

**University of Alberta**

Understanding Donor Response to Donation Appeals: The Role of  
Deservingness in the Dictator Game and Optimum Donation Promises in  
Charity Auctions

by

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## **Abstract**

Marketing research has attempted to shed light on donor responses to a variety of donation appeals and strategies. More recently, research has examined the effect of changing the content of an appeal in both a donation solicitation and a cause-related marketing context. Some charities are highly successful with their marketing and fundraising strategies, while many others struggle to fund their services. This discrepancy in donor support is cause for concern from a public policy perspective, where optimizing the distribution of dollars is a key objective. Particularly in a recessionary economy, with more and more charities appealing to donors for their support, charity choice has become more crowded than ever before. The question of which charity is chosen and how much to ‘spend’ on that charity can determine which charities succeed and which ones fail, as donors become increasingly concerned with maximizing the impact of their donor dollars.

I begin the dissertation with a thorough review of the relevant literature to provide a foundation and backdrop to the issues I study in two sets of studies. In the first set of studies, I examine deservingness of a recipient, where judgments are affected by the donation appeal content. Specifically, I look at how recipient information profiles can affect donor response. In the second set of studies, I examine donor response in a novel cause-related marketing format - online charity auctions – where I vary factors related to the auction products, price and

the percentage of auction price that is donated to charity. These two papers contribute to the research in donor response to charity appeals by shedding light on the deliberative aspect of the decision process. Public policy and managerial implications are discussed, where an increasingly competitive environment with many comparative options are becoming standard challenges for charity fundraisers. A review of the relevant research areas for both papers precedes the studies to provide a foundation and motivation for our hypotheses and research designs.

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## **Chapter One**

### **General Introduction**

Donors *buy* support for charities and reflect their social conscience (as well as other external factors) by spending their dollars on donations. As the fundraising arena evolves, new forms of donation solicitation have emerged to complement the traditional door-to-door canvasser. Web-based appeals soliciting online donations, and cause-related marketing bundling a product with a donation are but two of a growing arsenal of strategies that fundraisers now consider in their marketing mix. As charities compete for donor support, the volume of marketing communications targeting donors reflects the growing size of the pie. In fact, donations reached a record amount of \$307.65 billion in 2008 (Giving USA, 2009), with individual donors accounting for 74.5% of those donor dollars. Of noticeable significance is that recently, marketing research has devoted more attention upon CRM as a way to combine traditional selling of products with contributions to a charitable cause (Varadarajan and Menon, 1988; Berglund and Nakata, 2005). Spending on CRM has increased from \$120 million in 1990 to an expected \$1.57 billion in 2009 (IEG, 2009). Given the increasing size and trends directed towards CRM combined with the magnitude of individual donor spending, it is apparent that a better understanding of donor's social preferences for charitable giving is needed. This research has important implications for both charity and corporate strategies, where generating revenues or benefiting from improved perceptions is the primary challenge.

Competition for individual donation dollars has become increasingly challenging for fundraising managers. Understanding how to effectively communicate their donation appeals, among many competing appeals, to help sustain the many services non-profit organizations provide is a vital task. Marketing research has attempted to shed light on donor responses to a variety of donation appeals and strategies (see Bendapudi et al., 1996 for a review). More recently, research has

examined the effect of changing the content of a donation appeal, such as when appeals are either self-focused or other-focused (White and Peloza, 2009; Fisher, Vandenbosch and Antia, 2008; Nelson et al., 2006; Brunel and Nelson, 2000), whether appeals reference what other donors gave (Shang, Reed and Croson, 2008), and how vivid a beneficiary is portrayed (Kogut and Ritov, 2005; Small and Loewenstein, 2003). Academics have also explored the reasons why donors support charities, generally described as two forces of altruistic and selfish motivations. Understanding these motivations and how they interact with different donation appeals provides insight into prosocial decision-making, and hopefully will help charities attract donors and increase their donation revenues.

While some charities are highly successful with their marketing and fundraising strategies, many others struggle to fund their services. Common examples such as “Baby Jessica” back in 1987, who fell in a well in Texas, received over \$700,000 in donations and the highly popular ‘pink ribbon’ campaigns that fund breast cancer research (see Loewenstein and Small, 2007; Small, Loewenstein and Slovic, 2007 for other examples) highlight how some causes receive a lot of attention and donor support, compared to other causes such as child safety programs and lung cancer research (i.e., lung cancer is still the number one cause of cancer-related death) which arguably have the potential to save more lives yet do not receive nearly the same amount of support. This discrepancy in donor support with actual charitable need is cause for concern from a public policy perspective, where optimizing the distribution of dollars is a key objective. Particularly in a recessionary economy, with more and more charities appealing to donors for their support, charity choice has become more crowded than ever before. The question of which charity is chosen and how much to ‘spend’ on that charity can determine which charities succeed and which ones fail, as donors become increasingly concerned with maximizing the impact of their donor dollars.

In the first set of studies, I examine deservingness of a recipient, where judgments are affected by the donation appeal content. Specifically, I look at how recipient information profiles can affect donor response. In the second set of studies, I examine donor response in a novel cause-related marketing format - online charity auctions – where I vary factors related to the auction products, price and the percentage of auction price that is donated to charity. These two papers contribute to the research in donor response to charity appeals by shedding light on the deliberative aspect of the decision process. Managerial implications are discussed, where an increasingly competitive environment with many comparative options are becoming standard challenges for charity fundraisers. A review of the relevant research areas for both papers precedes the studies to provide a foundation and motivation for our hypotheses and research designs.

## **Chapter Two**

### **Literature Review**

Marketing research has developed overarching models explaining giving behaviour (Bendapudi et al., 1996; Garner and Wagner, 1991; Sherry, 1983; Guy and Patton, 1989) and more recently, models have been proposed to explain giving decisions that involve dual processes (Loewenstein and Small, 2007; Haidt, 2001). Loewenstein and Small put forward a theoretical model of sympathy and caring, suggesting that an irrational sympathetic process determines who receives support and a rational deliberative process calculates how much to support. Haidt presents a social intuitionist model that suggests moral reasoning is done as a post-hoc construction to a quick, automatic evaluation of a moral dilemma. Both models deemphasize deliberative information processing and suggest the affective (or intuitionist) mode takes precedence. Their arguments parallel dual information processing models that suggest an affective and a deliberative mode contribute to cognitive evaluations (Chaiken and Trope, 1999; Epstein, 1994, Kahneman and Frederick, 2002; Sloman, 1996).

Loewenstein and Small (2007) discuss the affective mode as elicited when a donor can empathize with a recipient (either because they are in a similar state or through their past and vicarious experiences), are more physically and socially proximal to the recipient, and when recipients are more vivid. As for deliberation, Haidt likens it to the 'tail' of an emotional dog and Loewenstein and Small describe deliberation as a 'disconnected computer' that is useless unless motivated by sympathy. Although the role of deliberation seems to be diminished in their models, an understanding of how deliberation works is still unclear, particularly since we cannot predict with precise accuracy the direction in which this dog's tail wags, or how this computer is programmed. The assumption that deliberative processes are completely rational may be dangerous to make in light of the many heuristics and biases explored in consumer behaviour research.

Therefore, this literature review is focused on discussing relevant research areas that can provide insight into how the deliberative component of giving decisions are made. I will review literature on donation appeals and discuss social preferences as it relates to donation behaviour. As well, consumer response to donation appeals is not isolated to the donor-recipient scenario, as newer forms of cause-related marketing have emerged including charity auctions. I will review donor response in a charity auction context where donation appeals and other factors can affect the market-clearing price of an auctioned product, and discuss how donors may respond when multiple charity auctions are available to them.

## **THE BEHAVIOUR OF DELIBERATION**

Recent research has suggested that donation decisions stem from dual information processing frameworks (Kahneman, 2003; Chaiken and Trope, 1999; Epstein, 1994, Kahneman and Frederick, 2002; Sloman, 1996), where one system is more affective in nature and another that is more deliberative in nature. Kahneman (2003) describes this two-system view as ‘intuition’ (system 1) and ‘reasoning’ (system 2), where intuitions are fast, parallel, automatic, effortless, associative, slow-learning and emotional; and reasoning is slow, serial, controlled, effortful, rule-governed, flexible and neutral. Consistent with these frameworks, Loewenstein and Small (2007) propose a theoretical perspective where stimuli either trigger a sympathetic (scarecrow) or a deliberative (tinman) system. Their ‘scarecrow’ is caring, but irrational and reflexive, reacting to factors that induce empathy, social and physical proximity, or vividness towards the recipient. Their ‘tinman’ is heartless, but rational and deliberate, reacting to a recipient’s deservingness and whether they are able to provide assistance. In addition to the direct effect of these systems on the decision to give, both can potentially interact with each other, where sympathetic reactions may lead to deliberative calculations of how deserving a recipient truly is, or how a deliberative reaction may evoke sympathy. Haidt (2001) uses the analogy of a dog and its tail, suggesting from a

social intuitionist perspective that the emotional dog uses quick, automatic intuitions and that reasoning (or deliberation) takes place as a post-hoc (i.e., the dog's tail) justification of their intuitions.

If system 2 were deliberate, rational, effortful and rule-based, one would wonder to what extent is it rational and what types of rules are used in a donation context? As well, how would it interact with system 1 intuitions and emotions? Bounded rationality (Simon, 1955) describes deliberation in a satisficing manner, given constraints in resources (cognitive, time, informational, etc). Given some constraints, people will use short cuts to arrive at decisions, which are referred to as heuristics. Kahneman (2003) reviews a number of heuristics that violate the rational-agent model (which assumes invariance of preferences due to irrelevant features of contextual alternatives). Although many of these heuristics (ex. framing, attribute substitution, prototypes, etc) has been explored, one area of deliberation where people may take cognitive short cuts in a donation context is in judging a recipient's deservingness. This is an area that dictator game research has examined which will be reviewed later in this section.

There are several areas of research that can shed some light on how the affective system may interact with the deliberative one. The affect heuristic (Slovic et al., 2002) proposes that every stimulus can evoke an affective evaluation that effectively substitutes for other more complex evaluations. Instead of an interaction, this seems like it is more consistent with Loewenstein and Small's (2003) direct effect of sympathy on giving decisions, bypassing (or replacing) deliberation. The empathy-altruism hypothesis (Batson, 1987; Cialdini et al., 1987), although focuses on the debate of whether giving is truly altruistic or selfish, also describes the role of emotion in donation decisions. Fisher, Vandenbosch and Antia (2008) found that there are two potential explanations for empathic-helping, which include aversive-arousal or empathy-specific punishment. Aversive-arousal describes a situation where we feel personal distress because of others we care for are in need, and we help to alleviate our

own distress. Empathy-specific punishment describes when we anticipate guilt for not helping because we are socialized into feeling responsible to provide aid. Both are negative emotions that stem from an empathic response with the recipient, and predict whether a donor will take action or not to provide aid (in their case, whether listeners placed calls to donate to a public radio station). Andreoni (1990) suggests that giving results from a donor feeling a ‘warm-glow’ from the act of giving. This warm-glow is a positive utility derived from an emotional reaction to the act of giving. All of these models that incorporate an affective component into giving decisions focus on the decision to give, and suggest that affect may serve as the “motivational force” (Loewenstein and Small, 2007) to giving decisions, but does not exclude deliberation from the decision process and in particular from the calculative process of how much to give<sup>1</sup>. Therefore, the role of deliberation can influence both the decision to give and how much to give or simply how much to give via affect-induced giving.

To explore how these decisions may be influenced differently, the internal rewards mechanism perspective proposed by Mazar and Ariely (2006) provides some insight. They suggest that people have an internal reward for virtuous behaviour, in addition to the external rewards that *Homo economicus* would have (namely a financial cost/benefit analysis). They discuss internal rewards in terms of honesty, but other forms of virtuous behaviour are also likely to apply, such as deservingness. Internal rewards are described to have two elements to them, an activation threshold and an intensity level. Factors such as an increase in self-awareness can lower the activation threshold for an internal reward, increasing the chance that the virtuous behaviour is activated because an enhanced self-awareness will lead to a greater sensitivity towards and desire to reduce any discrepancies between a person’s actual and ideal self. Other factors such as a focus on external costs can increase the activation threshold, making it less likely that virtuous behaviour is exhibited. Mazar and Ariely conceptualize internal

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<sup>1</sup> As well, there remains the possibility that deliberation can still result in positive decisions if the stimuli do not evoke a large enough affective reaction (of sympathy, empathy, guilt, etc) or if deliberation leads to “overriding the emotional response” (Small and Verocchi, 2009).



rewards as a step function, where up until a certain level (activation threshold), external rewards motivated by self-interest prevent any virtuous behaviour from being exhibited. When being selfish becomes noticeable, or when the internal rewards of being virtuous is salient, the virtuous behaviour is activated. Once activated, the internal reward “exerts its maximal force independently of the level of external rewards”. In other words, the decision-maker focuses completely on fulfilling the virtuous behaviour without consideration of the costs. This occurs up until the size of the external rewards becomes large enough to again tempt the decision-maker to limit their internal reward fulfillment. In the third chapter, I present how this can apply to the internal reward of deservingness. There has been research to suggest a connection between honesty and charitable giving (Hilbig and Zettler, 2009), so it seems reasonable to adapt this model for donation appeals.

In addition to sympathy, empathy and deservingness, there are other motivations that donors may consider when deciding to give. In the next section, I review some of these social preferences.

## **SOCIAL PREFERENCES**

Academics have explored the reasons why donors support charities, generally described as two forces of altruistic and selfish motivations. Understanding these motivations and how they interact with different donation appeals provides insight into prosocial decision-making, and hopefully will help charities attract donors and increase their donation revenues.

In order to understand charitable giving, it would be instructive to first clarify the difference in meaning between “giving”, “social preferences” and “altruism”. Giving is a behavioural output typically described as a voluntary action that involves one person’s gift to another. Charitable giving is simply a gift directed to a charity that works on behalf of a beneficiary (either individuals, groups or

causes). Giving is the action, which is typically motivated by social preferences. Social preferences involve a consideration for someone else's welfare (also referred to as other-regarding preferences) that potentially leads to giving behaviour. This other-regarding preference may involve tangible economic payoffs such as money and/or intangible non-economic outcomes such as respect and well-being. Giving does not imply that any specific social preference is elicited, but assumes that one or some combination of social preferences motivated the charitable giving behaviour. Social preferences have been discussed in the social psychology and economic literature and will be reviewed in the following sections.

Altruism is generally defined as an unselfish concern for the welfare of others, which can be representative of any number of social preferences related to that of being unselfish. For example, grandparents are obviously motivated by different social preferences when giving a Christmas gift to their grandchild as well as sending a care package to a third-world aid organization. Both gifts may be altruistically motivated, but one may be out of love for close family, and the other may be out of the belief in social justice. An oversight some researchers and practitioners make is to label all giving behaviour as being motivated by altruism. Not only can charitable giving be motivated by social preferences of the altruistic variety, but it may result from more selfish social preferences as well. The grandparent may be donating to the aid organization because their family decided to do this and they did not want to appear frugal, thereby escaping the negative consequence of damaging their self-image.

Social preferences are influenced by psychological outcomes such as satisfaction (dissatisfaction) from meeting (failing to meet) someone else's expectations or feeling good about making a donation. This is also referred to as the social utility gained by pursuing a social preference or referred to by Mazar and Ariely (2006) as an internal reward. It is because of the positive (and negative) benefits of psychological outcomes that form a person's social preference and influence their

donation decision. Here, I review social preferences that relate to donation behaviour:

**Warm-Glow:** This self-focused social preference describes a desire to maximize utility in terms of benefiting from both financial utility and social utility (which includes either the positive psychological payoff of a token donation or avoiding the negative psychological payoffs of appearing selfish). Andreoni (2006) describes a warm-glow giver as “they enjoy gratitude and recognition, they enjoy making someone else feel happy, and they feel relieved from guilt when they become a giver” and positions warm-glow as the selfish side to giving as opposed to altruism as the selfless side to giving. Therefore, social preferences that can be considered as related to warm-glow motivations include a desire to maintain a good self-image or a sense of prestige, to meet the expectations of others, or to abide by a perceived social norm or avoid a cold-prickle such as to avoid feeling guilty or bad, or to escape scrutiny. Warm glow preferences may also be considered more of a moral intuition rather than a cognitive process (see Haidt, 2001 for a discussion) where the decision process is less rational and more of a ‘gut-feeling’ of what one should do. Supporting evidence that warm-glow giving are in fact selfish donors comes from a study by Dana et al. (2007) where they found subjects in a dictator game were willing to incur a \$1 cost to exit a dictator game instead of participating in one where they had to face the consequences of appearing selfish. According to Andreoni (2006), being put in the position to be asked to give leaves the subject with a negative effect on utility where the decision to give may provide a marginal positive effect in return.

**Sympathy and Empathy:** These social preferences describe a donor who is willing to sacrifice their own welfare in order to maximize another’s, but do so through an affective approach. Adam Smith (1759) described

social preferences as an expression of sympathy in that one can sympathize with both their own circumstances as well as a beneficiary's circumstances (Khalil, 2001; and Ashraf, Camerer & Loewenstein, 2005). Smith's viewpoint on human behaviour positions self-sympathy and other-sympathy along a continuum of familiarity. He suggests we are other-interested (altruistic) when we are more familiar with the other person and are self-interested when we are more familiar with ourselves, which can be described as familiarity-driven sympathy. A related social preference is similarity-driven empathy. Empathy can be defined as "an other-oriented emotional response congruent with the perceived welfare of another" (Batson, 1990). As information about a beneficiary is perceived to be similar, or congruent to that of the donor, one is more likely to be able to empathize with a beneficiary and will be more likely to give. A note of interest is that similarity requires a matching process of the information between the giver and the receiver, whereas familiarity does not. In other words, as information about a beneficiary increases, sympathy may rise but empathy may not. In addition, sympathy and empathy may also increase due to changes in social distance independent of information content, where others perceived to be part of an in-group are sympathized and empathized with more than those from an out-group (Small and Simonsohn, 2007).

**Need and Deservingness:** These social preferences are other-focused in that the social utility is highly dependent upon the construal of the other recipient's information. Need is typically seen as one's relative outcomes compared to others. Those who are seen to be poor are often considered more needy because they have less money than the average citizen. Deservingness, similarly known as fairness, is a judgment of one's inputs to outputs, traditionally based on relative equity<sup>2</sup> where "outcomes should

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<sup>2</sup> The notion of equity and fairness, also referred to as distributive justice (Cook and Hegtvedt, 1983), can be described as a donor's desire to equate their inputs and consequent outputs with a

be consistent with inputs” (Bendapudi et al., 1996). Equity suggests that one’s inputs should be responsible for one’s outcomes. Deservingness broadens the notion of equity to include inputs that may have an indirect, rather than a direct effect, on outcomes. When their outcomes are perceived to be needy, and they did not deserve those outcomes because they were not personally responsible for causing their need, then they would be seen as undeserving of their situation and deserving of help. However, if they caused their own outcomes (i.e., lung cancer patient who smoked), they may not be seen as deserving of help compared to a beneficiary who did not cause their own outcomes (i.e., lung cancer patient who did not smoke) although they may still be seen as needy. People may also have judgments of inequity distress when they are endowed with a windfall entitlement (i.e., winning the lottery) and others are not, leading them to want to alleviate their distress by making a donation<sup>3</sup>. Inequity distress can also arise from a donor’s perception that their donation (as a share of their income) is greater or smaller than the average donation contribution, leading high-income donors to give proportionately less and low-income donors to give proportionately more (Chan et al., 1997). When the need and deservingness of a beneficiary becomes large and the sense of inequity becomes increasingly salient, the generally cognitive task of judging equity may change to a more affective task of feeling injustice<sup>4</sup>. Equality is a special case of equity, where people pursue equal outcomes regardless of another’s inputs. This can originate from either a philosophical belief that all humans are equal, or

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beneficiary’s ratio of inputs to outputs. Equity (Adams, 1965) is similar to the idea of deservingness (Feather, 1999) where positive actions (inputs) deserve positive outcomes (outputs). Deservingness also contributes the idea of personal values to the conception of equity, in that what is seen as equitable, fair and deserving depends on what the person making the judgment values. An environmentalist would probably judge a higher price for a hybrid car as more fair compared to a non-environmentalist who might judge a hybrid car’s price as too expensive.

<sup>3</sup> In a dictator game, subjects who receive a windfall endowment are more likely to give to recipients who did not receive an endowment because they may view their ‘earnings’ as undeserved, compared to subjects who actually earned their endowments (Cherry et al., 2002).

<sup>4</sup> Lerner (1980) described ‘belief in a just world’ as a concept where people believe that others get what they deserve.

when one's inputs information (i.e., effort or merit) is not readily available. The social preference for reciprocity, which is closely related to notions of equity, has been explored in relation to both the dictator game and social value orientations (see Diekmann, 2004 and De Cremer and Van Lange, 2001 respectively for reviews). Whether donating to a charity or consuming a cause-related product, direct reciprocity can not be expected by the donor or the consumer. However, donors may give because they, or someone they know benefited from the services of a charity. In this way, indirect reciprocity may play a role as a social preference in charitable giving behaviour<sup>5</sup>.

One method to measure social preferences is to look at one's orientation towards the welfare of others, in terms of another's outcomes. Social value orientations describe people's social values measured in a way that trades off outcomes between themselves and others. It reflects actual choice of varying outcomes and allows us to generalize to what extent will an individual prefer a prosocial or a prosocial outcome, typically in a context where situational factors are absent. The richness of a real-world situation can be subsequently added to social value orientations to reflect more realistic decision-making. Although it does not identify specific social preferences, it does help in identifying whether more selfish or selfless social preferences appeal to a potential donor.

Social value orientations are effective as a starting point for measuring social preferences because of a couple of reasons. First, it acknowledges both the selfish and selfless sides of social preference, whereas other typologies have focused on just the selfless side. Second, research in social value orientations has addressed

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<sup>5</sup> Diekmann's notion of indirect reciprocity is similar to the idea of warm glow (Andreoni, 1990) in that there is positive utility from the act of giving. Indirect reciprocity represents an expectation for something positive to happen or a repayment for something positive that has happened. It has been suggested that warm glow exists because the expectation of something positive, namely gratitude from the recipient, provides the positive utility that warm glow describes (Amegashie, 2006). This suggests that there is a common base between the notion of warm glow and indirect reciprocity.

both its stability as a set of social preferences as well as its potential susceptibility to context effects.

Although other typologies have emerged to help identify different sub-groups of ‘donors’<sup>6</sup>, they tend to focus on segmenting subjects who only made a donation and discuss corresponding demographic and/or attitudinal variables while ignoring underlying motivations to explain why segments behave the way they do. Although valuable in terms of providing an approach to developing marketing tactics, I suggest that it is necessary to first understand charitable giving in terms of what motivates people to give (and even what motivates them not to give) and how much they choose to give, and then apply that understanding to specific contexts to segment donors for practical marketing purposes.

In order to understand charitable giving behaviour, it is important to acknowledge that giving decisions can arise from both selfish and selfless social preferences. In particular, what may seem to be an altruistically motivated act may actually be a selfish decision. Therefore, even proself value orientations can lead to giving behaviour, as well as prosocial value orientations.

While most research has assumed that social value orientations are stable individual differences, there are a few studies that argue otherwise. These studies seemingly argue against the stability, level of detail and reactions to context of these orientations, at least to the degree that certain donation appeals may shift one’s orientation or misrepresent an orientation because it is too conceptually

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<sup>6</sup> Supphellen and Nelson (2001) proposed a typology of three donor categories in a direct mail context: Analysts, Relationists and Internalists. Analysts focus on the organization and the cause, whereas relationists are mainly concerned with just the organization and do not support many charities. Internalists do not evaluate organizations or causes, instead they just recognize an organization’s name. Cermak et al. (1994) segmented major donors into Affiliators, Pragmatists, Dynasts and Repayers. Affiliators were concerned with their social relationships and the neediness of the cause, whereas pragmatists are motivated by tax advantages. Dynasts donate out of family obligations as well as support charities that are aligned with their values, while repayers are motivated by reciprocity because they or someone they knew benefited from the charity. Under the context of setting up trusts from major donors, this segmentation scheme also suggests different segments also differ in respect to their source of wealth and the type of non-profit chosen.

broad<sup>7</sup>. Consequently, the effect donation appeals can have on one's social value orientation seems plausible, but in what direction and in what capacity remains to be explored.

