved the choice option. Moreover, insurance products are of utilitarian nature and the positive effects of CRM campaigns have been found to be greater for hedonic products than for utilitarian products (Strahilevitz & Myers, 1998).

Conclusions

This study provides a valuable contribution to existing research in the field of Cause-Related Marketing as it applies CRM to the upcoming M-Commerce and to the under-researched product group of insurances. Insurances are highly complex products that face difficulties in penetrating the mobile channel in Germany. Thereby, it was shown that Cause-Related Marketing per se is not a suitable tool to increase consumer purchase intention for mobile insurances. Significant increases in consumers' intentions to buy donation-linked insurances could not be observed. Furthermore, the study extends first research attempts on the role of choice within CRM by relating it to the involvement with the cause and the advertised product accordingly. Thereby, the results challenge previous findings concerning the effects of CRM for hedonic products and predetermined charitable projects to receive the donation. It

remains for future studies to decode further elements that explain purchase intention for donation-linked products and services.

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