## **DONATION APPEALS**

Marketing research has examined the effect of various factors in donation appeals on donor response. This section discusses that literature and in particular highlights the gap in examining variations in recipient deservingness, which we study in the third chapter.

Bendapudi et al. (1996) suggests a number of factors for charities to consider when promoting giving behaviour:

- They suggest that the image of the charity must be credible, familiar, efficient and effective. Charities can control the specific beneficiaries they choose to represent their cause (including their race, ethnicity, religion, gender and age) either on marketing materials or through the recruitment of solicitors. If a solicitor is representing the charity, then the image of the solicitor becomes more important than the charity's image<sup>8</sup>. Solicitors such as door-to-door canvassers and checkout

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<sup>7</sup> Social value orientations were found to be influenced by how people react to gains and losses and probable vs. certain outcomes (Poppe and Valkenberg, 2003), were sensitive to norms of social responsibility and reciprocity (De Cremer and Van Lange, 2001) and was influenced by intelligence as measured by one's expectation of another's rationality – proselves expected intelligent others to also act as a prosel, while prosocials expected other intelligent others to also act as a prosocial (Van Lange and Liebrand, 1991). From these studies, it can be argued that orientations are not as stable as originally thought to be and depending upon the context of the situation, orientations and people's reactions based on their orientations may be quite different from what a decomposed game may initially indicate. In fact, a working paper by Cornelissen et al. (2007) shows evidence that social value orientations can predict prosocial behaviour such as donating money only when under automatic, intuitive decision-making. Otherwise, social value orientations result in similar donation rates, when subjects have the capacity to deliberate on their donation decision. They argue that people, even the prosocial ones, will find justifications to not donate and default to a self-interest motive. However, their studies endowed subjects with only about \$1 worth of coins to divide as they saw fit. If the stakes were higher, we may have seen a larger difference in donation rates between prosel and prosocial people.

<sup>8</sup> Levitt and List (2007) review what they call scrutiny in experimental studies such as dictator games, where anonymity was manipulated between the experimental subjects and the experimenter. Studies have shown that giving actions and anonymity are related where increases



cashiers may be more influential than the image of the charity in influencing donation compliance, if their social impact<sup>9</sup> is large enough. In other cases, the charity serves as a representative brand for the beneficiaries they serve, and a donor focuses on the image of the charity itself.

- Labeling donors as generous and kind can elicit greater motivation to help as well. Anticipating a donor's mood state can help in deciding to use an appeal framed as gaining rewards for those in a positive mood or an appeal framed as avoiding punishment for those in a negative mood (Cunningham, Steinberg and Greu, 1980). Even asking how one is feeling may lead potential donors to give because this builds a relationship between the solicitor and the donor, where the donor feels they need to remain consistent with their stated affective state, also known as mood management. This strategy is referred to as the foot-in-the-mouth effect (Aune and Basil, 1994).
- Stressing similar attributes between the donor and the beneficiary can increase the personal distress a donor feels about the beneficiary, leading to a greater motivation to help.
- Asking donors to take the perspective of the beneficiary can lead to greater empathy and greater giving.
- Stressing social comparison in an appeal can also help increase giving if the behaviour is relatively uncommon to begin with, where social cues can persuade donors to conform to normative expectations.
- Providing donors with greater choice to specify the beneficiaries, type and timing of help can lead to greater perceived benefits and lower costs for helping.
- Increasing a donor's sense of self-efficacy by reducing the request size can increase the likelihood of helping.

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in subject-experimenter anonymity leads to less giving, suggesting that experimenters may have a large effect on giving decisions, much like a solicitor may have. The suggested reason for this is because subjects are concerned about their self-image, more than helping someone else.

<sup>9</sup> Social impact theory (Latane, 1981) suggests that people pay more attention and feel more pressure to conform to immediate cues as opposed to remote cues.

- Efficient and effective charities can be represented in a number of ways, such as the proportion of funds used for administrative purposes compared to the actual cause, the successes of the charity and their past work, their stated outcomes in terms of objectives met or even other aspects that might serve as proxies for efficiency and effectiveness such as awards won by the charity. The perception of efficiency and effectiveness may also prevent the lack of trust from hindering giving decisions.
- If a request is seen to be urgent or too specific, a donor may reduce their donation amount because they feel they are too rushed to make an informed decision or that they cannot satisfy the specific request appropriately and revert to a token donation.
- The availability of a donor's time can be a constraint on the giving decision, depending upon the extent to which time is limited. If a solicitor approaches a donor and promises that 'this won't take very long' or if the donor themselves are in a rush to be somewhere else, then time may become a constraint. For some donors, a shorter period of time may mean shifting from carefully thought out decisions to relatively quicker decisions, such as shifting from something that may take more time such as deciding what is deserving to basing a donation decision on what others gave. For others, limited time may lead to no giving at all, as donors decide they can not reach a decision in the time they have. Charities can attempt to reduce these constraints by approaching donors in a less busy time and space or asking first whether donors have a certain amount of time (i.e., "Do you have a minute to speak?") before the solicitation begins.
- The availability of donor knowledge may serve to constrain the ability to donate. If the donor has questions about a charity or their beneficiaries that are not answered, this may reduce the likelihood for a donation to occur. Charities can make information about themselves

transparent, either through printed materials or online<sup>10</sup>, and prepare their solicitors well to answer any potential questions.

- This may include whether a donor has cash on hand to make a donation or whether there are other resources available to them to encourage or discourage a donation such as tax incentives. Making donation payments easier can help by accepting multiple forms of payment, including online payments. Referencing tax incentives or providing easy-to-issue tax receipts may also prevent some donors from avoiding making a donation.

However, more relevant to this dissertation, Bendapudi et al. (1996) suggest that perception of need is also critical, where a beneficiary's need is either caused by external, uncontrollable factors or by his or her own actions. This concern for fairness or equity can lead to different decision outcomes, where people prefer to help those who did not cause their own needy situation. The portrayal of need is "fraught with difficult choices" for the charity since it is uncertain how potential donors will respond to different appeals. For example, if an appeal is perceived to be too hard of a sell, helping may decrease. Issues such as whether to include a photo of the beneficiary in the appeal found mixed results. When a photo of a needy beneficiary (as opposed to a photo of a helped beneficiary) was combined with a verbal appeal, helping behaviour reduced (Isen and Noonberg, 1979). Bendapudi et al. (1996) suggest that this is due to reactance theory (Brehm, 1966) where the perceived hard sell threatened the donor's freedom to choose freely to donate.

More recently, research has examined the effect of changing the content of a donation appeal, such as when appeals are either self-focused or other-focused

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<sup>10</sup> Online donations and online searching will become increasingly important. A recent study by The Non-Profit Times ([www.nptimes.com](http://www.nptimes.com), 2008) shows that in the last three years, the number of people going to a charity's website after receiving a direct mailing has nearly doubled from 25% to 44%. More and more people are turning to the Internet for information, putting increased importance for the charity to be as transparent as possible and aligning their direct mail with their online communications.

(White and Peloza, 2009; Fisher, Vandebosch and Antia, 2008; Nelson et al., 2006; Brunel and Nelson, 2000), whether appeals reference what other donors gave (Shang, Reed and Croson, 2008), and how vivid a beneficiary is portrayed (Kogut and Ritov, 2005; Small and Loewenstein, 2003).

Other-focused appeals are appeals that highlight the main beneficiary of support to be some other organization or individual whereas self-focused appeals highlight benefits to themselves. Those benefits can be either tangible, such as tax benefits, or intangible, such as feeling good. White and Peloza (2009) explore how heightened public self-awareness leads to greater giving (for both donation intentions and donation amounts) for other-focused appeals, and how private decisions lead to greater giving for self-focused appeals. They suggest that according to impression management theory, donors manage impressions that are consistent with normative expectations. They go on to recommend charities to tailor their appeal type to the donation situation (i.e., other-focused appeals in very public settings and self-focused appeals in more private settings) or to activate public self-image concerns if their appeals are other-focused. Fisher, Vandebosch and Antia (2008) find that other-focused appeals combined with appeals that evoke negative emotions lead to the most giving (in terms of the number of calls made to a fundraising drive for a radio station), and self-focused appeals that evoke a positive emotional valence reduce the number of calls. They refer to the empathy-helping hypothesis for theoretical guidance, where a socially desirable act combined with relieving a negative emotional state explains the most effective appeal combination. Small and Verocchi (2009) provide additional support for the effect of negative emotions, where they present subjects with photos of sad victims (as opposed to happy or neutral victims) and find that felt sadness mediates the relationship between the charity advertisement and sympathy and consequently affects giving. Nelson et al. (2006) examined self and other-focused appeals in the context of gender and culture, where men preferred self-focused and women preferred other-focused appeals in masculine cultures (such as the United States and Canada), but the reverse was true in

feminine cultures (such as Denmark and Norway) where men preferred other-focused and women preferred self-focused appeals. The authors measured attitudes towards the ads, and also one's sense of moral obligation to help where the more nurturing females in masculine cultures and nurturing males in feminine cultures felt a greater sense of moral obligation when exposed to these appeals. Brunel and Nelson (2000) found that moral orientations (referred to by them as 'world-view values') mediate the relationship between gender and helping behaviour (measured as ad preference), where those who were more likely to prefer other-focused appeals also had higher 'caring' scores. Among these studies, the common manipulation is comparing self-focused to other-focused appeals, but does not address different ways to portray how an other-focused appeal can be represented.

Another method of changing the content of the donation appeal is to reference what another similar donor gave. The identity congruency effect (Shang, Reed and Croson, 2008) explores this issue by telling potential donors that either a similar or dissimilar gendered donor gave a certain amount before asking for the target's donation. They find that other donors with congruent gender as the target donor leads to higher donation amounts and that this effect is strongest when donors have a high identity-esteem<sup>11</sup> for their own gender and when their attention is focused on others. Cialdini's (2001) concept of social proof describes how people recognize behaviour to be acceptable when they see others performing it, especially if the others are similar. The social influence of another's donation amount is also consistent with social norm theory, where it has been shown that high group need along with public recognition can increase the number of hours volunteered (Fisher and Ackerman, 1998).

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<sup>11</sup> Identity esteem describes a relatively stable individual trait where one is sensitive to identifying information about others as it relates to themselves. This may occur under situations where other information is ambiguous or absent. In Shang, Reed and Croson (2008), they use gender esteem to describe situations when a target person's gender is either matched or mismatched to a previous donor's gender and show that the identity congruency effect occurs for those with high gender esteem. On a related concept, moral identity has been found to influence people's preference to give time over money, where people with higher moral identity or when the moral self is primed leads to preferences for giving time (Reed, Aquino and Levy, 2008).

Aside from social influence, the size and type of requests can signal to potential donors a normatively acceptable donation level. Research has explored the issue of request size for donation amounts, where the smaller the request, the more likely the donation compliance. The legitimization of paltry donations (LPD) strategy (Cialdini and Schroeder, 1976) is where the phrase ‘even a penny will help’ has been shown to increase donation compliance, but at the cost of donation amount (Fraser, Hite and Sauer, 1988). The LPD strategy legitimizes a new social norm and lowers the threshold for making a positive donation thereby inviting more positive donations, but also lowers a donor’s perception of what an appropriate donation amount is. A method to increase donation amounts is to use the foot-in-the-door strategy (Freedman and Fraser, 1966) where an initially small successful request is followed with increasing request sizes. Alternatively, the door-in-the-face strategy (Cialdini et al. 1975) can also work for donors who reject an initially larger request, where subsequent requests get smaller in size. According to social norm theory, any of these strategies that influence perceptions of norms will likely have greater influence if made in a public setting where social consequences are more salient than in a private setting. A study by Harbaugh (1998) suggests that when presented with donation categories in which donors can contribute towards, donors with a taste for prestige will give the minimum amount in each category. This suggests that donors who give for more selfish reasons will behave in a more satisficing manner than those who give for selfless reasons, who may give in a more deliberative manner.

The identity congruency effect also suggests that a similarity effect can have a positive impact on donation decisions, although in Shang, Reed and Croson (2008) it was between a target donor and another donor instead of with a recipient. Batson et al. (1995) find that increased similarity between the donor and the recipient leads to increases in empathy towards those recipients. Loewenstein and Small (2007) suggest that greater similarity between donor and recipient can lead to increased sympathy and cite dictator game studies that

minimize social distance<sup>12</sup>. Levine et. al. (2005) find support for giving behavior based on social group identity under emergency situations, and Penner et. al. (2005) describe this as a favoritism bias towards members of one's own group. Charities can seek out members from in-groups affiliated to their clientele to seek donations. If donation appeals emphasize group membership enough, these donors may empathize with the beneficiary and make an affective decision to donate or they may make a deliberative judgment of the beneficiary's deservingness and donate. This assumption that similarities between donor and recipient (reflecting a minimizing of social distance) leads to increases in affective reactions (sympathy and/or empathy) is informative to the purpose of this dissertation. However, it remains unclear whether similarity among all types of recipient information leads to greater giving. It is plausible that increases in sympathy or empathy may still result in a decrease in giving if deliberation leads a donor to rationalize a reduction in a donation amount, such as in the case where similar information may also imply a recipient is less deserving (i.e., similarly wealthy or similarly high social class).

Finally, vividness is suggested as a way to portray a recipient in a donation appeal to increase giving. The identifiable victim effect shows that identifying information often is associated with increases in sympathy and giving, even when potential confounding effects of that information (such as a victim's neediness) is controlled for. Small and Loewenstein (2003) manipulated the determinateness of a single identifiable victim and found increases in sympathy and donation amounts. Kogut and Ritov (2005) further supports the effect of the single

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<sup>12</sup> The dictator game was developed to examine a form of non-strategic motivation for giving. In its base form, it is set up where one subject is allocated a fixed endowment of money of which he can give to another anonymous subject without reward or punishment. The recipient has no recourse for rejecting the dictator's offer. Unlike the ultimatum game which was used to exemplify strategic fairness, this seemingly eliminates any self-serving motivations the dictator may have to give just enough for an offer to be accepted. Since the dictator has complete autonomy, this game is a more appropriate test of non-strategic giving behaviour than the ultimatum game where a responder can reject an offer, which results in neither player keeping any of the endowment. Social distance is where donors and charities can be thought of as occupying different locations on a social space or map (Akerlof, 1997), and those charities that share similar characteristics, needs or values as the donor are positioned more proximally. Social distance was defined by Kazdin (2000) as the "perceived distance between individuals or groups".

identifiable victim in a study where they find a single victim represented by a name and photo evoked more emotional distress than a group of individuals also represented by names and photos. Higher giving is also found when identifiable victims are compared to statistical victims even though helping a single identifiable victim would save fewer lives than helping a group of victims represented through statistics. Despite educating donors about this discrepancy, sympathy was not evoked for the statistical victims although it was reduced for the identifiable ones resulting in lower donations (Small, Loewenstein and Slovic, 2007). These results provide substantial evidence to support the notion that recipient information that leads to a reduction in social distance (in terms of identifiability and similarity) can elicit an affective reaction of sympathy and/or empathy but the effects on deliberation are unknown. Contrary to the results from the studies described above, it is plausible that statistical victims could lead to higher giving. For example, people with multiple sclerosis (MS) may be described with statistics and figures depicting them as needy recipients. A person may decide to make a donation based on a calculated amount with a desire to achieve greater equity with MS clients. On the other hand, a person who sees a MS advertisement with photos and descriptive language may feel sympathetic for their plight and decide to make a token donation to help offset their negative emotional state.

To help narrow this gap in understanding, I consider construal level theory (Trope and Liberman, 2003) which describes how objects that are seen as socially distant are represented in terms of a few abstract features (high-level construals) while socially proximal objects are represented in terms of a few concrete details (low-level construals). Therefore, when evaluating objects such as donation recipients, their perceived social distance will determine which informative attributes will have more influence than others. If a recipient is seen to be socially distant, then abstract features may activate more other-focused social preferences, like need or deservingness, and become more persuasive to the donation decision. Socially distant recipients elicit a high-level construal, which tend to be more rational,



deliberate and cognitive representations. Whereas socially proximal recipients may be more persuasive in terms of their detailed features and activate more self-focused social preferences, like warm-glow, sympathy and empathy. Socially proximal recipients elicit a low-level construal, which tend to lead to more affective responses. Socially distant recipients may also be seen as a larger, homogeneous group of recipients whereas socially proximal recipients may be considered more as individuals. For example, a female donor may feel more empathy for a socially proximal female lung cancer patient in an ad and evaluate the beneficiary's situation based on her unique circumstances and realize the depth of help needed, as opposed to feeling socially distant to a male lung cancer patient and evaluating his situation based on the circumstances of lung cancer patients in general and arrive at a decision to help differently. If a female solicitor was presenting this ad, this might reinforce the familiarity even further and increase the chances for donation compliance and amount.

It has also been noted that a gain frame and a societal frame is also seen to be more persuasive for socially distant persons, whereas a loss frame and an individual frame is equally persuasive between socially distant and proximal persons (Nan, 2007). Donation appeals such as framing the donation request around a beneficiary's need may be considered a gain frame (ex. providing help) and a societal frame (ex. helping others) and lead to a high-level construal of the recipient. On the other hand, framing a donation request around the personal consequences of giving may be considered a loss frame (ex. avoiding guilt) and an individual frame (ex. help yourself) and lead to no difference among high and low-level construals.

Dictator game studies are useful in detailing how social distance and other factors might affect donation decisions. The dictator game has repeatedly shown between 40% - 60% of subjects give a positive amount to an anonymous recipient and that, on average, 20% of the received endowment is transferred to the recipient (Camerer, 2003). By changing various elements of the experiments,

researchers can use the dictator game to refine their focus on donation behaviour. Therefore, the dictator game can provide additional insight into how donation appeals, and recipient information in particular, might influence social preferences and donation decisions. This research domain provides a deeper and more discriminating perspective of social preferences beyond the more simplified categorization presented under social value orientations. A review of dictator game studies is done in the third chapter, where we focus on the deliberative role of deservingness in donation behaviour. Little research has been done to look at the specific effects of recipient information from a deservingness perspective, particularly from a dictator game setup. We systematically break down and examine how deservingness information in a donation appeal can influence one's decision to give and how much to give.

## **CAUSE-RELATED MARKETING**

Cause-related marketing (CRM) is where a 'firm's contribution to a designated cause [is] linked to customers' engaging in revenue-producing transactions with the firm' (Varadarajan and Menon, 1988). Charity auctions are seen as an emerging CRM strategy, used to explore bidding responses when decisions to give are linked with decisions for product acquisition. Charity auctions are unique in that the actual donation amount is not fixed, and depends on the dynamic ending price of the auction. In other words, donation amounts reflect a bidder's willingness to pay a premium for the product's charitable association, which provides a unique perspective on CRM research.

One of the earliest examples of a CRM campaign was when American Express promised to donate 1 cent for every credit card transaction and \$1 for every new card issued towards restoration of the Statue of Liberty during the last quarter of 1983. An example of a highly popular campaign involves promoting breast cancer through pink ribbons, where a variety of products are associated to the 'pink ribbon' promising some level of support for breast cancer with the purchase

of that product. Products range from candy, kitchen appliances, vacuums and even cars. The popularity of this campaign has grown so much that websites have now been established to help guide potential consumers from purchasing products that might actually be harmful to breast cancer prevention efforts (see [www.bcaction.org](http://www.bcaction.org)). A more recent example is eBay giving, where any seller can specify a percentage of selling price (between 10 – 100%) to be donated to a group of designated charities.

Companies are joining the corporate social responsibility (CSR) movement in a big way. Over 80% of Fortune 500 companies have CSR reports (Bromberg, 2009). Companies realize that by pursuing CSR efforts, they promote a more socially acceptable image, increase employee morale and take leadership on environmental issues. CRM campaigns, in particular, also directly increase sales. In the United States, there is a trend among consumers to trust companies who are involved in CSR, as 8 out of 10 consumers indicated such in 2004 which represented a 21% increase from 1997 (Cone Inc., 2004). There is also a strong trend among consumers in their ability to recall cause-related efforts among companies, as 80% of consumers in 2004 could name a strong corporate citizen as opposed to only 49% in 2001. In addition, 87% of consumers worry about the social and environmental impacts of the products they buy (Bonini, Hintz and Mendonca, 2008). This trend represents the importance of companies to not only conduct more socially responsible activities, but to communicate them effectively.

CRM efforts have been shown to influence perceptions of the seller and of purchase intentions (Dahl and Lavack, 1995; Pracejus and Olsen, 2004; Ross, Patterson and Strutts, 1992; Strahilevitz and Myers 1998; Webb and Mohr, 1998). Whether CRM campaigns can increase people's willingness to pay a premium has also been supported by a handful of studies. Frivolous products associated with a charitable donation lead to a higher willingness to pay, compared to functional products (Strahilevitz, 1999). This is explained as affect complementarity, in that the consumer benefits from the consumption of the purchased product as well as

the social utility of supporting the charitable association, where the negative guilt of frivolous consumption can be offset by the positive emotions of making a donation (Strahilevitz and Myers, 1998).

Varying donation levels, keeping price constant, have been shown to lead to significant effects on product choice (Pracejus, Olsen and Brown, 2003), while using the words ‘profit’ and ‘price’ as a percentage of the donation claim does not seem to matter (Olsen, Pracejus and Brown, 2003). The size of the donation can also affect the extent to which consumers perceive a non-profit organization is being exploited and how appealing the CRM product is (Dahl and Lavack, 1995). It has also been found that when brand/cause fit is high, it increases consumer valuation of a CRM product (Pracejus and Olsen, 2004).

Understanding how donation levels influence price and purchase intentions leads to asking how would varying donation levels in a charity auction context influence bidding behaviour, and what would this response function look like? As the CRM research area continues to grow, bidding behaviour in CRM auctions becomes an interesting empirical question. There are a handful of studies looking at online charity auctions in this regard. Elfenbein and McManus (2007) found that charity auctions on eBay.com donating 10% of proceeds lead to revenue increases of 10%-12% compared to non-charity auctions and Haruvy and Popkowski Leszczyc (2009) show why different segments of bidders participate in auctions that differ in their levels of donation percentage. However, little is known of a consumer’s willingness to pay where the bid outcome is affected by varying levels of donation percentage and product value. How bidders respond to varying configurations influencing the economic cost (i.e. product value) and the charitable cost (i.e. donation percentage) and how that affects charity auction outcomes is addressed in the fourth chapter where we examine in more detail the relationship between donation promises<sup>13</sup> and product values, on bid prices.

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<sup>13</sup> A donation promise is the amount that will be donated as part of a CRM transaction, expressed in either percentage or dollar value terms.

## **Chapter Three**

### **Donation Decisions: The Role of Deservingness in the Dictator Game**

#### **ABSTRACT**

The purpose of this paper is to contribute to our understanding of donation behaviour by examining the role of deservingness in donation appeals. We suggest that people make donation decisions, in some part by processing recipient information in an equity fashion. Whether various types of recipient information is seen as a recipient's inputs and outputs will determine whether deservingness is an appropriate explanation for their donation behaviour. Deservingness has been referred to in experimental studies, often with inconsistencies and varying interpretations. We attempt to reconcile these inconsistencies and suggest a revised understanding of consumer behaviour in a donation context.

This paper contributes to the literature in donation behavior by examining how donation appeals, in terms of recipient information, affects the decision of whether and how much to give. Specifically, we build upon prior research that mostly assumes deservingness is a concept that involves wealth information, by examining non-wealth related information. We also explore how social value orientations can influence donation decisions as a function of contextual cues. Finally, we provide fundraising marketers with a greater understanding of how to communicate information about their beneficiaries in order to attract targeted donors.

In our first study, we use the dictator game to examine how donations are influenced by recipients' deservingness in terms of their effort and wealth. In our second study, we explore whether deservingness requires a wealth dimension by manipulating recipient merit (unrelated to wealth information) and whether the mere presence of recipient merit information has a different effect on donation

decisions apart from deservingness. We also explore the nature of a dictator's endowment on their giving decisions, which is either earned or given as a windfall. In our third study, we measure dictators' a priori social value orientations to support our prediction that various donor segments respond to situational factors differently.

## INTRODUCTION

Previous academic research, primarily in behavioral economics, has attempted to incorporate social preferences into more traditional utility models driven by self-interest. Mazar and Ariely (2006) describe how internal rewards cause “people [to] feel good about complying with internalized social norms and values”. These internal rewards go beyond the notion that *Homo economicus* only maximizes their own payoffs, and suggest that a social utility is derived from having preferences concerning the payoffs of others.

Findings from dictator games suggest that people do not solely seek to maximize their own profit, but also consider the payoff outcomes of others. In the dictator game (Forsythe et al, 1994; Hoffman et al., 1994), subjects are assigned the role of the dictator and are paired up with a recipient. They are given an endowment (usually \$10) and are asked to decide how much of that endowment they wish to share with their recipient who has no potential to reward or punish their dictator. Models have been suggested to account for dictator game results, such as reciprocity models (Rabin, 1993) and inequity aversion models (Fehr and Schmidt, 1999; Bolton and Ockenfels, 2000). However, as List (2007) describes, researchers cannot “cleanly interpret the meaning of positive gifts” in the dictator game because behaviour is highly sensitive to context effects.

While the dictator game does trade-off degrees of realism for experimental control, it does serve as a useful method to study donation behaviour. One critique has been that the experimental setting of dictator games force subjects to

conform to a demand of behaving in a pro-social manner because an experimenter, a classroom monitor or a computer is ‘asking’ subjects to give. Dana et al. (2007) show that people sometimes choose to secretly exit a dictator game at a cost to avoid having to make an offer to a recipient, suggesting that people who would normally have to decide whether to give within the context of the game would rather just not give if the opportunity to escape presented itself. However, most situations in real-world examples where a giving decision must be made are in the context of being asked to give, where escape is not an option. Indeed, the aim of many social marketing campaigns is to solicit donations. Therefore, from a marketing perspective, the basic premise of the dictator game serves as an appropriate experimental setting to study facets of donation behaviour where an individual is faced with a request to make a donation. Rather than testing models designed to fit various dictator game results, it may be more productive to use dictator games that reflect real-world settings such as varying what recipient information is presented and explore which social preferences are elicited under those contextual conditions.

However, the dictator game does come with limitations in terms of the extent to which giving behaviour can be interpreted. As in any experimental setting, very few factors are manipulated relative to a real-world context where multiple factors influence a decision-maker. For example, in our study, the presence of emotional influence is limited where we do not expect empathy to play a large role, despite a large portion of giving literature discussing the role of empathy. However, not all processes as part of a giving decision involve emotional influence. Our findings will therefore apply specifically to those cases. Another limitation to consider is the possibility that a dictator ‘giving’ to a recipient is more like a payment for a recipient’s deserving effort or merit, and not really reflective of a charitable donation to a needy recipient. Here, the limitation is in the interpretation of a donation, since whether a recipient is needy or deserving, the transaction of money from one to another without an expectation for something in return is still a donation. Consequently, the dictator game affords researchers an opportunity to

study behaviour that is seen as irrational, where individuals transfer money to a recipient without any expectation for reciprocal benefit. The external validity of dictator games is also strengthened by the fact that decisions to give are consequential and involve real money.

There have been two explanations of dictator game results considered as social distance effects<sup>14</sup>. One is a reciprocity-based explanation (Hoffman et al., 1996) while the other is an identifiability-based explanation (Bohnet and Frey, 1999). Hoffman et al. (1999) suggest “identification and the possibility of reciprocity are inextricably intertwined as interpretive hypotheses.” Both explanations predict that as social distance decreases, reciprocity or identifiability increases. The reciprocity explanation rests on the notion that in a laboratory setting, the dictator is sensitive to the perceived anonymity of their decision, particularly to the experimenter, and makes positive offers when the social distance of the experimenter is proximal. This would be analogous to a solicitor asking for donations on behalf of a recipient, in which case the reciprocity explanation may play a role. However, the focus of this paper is on donation behaviour where the influence of a solicitor is absent, such as in fundraising mail-outs and online donations.

The identifiability explanation, on the other hand, suggests that as information about the identifiability of the dictator or the recipient increases, positive offers increase. Burnham (2003) found that when presented with photos of a recipient or knowing that a recipient has seen a photo of the dictator, dictator offers increased. Bohnet and Frey (1999) show that reducing social distance, by varying the degree of identification between dictator and recipient, increases giving. Their ‘identification effect’ was manipulated by having dictators see recipients identified by a number (one-way identification without information) or recipients identified by a number as well as saying their name, where they came from, their

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<sup>14</sup> Social distance was defined by Kazdin (2000) as the “perceived distance between individuals or groups”. Recipients that share similar characteristics, needs or values as the donor are perceived as being more proximate.



planned major in school and their hobbies (one-way identification with information). They suggest their results support Schelling's (1968) identifiable victim effect of "the more we know, the more we care". Small and Loewenstein (2003) take this further by showing that simply determining a "victim" leads to increased offer amounts, but not necessarily a larger proportion of positive offers<sup>15</sup>. Rigdon et al. (2009) even show how a weak social cue of three dots arranged in the formation of 'watching eyes' can lead to greater giving, via a subconscious effect of feeling like subjects are being observed. Studies have also shown that a dictator's knowledge of recipient's race, religion, nationality and even names (Charness and Gneezy, 2008) can increase giving. In each of these cases, identification of a recipient does not address the content, or value, of recipient information being presented, which leads us to suggest that "the more we know" might not necessarily lead to "the more we care".

Although Rigdon et al. (2009), regarding the social distance literature in dictator games, state that "the lower the social distance... the less dictator behaviour conforms to what would be expected of self-interested maximizers", we believe that dictator game studies have ignored an important aspect of social distance. Existing research has not test for the content of recipient information as reducing dictator offers (via decreased social distance), as studies have tended to look at the presence of recipient information, or other social cues. We suggest that the content of recipient information can lead to a judgment of deservingness where increases in information do not necessarily lead to increases in giving.

One way to understand how a dictator judges deservingness can be based on whether their inputs correspond to their outputs (also known as an equity model). This involves a judgment based on one's values of deservingness (and increased information about individuals who may be considered undeserving might actually lead to decreases in giving). We view judgments of deservingness as a cognitive

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<sup>15</sup> In their lab study, there was no difference in positive offers between the determined and undetermined victim conditions, but in their field study determined victims received more positive offers than undetermined victims.

and deliberative response with the aim of determining what amount of donation may be appropriate, if any donation at all.

Loewenstein and Small (2007) propose a theoretical perspective where stimuli either trigger a sympathetic (scarecrow) or a deliberative (tinman) system. Their ‘scarecrow’ is caring, but irrational and reflexive, reacting to factors that induce empathy, social and physical proximity, or vividness towards the recipient. Their ‘tinman’ is heartless, but rational and deliberate, reacting to a recipient’s deservingness and whether they are able to provide assistance. In addition to the direct effect of these systems on the decision to give, both can potentially interact with each other, where sympathetic reactions may lead to deliberative calculations of how deserving a recipient truly is, or how a deliberative reaction may evoke sympathy. In this paper, we focus on the role of deservingness in deliberative giving and draw insight into the two decisions of whether and how much to give from the internal rewards perspective.

Mazar and Ariely (2006) refer to their concept of internal reward mechanisms as a socialized norm that rewards virtuous behaviour and discuss how this applies to (dis)honest behaviour. There is also research that suggests a connection between honesty and charitable giving in the dictator game (Hilbig and Zettler, 2009). We suggest that this applies quite fittingly for charitable giving as a function of deservingness. Adapting their model, charitable giving is either active or inactive and influences the tendency for giving like a step function. Below a minimum level of recipient deservingness, the internal reward mechanism may not be activated at all and thus does not influence charitable giving behaviour. In other words, if a recipient is not perceived to be deserving at all, no decision to give is made. However, if their perceived deservingness reaches this minimum level, then the propensity to give is then determined by a combination of factors that influence the activation threshold. External rewards such as cost-benefit considerations, which may include situational cues that increase one's own perceived deservingness (i.e., having earned their own endowments) or the ability

to avoid the request, may increase the activation threshold. Self-focused attention, in terms of feeling like one is being observed (losing anonymity) or self-awareness, can decrease the activation threshold, by making people more aware of the discrepancies between their actual self and their ideal self. Belief-in-a-just-world and social desirability bias can also lower the threshold and increase the likelihood for a positive donation (Beamen et al., 1979; Mazar, Amir and Ariely, 2005). Furthermore, emotional arousal may play an important role as well, where empathic feelings aroused based on recipient need or deservingness or at least the recognition that giving will help alleviate that empathic response can lead to a lower activation threshold. In this paper, we examine whether earned endowments as a form of one's own deservingness, influence the activation threshold by affecting the decision to give differently than the decision of how much to give.

Beyond the activation threshold, once the internal reward mechanism is activated, recipient deservingness influences the intensity of the internal reward independently of the level of external rewards. In other words, once they decide to give, they then focus on how much to give based on how they judge a recipient's deservingness. Since we speculate that recipient deservingness plays a role in both the setting of the activation threshold and the internal reward intensity, we expect recipient information to influence both the decisions of whether and how much to give. On the other hand, factors not related to the recipient such as a dictator's earned endowments, will affect the activation threshold but not the internal reward intensity, so its effect will be focused on the decision of whether to give. Finally, when the external considerations become substantial in size (i.e., the cost of donation is high, not enough money available to give), the internal rewards may be deactivated once again, capping the amount of which donations are made.

Although referenced in some dictator game studies, research has referred to deservingness and its effects on donation decisions in a general way and none

have made a clear attempt to define deservingness. We offer a direct examination of deservingness, in a donation context, that broadens the interpretation of social distance to include how the content of recipient information influences donation decisions.

## **THEORY AND HYPOTHESES RELATED TO DESERVINGNESS**

Research has not been very systematic in addressing the issue of deservingness in donation behavior. An oft-cited article by Eckel and Grossman (1996) refers to their manipulation of using the American Red Cross compared to an anonymous recipient as exemplifying deservingness because the charity is seen as more deserving than the anonymous person. This paper not only confounds the size of the recipient pool (an organization helping many versus an individual) with supposed deservingness judgments, but it also confounds other preconceived notions about the charity that subjects may have, such as its effectiveness, its cause, etc.

Since then, other studies using dictator game experiments have referred to deservingness in a variety of ways. Ruffle (1998) found that dictators rewarded ‘deserving’ recipients who competed successfully in a skill-testing contest and subsequently earned a larger endowment for them to potentially split. Oxoby and Spraggon (2008) found a similar result when they had recipients earning endowments for the dictators to split, where dictators gave, on average, more than half the endowments to the recipients. In these two studies, deservingness seems rather similar to what could be described as reciprocity since dictator endowment levels depended upon what recipients earned. Fong (2007) found that dictators gave more to ‘worthy’ welfare recipients as manipulated by whether the recipients said they tried looking for work, whether they wanted to work more and whether they held a job for longer than a year in the past five years. Fong’s use of ‘deservingness’ is more about one’s employment motivation and makes it difficult to identify specific aspects to a judgment of deservingness, such as one’s ability,

interest and need. Branas-Garza (2006) manipulated a recipient's wealth by describing them as from a poor community in an underdeveloped country, which confounds actual wealth with other preconceived notions of people from underdeveloped countries. Finally, Cherry and Shogren (2008) found that dictators gave more to 'deserving' recipients who did not have the same opportunity as themselves to earn money during the experiment, compared to recipients who chose to not earn money and leave the experiment early. Deservingness here is described more in terms of a subject's choice to forego the opportunity to earn money, instead of one's ability or circumstances to earn money.

As one can see, there are a variety of loose approaches to the application of deservingness as it relates to dictator giving. As well, each of these latter studies characterizes recipients in relation to wealth. As mentioned earlier, an equity-based approach to deservingness implies that decisions are related to the effort and pay ratios between a donor and recipient. This approach resonates with the literature discussed above, where a recipient's effort is directly linked to their pay. In this paper, we attempt to take a more systematic approach to defining deservingness while preserving a realness of a donation solicitation setting, examine whether the characterization that wealth is integral to the definition of deservingness holds true, and determine how different pieces of information might influence donation choices.

**Table 1. Dictator Game Studies Dealing with Deservingness**

Study	Deservingness Manipulation	Recipient Conditions	Findings – Decision to Give	Findings – Decision of How Much to Give	Limitations
Eckel and Grossman (1996)	Established charity compared to anonymous individual.	1. Anonymous 2. Established charity	Charity > Anonymous	Charity > Anonymous	Need, deservingness, size of recipient group, and reputation were confounded.
Ruffle (1998)	Dictator endowments linked to either recipient effort or random coin toss.	1. Effort high 2. Effort low 3. No effort info	Effort high > No effort info > Effort low	Effort high > No effort info > Effort low	Recipient effort and skill were confounded.
Branas-Garza	Recipients described as in poverty, in an	1. In poverty 2. No info	Poverty > No Info	Poverty > No Info	Recipient wealth, 'community',

(2006)	underdeveloped country.				'underdeveloped' and 'country' were confounded.
Fong (2007)	Recipients were either lazy to look for work or willing to look for work.	1. Lazy and not willing to work 2. Industrious and willing to work 3. No info	Not reported	(Industrious = No Info) > Lazy	Deservingness related to willingness to work only.
Oxoby and Spraggon (2008)	Dictator endowments linked to either recipient merit on a task or their own merit on the same task.	1. High merit 2. Low merit 3. No merit info	Not reported	High merit > No merit info = Low merit	High recipient merit is directly tied to dictator endowment, suggesting reciprocity instead of deservingness.
Cherry and Shogren (2008)	Recipients either could not earn their own money, chose not to or information was not available.	1. No opportunity to earn 2. Chose not to earn 3. No info about earning	No opportunity > Chose not to	No opportunity > Chose not to	Relative deservingness is not along the same dimension (earned endowment compared to lack of opportunity).

Although an equity perspective can inform our understanding of deservingness, deservingness is more than just equity. Adams' equity theory (1965) describes people seeking to balance inputs to outputs. People seek change when they feel inputs are not properly compensated with outputs. The amount of input (i.e., effort on the job, hours studied for an exam) and its associated reward (i.e., wage, exam scores) should be judged as equitable, relative to past experiences, social norms or even relevant others; otherwise a sense of inequity distress develops. Any imbalance would be perceived as inequitable<sup>16</sup>. This conceptualization of deservingness is also consistent with the social psychology perspective, where positive (negative) actions deserve positive (negative) outcomes (Feather 2003). According to Feather, actions must be responsible for their subsequent outcomes. This is where our conceptualization of deservingness diverges. We argue that actions that do not cause outcomes can also be considered in one's judgment of deservingness.

Under a donation context where donors can affect monetary outcomes of recipients, recipient actions and their own monetary outcomes may determine

<sup>16</sup> Fehr and Schmidt (1999) and Bolton and Ockenfels (2000) suggest proposers in an ultimatum game (where a proposer makes an offer to a responder who can either accept and split the offer, or reject and deny both players the offer) are averse to inequity and make offers based on an equity motivation.

whether they are judged to be deserving or not. This goes beyond equity in that recipient actions do not have to correspond to their monetary outcomes.

It is important to point out the differences between deservingness and other related terms such as merit and need. Merit can be understood as an input, where one's skill or knowledge (or other inputs) may or may not influence the level of output one receives. Need can be understood as an output, irrespective of one's inputs. In other words, if a person has very few outputs compared to others (i.e., wealth), they may be seen as more needy than others, regardless of their inputs.

From an internal rewards perspective, deservingness is the judgment of a recipient's inputs to outputs, given that there is a minimal level of deservingness perceived and that the internal reward has reached its activation threshold. Reaching the activation threshold depends, in part, on whether any factors about one's own deservingness is influenced, which affects the activation threshold by moving it higher or lower. Once activated (i.e., the decision to give is positive), a judgment of the recipient's deservingness occurs comparing their inputs (i.e., merit, effort) to their outputs (i.e., wealth) and leads to a decision of how much to give. Because a donor can only affect the wealth position of a potential recipient, by making a positive offer, judgments of deservingness (both recipient inputs and outputs) will determine how much a donor can give to reach a balanced perception of recipient deservingness. In this paper, we explore recipient deservingness by examining whether wealth or wealth generation actually does lead to equity-based judgments of deservingness and its effects on decisions to give and how much to give. Other studies have implicitly tied wealth attributes to the notion of deservingness, but this has not been tested explicitly. We also examine whether information not related to wealth or wealth generation<sup>17</sup> (such as

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<sup>17</sup> Feather (2003) describes deservingness as actions that the individual is responsible for that cause their outcomes. However, it is uncertain how actions that are not responsible for outcomes directly may potentially influence how deserving a recipient is judged to be. He also distinguishes between deservingness and entitlements, however other theorists like Lerner (1987) treat the concepts as part of the same family along with notions of justice.

merit) affects recipient deservingness and subsequently dictator decisions. We then consider how a dictator's own deservingness might influence decisions.

In our first study, we explore whether deservingness judgments reflect an equity-based motivation by presenting information about recipient effort and wealth. This would set up the giving context where dictators can potentially give to more deserving recipients (those who were underpaid for their effort), assuming a dictator's own deservingness does not constrain the decision to give. For example, if a dictator had put in maximal effort and received maximal reward, it would be undeserving for a recipient who put in maximal effort to receive a lesser reward. This can be referred to as a social preference for equity, where the recipient's deservingness is greater relative to the dictator's. If dictators do use the information in an equity-based way, we would predict that:

H1: Higher recipient effort and lower pay scales, relative to a dictator's effort and pay scale, will lead to a higher proportion of positive offers and larger offers from dictators.

In our second study, we consider whether recipient deservingness can be judged by manipulating information that is not directly tied to wealth generation in order to extend our concept of deservingness past a simple equity explanation. We use recipient merit on a given task as information given to dictators. If this information leads to judgments of deservingness, we would expect to see high merit recipients be perceived as more deserving and low merit recipients as less deserving. However, if deservingness requires an association to wealth and not to merit, then different levels of recipient merit should have no effect on dictator decisions. We expect that judgments of deservingness are influenced by a broader range of information than just wealth-related information and therefore predict that:



H2: Higher recipient merit will lead to a higher proportion of positive offers and larger offers from dictators.

We also provide recipient wealth information to prevent dictators from inferring that recipient merit could lead to more wealth, and we separate merit from wealth by indicating to dictators that recipient wealth is determined independently from merit. We expect that donation decisions are influenced by wealth information alone, where more needy recipients (i.e., those with less wealth) should receive more positive offers and larger offers. Therefore, we predict that:

H3: Lower recipient wealth will lead to a higher proportion of positive offers and larger offers from dictators.

Our first three hypotheses describe a situation where we manipulate recipient information. However, if dictators judge themselves to be deserving of their own outcomes irrespective of their recipient's deservingness, they should be less likely to make a positive offer. If they judge themselves to be undeserving of their own outcomes, they are more likely to take some action to establish a more deserving outcome (i.e., give some of their money away). As mentioned earlier, from the perspective of internal reward mechanisms, one's own deservingness should influence the activation threshold directly but not the intensity of the internal reward. The activation threshold for the decision to give can be constrained, resulting in no positive offers, if one's own deservingness is unbalanced in the direction of being underpaid for their inputs or fairly paid for their inputs (if the recipient's deservingness is not salient enough). On the other hand, the activation threshold can be lowered making it more likely to make a positive offer, if one's own deservingness is unbalanced in the direction of being overpaid for their inputs. This situation arises in the dictator game when using windfall endowments, compared to earned endowments. If one is overpaid for their inputs (i.e., windfall endowment), this does not necessarily affect the judgment of a recipient's deservingness since the recipient's deservingness should be compared

to other recipients or existing social norms. Therefore, the intensity of the internal reward for a recipient's deservingness should not be influenced by one's own deservingness which suggests only the decision to give and not the decision of how much to give is affected by a manipulation of earned vs. windfall endowments.

Three notable studies have reported findings related to earned endowments in dictator games that provide some insight into this issue. Cherry, Frykblom and Shogren (2002) find that earned endowments with complete decision anonymity can lead to standard game theoretic decisions of zero offers. Oxoby and Spraggon (2008) also find that dictators earning endowments lead to complete self-interest where 'entitled' dictators gave nothing to recipients. Cherry and Shogren (2008) also find that dictators gave fewer positive offers and smaller offer amounts when they earned their endowments.

From these studies, it is clear that earned endowments do make a difference in dictator decisions. However, in each of these cited papers the windfall conditions did not account for expended effort. Dictators who earned their endowments had to work for it, but dictators who received windfall endowments did not expend any effort at all. This confounds the notion of an entitlement with effort level, where dictators who earned their endowments may have justifiably felt they were deserving of keeping all or most of their money. Cherry and Shogren (2008) suggest that they accounted for relative deservingness by manipulating recipient deservingness, and found that dictators still were more self-serving over earned endowments compared to windfall endowments, however their manipulation of recipient deservingness was not along the same dimension which dictators earned their deservingness<sup>18</sup>.

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<sup>18</sup> Dictators answered GMAT questions to earn their endowments whereas the most deserving recipients were told to dictators to be those who had no opportunity to earn an endowment at all.

We propose that a dictator's sense of deservingness can be influenced by both their expended effort and their entitlement as the dictator, and therefore will control for effort between both the dictators and recipients in our study to examine the impact of earned entitlements. Although effort is likely to play a larger role in determining one's deservingness compared to entitlement, being entitled to receiving their endowment is likely to also lead to a sense of deservingness. Consequently, windfall dictators who also expend equal effort as earned dictators but 'lose' the chance to keep their earned endowment should lead to a sense of inequity distress when they receive a windfall endowment later on.

We manipulate dictator deservingness by endowing some dictators with an earned endowment and other dictators with a windfall endowment, while controlling for dictator effort. Therefore, we predict that:

H4: Dictator deservingness will influence the proportion of positive offers, where earned endowments will lead to a lower proportion of positive offers compared to windfall endowments.

H5: The type of endowment will have no effect on the decision of how much to give.

## **STUDY ONE**

### **Method**

One hundred forty-seven undergraduate business students participated as part of a voluntary research pool. Subjects were assigned to sessions ranging from 12 to 24 people. When subjects arrived to a session, they were randomly split into one of two separate rooms where they received further instruction. They were told that they were the dictator group and those in the other room were in the recipient group. In reality, none were assigned as recipients. Follow-up checks did not

reveal any disbelief about the existence of recipients. All of the sessions were conducted with a computer-administered program where subjects made their decisions in their own cubicle, isolated from other subjects in the experiment. Each subject was given a unique code to enter into the computer program. On-screen instructions gave subjects more detail about their tasks and tested their understanding of the tasks prior to having subjects perform them. Sessions took no more than one hour including instructions and payment. Session administrators were blind to the study hypotheses.

Dictators were asked to perform a photograph perception task where photographs were flashed on screen for one second, disappeared, and followed by a question about that photograph (i.e., Was she holding the sandwich with her left or right hand?). A question about that photograph was asked with multiple-choice answers. After answering, another photograph would appear. Dictators were given the opportunity to quit this task after every 20 questions up till 60. Quitting early meant earning less money, thereby creating a context in which subjects could put in more effort to earn more money. They were told that recipients were doing the same task with the same opportunities to quit early. Dictators were also told they were being paid at a higher pay scale compared to recipients. Of the 147 subjects, 138 (93.9%) of them completed the task earning the maximum endowment, which was \$16. We based our analysis on these subjects, in order to keep dictator effort constant. Endowments were given to subjects immediately after this task in the form of pretend-money, and they were told that this money was redeemable at the end of the study for real cash. This was done to reinforce the consequential nature of the study<sup>19</sup>. When the subjects finished the photograph perception task, a screen would indicate how much money they earned to signal to the administrator how much pretend-money to bring them. Three envelopes were delivered including one containing the pretend-money and two empty envelopes labeled KEEP and GIVE. Envelopes containing the

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<sup>19</sup> We avoided using one-dollar coins because of the potential for subjects to ‘hear’ what others may or may not be giving to others, and one-dollar bills were not available since we conducted our studies at a Canadian university.

pretend-money included legitimate bills and void bills. Dictators would later be asked to transfer their void bills to the GIVE envelope, as this was done to ensure all dictators would have to transfer some bills regardless of whether they gave a positive amount or not. This reinforced the perceived anonymity of their decisions where subjects who gave nothing did not have to fear that others could detect their selfishness through the act of transferring bills. Once the correct amount was delivered, the administrator would then allow the subject to proceed to the next part of the study.

Dictators were then asked to make a series of independent donation decisions to six separate recipients in our experimental design and told that actual payments would be based on one of their decisions that would be randomly chosen. They were presented with information about their recipient's effort on the photograph task as well as the associated amount of money the recipients received. Recipient effort was presented on three levels (completed 20, 40 or 60 questions) and recipient wealth on two levels (paid at a low pay scale or a medium pay scale). This generated six different profiles of a recipient, each presented to a dictator in random sequence. Each recipient profile required a decision to be entered in terms of how much the dictator was going to offer the recipient (any whole dollar amount between \$0 and their earned endowment). This setup allows us to test for relative deservingness since both the dictator and recipient performed the same tasks, but their efforts and pay scales vary.

Here are the six profiles and what dictators were told that recipients earned for their respective effort, as well as what dictators were paid:

Recipient				Dictator	
Low Pay Scale		Medium Pay Scale		High Pay Scale	
Effort	\$	Effort	\$	Effort	\$
Low	0	Low	4	Low	8
Medium	2	Medium	6	Medium	12
High	4	High	8	High	16

Once all six decisions were made, the computer randomly selected one of those decisions and reported that to the dictator. The computer then proceeded to inform the dictator how to separate the pretend-money into the respective envelopes. Some final questions about their age, gender and suspicion related to the experimental manipulations were asked before subjects were asked to leave the room to collect their endowment.

When they received their real money, they also were given a debriefing form and told verbally what the experiment was really about including any deceptions that were involved in the study.

## Results and Discussion

The average age of subjects was 22 years old, with the youngest being 18 and the oldest being 42. There was a higher proportion of female subjects (69.4%) compared to male subjects (30.6%).

We ran two sets of models. The first model was a binary logistic model where we regressed recipient pay scale, recipient effort and gender (including all the interactions) on the decisions to give and then conducted an ordered probit model on the same factors for the decision of how much to give. The second model looked at equity, which was calculated as the difference between a donor's ratio

of inputs to outputs and a recipient's ratio of inputs to outputs. Looking at equity in this regard allows us to dictators used the information about recipients in an equity-based fashion.

**TABLE 2. Regression Parameter Estimates for Binary Logistic and Probit Models: Study One**

Variable	Coefficient (Standard error)	$\chi^2$ value
<b>Binary Logistic Model: DV = Decision Whether to Give (<math>R^2 = .039</math>)</b>		
Recipient Effort	.310 (.100)	9.541***
Recipient Pay Scale	-.156 (.082)	3.636*
Recipient Effort x Recipient Pay Scale	-.076 (.100)	.574
Gender	-.217 (.082)	7.034***
Gender x Recipient Effort	-.123 (.100)	1.511
Gender x Recipient Pay Scale	.102 (.082)	1.549
Gender x Recipient Effort x Recipient Pay Scale	-.005 (.100)	.002
<b>Probit Model: DV = Decision Amount (<math>R^2 = .044</math>)</b>		
Recipient Effort	.135 (.053)	6.511**
Recipient Pay Scale	-.164 (.043)	14.491****
Recipient Effort x Recipient Pay Scale	-.067 (.053)	1.588
Gender	-.066 (.043)	2.331
Gender x Recipient Effort	-.036 (.053)	.464
Gender x Recipient Pay Scale	.021 (.043)	.227
Gender x Recipient Effort x Recipient Pay Scale	-.010 (.053)	.037

\* $p < 0.10$ , \*\* $p < 0.05$ , \*\*\* $p < 0.01$ , \*\*\*\* $p < 0.001$

We found main effects for recipient effort [ $\chi^2 = 9.541$ ,  $p = 0.002$ ] and a marginally significant main effect for pay scale [ $\chi^2 = 3.636$ ,  $p = 0.057$ ]. There was no interaction effect [ $\chi^2 = 0.574$ ,  $p = 0.449$ ]. Of the dictator decisions, 54% were positive offers for recipients with low effort, 64% for recipients with medium effort and 68% for recipients with high effort. Planned comparisons show that a

greater proportion of positive offers were made to recipients with medium effort compared to low effort [ $t=2.358, p=0.019$ ] while the difference between medium and high effort is not significant [ $t=1.176, p=0.240$ ]. This suggests that dictators gave a higher proportion of positive offers to recipients who put in more effort, and therefore were more deserving in that sense.

For recipient pay scales, 66% were positive offers for recipients in the low pay scale condition compared to 57% positive offers for recipients in the medium pay scale condition. This suggests that dictators gave a higher proportion of positive offers to those with lower pay scales who were not compensated as much, and therefore also more deserving. These results support H1 in that dictators make more positive offers to more deserving recipients as judged by their effort and their pay scales.

We also included gender in the regression and found a significant main effect [ $\chi^2=7.034, p=0.008$ ], where 64% of females gave positive amounts compared to only 54% of males making positive donations. This is consistent with prior literature suggesting that females are more caring and compassionate than males. Gender did not interact with any of the other factors in the model [gender x pay  $\chi^2=1.549, p=0.213$ ; gender x effort  $\chi^2=1.511, p=0.219$ ; gender x pay x effort  $\chi^2=0.002, p=0.961$ ].

For the decision of how much to give, we ran an ordered probit analysis and found there were main effects for both recipient effort and pay scale [ $\chi^2=6.511, p=0.011$  and  $\chi^2=14.491, p<0.001$  respectively], but no interaction effect [ $\chi^2=1.588, p=0.208$ ]. See Figure 1. This provides additional support for H1 in that dictators give larger offer amounts when their recipients exert more effort or when they are paid at a lower pay scale. Planned comparisons show that the difference in donation amounts for low effort and medium effort recipients is not significant [ $t=1.037, p=0.300$ ], the difference between medium effort and high



effort recipients is also not significant [ $t=1.644, p=0.101$ ], but high effort recipients received higher donation amounts than low effort recipients [ $t=2.621, p=0.009$ ]. Planned comparisons show that recipients on the low pay scale received higher donation amounts (\$1.99 compared to \$1.35) than recipients on the medium pay scale [ $t=5.248, p<0.001$ ]. This suggests that dictators base their decisions on both pieces of recipient information, where higher effort and lower pay scale separately generate higher offer amounts.

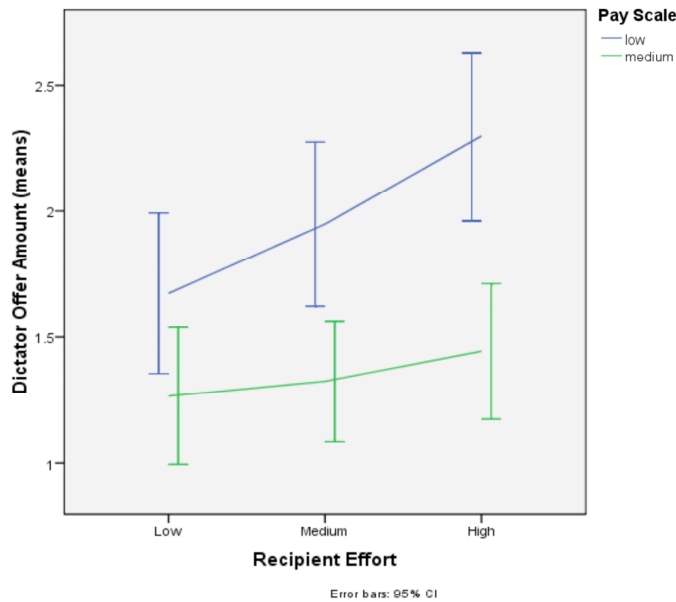
Females gave more on average (\$1.72) compared to males (\$1.56), but gender was not found to significantly affect the decision of how much to give [ $\chi^2=2.331, p=0.127$ ]. Gender also did not interact with any of the other factors [gender x pay  $\chi^2=0.227, p=0.634$ ; gender x effort  $\chi^2=0.464, p=0.496$ ; gender x pay x effort  $\chi^2=0.037, p=0.847$ ].

If we only look at positive donation amounts (non-zero offers), then recipient effort is no longer significant [ $\chi^2=0.132, p=0.716$ ] but recipient pay scale still is [ $\chi^2=16.619, p<0.001$ ]. The interaction effect is still not significant [ $\chi^2=1.637, p=0.201$ ]. Planned comparisons show that recipients on the low pay scale received higher donation amounts (\$3.00 compared to \$2.35) than recipients on the medium pay scale [ $t=4.860, p<0.001$ ]. Gender effects remain insignificant. The average donation to low effort recipients is \$2.77, medium effort recipients is \$2.58 and high effort recipients is \$2.76. This suggests that among a sample of donors only, recipient effort no longer plays an influential role but recipient pay scale still does. From a theoretical perspective, the factors that play a significant role after the decision to give is made may suggest some information takes on a greater weight in influencing decisions at different points in the decision process. From a managerial perspective, if a charity were targeting an existing base of donors, instead of targeting a more general population, then this analysis would be relevant.

Further evidence that dictators do not simply give to those with less money can be found by comparing the two cases where recipients received \$4. Low effort-medium pay scale recipients and high effort-low pay scale recipients both earned \$4. We find that low effort-medium pay scale recipients received \$1.06 less than high effort-low pay scale recipients [ $t=7.761$ ,  $p<0.001$ ]. This difference can be attributed to the increased deservingness due to both more effort and a lower pay scale.

We also regressed decisions to give and decision amounts on an equity model to determine whether decisions could be explained by equity as well. An equity model implies that dictator decisions depend on a comparison between their own inputs and corresponding outputs compared to that of a recipient's. Fehr and Schmidt (1999) and Bolton and Ockenfels (2000) suggest equity is at work behind the ultimatum game, where strategic giving depends on a recipient's ability to reject a proposer's offer. We explore whether equity is at work in the dictator game where a recipient has no ability to reject any offer, effectively making the decision to give non-strategic. We calculated equity by subtracting the ratio of recipient outputs to inputs from the ratio of dictator outputs to inputs. Since dictator outputs (i.e., \$16 endowment) and inputs (i.e., high effort) remained constant for all dictators, equity was determined completely by the recipient ratio. Equity was not significant for the decision to give but was significant for decision amount [ $\chi^2=2.135$ ,  $p=0.144$  and  $\chi^2=8.766$ ,  $p=0.003$ ] while the pattern of results for gender effects reflected our first regression model as well.

**Figure 1. Donations as a function of recipient factors**



**Table 3. Average Dictator Offers: Study One**

Recipient Factors	Mean Offer (\$)	Positive Offers (%)
Pay – Low	1.99	66
Pay – Medium	1.35	57
Effort - Low	1.49	54
Effort - Medium	1.64	64
Effort – High	1.89	68
Pay Low x Effort Low	1.71	58
Pay Low x Effort Medium	1.95	67
Pay Low x Effort High	2.32	74
Pay Medium x Effort Low	1.26	49
Pay Medium x Effort Medium	1.33	60
Pay Medium x Effort High	1.46	62

The findings from this first study offer some insight into the influence of deservingness as an explanation for donation decisions. Varying levels of recipient attribute information can lead to different levels of giving. In terms of deservingness, we find that effort and corresponding wealth play a significant role in dictator decisions. Although these factors had a significant influence on donation decisions, the results do not necessarily differentiate deservingness from

an equity judgment (in terms of the decision of how much to give). In our next study, we consider whether information that is not tied directly to wealth can still be used to judge deservingness and we explore whether dictators who receive a windfall endowment compared to an earned endowment are more likely to make a positive offer.

## **STUDY TWO**

### **Method**

Forty-nine undergraduate business students participated as part of their course requirements. The procedure was very similar to study one with a few changes. Half of the subjects were randomly assigned to an earned endowment condition while the other half were assigned to a windfall endowment condition.

Dictators were asked to perform a similar photograph task as in study one, except there was no option to quit this time. Instead, dictators were told how many of the questions they answered correctly. For the design of our study, we told all dictators they performed well (high merit).

Dictators in the earned endowment condition were told they earned \$10 for their task performance; whereas dictators in the windfall endowment condition were told they did not earn any money for their task performance, but won \$10 in a follow-up chance activity. In effect, all subjects expended similar effort and received \$10 for their participation, however those in the windfall condition were placed in a position of inequity distress (undeserving) while those in the earned condition had no inequity distress (deserving). This is also consistent with a mental accounting perspective (Thaler, 1990) where endowment origin plays a role in how dictators spend their money.

Dictators were then presented with information about their recipient's merit on the same task, as well as the amount of money they received (wealth). Recipient merit was presented on three levels (high, low or no play<sup>20</sup>) and recipient wealth on two levels (\$0 or \$4). This generated six different profiles of a recipient, each presented to a dictator in random sequence.

Here are the six profiles and what dictators were told that recipients earned:

<b>Merit</b>	<b>\$</b>		<b>Merit</b>	<b>\$</b>
Low	0		Low	4
High	0		High	4
No Play	0		No Play	4

## Results and Discussion

The average age of subjects was 22 years old, with the youngest being 20 and the oldest being 28. There was a slightly higher proportion of female subjects (55.1%) compared to male subjects (44.9%).

Just as in the first study, we ran two sets of models. The first model was a binary logistic model where we regressed recipient merit, recipient wealth, dictator endowment and gender (including all the interactions) on the decisions to give and then conducted an ordered probit model on the same factors for the decision of how much to give. The second model regressed equity, to determine whether dictators were making decisions consistent with an equity judgment. Since the recipient input factor in this study is no longer tied to wealth, unlike in the first study, we expect equity to not explain giving decisions anymore.

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<sup>20</sup> The 'no play' condition was explained to subjects as recipients who did not have the choice to participate in the photograph memory task.

**TABLE 4. Regression Parameter Estimates for Binary Logistic and Probit Models: Study Two**

Variable	Coefficient (Standard error)	$\chi^2$ value
<b>Binary Logistic Model: DV = Decision Whether to Give (<math>R^2 = .085</math>)</b>		
Recipient Merit	.459 (.153)	9.035**
Recipient Wealth	-.273 (.124)	4.878*
Recipient Merit x Recipient Wealth	.096 (.153)	.392
Dictator Endowment	-.276 (.124)	4.966*
Dictator Endowment x Recipient Merit	.013 (.153)	.007
Dictator Endowment x Recipient Wealth	.077 (.124)	.390
Recipient Merit x Recipient Wealth x Dictator Endowment	.009 (.153)	.004
Gender	-.276 (.124)	4.982*
Gender x Recipient Merit	-.074 (.153)	.233
Gender x Recipient Wealth	.022 (.124)	.031
Gender x Dictator Endowment	.071 (.124)	.333
Gender x Recipient Merit x Recipient Wealth	.008 (.153)	.003
Gender x Recipient Merit x Dictator Endowment	.029 (.153)	.037
Gender x Recipient Wealth x Dictator Endowment	-.044 (.124)	.126
<b>Probit Model: DV = Decision Amount (<math>R^2 = .148</math>)</b>		
Recipient Merit	.359 (.082)	19.037***
Recipient Wealth	-.221 (.067)	10.966**
Recipient Merit x Recipient Wealth	.004 (.082)	.003
Dictator Endowment	-.145 (.067)	4.749*
Dictator Endowment x Recipient Merit	.009 (.082)	.013
Dictator Endowment x Recipient Wealth	.069 (.066)	1.076
Recipient Merit x Recipient Wealth x Dictator Endowment	-.054 (.081)	.446
Gender	-.174 (.067)	6.840**
Gender x Recipient Merit	-.070 (.082)	.743
Gender x Recipient Wealth	.000 (.066)	.000

Gender x Dictator Endowment	-.048 (.066)	.525
Gender x Recipient Merit x Recipient Wealth	-.011 (.081)	.019
Gender x Recipient Merit x Dictator Endowment	.073 (.081)	.810
Gender x Recipient Wealth x Dictator Endowment	.008 (.066)	.014

\*p<0.05, \*\*p<0.01, \*\*\*p<0.001

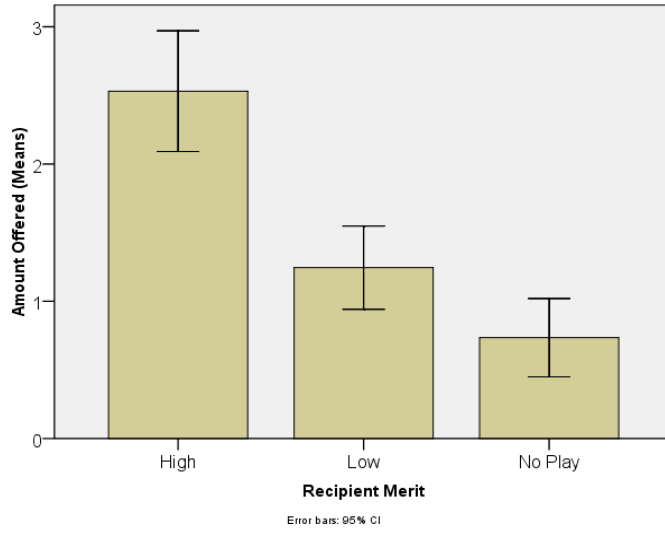
Dictators received information about their recipient's merit as well as their wealth, which were orthogonally manipulated in the design. We found a main effect of positive offers for both recipient merit [ $\chi^2=9.035, p=0.003$ ] and recipient wealth [ $\chi^2=4.878, p=0.027$ ]. There was no interaction effect [ $\chi^2=0.392, p=0.531$ ]. Of the dictator decisions, 77% were positive offers for recipients with high merit, 55% for recipients with low merit and 31% for recipients with no merit information. Planned comparisons show that a greater proportion of positive offers were made to recipients with low merit compared to recipients without merit information provided [ $t=3.557, p<0.001$ ], and to recipients with high merit compared to recipients with low merit [ $t=7.223, p<0.001$ ]. This suggests that dictators gave a higher proportion of positive offers to recipients with high merit, and even lower merit (when compared to a no merit information condition which we will elaborate on later). For recipient wealth, 61% were positive offers for recipients with \$0 given to them compared to 48% positive offers for recipients with \$4 given to them. This suggests that dictators gave a higher proportion of positive offers to those with lower wealth. These results support H2 and H3 in terms of the decision to give, where higher recipient merit and lower recipient wealth lead to greater proportions of positive offers. We also included gender in the regression and found a significant main effect [ $\chi^2=4.982, p=0.026$ ], where 60% of females gave positive amounts compared to only 47% of males making positive donations. Like in our first study, this result is not surprising. Gender did not interact with any of the other factors in the model [gender x merit  $\chi^2=0.233, p=0.630$ ; gender x wealth  $\chi^2=0.031, p=0.861$ ; gender x merit x wealth  $\chi^2=0.003, p=0.958$ ; gender x dictator endowment

$\chi^2=0.333, p=0.564$ ; gender x merit x dictator endowment  $\chi^2=0.037, p=0.847$ ;  
gender x wealth x dictator endowment  $\chi^2=0.126, p=0.723$ ].

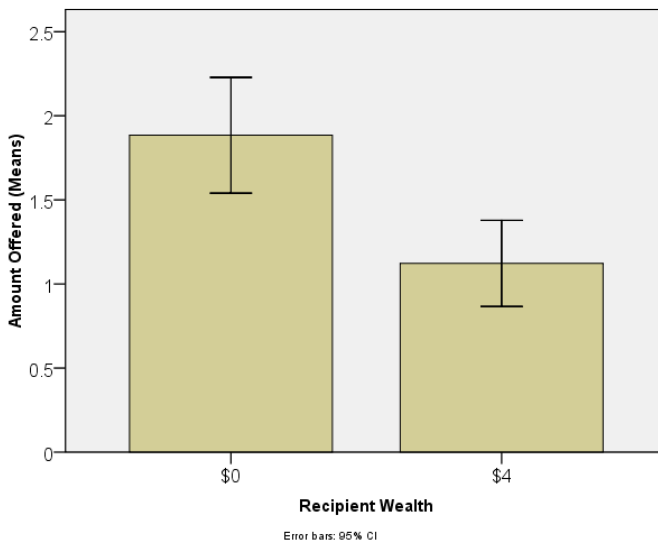
When we ran the ordered probit analysis, we found there was also a main effect of offer amounts for recipient merit [ $\chi^2=19.037, p<0.001$ ] as well as recipient wealth [ $\chi^2=10.966, p=0.001$ ]. Figures 2 and 3 show dictators giving a higher offer amount for high merit recipients and low wealth recipients. There was no interaction effect [ $\chi^2=0.003, p=0.957$ ]. Planned comparisons show that offer amounts were significantly higher to high merit recipients compared to low merit recipients [ $t=4.777, p<0.001$ ], and higher to low merit recipients compared to no play recipients [ $t=2.430, p=0.016$ ]. This suggests that it is better to provide some information about recipients, even if it may be inferior (i.e., low merit) rather than no information. For recipient wealth, recipients with \$0 given received \$1.88 on average compared to \$1.12 for recipients with \$4 given to them. We also included gender in the regression and found a significant main effect [ $\chi^2=6.840, p=0.009$ ], where females gave \$1.75 on average compared to only \$1.20 from males. Gender did not interact with any of the other factors in the model [gender x merit  $\chi^2=0.743, p=0.389$ ; gender x wealth  $\chi^2=0.000, p=0.998$ ; gender x merit x wealth  $\chi^2=0.019, p=0.890$ ; gender x dictator endowment  $\chi^2=0.525, p=0.469$ ; gender x merit x dictator endowment  $\chi^2=0.810, p=0.368$ ; gender x wealth x dictator endowment  $\chi^2=0.014, p=0.906$ ].



**Figure 2. Recipient Merit means**



**Figure 3. Recipient Wealth means**



**Table 5. Average Dictator Offers: Study Two**

Factors	Mean Offer (\$)	Positive Offers (%)
Merit - Low	1.24	55
Merit - High	2.53	77
Merit - No Play	0.73	31
Wealth - \$0	1.88	61
Wealth - \$4	1.12	48
Merit Low x Wealth \$0	1.61	63
Merit Low x Wealth \$4	0.88	47

Merit High x Wealth \$0	3.02	80
Merit High x Wealth \$4	2.04	73
Merit No Play x Wealth \$0	1.02	39
Merit No Play x Wealth \$4	0.45	22

H2 and H3 are supported in suggesting that both pieces of information contributed to dictators deciding whether and how much to give to those who had higher merit and those who had less wealth. More specifically, this suggests that the nature of the information presented affects whether an offer is made and the offer amount, supporting a deservingness explanation that does not necessarily require direct information about a recipients' wealth. This contributes to our understanding of donation behaviour because it shows that information, such as our treatment of recipient merit that is not tied directly to wealth generation, can influence both dictator decisions as well.

According to H4, dictators in the windfall condition were expected to judge themselves as less deserving of their endowment and be more likely to make a positive offer than dictators who earned their endowment, regardless of who their recipient was. This was supported by a main effect for dictator endowment [ $\chi^2=4.969, p=0.026$ ]. This indicates that more dictators gave a positive offer to their recipient when their endowment was portrayed as a windfall (60% versus 47%) instead of being earned<sup>21</sup>. Dictator endowment did not interact with recipient factors [dictator endowment x merit  $\chi^2=0.003, p=0.953$ ; dictator endowment x wealth  $\chi^2=0.428, p=0.513$ ; dictator endowment x merit x wealth  $\chi^2=0.153, p=0.976$ ], suggesting that dictator endowment affects the activation threshold independently of recipient information.

When we analyzed the offer amount in the ordered probit analysis (windfall endowments led to an average offer of \$1.69 compared to \$1.28 from earned

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<sup>21</sup> This is despite the fact that all dictators exerted the same amount of effort in performing the photograph task, ruling out a possible confound of expended effort.

endowments), the main effect for dictator endowment was also significant [ $\chi^2=4.749, p=0.029$ ]. However, looking at only the positive offers (non-zero offers), windfall endowments resulted in an average donation amount of \$3.22 and earned endowments yielded an average donation amount of \$3.13. This difference was not statistically significant [ $\chi^2=0.373, p=0.541$ ]. In this case, it is more appropriate to compare offer amounts from only the non-zero offers as our theory suggests that making a positive offer reflects an activation threshold being reached, so we only want to compare offer amounts after positive offers have been accounted for. Therefore, our finding supports H5 in that their own endowment may not be affecting their decision of how much to give. In other words, dictator endowment seems to influence the activation threshold for an internal reward mechanism, such as deservingness, to be activated but does not influence the intensity of that activation.

Cherry and Shogren (2008) report that they find endowment type influences both the decision to give and the decision amount, but they did not test for only positive offers. As well, in their study windfall and earned dictators exerted different levels of effort, so the difference in relative deservingness was presumably more than the dictators in our study. The larger difference in relative deservingness may have had an additional influence on the intensity level of the judgment of deservingness. Despite the fact that our endowment manipulation was much more subtle (i.e., windfall dictators were only different from earned dictators in that they received their endowment from a follow-up chance activity instead of from the activity they exerted effort in), we still found a significant effect for the decision of whether to give, supporting the strength to which one's own deservingness influences the decision to give. Cherry and Shogren do not speculate what the underlying mechanism is that influences their endowment effects, but the differences between our two studies suggest further research is needed to examine how the degree of the dictator's own deservingness of their endowments influences their decisions.

We also categorized recipient merit as either informative or uninformative (where high and low merit was considered informative and no play was considered uninformative), and found that there was a significant main effect for the decision to give [ $\chi^2=29.149, p<0.001$ ]. 65.8% of dictator decisions were positive offers when recipient merit was informative compared to only 30.6% of dictator decisions being positive offers when recipient merit was uninformative. Dictators gave on average \$1.89 to informative recipients and only \$0.73 to uninformative recipients, which was significantly different [ $t=5.122, p<0.001$ ]. More interestingly, there was a significant interaction between gender and merit information for both the decision to give and decision amount [ $\chi^2=7.157, p=0.007$  and  $\chi^2=6.824, p=0.009$  respectively]. Females were less likely to make a positive donation (26%) compared to males (36%) when no information was provided although this difference was not significant [ $t=1.111, p=0.269$ ], but more were significantly more likely to give a positive amount [ $t=3.715, p<0.001$ ], when information was available (77% compared to 52% respectively). Females also gave less (\$0.61) than males (\$0.89) when uninformed although this was not significantly different [ $t=0.950, p=0.344$ ], but gave more significantly more (\$2.31 compared to \$1.36) when informed of recipient merit [ $t=3.425, p=0.001$ ]. This suggests that simply providing information influences more subjects, and particularly female subjects, to give and give more. The presence of recipient merit information increases the probability of activation and the intensity of the effect, which we referred to earlier as an identifiability-based explanation of recipient information. Finding this effect does not invalidate our primary finding that the value of recipient information also increases giving (via more positive offers and higher offers), which we refer to as a deservingness-based explanation of recipient information. Taken together, the presence and content of information can both have an impact on giving decisions.

Finally, we tested our results based on an equity model to determine whether dictators were using recipient information to make decisions based on an equity judgment. We calculated equity the same way as in the first study, using recipient

merit as inputs and recipient wealth as outputs. Equity was significant for both the decision to give and decision amount [ $\chi^2=7.557, p=0.006$  and  $\chi^2=17.235, p<0.001$ ] and the pattern of results for gender effects reflected our first regression model as well. This suggests that equity may still be an explanation for dictator decisions, despite making recipient inputs not responsible for recipient outputs. Equity and deservingness may ultimately be related concepts and through our first two studies, we have shown how that is so. We changed effort as a recipient input to merit in the second study, and told dictators that merit was unrelated to recipient wealth earnings. This expands upon prior conceptualizations of equity as purely involving input and output factors that were directly related to each other. Although effort and merit can be interpreted as very closely related concepts, where one's merit entails part effort or that one's effort is correlated with one's merit, the second study broadens the understanding of equity as a deservingness judgment.

Nonetheless, this study provides initial evidence that dictators do not judge recipients based upon their wealth information alone, but also upon their merit information. This supports a broader view of deservingness as a judgment that is not just about one's wealth, as has been implied by previous literature. Beyond an identifiability-based explanation of the effect of recipient information, where more information leads to greater giving, is the finding that the content of the information also plays a role in both the proportion of dictators making positive offers and their offer amounts. Furthermore, we show that a dictator's sense of their own deservingness can play an important role in how they make decisions, where inequity distress can lead to significant effects on the decision to give, but not on how much to give.

However, an issue with this study may have been that because all of our dictators were told they performed at a high merit level themselves, dictator decisions based on recipient merit may have reflected a judgment of congruency instead,

where dictators favored those with high merit because they saw these recipients as relatively similar to themselves.

In the next study, we will address this issue as well as look at the impact of social value orientations on dictator giving decisions and how different dictator segments may integrate recipient information differently in making their decisions.

## **THEORY AND HYPOTHESES RELATED TO SOCIAL VALUE ORIENTATIONS AND CONGRUENCY IN DICTATOR GAMES**

Social value orientations describe individual differences in people's relatively stable preferences for social outcomes under interdependence. They have been found to have a significant effect on helping behaviour, but its specific role and influence in decision-making for charitable giving has yet to be established (McClintock and Allison, 1989)<sup>22</sup>. The three categories of social value orientations that have been widely used are cooperators, competitors and individualists (Kuhlman & Marshello, 1975; Messick & McClintock, 1968). These categories can be further simplified to proselves (competitors and individualists) and prosocials (cooperators)<sup>23</sup>.

To identify the varying degrees of social value orientations, a nine-item decomposed games measurement is typically used. The task involves asking participants to choose between sets of outcomes between themselves and others. An example (see Table 3) is a choice alternative A that allocates 500 points for self and 500 points for another, B allocates 560 points for self and 300 for another, and C allocates 500 points for self and 100 points for another.

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<sup>22</sup> Social value orientations have also been shown to predict choices in a variety of other prosocial settings, such as taking public transit (Van Lange et al., 1998; van Vugt et al., 1996) and behaving environmentally (Garling et al., 2003; Joireman et al., 2001).

<sup>23</sup> The decomposed game asks subjects to choose between 9 sets of three options, where each option corresponds to a different social value orientation. If six or more consistent choices are made, one's social value orientation is identified. See Appendix A for the decomposed game (taken from Van Lange, Otten, De Bruin & Joireman, 1997).

Alternative A represents the prosocial choice where the joint outcome is maximized. It also represents the most egalitarian outcome as well (also known as equality). Alternative B represents the individualistic choice in that the self-outcome is maximized. Alternative C represents the competitive choice in that the difference in outcomes is maximized. Typically, when 6 out of the 9 choices are of the same orientation, participants are then classified as that orientation; otherwise they are excluded from the analysis.

**Table 6. Decomposed Game Sample**

	Alternative A (Cooperative)	Alternative B (Individualist)	Alternative C (Competitive)
Self	500	560	500
Other	500	300	100
Total	1000	860	600

As a result of the decomposed game, people can be identified to be either more proself or prosocial in terms of their social value orientations. Proself people are either individualistic or competitive in their social preferences, which in terms of possible donation behaviour may mean they either give nothing or give a token amount for selfish reasons such as feeling good about oneself, avoiding negative feelings (i.e., guilt or scrutiny) or to maintain a positive self-image. Prosocial people are cooperative in their social preferences, which in terms of possible donation behaviour may mean they give a donation based on their perception of the recipient such as the equity between themselves and others, or their feelings of sympathy or empathy for the recipient.

Understanding which social value orientation an individual identifies with will help in determining how situational factors influence them, and ultimately how to best reach these donors. This may involve variables related to the charity or its beneficiaries such as its image, congruency and deservingness, or variables

related to the donor, such as their attentiveness, availability of time and information about the charity (Bendapudi et al., 1996).

We have identified dimensions of deservingness to include recipient wealth information as well as recipient information tied directly and indirectly to wealth generation, namely effort and merit levels respectively. However, it is unclear whether recipient merit information was functioning as suggested, or if congruency played a role in their decisions. We attempt to explore this in our next study. Up until now, our findings for recipient effort, merit and wealth have been consistent with a deservingness explanation although it does not exclude other explanations such as congruency.

Congruency refers to when a dictator must integrate the information with their self-concept and either accept or reject the information as diagnostic towards their decision-making. Shang, Reed and Croson (2008) called this the Identity Congruency Effect, where they examined congruency in terms of a donor with other donors, and how that affected donor decisions after the decision to give was already made. In this study, we examine congruency between a donor and a recipient, and how that affects both the decision to give and how much to give.

By placing some dictators in a high merit condition and others in a low merit condition, we can tease apart deservingness from congruency. According to deservingness, dictators should give more to high merit recipients regardless of their own merit levels whereas according to congruency, dictators should give more to recipients with congruent merit levels to themselves. Although Shang et. al. found support for the Identity Congruency Effect, we do not believe congruency will apply under our context for a number of reasons. First, their effect was found when gender served as a strong identifier for donors to associate to others. In this study, merit levels will likely be a weaker identifier for donors since it is more contextual and temporary. Second, merit information has an ordinal nature to it where higher merit can often be seen as better than lower



merit, whereas gender does not have that same aspect. Third, they found the congruency effect between donors and other donors and it is uncertain whether that applies between donors and recipients as well. Finally, there is literature that supports an established connection between gender and donation behaviour, whereas that does not exist for merit levels and donation behaviour. Although we believe merit information will not lead to congruency judgments in donation decisions, we explore whether congruency does play a role between dictators and recipients by presenting dictators with another type of recipient information, namely taste information. Recipient taste would be presumably just as weak of an identifier as merit information, but it does not have an ordinal aspect to it. Recipient taste, along dimensions that are irrelevant to the earnings task would be an arbitrary characteristic that has no bearing on whether one is deserving of a donation, but does increase a recipient's identifiability. If congruency with their recipient does play a role in dictator decisions, then we would expect social distance to minimize where similar tastes should lead to more dictators making positive offers and higher offers.

Our hypotheses are:

H6: Prosocial dictators give more often and give, on average, higher amounts than prosself dictators.

H7: Higher recipient merit, not similar recipient merit, will lead to a higher proportion of positive offers and larger offers from both low and high merit dictators.

H8: Similar recipient taste will lead to a higher proportion of positive offers and larger offers from dictators.

### **STUDY THREE**

In this study, we address a limitation of our previous study by placing dictators in both high and low merit positions while controlling for recipient wealth information, to see whether their own merit positions lead to greater giving to recipients with similar merit. If the deservingness explanation holds, dictators should give more to recipients with higher merit regardless of their own merit levels. But if dictators give based on a congruency judgment, they should give more to recipients with similar merit levels as themselves.

We also explored specific dimensions in which judgments were made, by measuring whether recipient merit and deservingness is tied to the notion of wealth generation and how recipient information that is not connected to wealth generation in any way might influence giving decisions. Information such as recipient tastes, where one cannot judge based on a recipient's amount of input, may lead to judgments of congruency instead of deservingness.

Prior to the dictator game, we measured subjects' social value orientations to explore how different segments of dictators make donation decisions differently. We also explored whether they respond differently to recipient information. We predict that prosocial dictators are more likely to give and give more than proself dictators. In a more exploratory effort, we examined whether prosocial dictators will differentiate between recipient profiles more than proself dictators.

#### **Method**

One hundred fifty-seven undergraduate business students participated as part of a voluntary research pool. The logistics of recruiting and allocating subjects between rooms was identical to the first two studies. The procedure once subjects were given their instructions differed slightly.

In this study, we administered the social value orientation's 9-item decomposed game first. Through the use of a computer-administered experimental interface, we categorized subjects based on their social value orientations and automatically grouped them into prosself and prosocial categories. Then a short (approximately 15 minute) unrelated survey on a shopping scenario was given as a filler task and to avoid any priming effects. We then proceeded with a similar procedure as in the first two studies with one exception. We had dictators perform the same photograph memory task as in the first study, however some were told they performed well while others not as well<sup>24</sup>. This is designed to generate a perception that their own merit is either relatively high or low compared to the merit of their recipients (who dictators believe performed the same task). Dictators were also asked to select a set of photographs that they like and were given a report of their photograph taste profile.

We then presented information about recipient merit and information about recipient tastes. Recipient merit had three levels (high, medium and low) and recipient taste was implemented with three categories (nature, architecture and no info<sup>25</sup>). Both recipient merit and taste were within-subject factors generating nine different profiles of a recipient presented in random sequence.

Dictator endowment was between-subjects. Dictators received \$10 for their participation, regardless of their reported merit levels<sup>26</sup>, and were told before their

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<sup>24</sup> This was done by calculating a dictator's real score on the task and comparing it to the median score for the experimental condition they were assigned. If their score was above the median, they were told they performed in the top 33% of all subjects, and if their score was below the median, they were told they performed in the bottom 33% of all subjects. We used '33%' because we presented recipient profiles in the donation task that involved 3 conditions of recipient merit.

<sup>25</sup> The 'No Info' condition will be used to test whether more information (regardless of the value of the information) leads to greater giving, which would support an identifiability effect rather than a congruency or deservingness effect.

<sup>26</sup> Dictators who performed 'in the bottom 33%' were told that other dictators who performed better received more than \$10 for their merit, while those who performed 'in the top 33%' were told that other dictators who performed worse received less than \$10 for their merit. This was done to control for endowment amount across dictators, while maintaining the relative merit effect.

decision task that recipients received \$0 for their participation, regardless of their profile information.

Post-task measures were collected on dictator's perceptions of deservingness such as whether they felt that higher merit recipients were more deserving because of their skill, or less deserving because they were more capable of earning wealth outside of the context of the experiment.

## **Results and Discussion**

The average age of subjects was 24 years old, with the youngest being 18 and the oldest being 53. There was a slightly higher proportion of female subjects (62.4%) compared to male subjects (37.6%).

Like the previous two studies, we ran a binary logistic model where we regressed recipient's merit and photograph tastes, which were orthogonally manipulated in the design, as well as dictator merit and social value orientations (including all the interactions) to determine the effects for positive offers<sup>27</sup>. We then conducted an ordered probit model on the same factors for the decision of how much to give. In this study, we did not conduct a model involving equity since recipient wealth was held constant at \$0.

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<sup>27</sup> We based our analysis on a model with 2-way interactions. We compared a full model to the restricted model and found the full model does not fit any better than the restricted model [ $\chi^2=1.099, p=0.954$ ]. See Appendix B for the full model results. Also, since social value orientations is conceptually a covariate, we tested models without it to see if it gave the same results as to which model fits best and the model with 2-way interactions was again the best fitting model. We conducted mediation analysis, using the Baron & Kenny procedure, with social value orientation and found that none of the significant effects in our model are mediated by a dictator's social value orientation.

**TABLE 7. Regression Parameter Estimates for Binary Logistic and Probit Models: Study Three**

Variable	Coefficient (Standard error)	$\chi^2$ value
<b>Dependent Variable = Decision Whether to Give (<math>R^2 = .100</math>)</b>		
Social Value Orientation (SVO)	.672 (.080)	70.446****
Dictator Merit	-.307 (.078)	15.407****
Recipient Merit	.256 (.093)	7.605***
Recipient Taste Congruency	.082 (.077)	1.122
SVO x Dictator Merit	-.174 (.075)	5.419**
SVO x Recipient Merit	-.157 (.089)	3.132*
SVO x Recipient Taste Congruency	-.015 (.077)	.037
Dictator Merit x Recipient Merit	.099 (.074)	1.802
Dictator Merit x Recipient Taste Congruency	-.023 (.064)	.129
Recipient Merit x Recipient Taste Congruency	-.030 (.077)	.151
<b>Dependent Variable = Decision Amount (<math>R^2 = .169</math>)</b>		
Social Value Orientation (SVO)	.470 (.035)	179.805****
Dictator Merit	-.122 (.034)	13.051****
Recipient Merit	.193 (.042)	21.606****
Recipient Taste Congruency	.072 (.034)	4.455**
SVO x Dictator Merit	-.058 (.032)	3.248*
SVO x Recipient Merit	-.067 (.039)	2.907*
SVO x Recipient Taste Congruency	.007 (.034)	.045
Dictator Merit x Recipient Merit	.066 (.037)	3.153*
Dictator Merit x Recipient Taste Congruency	-.007 (.032)	.043
Recipient Merit x Recipient Taste Congruency	-.018 (.039)	.216

\* $p < 0.10$ , \*\* $p < 0.05$ , \*\*\* $p < 0.01$ , \*\*\*\* $p < 0.001$

There was a main effect of positive offers for social value orientation [ $\chi^2 = 70.446$ ,  $p < 0.001$ ], where 79% of prosocial decisions were positive offers and only 51% of prosself decisions were positive offers. However, there was also

an unpredicted interaction of social value orientation with dictator merit levels [ $\chi^2=5.419, p=0.020$ ] (see Figure 4). Planned comparisons show that among prosself dictators, the difference in positive offers between low and high merit dictators was marginally significant [ $t=1.859, p=0.063$ ] while among prosocial dictators, the difference was significant [ $t=3.680, p<0.001$ ]. The interaction effect suggests that prosocials were more likely to change how they give depending upon whether they were low or high merit dictators.<sup>28</sup> It is plausible that the contextual manipulation of one's own merit level affected prosocials more than proselves. One possibility is that prosocials, being more likely to consider the situation of others, will feel greater levels of guilt (for not helping recipient) when they see themselves as less deserving (having low merit). This increase in anticipated guilt might have lead to a higher likelihood for a positive donation amount. Prosocial low merit dictators also took significantly longer than other subjects in making their decisions [ $F = 11.844, p<0.001$ ] (see Table 9), suggesting that making positive and larger offers is associated to longer processing times. Our finding suggests that prosocials with low merit are more likely to feel guilt about not helping recipients (regardless of their recipients merit levels), and that this difference in anticipated guilt explains their increase in positive offers,

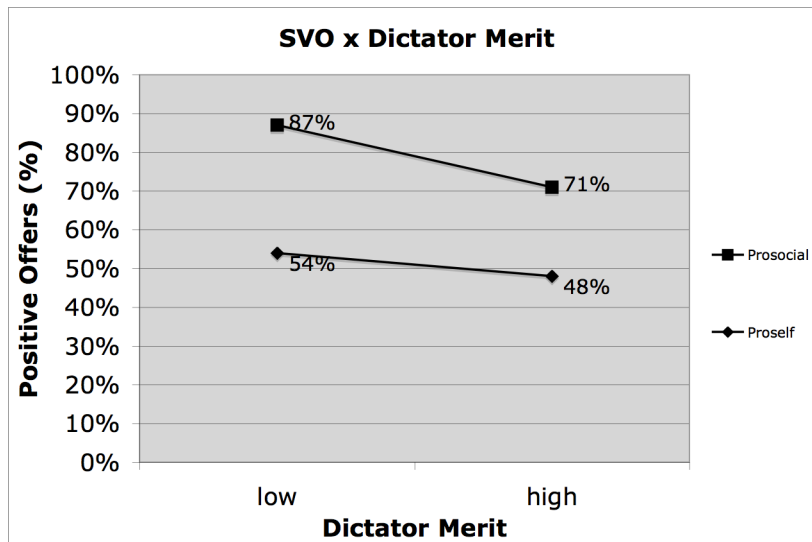
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<sup>28</sup> We conducted a mediation analysis, using the Baron & Kenny procedure, and found that feeling equally guilty for not helping each recipient mediated this interaction. We first regressed the decision to give on the interaction of social value orientation and dictator merit, where the interaction significantly predicted the decision to give [ $\chi^2=5.419, p=0.020$ ]. We then regressed the decision to give on feeling guilty and found that it also significantly predicted the decision to give [ $\chi^2=18.074, p<0.001$ ]. Finally, we regressed the decision to give on both the interaction term and feeling guilty, and found that feeling guilty was significantly associated to the decision to give [ $\chi^2=16.278, p<0.001$ ] but the interaction term was no longer significant [ $\chi^2=3.574, p=0.059$ ]. Results from a Sobel test revealed that the mediator was significant ( $z=2.066, p=0.019$ ) suggesting the mediator is carrying the full influence of the interaction term on the decision to give. This suggests that feeling equally guilty for not helping towards recipients explains this interaction, where prosocials who were high merit dictators were significantly less likely to feel equal guilt towards recipients (26%), compared to low merit dictators (50%), while this difference was insignificant for proselves (17% compared to 18% respectively). We conducted the same mediation analysis on the offer amount and found a similar effect, except the interaction effect was only marginally significant [ $\chi^2=3.248, p=0.071$ ]. There was a main effect for dictator merit, where low merit dictators gave more often (63%) and made higher offers (\$1.94) compared to high merit dictators (55% and \$1.69 respectively), but this difference was driven by prosocial dictators with low merit.

although it is possible that their guilt stems from them feeling like they deserve less because of their low merit. Future research should explore whether prosocials are more sensitive to their own deservingness relative to others compared to proselfs and how the role of guilt for not helping influences their decisions. This could provide additional insight into the empathy-specific punishment explanation discussed in Fisher, Vandebosch and Antia (2008)<sup>29</sup>.

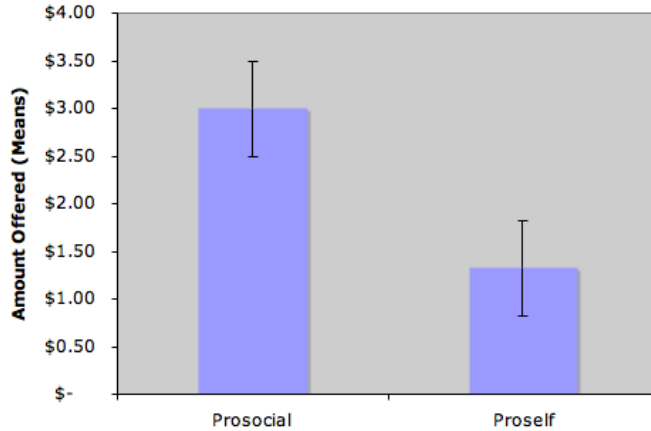
As well, we ran an ordered probit analysis and found there was a main effect of social value orientations on offer amounts [ $\chi^2=179.805, p<0.001$ ], where prosocials gave on average \$2.99 and proselfs gave on average \$1.32. The interaction of social value orientation and dictator merit was only marginally significant. Combined, these results support H6 in that prosocial dictators are more likely to make a positive donation and give a higher amount (\$1.67 more) than proself dictators. This is consistent with the notion that prosocial dictators likely have a lower threshold for activating an internal reward mechanism for giving and respond with greater intensity.

**Figure 4. Social Value Orientations x Dictator Merit**



<sup>29</sup> In future studies, one could examine how social value orientations respond differently to aversive-arousal, empathy-specific punishment and empathic-joy pursuit manipulations.

**Figure 5. Social Value Orientation means**



**Table 8. Average Dictator Offers: Study Three**

Factors	Mean Offer (\$)	Positive Offers (%)
Social Value Orientation - Prosocial	2.99	79
Social Value Orientation - Proself	1.32	51
Dictator Merit - Low	1.94	63
Dictator Merit - High	1.69	55
Recipient Merit - Low	1.49	51
Recipient Merit - Med	1.75	60
Recipient Merit - High	2.19	67
Recipient Taste - Congruent	1.96	62
Recipient Taste - Incongruent	1.74	58
Prosocial x Dictator Merit Low	3.31	87
Prosocial x Dictator Merit High	2.72	71
Proself x Dictator Merit Low	1.40	54
Proself x Dictator Merit High	1.25	48
Prosocial x Recipient Merit Low	2.78	76
Prosocial x Recipient Merit Med	2.94	79
Prosocial x Recipient Merit High	3.27	81
Proself x Recipient Merit Low	0.96	40
Proself x Recipient Merit Med	1.26	52
Proself x Recipient Merit High	1.75	61
Prosocial x Recipient Taste Congruent	3.20	80
Prosocial x Recipient Taste Incongruent	2.89	78



Proself x Recipient Taste Congruent	1.45	54
Proself x Recipient Taste Incongruent	1.26	50
Dictator Merit Low x Recipient Merit Low	1.72	58
Dictator Merit Low x Recipient Merit Med	1.92	64
Dictator Merit Low x Recipient Merit High	2.19	69
Dictator Merit High x Recipient Merit Low	1.29	45
Dictator Merit High x Recipient Merit Med	1.59	56
Dictator Merit High x Recipient Merit High	2.19	65
Dictator Merit Low x Recipient Taste Congruent	1.86	62
Dictator Merit Low x Recipient Taste Incongruent	2.10	67
Dictator Merit High x Recipient Taste Congruent	1.62	54
Dictator Merit High x Recipient Taste Incongruent	1.84	57
Recipient Merit Low x Recipient Taste Congruent	1.69	54
Recipient Merit Low x Recipient Taste Incongruent	1.40	49
Recipient Merit Med x Recipient Taste Congruent	1.88	62
Recipient Merit Med x Recipient Taste Incongruent	1.68	59
Recipient Merit High x Recipient Taste Congruent	2.33	69
Recipient Merit High x Recipient Taste Incongruent	2.13	66

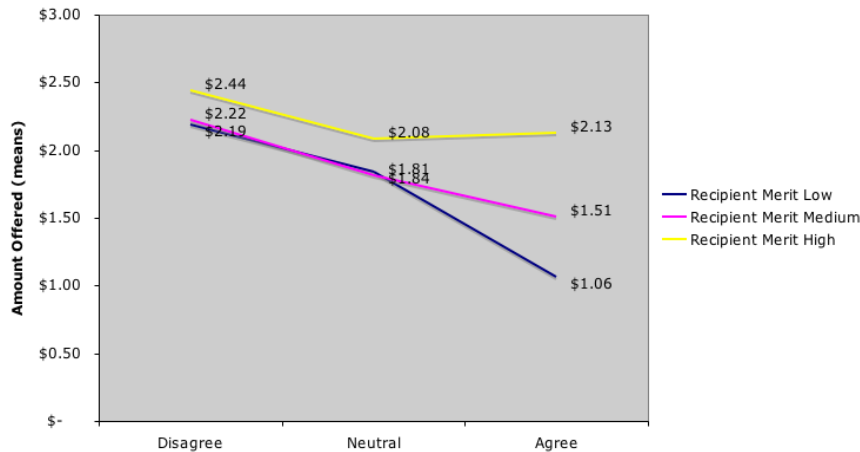
**Table 9. Total Decision Duration (seconds)**

<b>Dictator Merit</b>	<b>Social Value Orientation</b>	<b>Total Decision Duration (seconds)</b>
Low	Prosocial	138.75
	Proself	123.18
High	Prosocial	109.09
	Proself	110.04

According to H7, dictators regardless of their own merit levels would be more likely to make a positive offer to higher merit recipients and give larger amounts. H7 was supported by a main effect for recipient merit for positive offers [ $\chi^2=7.605, p=0.006$ ] and a main effect for offer amounts [ $\chi^2=21.606, p<0.001$ ]. Low merit recipients received positive offers 51% of the time averaging \$1.49 from dictators, while medium merit recipients received positive offers 60% of the

time with an average offer of \$1.75 and high merit recipients received positive offers 67% of the time with an average offer of \$2.19. There were significant differences between low and medium merit recipients as well as between medium and high merit recipients for both positive offers and offer amounts. When asked whether they gave to higher merit recipients because they had more skill, 55% of dictators agreed with this statement and gave significantly more as recipient merit increased, while those who disagreed did not (see Figure 6). We followed the Baron & Kenny procedure to conduct a mediation analysis, but did not find a mediating role for this belief, suggesting that this belief is correlated, but does not explain the relationship between offer amounts and recipient merit levels.

**Figure 6. Recipient Merit x Belief ‘Recipients with higher merit deserve more money from me because they have more skill’ means**



More importantly, we tested whether the effect of merit information was due to high merit dictators giving more to high merit recipients and low merit dictators giving more to low merit recipients. The first step would be to determine whether there was a significant interaction between dictator merit and recipient merit. We found a marginal interaction effect [ $\chi^2=3.153$ ,  $p=0.076$ ], but the direction of the mean offers were not in the direction that could fully support a congruency explanation.

Low merit dictators gave significantly more to high merit recipients as opposed to low merit recipients [ $t=2.358$ ,  $p=0.019$ ]. Low merit dictators also gave more to low merit recipients as compared to what high merit dictators gave [ $t=2.388$ ,  $p=0.017$ ], suggesting there may have been some congruency effect in addition to a deservingness effect. To further examine whether the increased offer amounts to low merit recipients from low merit dictators was due to congruency, we asked subjects if they made giving decisions based on whether they were similar to recipients or not. Thirty-six percent of subjects indicated they did give based on being similar to recipients and among these subjects, there was a significant difference in offer amounts between low and high merit dictators for low merit recipients (\$2.00 vs \$1.31 respectively) [ $t=2.538$ ,  $p=0.012$ ] as evidenced by a significant interaction effect [ $\chi^2=4.637$ ,  $p=0.031$ ]. For subjects that indicated they did not give based on similarity, low merit dictators gave \$1.57 to low merit recipients while high merit dictators gave \$1.28, but this difference was not significantly different. Although it is not clear whether subjects were giving based on similar tastes and/or merit, the significant difference in offer amounts for low merit recipients between low and high merit dictators contrasted to the insignificant difference in offer amounts for high merit recipients suggests that at least a portion of subjects did give based on feeling more similar to recipients and that this included similarity of merit levels.

Furthermore, low merit dictators who said they gave based on similarity did not give significantly more to high merit recipients as opposed to low merit recipients. High merit dictators who gave based on similarity did give significantly less to low merit recipients as opposed to high merit recipients [ $t=-6.539$ ,  $p<0.001$ ]. This interaction can be explained due to low merit dictators minimizing the difference in giving between low and high merit recipients while high merit dictators maximizing the difference instead. Consequently, H7 can only be partially supported in that deservingness does seem to play a large role in giving decisions for all dictators, but that congruency seems to play a smaller role for a portion of dictators. It is plausible that some dictators have an internal

reward for congruent recipient information, which influences their giving decisions while others do not. Future research can explore why some dictators, in addition to giving based on deservingness, may also seem to integrate congruency into their giving decisions.

To determine whether H8 is supported where we expect to see a main effect for taste congruency for the decision to give and the decision of how much to give, we looked at taste congruency instead of merit congruency to determine whether a different type of recipient information would influence dictator decisions. We ran the same tests as before including all the same variables and did not find a significant main effect for positive offers [ $\chi^2=1.122, p=0.289$ ] where dictators gave to recipients with congruent tastes 62% of the time and to recipients with incongruent tastes 58% of the time, but we did find a significant main effect for offer amounts [ $\chi^2=4.455, p=0.035$ ] where congruent recipients received an average offer of \$1.96 and incongruent recipients received an average offer of \$1.74. Dictators gave \$0.22 more to recipients because their photograph tastes were similar as opposed to different. This partially supports H8 in that the offer amounts follow a congruency explanation, but not the decision whether to give. There were no interaction effects. Recipient information such as photograph taste may have affected only a portion of dictator decisions who preferred to give more to those they found similar, even on an attribute that was contextually generated and presumably remote to one's self-identity. More importantly, this exhibits the capacity of dictators to give (both positive offers and offer amounts) based on deservingness judgments when information about a recipient reflects their skill and is ordinal in nature, while also giving (offer amounts) based on congruency judgments where information about a recipient is not ordinal in nature<sup>30</sup>.

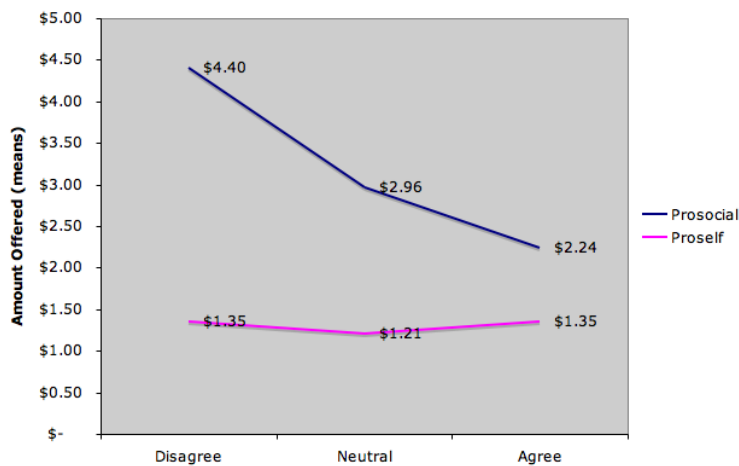
Some exploratory analyses revealed that when asked whether higher merit recipients deserved more money (because they had more skill) or less money

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<sup>30</sup> Recipient taste information might also be considered less relevant to the giving decision, or an arbitrary identifier that leads congruent recipients to be perceived as more socially proximal.

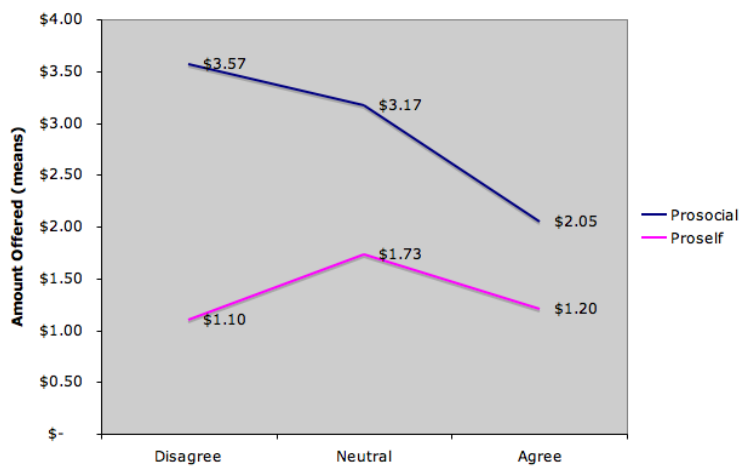
(because they could earn money on their own), prosocial dictators responded to these questions differently than proself dictators. There was a significant interaction for both statements and social value orientation [ $\chi^2=40.483, p<0.001$  and [ $\chi^2=34.576, p<0.001$  respectively]<sup>31</sup>. Prosocials who disagreed with both statements, gave larger offers than prosocials who agreed with these statements. Proselfs didn't differ in their offer amounts regardless of whether they agreed or disagreed with these statements. This suggests that prosocial dictators who disagreed with these statements do not differentiate between recipients in terms of deservingness, and treat recipients more equitably while also giving significantly more than their counterparts [ $t=8.861, p<0.001$  and  $t=5.953, p<0.001$  respectively]. This suggests that the segmentation based on social value orientation only paints part of the picture, where beliefs and subsequent giving decisions based on a recipient's deservingness can differ even within a social value orientation category. Future research can explore what factors influence some prosocials to treat recipients equitably while others seem to not.

**Figure 7. Social Value Orientation x Belief 'Recipients with higher merit deserve more money from me because they have more skill' means**



<sup>31</sup> Subjects responded to a 7-point Likert scale and we re-coded responses to a 3-point Disagree/Neutral/Agree scale. Each statement was a covariate in an ordered probit model including social value orientation, with offer amounts as the dependent variable.

**Figure 8. Social Value Orientation x Belief ‘Recipients with higher merit deserve less money from me because they are more able to earn money on their own’ means**



## GENERAL DISCUSSION

This paper attempted to systematically examine the concept of deservingness as it relates to donation decisions. What we found was that deservingness matters for both the decision to give and the decision amount, and that the judgment of deservingness depends upon the type of recipient information provided, relative to one's own deservingness in an equity-type fashion. Previous studies incorporating deservingness manipulations often confounded multiple aspects into their interpretations of what was judged as deserving and what was not. In this paper, we identified specific aspects of deservingness including merit and wealth separately, and how they affect donation decisions according to an internal rewards perspective.

The three studies reported in this paper provide evidence that judgments of deservingness do influence donation decisions, and that various segments of dictators respond differently to this request. Recipient information such as their merit, wealth and even personal taste information influence donation decisions via judgments of deservingness and for some dictators via congruency. Dictators gave a higher proportion of offers and higher offers to recipients who had more

effort but were paid less, had lower wealth and had higher merit (regardless of their wealth levels). This supports the idea that judgments of deservingness do not necessarily require a wealth dimension as previously assumed. In addition, dictator offers were higher for recipients with similar photograph tastes, suggesting that beyond deservingness, some recipient information can influence decisions based on congruency although this effect is seemingly weaker than deservingness-related information. In the case of dictator endowments, only the decision to give is affected supporting our notion that one's own deservingness affects the activation threshold but not the internal rewards intensity level, while deservingness-related recipient information influences both decisions to give and how much to give, consistent with an equity-based motivation<sup>32</sup>.

We also find that prosocial dictators are more likely to give and give more to recipients compared to proself dictators. Even among prosocials, some view recipient information more equitably while other prosocials along with proself dictators treating recipients differently based on their perceived deservingness.

Also, this paper appears to contradict the findings by Brosig (2002) who found that dictator and decomposed game results were unrelated. However, her dictator game used completely anonymous recipients instead of recipients with information profiles. When researchers use very novel situations such as completely anonymous recipients, this strips away a dictator's normal judgment of social preferences because the situation is not natural. We have made attempts in our studies to be more realistic in terms of a real-world situation for giving where providing some level of information about potential recipients can be expected in common donation requests. By doing this, we also find that social value orientations do correspond with varying donation decisions in the dictator

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<sup>32</sup> Two ways to approach equity is allocation vs. procedural equity (Bolton and Ockenfels, 2000). Allocation equity describes the allocated outcomes of wealth whereas procedural equity describes the opportunity for which outcomes can be obtained. It would be useful to explore how different segments of dictators respond differently to the treatment of equity, where some may prefer equitable outcomes while others prefer equitable opportunities.

game, lending support to the use of this measure in predicting dictator game behavior.

Overall, these results contribute to our understanding of giving behaviour in a number of ways. We identify how some types of recipient information influences the donation decision differently from other types of recipient information and how different donor segments, using social value orientations as a categorization tool, make different decisions as well. This contributes to our understanding of donation behaviour as more than an identifiability-based explanation. In particular, the content of the information can influence whether a donor gives more or less, based on perceived deservingness of recipient merit and wealth and at times based on congruency of recipient taste information.

## **FUTURE RESEARCH AND LIMITATIONS**

Further research is also needed to explore whether both identifiability and dictator deservingness was driven by an affective process, and whether both may have only affected the decision to give. If this were the case, it would support the notion that the decision of whether to give is primarily influenced by affective processes. Support for this proposition comes from Small and Verrochi (2009), where they found that photos of sad victims (as opposed to happy or neutral victims) lead to significant effects on the decision to give, but not the decision amount.

The identifiability effect could potentially be likened to the mere exposure effect (Zajonc, 1968; 1980) where exposure to a stimulus results in a positive affective reaction. Tom et al. (2007) show that the mere exposure effect can influence a person's preference for an object, but not their valuation of it. Applying this to a donation context, this would suggest that a donor might increase their preference to give to a particular recipient over others, but have no bearing on how much to give to that recipient. Identifiability therefore, may have an affective influence on



the decision to give. Furthermore, research in the mere exposure effect suggests that affect and cognition are separate psychological processes, although they jointly influence behaviour. This would support the notion that identifiability, as an affective process, may be separate from a deliberative process, which we suggest to be deservingness. However, it is difficult to practically tease apart the presence of information from the value of that information, as once you provide even the smallest bit of identifying information, it inherently carries with it some value (Small and Loewenstein, 2003).

As well, the affective response to receiving a windfall endowment compared to an earned endowment, may have led some of our subjects to experience anger because they effectively 'lost' their earned money. It would be useful in future studies to explore whether anger influences giving decisions.

The experimental setting, although provided more control, may be considered too simplistic in terms of information presentation. Future studies can attempt to present information that is more embedded in a larger solicitation appeal to explore whether these effects generalize when the target information is not the only information that subjects see.

Of interest is the possibility that undeserving recipients may be judged less favourably than if no information about those recipients was made available. Our results are mixed. There was a significantly different proportion of dictators making positive offers (55%) to low merit recipients compared to recipients with no merit information (31%). The offer amounts were also higher for low merit recipients, but when looking at only a donor-sample (not including zero offers), the offer amounts were not significantly different (\$2.26 compared to \$2.40 respectively). This would suggest that providing information about merit leads dictators to making positive offers more often, but once the decision to give is made, low merit and no merit are equivalent. Because there were a greater proportion of dictators making offers for low merit recipients, the total donation

revenue was higher compared to no merit recipients. However in our third study, there was no significantly different proportion of dictators making positive offers (58%) to incongruent recipients compared to recipients with no taste information (56%), and their offer amounts were also not significantly different (\$1.74 compared to \$1.72 respectively). Cherry and Shogren (2008) found that recipients who chose not to earn any money received fewer offers and lower offers from dictators than recipients who had no information provided about them. This would seem to suggest dictators favour recipients with no information about them over undeserving recipients, and that providing more information albeit unfavourable information, can lead to smaller offers. However, it is not clear in their study whether choosing not to earn money may have led dictators to believe those recipients chose to do so because they had less merit, effort or enough money already. Dictator inferences about why recipients chose not to participate are likely to influence the inferences they would make about recipients whom have no information available about them. This paper suggests that the specific nature of how deservingness judgments are made can have differential effects on dictator giving, and therefore clarity over what makes a recipient ‘undeserving’ versus ‘less deserving’ will help explore how a lack of context may be judged. Future studies can examine how dictators respond when presented with recipient profiles that include relatively undeserving recipients along various dimensions, with profiles that mask this information.

For charity fundraisers, the donation appeal and solicitors need to be aware of their message content and how potential donors may perceive it. Recipients with low levels of skill may not be perceived as deserving of a donation, whereas recipients with similar features as the donor will be perceived as at least congruent. It may be more effective to downplay recipient’s low skill level if other features can be emphasized to make recipients seem either more needy (i.e., low wealth) and/or more similar to a donor. If a recipient has high levels of skill, accentuating this feature with their low wealth will lead to a very deserving judgment. In general, the assumption that more information will lead to more

caring is not necessarily true, as it depends upon whether the information provided is judged to be positive in terms of deservingness and even congruency. If a recipient were judged as undeserving or incongruent, then it would be just as effective to not provide information about them. Fortunately, it does not appear that more information leads to a negative effect on donation decisions.

It is also important to recognize the context in which a donor is being asked to make the donation decision. In particular, if the context is free from potential constraints such as the notion of self-entitlement to their wealth, then there is a greater likelihood that donors will be willing to make a positive donation. Situations where a 'windfall' endowment is realized such as Christmas bonuses, and gift-receiving situations like birthdays and weddings will also lead to a better chance to obtain donations.

Finally, understanding the type of donor you are targeting will help in determining which strategy will be most effective. Prosocial donors make positive donations more frequently and give larger amounts than proself donors, but some prosocial donors also differentiate less between recipients whereas proself donors seem to reward more deserving recipients with higher donations. Therefore, if recipients have relatively low skill, then portraying them in terms of other information is recommended to avoid the potential of proself donors giving them less.

## **Chapter Four**

### **Optimum Donation Promises in Charity Auctions**

#### **ABSTRACT**

The objective of this paper is to determine the relationship between donation promise and charity auction revenue. A donation promise is the amount that will be donated by the seller as part of a cause-related marketing (CRM) transaction, expressed in either percentage or dollar value terms. In auctions where revenue is dynamically determined, the donation promise may have a significant effect on ending prices. We study how bidders respond to different donation promises and how that affects charity auction outcomes where we examine the relationship between donation promises and product values, with bid prices.

Results of two controlled field experiments and a laboratory study indicate that: 1) Increases in donation promises lead to increases in selling prices; 2) Diminishing returns to giving are found for both (a) higher donation promises and (b) higher product value; 3) Relative donation promises influence bidders' perceptions and selling prices by serving as a comparison frame and contrast to a target donation promise, where a target donation promise is relatively lower (higher) than another "background" donation promise of an identical item auctioned off simultaneously. We find that the background donation promise serves as a reference point, and decreases (increases) the selling price of the target item, compared to when that item at the same donation promise, is auctioned off without a background item being sold; and 4) Overpayment of selling prices occurs at mid-level donation promises under some conditions and can lead to sellers profiting from their charitable associations.

## INTRODUCTION

Cause-related marketing (CRM) is where a 'firm's contribution to a designated cause [is] linked to customers' engaging in revenue-producing transactions with the firm' (Varadarajan and Menon, 1988). Charity auctions are seen as an emerging CRM strategy, used to explore bidding responses when decisions to give are linked with decisions for product acquisition. A recent example includes eBay giving where any seller can specify a percentage of selling price (between 10 – 100%) to be donated to a group of designated charities. Like other CRM activities<sup>33</sup>, charity auctions bundle a private good with a public one, namely the acquisition of a product or service with a charitable association expressed as a certain amount or percentage of proceeds that will be donated to charity. The difference in charity auctions is that the actual donation amount is not typically fixed and depends on the dynamic ending price of the auction itself. In other words, donation amounts reflect a bidder's willingness to pay a premium for the product's charitable association, which provides a unique perspective on CRM research. This activity can be pursued by both firm's seeking to contribute to their CSR strategy or by charities looking to market themselves and raise funds.

CRM consumer decision-making is becoming more and more prevalent in the marketplace as companies increasingly develop campaigns to enhance their corporate image, by promoting the firm's philanthropic efforts, improving consumer goodwill and increasing sales directly through each transaction while fulfilling an aspect of their corporate social responsibility (CSR). In the United States, there is a trend among consumers to trust companies who are involved in CSR, as 8 out of 10 consumers indicated such in 2004 which represented a 21% increase from 1997 (Cone Inc., 2004). There is also a strong trend among consumers in their ability to recall cause-related efforts among companies, as 80% of consumers in 2004 could name a strong corporate citizen as opposed to only

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<sup>33</sup> Seen as one of the first CRM campaigns, American Express promised to donate 1 cent for every credit card transaction and \$1 for every new card issued, towards restoration of the Statue of Liberty during the last quarter of 1983.

49% in 2001. This trend represents the importance of companies to not only conduct more socially responsible activities, but to communicate them effectively.

The idea that a private benefit and a public good bundled together will influence perceptions of the seller and of purchase intentions have already been established in the literature (Dahl and Lavack, 1995; Pracejus and Olsen, 2004; Ross, Patterson and Strutts, 1992; Strahilevitz and Myers 1998; Webb and Mohr, 1998). Whether CRM campaigns can increase people's willingness to pay a premium has also been supported by a handful of studies. Strahilevitz (1999) found that subjects were willing to pay more for charity-linked frivolous products compared to functional products. Pracejus, Olsen and Brown (2003) found that varying donation levels while keeping price constant lead to significant effects on product choice. In a charity auction context, Engers and McManus (2008) found that auction format influenced revenues where first and second-price auctions raised more money than non-charity auctions. More so in an online environment, Elfenbein and McManus (2007) found that charity auctions on eBay.com donating 10% of proceeds lead to revenue increases of 10%-12% compared to non-charity auctions and Haruvy and Popkowski Leszczyc (2009) show why different segments of bidders participate in auctions that differ in their levels of donation percentage. However, little is known of consumer's willingness to pay in a CRM context where the price they pay is affected by factors such as varying levels of donation percentage and product value. How bidders respond to varying configurations influencing the economic cost (i.e. product value) and the charitable cost (i.e. donation percentage) and how that affects charity auction outcomes is addressed in this paper where we examine in more detail the relationship between donation promises<sup>34</sup> and product values, on bid prices.

We seek to establish the shape of this response function with a focus on determining whether a threshold (e.g. no effect or a negative effect for very small

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<sup>34</sup> A donation promise is the amount that will be donated as part of a CRM transaction, expressed in either percentage or dollar value terms.

donation promises) and diminishing pattern exists. We also explore how bidders perceive donation promises in terms of when the background context (such as the presence of other relative donation promises) may influence selling prices.

We use an online charity auction format running simultaneous auctions for identical products while varying donation promises and product values on bidding response, and use a lab study to determine perceptions of a seller when donation promises vary. We further explore context effects in regards to donation promises in both absolute and relative formats where they are presented either separately or jointly, and study the influence of either format on selling prices.

Our findings indicate that: 1) Increases in donation promises lead to increases in selling prices; 2) Diminishing returns to giving are found for both (a) higher donation promises and (b) higher product value; 3) Relative donation promises influence bidders' perceptions and selling prices by serving as a comparison frame and contrast to a target donation promise, where a target donation promise is relatively lower (higher) than another "background" donation promise of an identical item auctioned off simultaneously. We find that the background donation promise serves as a reference point, and decreases (increases) the selling price of the target item, compared to when that item at the same donation promise, is auctioned off without a background item being sold; and 4) Overpayment of selling prices occurs at mid-level donation promises under some conditions and can lead to sellers profiting from their charitable associations.

In the following sections, we explore the relationship between charity auction factors and selling prices. Next we will discuss the methods and results of each of our three studies, followed with a general discussion about our findings. We conclude with a general discussion and provide suggestions for future research.

## **THEORY AND HYPOTHESES RELATED TO DONATION AMOUNTS AND BIDDING RESPONSE**

The donated amount to a charity is equivalent to the donation promise multiplied by the final charity auction price, when the donation promise is expressed by a percentage as opposed to a fixed amount (this percentage may range from one percent up to 100 percent). The price premium is the difference between the selling price of the item in a charity auction less the selling price in a non-charity auction. Changes in price premiums may result as the nature of the charitable association changes. (e.g. the level of the donation promise). Our a priori expectation is that selling prices will increase as the donation promise is increased. This is consistent with the results of Pracejus, Olsen and Brown (2003), who found that consumers preferred products with higher fixed donation levels. Also in an auction setting, Haruvy and Popkowski Leszczyc (2009) find that increases in the donation percentage do lead to increases in selling prices, but do not explore the specific relationship between the two. Therefore, we predict that bidders are willing to pay a premium for a higher donation promise, leading to the following hypothesis:

H1: As donation promises by the auctioneer increase, the selling price will increase.

We also expect the bidding response to follow a diminishing pattern as the donation amount increases. There is evidence that shows that positive utility gained from giving follows a diminishing returns pattern (Andreoni, 2006), and the notion that positive utility will diminish as more of it is obtained is consistent with the Prospect Theory value function (Kahneman and Tversky, 1979).

Therefore, we predict that:

H2: As donation promises increase, increases in selling price will diminish.



Although we predict a positive, diminishing relationship between donation promises and ending prices, we also consider the possibility that some factors may have no effect or even a negative influence on selling prices. In particular, if bidders suspect a seller's objectives in implementing donation promises are primarily selfish, they may develop judgments of whether the charitable association is sincere in its desire to help a charity or more exploitative of the cause for profit motivations<sup>35</sup>. A factor that might contribute to this judgment may be very small donation promises. Dahl and Lavack (1995) found that small corporate donations lead to consumer perceptions of nonprofit exploitations. However, it remains to be seen whether perceptions of exploitation will influence willingness to pay in a CRM context. We expect that if bidders do respond negatively, the response pattern in bid prices would be different under these conditions. Specifically, the response pattern could exhibit a threshold or a negative effect, where bid prices either are not affected or actually decrease. Therefore we predict that:

H3: As donation promises approach 0%, selling price will decrease or stay constant, relative to a non-charity auction.

Another potential factor that may influence charity auction revenue is the value of the product being sold. When a fixed percentage of ending price is donated to charity, bidders in auctions for more expensive products tend to donate a higher

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<sup>35</sup> A handful of studies have looked at the potential negative aspect of cause-related marketing. Dean (2003) argues that cause-related marketing may be seen as serving corporate self-interest more so than any altruistic interests because it is conditional on benefiting the seller before benefiting the charity and argues that an unconditional corporate donation would be seen as more altruistic. He finds that companies with a good track record in their social responsibility may actually hurt from pursuing a cause-related marketing strategy, but companies with a poor track record would benefit from both an unconditional and conditional form of corporate donations. Varadarajan and Menon (1988) suggest that CRM can be seen as exploiting a cause and cite the example of an American Express Statue of Liberty restoration campaign that spent \$6.7 million promoting the effort and only \$1.7 million in actual donation money. Half of the respondents in a study by Webb and Mohr (1998) attributed a selfish motive to companies implementing a CRM strategy and the other half recognized that some altruistic motive was present. Clearly, there are conditions to which CRM may have a negative impact on consumer behaviour.

absolute amount, hence changes to the donation amount is an indirect effect of varying product values. Accordingly, we expect product value to moderate the relationship between selling prices and donation promises. Assuming a generally diminishing pattern of selling prices, we would expect that as donation promises increase, the smaller the effect they will have on selling prices for high value products compared to low value ones. This is because for high value products, there is a greater diminishing marginal effect and the impact of increases in donation promise on selling price is smaller. Alternatively, the diminishing effect on selling prices is steeper for lower value products, leading to greater changes in selling prices as donation promises increase. Therefore, we predict that:

H4: As donation promises increase, selling prices will be influenced more for lower value products compared to higher value products.

## **THEORY AND HYPOTHESES RELATED TO THE CONTEXTUAL NATURE OF DONATION PROMISES**

In two studies by Pracejus, Olsen and Brown (2004) and Olsen, Pracejus and Brown (2003), they found that consumers incorrectly estimate donation amounts due to abstract wording, or vague quantifiers in CRM advertising. We explore whether perceptions of the donation promise can be more evaluative than the donation promise itself. By manipulating another identical charity auction, with either a higher or lower donation promise, we can determine whether the influence of other donation promises, all other factors held constant, is context-dependent (Payne et al., 1992; Simonson & Tversky, 1992).

Contextual information has been shown in a number of settings to influence people's behaviour, including a donation context (Shang, Reed and Croson, 2008). Joint versus separate evaluations describe conditions where either one option is presented at a time or multiple options are (Hsee et al., 1998). The evaluability hypothesis (Hsee, 1996) suggests that some attributes are easier to

evaluate independently than others. If attribute values are found to be difficult to evaluate<sup>36</sup>, then according to the evaluability hypothesis, they are more difficult to evaluate in separate evaluation and easier to evaluate in joint evaluation. This suggests that joint evaluations for difficult-to-evaluate attributes should lead to different perceptions of those values compared to when they are perceived under separate evaluations<sup>37</sup>. We suggest that since the desirability of a particular donation promise on its own (separate evaluation) is difficult to determine, providing a background donation promise (joint evaluation) should influence the direction in which the target donation promise is perceived.

Whether a relative (joint evaluation) donation promise contrasts or assimilates with another value requires us to consider how the other donation promise is perceived. Research by Stapel and Koomen (1998) on interpretive versus comparison framing suggests that the similarity between the target and the context, in terms of its categorical domain, can lead to either interpretive frames or comparison frames. If contextual information shares the same category then this leads to a comparison frame where contrast is likely to occur. If contextual information does not share enough features to share the same category then it is used as an interpretive guide leading to an assimilation effect. Their context-target similarity explanation suggests that as contextual and target information is similar in category (i.e., both being donation promises), contrast is likely to occur. This is also consistent with the attribute-alignability literature (see Bertini, Ofek and Ariely, 2009 for a discussion), where two options with a shared attribute can shift the reference point on the focal option.

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<sup>36</sup> Attribute evaluability depends on what information the evaluator has about the size of the range of values, the best and worst values possible, the distribution of values and any other pieces of information that may help map out how values are perceived. As well, people with more information and knowledge about a particular attribute will find it easier to evaluate attribute values than others.

<sup>37</sup> Even if an attribute's value meaning is perfectly understood such as in donation promises where bidders should find it easy to understand what '25% of the final charity price will be donated' means, if its desirability is unknown, it can still be difficult to evaluate.

We suggest that relative donation promises represent a joint evaluation situation where comparing donation promises are easier to evaluate than under an absolute donation promise (separate evaluation) situation. Joint evaluations depend upon perceptions of the reference provided, which in a charity auction context, is the other donation promise. We speculate that perceptions of the relative donation promise will contrast because they serve as a comparison frame when compared to the target donation promise. Therefore, we predict that:

H5: There will be a contrast effect between donation promises, where a relatively high donation promise will be perceived 'better' than a relatively low donation promise.

H6: A relatively high (low) donation promise under joint evaluation will lead to higher (lower) selling prices compared to the same donation promise under separate evaluation.

## **STUDY ONE**

In this study, we examine how varying donation promises and product values influence selling prices. We will test whether increasing donation promises lead to increases in selling prices, and whether a diminishing pattern is exhibited. Furthermore, we test whether a threshold or negative effect exists for very low donation promises (i.e., one %).

### **Method**

In this study, we manipulate donation promises between the values of 0% (non-charity auction), 1%, 25% and 50% (charity-auctions). The field experiment was conducted on a local online auction website, and the products ranged from movies, computer products, small appliances, tools, cosmetics, sporting equipment and collectibles.

In total, 144 auctions (four similar replicates of 36 products) were evenly divided and conducted over a 4-day period. Two replicates of a product were sold each day, pairing two donation promises each day in a balanced design. Therefore, on a single day there were always two identical products, each selling for a different donation promise. All other factors of the auction were held constant. The duration of all auctions was approximately one day, starting at 9 pm in the evening and ending at 8 pm the next night (all auctions ended sequentially with one-minute intervals). All auctions are open ascending bid auctions with a fixed ending time, a starting bid of \$0.01 and without a reserve price. An established vendor was used across all auctions, with over 300 positive feedbacks from previous transactions. Winning bidders paid for and collected the items at a local retail store. Winning bidders came from a pool of over 6400 bidders in the website membership who represented people of all ages, located in a major North American city.

We categorized product values in our auctions by dividing the auctions into 4 quantiles based on the retail price. The average for the highest quantile was around \$31 and the lowest quantile was around \$5.

## **Results and Discussion**

The summary results are presented in Table 1. We collected final selling prices and a bidder's willingness to pay (WTP) as dependent measures.<sup>38</sup> Our analyses show that both measures give similar results. As can be seen, final selling prices generally increase as donation promises increase. We ran a random effects ANOVA model with final selling prices as the dependent variable, controlling for differing products. There was a main effect for donation promise, supporting H1 in that prices increased as the donation promises increased ( $F_{1,135} = 24.51, p <$

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<sup>38</sup>Besides the selling price we also have bidders' WTP obtained from their maximum proxy bid. This is generally confidential information that the researchers obtained from the Internet auction website.

0.0001). A quadratic term for donation promise was significant and the estimate was negative, providing support for H2 ( $F_{1,135} = 7.47$ ,  $p = 0.0071$ ). As predicted, when the donation promise increased, bid price increases diminished. This means that lower donation promises result in greater changes in selling prices than higher donation promises.

Contrary to H3, we did not find a threshold or negative effect with the 1% donation promise. We conducted several planned contrasts comparing the WTP for the different conditions and the difference between the non-charity auction and a 1% donation promise is statistically significant ( $t = 3.16$ ,  $df = 128$ ,  $p = 0.002$ ). The difference between the WTP for a non-charity auction and a 25% donation promise is also significant ( $t = 5.74$ ,  $df = 128$ ,  $p < 0.0001$ ), however, the difference between a 25% and 50% donation promise is not significant ( $t = 0.20$ ,  $df = 128$ ,  $p = 0.845$ ). The latter is consistent with the diminishing results of the donation promise.

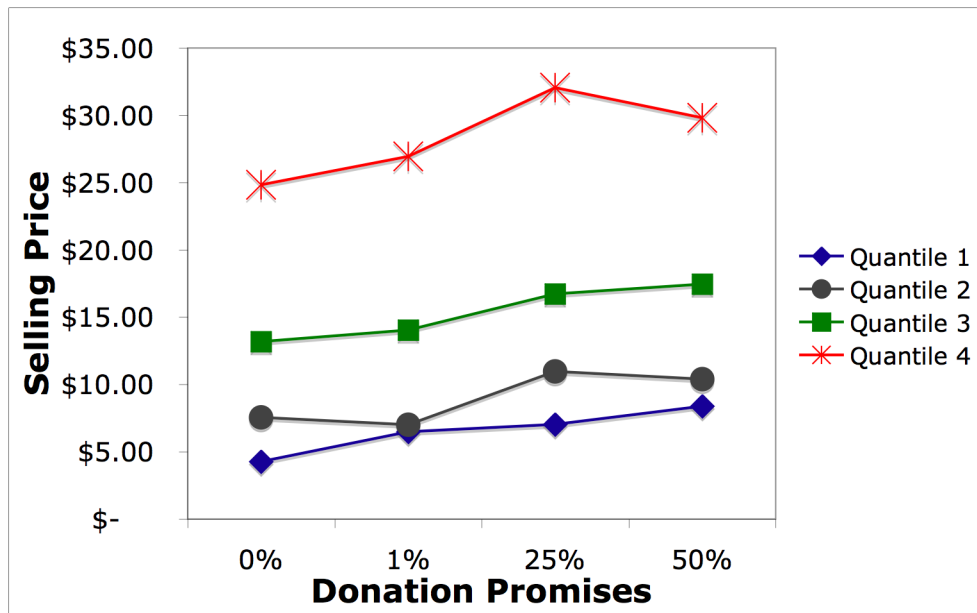
Instead of a threshold effect, we found a substantial over-payment effect at the 1% donation promise. The average selling price resulted in a price premium (the payment difference compared to a non-charity auction for the same product) of \$1.15. However, the 1% donation promise only leads to a \$0.14 donation, meaning the seller kept an additional \$1.01 in profit because of the charitable association of the auction (the difference is even larger for their maximum WTP). This suggests that not only does bidding follow a diminishing pattern, but that at low donation promises it can potentially lead to profitable results for the seller. This can be clearly seen in Table 6, where seller revenue is highest for donation promises of 1% and slightly higher than a non-charity auction (0%) for donation promises of 25%.

**Table 10. The Effect of Donation Promises on Final Selling Price and Willingness to Pay**

Donation Promise (%)	0	1	25	50
Final Selling Price (\$)	12.47	13.62	16.70	16.51
Willingness to Pay	13.54	15.66	19.18	17.47
Cost (Profit) to Seller (\$)	0.00	(1.01)	(0.06)	4.21
Price Premium (\$)	-	1.15	4.23	4.04
Donation Amount (\$)	-	0.14	4.18	8.26

We also found a significant interaction between donation promise levels and product value ( $F_{3, 135} = 3.13, p = 0.028$ ), as predicted in H4 (with a negative sign for the two highest value product dummy variables; the quantiles). As can be seen in Figure 9, the highest value quantile leads to greater diminishing effects than the lower value quantiles, indicating that product value moderates the effect donation promises have on selling prices.

**Figure 9. The Effect of Donation Promises by Retail Price Quantiles on Selling Price**



We find that as donation promises increase, selling prices also increase but in a diminishing pattern. We extend the work by Popkowski Leszczyc and Rothkopf (2008) in several important ways. First of all, we study the effect of low to medium levels of donation promises and identified a positive, yet diminishing pattern of charitable bidding behaviour. We also find that instead of a threshold or negative effect for very small donation promises, we found an over-payment effect instead where bidders pay more for the donation promise than what it is worth. This suggests a contextual influence on bidders where other factors aside from the absolute value of the donation promise may be affecting how bidders bid. Finally, we also extend their findings to a broader set of products.

Another interest of ours was to examine the pattern of selling prices more specifically as donation promises change under conditions of varying product value. We found that for lower value products, selling prices were influenced more as donation promises varied compared to higher value products. Therefore, there is a greater diminishing pattern among higher value products compared to lower value products. Future research can explore reasons explaining this finding such as whether a bidder's focus on the charitable association of a charity auction might be dampened for higher value products because their involvement in acquiring the product increases compared to when bidding on a lower value product.

Of interest is the observation in this study that there was a decrease in selling price at the 50% donation promise for the highest value product. This suggests that the diminishing pattern can have a potentially negative influence on selling prices. On the other hand, the largest over-payment effect occurs in the lowest product value quantile at the 1% donation promise suggesting that over-payment effects are amplified when product values are lower. These over-payment effects may be explained in part with findings by Pracejus et al. (2004 and 2003), which suggest people are influenced by vague quantifiers in CRM advertising. In our



studies, the label of a ‘charity’ auction may lead some bidders to focus on the word charity more than the actual donation promise of 1%. Hence, the association with the charity may be a signal to bidders, as similar results have been observed for price promotions (Inman and McAlister, 1993). This type of miss-attribution may lead to the over-payment effects we observed.

An issue our first study does not address is how varying levels of donation promises are cognitively evaluated and how selling prices are influenced by the surrounding context of the charity auction. One way to explore this issue is to imply the donation promise is relatively lower or higher compared to other donation promises that serve as a reference point in the background context. Perceptions of the charitable association may be influenced by not only the absolute but also the relative nature of donation promises. Practically speaking, whether charity auctions are better off being implemented in isolation or in relation to other charity auctions is a managerial question we wish to answer. We will explore the question of whether competing charity auctions affects whether differentiation on donation promises in a CSR strategy have both an impact on perceptions of CSR and on bidding response.

In the following two studies, we paired donation promises in order to explore this issue of relative donation promises and context effects in charity auctions. We do this first by determining the effect of charity-linked products on perceptions of the seller in a laboratory setting and then see whether those perceptions can influence selling prices in a field setting where actual purchases are made. Study Two focuses on perceptions of sellers as their donation promises are framed by a competing brand’s donation promise, where we explore the question of whether buyer’s perceptions of a seller’s CSR commitment is sincere and how it may be influenced by the background context. We are interested in examining both potentially positive and negative perceptions of donation promises (such as whether there are negative perceptions with a small donation promise of 1%). We determine whether a background context will influence the perception of a seller’s

CSR commitment in either an assimilation or contrast effect. Study Three focuses on actual bidding responses in a charity auction setting, where again, we explore the effect of a background context on selling prices. However, in this study, we will focus specifically on joint versus separate evaluation to determine whether not only the substance of the background context, but also the presence of the background context makes a difference on selling prices.

## **STUDY TWO**

In this study, we examine under controlled laboratory settings, the role of relative donation promises in a typical consumer setting. We suggest that subject's willingness to donate may be influenced not only by the absolute donation promise, but also by the perceived relative nature of the donation promise. Under this assumption, what other charity auctions are offering in their donation promises may influence the perceived strength of the charitable association of the target charity auction. Therefore, the purpose of this study is to establish whether or not there is an effect of relative donation promises and if so, how that influences perceptions of the CSR seller in a more general cause-related marketing scenario. We use a more typical CSR context, rather than a charity auction, to establish whether a perceptual effect exists first.

### **Method**

We used a paper-and-pencil scenario where we manipulated relative donation promises by pairing brands of shoes that were equivalent in quality and price, only to differ in their donation promise. Shoes were different hypothetical brands of athletic shoes selling for \$100 each, and each brand had a different donation promise associated with it. Factors such as brand name and order of presentation in the scenario were counter-balanced. An example is provided in Appendix B. Each respondent was asked to pick between two brands of shoes, where donation promises varied between 0% vs. 1% or 1% vs. 10%. The price and quality of

both brands of sneakers were portrayed as equivalent. The charity that the donations were contributed towards was a kid's charity providing sports equipment. We then measured their perceptions of both brands as well as questions about their desire to help the charity. There were 132 student subjects participating for course credit in an introductory Marketing class. The choice of athletic shoes was considered suitable for a mixed sample of university students.

Subjects were randomly assigned to the two treatment conditions of either 0% vs. 1% donation promise or 1% vs. 10% donation promise. In the first condition, subjects could only choose between brands that offered either a 0% or a 1% donation promise and in the second condition, they could only choose between brands that offered either a 1% or 10% donation promise. The key dependent variable was CSR perceptions (on a scale of 1 to 7)<sup>39</sup>. In the first condition, the 1% donation promise (compared to 0%) is seen as relatively high while the 1% donation promise in the second condition (compared to 10%) is seen as relatively low. Subjects were then asked to make a choice between the two shoes, one of which was being sold with a donation promise of 0% (or 1%) and the other with a donation promise of 1% (or 10%), all other factors including price were equivalent.

## **Results and Discussion**

There were a total of 132 subjects who participated to fulfill course requirements in an undergraduate marketing class. We used a 5-item measure of CSR perceptions aggregated over both brands of shoes (see questions 2-6 and 7-11 in Appendix B, Cronbach's alpha = 0.94). Counter-balancing the brand name and product images did not influence the results. Subjects who chose between the 1% and 0% donation promises had a mean CSR perception rating for the 1% company of 5.41 whereas subjects who chose between the 1% and 10% donation

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<sup>39</sup> Brand choice, was as expected, with a large majority (81%) of subjects choosing the brand associated with the higher donation promise.

promises had a mean rating for the 1% company of 4.47. This difference was statistically significant ( $t_{130} = 4.922$ ,  $p < 0.0001$ ) supporting H5, indicating that a relatively high donation promise is perceived 'better' than a relatively low donation promise.

We compare the mean differences in CSR perceptions within each condition group to determine whether subjects were sensitive to the varying donation promises. In the first group (0% compared to 1%) subjects rated the 1% donation promise 2.81 points higher than the 0% donation promise, which is significantly different than zero ( $t_{66} = 14.886$ ,  $p < 0.0001$ ). In the second group (1% compared to 10%), subjects rated the 1% donation promise as 1.07 points lower than the 10% donation promise, which is also significantly different than zero ( $t_{64} = 6.353$ ,  $p < 0.0001$ ). Interestingly, CSR perceptions differed significantly more between 0% and 1% than between 1% and 10% ( $t_{130} = 6.890$ ,  $p < 0.0001$ ).

In addition, we asked several questions concerning subjects' negative perceptions of the shoes across the different charitable conditions. In particular, we are interested in any negative perceptions for a donation of 1%. Subjects rated the following question "I do not like the way that the Runnex (Pacer) company does business" on a seven point scale, where, 1 = strongly disagree and 7 = strongly agree. In the first group (0% compared to 1%) subjects' average rating for the 1% donation promise was 2.39 and the variance (1.33) versus 3.13 (1.60) for the 0% donation (this difference is significant ( $t_{132} = 3.566$ ,  $p < 0.001$ )). In the second group (1% compared to 10%) subjects' average rating for the 10% donation promise was 2.43 (1.94) versus 3.12 (1.86) for the 1% donation (this difference is also significant ( $t_{128} = 2.865$ ,  $p < 0.005$ )). More importantly, comparing across conditions a 1% donation (paired with a superior 10%) with the 0% donation we see no significant difference ( $t_{130} = 0.049$ ,  $p < 0.961$ ).

Results showed that comparing a 1% donation promise to 0% lead to a stronger contrast effect, a greater positive CSR perception than comparing a 1% donation

promises to 10%, even though they differ by 9% rather than 1%. Furthermore, a 1% donation promise is perceived significantly more positively when paired with a 0% donation than when compared with a 10% donation promise.

We also examined whether negative CSR perceptions were influenced differently by the donation promises. We expected that a very small donation may actually be perceived negatively by consumers, since firms may be perceived to give token donations to try and exploit their association with the charity. We did not find such an effect, as the 1% donation was never perceived to be more negative than the 0% donation promise.

However, one possible explanation for these contrast effects is that comparing two pairs of donation promises might exaggerate the combined effect. For example, a relatively high 1% donation promise compared to a relatively low 1% donation promise is actually the combination of two contrast effects working in opposite directions. We address this issue in Study Three where we compare a relative situation (with two donation promises) to an absolute (control) situation (with one donation promise). We examine how bidding behaviour is influenced by relative donation promises as opposed to absolute donation promises, in a real-world setting.

### **STUDY THREE**

In this study, we address relative donation promises by comparing relative percentages to absolute ones in an actual charity auction. In our previous study, we provided evidence in a hypothetical scenario, that perceptions of a seller with different donation promises contrasted when put in a relative context. We attempt to show the effect of relative donation promises on bidding behaviour by adding in a control condition of absolute donation promises and by running charity auctions in a field experiment, much like Study One. Absolute donation promises are presented as charity auctions under separate evaluation, where bidders only

see one auction for a particular product being offered at a time. Relative donation promises are presented as a comparison frame under joint evaluation, where bidders see two auctions for the same product offered at the same time. We intend to extend our findings in Study Two by identifying a contrast effect in actual selling prices, not just perceptions of the seller.

We predict that, consistent with CSR perceptions, donation promises that are relatively high will lead to higher selling prices than those same donation promises that are either relatively low or judged without a reference, which would suggest that contextual effects matter in actual bidding behaviour.

## **Method**

In this study, we adopt a similar design as Study One only we focus on the donation promise of 25% and manipulate relative donation promises between the values of 0% (non-charity auction) and 50% (charity-auction) in two conditions, absolute and relative. In the relative conditions, one auction has a donation promise of 25% while another concurrent auction selling the identical product has a donation promise of either 0% or 50%. In the absolute conditions, 25% is auctioned off without a concurrent comparison auction running. The field experiment was conducted on the same local online auction website where this time, products ranged from gift cards to electronics, board games, power tools and sporting goods. Product values ranged from \$15 up to \$100.

In total, 120 daily auctions (five replicates of 24 products) were conducted over a 5-day period. The five replicates were sold either (i) in isolation (absolute condition, 25% donated), or as a pair of two simultaneous auctions where 25% donation promises were either (ii) relatively high (i.e. 0% vs. 25%), or (iii) relatively low (i.e. 25% vs. 50%). The different conditions were blocked and randomized across the 5 days. The duration of all auctions was approximately

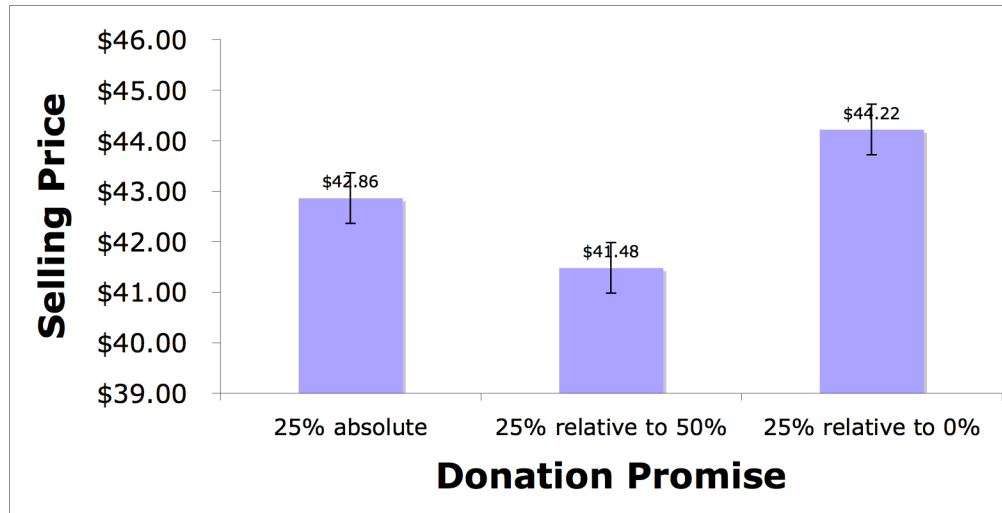
one day, starting at 9 pm in the evening and ending at 8 pm the next night (all auctions ended sequentially with one-minute intervals).

## **Results and Discussion**

The results of Experiment 3 are summarized in Figure 10. This figure compares the average auction outcomes when 25% of proceeds are donated to charity, for the three different conditions. The average selling price is \$42.86 when products are auctioned independently (absolute condition). When the 25% auction is paired with a non-charity auction (0% donation) the average selling price increases to \$44.22 (which represents an increase of \$1.36 more), and the average selling price reduces to \$41.48 (which represents a decrease of \$1.38 less) when the 25% donation is paired with an auction where 50% is donated to charity. This is a spread of \$2.73 due to just the presence of a relative donation promise under joint evaluation.

We used a random effects model to control for the different products in the auctions, and found a significant effect for relative donation promise ( $F_{2,69} = 6.42$ ,  $p = 0.003$ ), with price as the dependant variable supporting H6. This suggests that the three conditions for the donation promise of 25% (relatively high compared to 0%, relatively low compared to 50% and absolute 25%) lead to significantly different bid prices. Additional planned contrasts indicate that the relatively high 25% is significantly different from the relatively low 25% condition ( $t_{69} = 3.47$ ,  $p = 0.001$ ) and is significantly different from the absolute 25% condition ( $t_{69} = 2.06$ ,  $p = 0.043$ ). There is no significant difference between the relatively low 25% and the absolute 25% condition ( $t_{69} = 1.10$ ,  $p = 0.28$ ).

**Figure 10. The Effect of Absolute vs. Relative 25% Donation Promises on Auction Selling Price**



These findings are consistent with our findings on perceptions in Study 2 and support H6. Our findings suggest that a 25% donation, being seen as relatively high (a positive contrast), has a greater positive impact on selling prices, while a 25% donation, being seen as relatively low (a negative contrast) has a negative impact on selling prices compared to a 25% donation in isolation (an absolute donation).

Of particular note is that we found a negative contrast effect for relatively low donation promises when compared to the same donation promise under separate evaluation, which departs from our finding in study two where we did not find any negative perceptions of sellers who offered lower donation promises. The specific reason why negative perceptions did not seem to be influenced by lower donation promises, yet the willingness to pay did seem to be influenced needs further examination.

Overall, this study suggests that selling prices are affected by the background context, supporting our notion that as the donation promise is contrasted with



higher or lower donation promises, the perceived impact of the target donation promise is significantly affected. This shows that sellers should be aware of how their donation promises are framed, considering alternative product-charity bundles that bidders may be evaluating and adjusting their donation promises to be perceived more positively.

## **GENERAL DISCUSSION**

In this paper, we explore the issue of consumer's willingness to pay in a CRM context. Specifically, we look at the price they pay when factors such as varying levels of donation percentage and product value affect the charitable cost and economic cost of the selling price. We find increases in selling prices as donation promises increase supporting the notion that bidders are willing to pay a premium for the increased charitable association between themselves and a charity. Furthermore, consistent with prospect theory, the willingness to pay follows a diminishing pattern. This same pattern is found with product values where lower product values lead to greater changes in bid prices than higher product values. We also explored the context of the donation promise, namely the relative donation promise and its influence on charitable bidding. We find that the relative perception of the donation promise serves as a comparison frame under joint evaluation, and can influence selling prices compared to the separate evaluation of a donation promise.

We find that bidders seem over-sensitive to a 1% donation promise and under some conditions where product value is lower, are over-sensitive to a 25% donation promise as well. This can happen via the donation promise or implied by the product value, where over-payment seems most likely to occur when donation promises and product values are small. This result represents a gross miscalculation on behalf of bidders. Bidders are paying a premium for a charity-linked product that is more than what their donation is worth. In other words, they could pay less to buy the same product that is not charity-linked and donate

the same amount separately. For the seller, this represents an opportunity to incorporate charity auctions as part of a CRM strategy in a cost efficient way, and which may even increase profits in the short-run. In general, when considering the potential tax benefits from such donations, the costs of such a strategy are quite low.

There are two possible attributions that bidders may make because of very low donation promises. We considered a 1% donation promise, which can be attributed with extra positive meaning if it were perceived to represent the difference between a positive donation amount and no donation at all. Alternatively, a 1% donation promise can be attributed with a negative meaning if it were perceived to be a seller simply trying to take advantage of appearing charitable. The former attribution would imply a possible overpayment effect in bid prices, whereas the latter attribution would imply a threshold effect where bidders either do not respond to the value of the donation promise at all, or punish the seller by bidding less compared to non-charity auctions. Our findings in Study One supported the former attribution explanation where over-payment effects were observed. We explored this issue further by comparing the 1% donation promise with a relatively higher and a relatively lower donation promise in our second study. We found a contrast effect in positive CSR perceptions, but not negative CSR perceptions, suggesting that consumers perceive sellers who do good, but do not suspect sellers for insincere motivations based simply on their donation promise. Perceptions such as being committed to a cause, giving back to the community, benefiting charities, integrating charitable contributions into business practice and being involved in corporate giving seem to be perceived more positively when compared to a donation promise that is lower rather than higher. This further supports the notion that consumers may reward, and over-reward sellers for donating even 1% towards charity. Although it also seems that consumers are unlikely to perceive sellers negatively who donate less than other

sellers do, we did find a significant influence of relatively lower donation promises on actual selling price in our third study. This suggests that although perceptions are not negative, selling prices do decrease irrespective of those negative perceptions. Positive perceptions do correlate, however, with an increase in selling price for relatively higher donation promises, although this relationship between perceptions and selling prices need further exploration. As well, further research in a field study would be needed to identify whether consumers are able to develop negative attributions since this seems to be an area where consumer welfare may be at risk.

Exploring this relationship between absolute and relative donation promises, product value and bid prices allows us to understand how charitable bidding behaviour is influenced by the configuration of charity auction settings and offers the possibility of achieving different seller objectives, depending upon whether sellers are looking to profit from their CRM efforts or to maximize selling prices.

## **FUTURE RESEARCH AND LIMITATIONS**

Although we have identified that selling prices follow a diminishing returns pattern, not everything is clear. Bid outcomes may experience a diminishing effect due to a couple of reasons. One is a reciprocity preference in which the bidder considers the utility gained for the donation recipient, or it may simply be due to the bidder experiencing warm glow personally. This explanatory distinction parallels the selfless and selfish categorizations of prosocial and proself orientations (Messick and McClintock, 1968) respectively. The prosocial orientation perspective would suggest bidders take into account the needs of the charity and integrate that into their reciprocity preference. As the impact of the donation promise increases, so too does the sense of indirect reciprocity. Alternatively, the proself orientation perspective would suggest bidders gain privately via feelings of warm glow as they donate more, regardless of the real

impact on the charity. This is also consistent with the findings from Haruvy and Popkowski Leszczyc (2009) where they find different segments of bidders participating in auctions with different donation percentages. Warm-glow bidders prefer auctions with low to moderate donation percentages while more other-regarding bidders prefer auctions with higher donation percentages. Understanding the behaviour and effects of these segment's bidding preferences when multiple auctions of varying donation percentages are available is a question for future research.

A similar idea in social psychology is the empathy-helping hypothesis where it has been shown that taking the perspective of the recipient, combined with negative affect can lead to increased donation behaviour (Fisher, Vandebosch and Antia, 2008). In our studies, we manipulated the donation promise, which conveys information about benefits to the recipient but we did not examine the influence of emotional valence. Future research can explore whether positive or negative valence appeals in the auction can lead to higher selling prices.

As well, examination of conditions when over-payment may occur is a fruitful topic for future research. We have found cases where 1% up till 25% has generated an increase in selling prices that represent an actual donation amount that is less than the increase in selling price over an equivalent non-charity auction. Understanding what the conditions are that lead a bidder to make this error in judgment seems worth exploring.

Charitable giving could also be influenced by the fit between a charity and the bidder. Presumably, if a bidder identifies more closely with a particular charity over another, they would be more likely to support and therefore bid higher in those charity auctions. Our studies did not address this issue, as in our first study we used four very different charities as part of a group of charities proceeds were donated towards, and in our third study, we identified the recipient in general

terms by saying ‘proceeds will be donated to charity’.

## **Chapter Five**

### **Conclusion**

Donation appeals in marketing can help both charities and companies increase revenue and attract consumer support. In this dissertation, I examine how consumers respond to donation appeals in two contexts: donation solicitation and cause-related auctions. Specifically, I address how consumers respond to varying levels of appeal content (i.e., deservingness information and donation promises) as opposed to varying levels of appeal format, social influences, etc. How consumers respond to changing levels of content is considered a more deliberative process, where the impact of information influences perceptions and decisions in donor behaviour. In the first study, I examine how judgments of deservingness affect donation decisions and in the second study, I examine how changing levels of donation promises influence bidding outcomes. The appeal content is arguably, the attribute that a fundraiser has the most control over and ability to manipulate. This makes these two studies in this dissertation, not only a theoretical contribution to understanding prosocial behaviour, but also a practical contribution to fundraising knowledge.

The findings from the first study offer some insight into the influence of deservingness as an explanation for donation decisions. Varying levels of recipient attribute information can lead to different levels of giving. In terms of deservingness, we find that effort and corresponding wealth play a significant role in people making decisions to give a positive amount. In terms of how much people donated, effort and wealth information significantly affect overall donation revenue, but only wealth information significantly affects decisions of how much to give when considering only those who made positive donations. Wealth information may have taken on a greater weight in influencing decisions later in the decision process, or alternatively, effort information may have reduced its

influence. From a managerial perspective, if a charity were targeting an existing base of donors, instead of targeting a more general population, then focusing on wealth information over effort information would be more effective. We also studied how deservingness information not linked to any wealth information would influence donation decisions and found that the higher the merit of a recipient, the greater likelihood for positive donations and larger donations.

We also found that people seem to not judge recipients based upon their wealth information alone, but also upon their merit information. This supports a broader view of deservingness as a judgment that is not just about one's wealth, as has been implied by previous literature. Beyond an identifiability-based explanation of the effect of recipient information, where more information leads to greater giving, is the finding that the content of the information also plays a role in both the proportion of dictators making positive offers and their offer amounts. Furthermore, we show that a dictator's sense of their own deservingness can play an important role in how they make decisions to give, but not on how much to give. When we examined how people with different social value orientations respond to deservingness manipulations, we found that prosocials are more sensitive to their own deservingness (in terms of their merit), where lower merit prosocials were more likely to give than higher merit prosocials. One's own deservingness, it seems, may be more of an issue for those who are prosocial than those who are proself. Finally, we explored the effect of congruency in information rather than deservingness and found a relatively more minor impact on donation decisions. People were more likely to give more to similar others (in photograph tastes), but not more likely to give.

Previous studies incorporating deservingness manipulations often confounded multiple aspects into their interpretations of what was judged as deserving and what was not. Recipient information such as their merit, wealth and even personal taste information influence donation decisions via judgments of

deservingness and for some dictators via congruency and that various segments of dictators respond differently.

In the second study, our findings suggest that appeal content in the form of donation promises, can influence bidding outcomes in a diminishing pattern and that the contextual nature of this content also influences how people perceive the value of a cause-related offering and bid on cause-related auctions. Specifically, bidding outcomes increase when donation promises increase, but in a diminishing pattern. This same pattern was found with product values where lower product values lead to greater changes in bid prices than higher product values. This suggests that a non-linear relationship exists between an implied charitable contribution (via the donation promise or the product value) and bidding outcomes. Therefore, sellers may use the charitable association in cause-related auctions to influence bidding outcomes in line with their goals of either maximizing revenues and/or donations.

In addition, our findings suggest that the relative nature of donation promises, compared to the donation promises in other concurrent auctions, can be influenced as well. When donation promises look relatively higher than others, they benefit from a positive contrast and people tend to bid higher compared to when those same donation promises stand-alone or are relatively lower. This effect, along with our finding that at low donation promises, people tend to overpay for the charitable premium, suggests there is an auction configuration that can lead to sellers actually profiting from adding a donation promise. Although tempting, unexplored issues of bidder backlash to this and any long-term reputation effects may hinder the effective use of these configurations, not to mention public policy concerns over exploiting charities and people's charitable intentions.

Overall, both studies in this dissertation contribute to our understanding of donation behaviour, and in particular how donation appeal content can affect



donation decisions in two contexts. We present theory describing a deliberative process for making these decisions in a donation solicitation context and examine the pattern of bidding behaviour in a cause-related auction context, and find strong support for the effect of changes in appeal content. Fundraisers have control over the manner in which they frame their donation appeals, and how they do so may determine the proportion of donors making positive decisions, how much they give and what the overall donation revenue that is generated.

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## **Appendix A**

### **Social Value Orientation Decomposed Game**

In this short questionnaire, we ask you to make a number of choices. You make choices by means of circling letters A, B, or C. Your choices determine the number of points that you and somebody else receive. Assume that this other person also makes choices in exactly the same task.

*Who is this other person?*

Assume that the other person is somebody that you do not know (have never met) and that you will never meet this person in the future. The other person is completely unknown to you.

*What do points mean?*

Points represent the things you value. Assume that every point is valuable to you. The more points you get, the better for you. The same is true for the other: the more points he or she gets, the better for him or her.

An example:

				A	B	C
(A)	B	C	>	You get	550	500
				The other gets	300	500
					500	100

This example works as follows:

If you choose A, you will get 550 points, and the other will get 300 points.

If you choose B, you will get 500 points, and the other will get 500 points.

If you choose C, you will get 500 points, and the other will get 100 points.

Next, you will have to make 9 separate choices. Each choice does NOT affect the other choice. Treat each choice as a separate and unrelated occasion.

Please circle the letter representing the choice you prefer:

					A	B	C
A	B	C	>	You get	480	540	480
				The other gets	80	280	480

					A	B	C
A	B	C	>	You get	560	500	500
				The other gets	300	500	100

					A	B	C
A	B	C	>	You get	520	520	580
				The other gets	520	120	320

					A	B	C
A	B	C	>	You get	500	560	490
				The other gets	100	300	490

					A	B	C
A	B	C	>	You get	560	500	490
				The other gets	360	500	90

					A	B	C
A	B	C	>	You get	500	500	570
				The other gets	500	100	300

					A	B	C
A	B	C	>	You get	510	560	510
				The other gets	510	300	110

					A	B	C
A	B	C	>	You get	550	500	500
				The other gets	300	100	500

					A	B	C
A	B	C	>	You get	480	490	540
				The other gets	100	490	300

## **Appendix B**

### **Chapter Two – Study Three - Regression Parameter Estimates: Full Model**

Variable	Coefficient	Standard error	$\chi^2$ value
<b>Dependent Variable = Decision Whether to Give (<math>R^2 = .101</math>)</b>			
Social Value Orientation (SVO)	.671	.080	69.777****
Dictator Merit	-.298	.080	13.752****
Recipient Merit	.240	.098	5.949**
Recipient Taste Congruency	.074	.080	.842
SVO x Dictator Merit	-.159	.080	3.924**
SVO x Recipient Merit	-.171	.098	3.002*
SVO x Recipient Taste Congruency	-.024	.080	.090
Dictator Merit x Recipient Merit	.147	.098	2.237
Dictator Merit x Recipient Taste Congruency	.003	.080	.001
Recipient Merit x Recipient Taste Congruency	-.022	.098	.052
SVO x Dictator Merit x Recipient Merit	.085	.098	.750
SVO x Dictator Merit x Recipient Taste Congruency	.042	.080	.279
SVO x Recipient Merit x Recipient Taste Congruency	.015	.098	.024
Dictator Merit x Recipient Merit x Recipient Taste Congruency	.013	.098	.017
SVO x Dictator Merit x Recipient Merit x Recipient Taste Congruency	.035	.098	.124
<b>Dependent Variable = Decision Amount (<math>R^2 = .169</math>)</b>			
Social Value Orientation (SVO)	.469	.035	179.696****
Dictator Merit	-.120	.034	12.353****
Recipient Merit	.192	.042	20.967****
Recipient Taste Congruency	.071	.034	4.349**
SVO x Dictator Merit	-.051	.034	2.279
SVO x Recipient Merit	-.071	.042	2.879*
SVO x Recipient Taste Congruency	.006	.034	.036
Dictator Merit x Recipient Merit	.065	.042	2.402
Dictator Merit x Recipient Taste Congruency	.001	.034	.001
Recipient Merit x Recipient Taste Congruency	-.023	.042	.295
SVO x Dictator Merit x Recipient Merit	-.003	.042	.006
SVO x Dictator Merit x Recipient Taste Congruency	.020	.034	.337
SVO x Recipient Merit x Recipient Taste Congruency	-.012	.042	.081
Dictator Merit x Recipient Merit x Recipient Taste Congruency	.006	.042	.020
SVO x Dictator Merit x Recipient Merit x Recipient Taste Congruency	.016	.042	.139
*p<0.10, **p<0.05, ***p<0.01, ****p<0.001			

## **Appendix C**

### **Shoe Brand Paper-and-Pen Study Materials**

*Please read the following passage and indicate how you would act by answering the questions at the back of the booklet.*

You are interested in buying a pair of running shoes and go to an athletics shoe store, known as Company X, to decide which one to buy. You are not very particular about the brand of shoe, as long as it fits well, looks good and is reasonably priced. After trying on a few pairs, you narrow down your choices to two pairs of shoes that are equally priced at \$100 (neither were on sale), fit well and look good. Below are photos of the shoes you liked:



**Brand Runnex**



**Brand Pacer**

You take a moment to try and decide whether to buy and notice a sign that says:

*'Proceeds from the sales of selected running shoes will be donated to Sports for Kids, a local organization that buys new sports equipment for underprivileged kids.'*

You ask the salesperson whether any of these shoes are involved in this charitable campaign and she says that none of the purchase price of the Runnex shoes and 1% of the purchase price of the Pacer shoes will go to charity.

You make your decision on which shoe to purchase and bring it up to the counter to pay.

Please turn to the next page.



Read each statement and mark / circle the response most appropriate to your own thoughts.

1. Which shoe did you purchase?

☐

Runnex

☐

Pacer

---

2. The Runnex company is committed to using a portion of its profits to help charities.

1	2	3	4	5	6	7
Strongly			Neither Agree			Strongly
Disagree			or Disagree			Agree

---

3. The Runnex company gives back to the communities in which it does business.

1	2	3	4	5	6	7
Strongly			Neither Agree			Strongly
Disagree			or Disagree			Agree

---

4. Local charities benefit from Runnex's contributions.

1	2	3	4	5	6	7
Strongly			Neither Agree			Strongly
Disagree			or Disagree			Agree

---

5. Runnex integrates charitable contributions into its business activities.

1	2	3	4	5	6	7
Strongly			Neither Agree			Strongly
Disagree			or Disagree			Agree

---

6. Runnex is involved in corporate giving.

1	2	3	4	5	6	7
Strongly			Neither Agree			Strongly
Disagree			or Disagree			Agree

---

7. The Pacer company is committed to using a portion of its profits to help charities.

1	2	3	4	5	6	7
Strongly			Neither Agree			Strongly
Disagree			or Disagree			Agree

---

8. The Pacer company gives back to the communities in which it does business.

1	2	3	4	5	6	7
Strongly			Neither Agree			Strongly
Disagree			or Disagree			Agree

---

9. Local charities benefit from Pacer's contributions.

1	2	3	4	5	6	7
Strongly			Neither Agree			Strongly
Disagree			or Disagree			Agree

---

10. Pacer integrates charitable contributions into its business activities.

1	2	3	4	5	6	7
Strongly			Neither Agree			Strongly
Disagree			or Disagree			Agree

---

11. Pacer is involved in corporate giving.

1	2	3	4	5	6	7
Strongly			Neither Agree			Strongly
Disagree			or Disagree			Agree

---