

Consumer Choices around Corporate Giving: Should Companies Prioritise Aid to the Most Effective Causes?

Aaron Shine

University of Bath

Yvetta Simonyan

University of Bath

Samuel Johnson

University of Waterloo (Department of Psychology)

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Abstract:

Across 3 studies we find that when given the option, consumers typically prefer companies which distribute aid (i.e., donating smaller amounts to multiple social causes) over those that give entirely to one specific cause. If, however, the single cause is believed by the consumer to be the most effective (i.e., can make the greatest impact with the money it receives), the preference for a distributive approach is minimised - but it is not completely eliminated. In fact, even when it is apparent that one company is maximising the impact of their donation, people still tend to choose the option which is impartial but ultimately less effective.

Key words: Corporate giving; effective altruism; prioritisation.

1. Introduction

Imagine that you are deciding where to buy your groceries. There are 2 local supermarkets offering similar products at a similar price, and both support charitable causes; the first gives generously to one cause, while the second splits its donation between several different causes. Where would you choose to shop?

Variety, in this context, is likely to attract more consumers (Seo, Luo and Kaul, 2021). People are heterogeneous in their charitable preferences, and even at an individual level, probably have affinity to more than one cause. From a reputational perspective, distributing aid across multiple causes can signal that a company cares about more than one issue – even if each is given comparatively less support. In fact, Eilert and Robinson (2020) even found that companies which diversify their cause portfolios are typically perceived as having a greater positive impact on society. Thus, we hypothesise that

H1: Consumers will prefer companies to distribute aid across multiple charities rather than giving priority to a single cause.

However, would this preference still stand if the first company's single choice was also the cause which was *proven* to have the greatest positive impact? Effective altruism is a movement that, with the use of objective measures, encourages prioritising aid to the social causes which, per dollar, can achieve the most social good (MacAskill, 2019). It is even argued that splitting donations between other less effective causes fails to maximise your potential impact (Snowden, 2019). One problem with this approach, however, is that people are mostly unaware of which causes these are (Caviola et al., 2020), or other factors such as emotional rewards (Null 2011) or consumer preferences drive ineffective options (Berman et al., 2018). Cognitive biases (Baron and Szymanska, 2011) and fairness (Sharps and Schroeder, 2019) also deter people from prioritising aid, even if it is obvious which is most effective (Caviola et al., 2021). With regards to *judgements* of these choices, distributing impartially might signal that the donor is fairer and more moral. Whereas prioritising aid based on outcome measures may come across as cold, calculated and pragmatic, even if more people are helped overall. Thus, we also predict the following:

H2: When given the choice, consumers will prefer to buy from a company that shares its support between multiple less effective causes versus a company that prioritises support to only the most effective cause.

2. Overview of Studies

Using an online survey tool, a series of 3 studies were designed to test our 2 main hypotheses. In study 1 (N=200), participants used tokens to indicate whether they would prefer a company to give some support to multiple causes or give a lot of support to fewer

causes. Participants in study 2 chose between 2 companies, one of which supported a single cause, while the other shared their monetary contribution between multiple causes. Study 3 followed the same design as study 2, but incorporated an experimental design, where some participants were also informed that the single cause was actually the most effective (saved most lives per \$). Participants for all studies were recruited through Mechanical Turk and compensated.

2.1 Study 1

An initial study was carried out to test our main hypothesis that consumers typically prefer companies to distribute help across multiple social causes, as opposed to focusing on a single cause. A meta-tool, 'distBuilder', was used to mimic a charity voting token scheme implemented by supermarkets across the UK (UK Fundraising 2017).

Procedure. In this task, 200 participants were told that the store where they usually buy their groceries from was deciding how to distribute their charitable funding for the year. By using exactly 10 tokens (each reflecting 1/10th of the company's budget), participants were asked to indicate how they believe their local grocery store should show their support across a possible 5 causes. For instance, they could give all 10 tokens to their favourite, distribute equally across all 5, or any other distribution they chose (i.e., [2-2-2-2-2], [0-1-9-0-0], [2-3-1-0-4], etc.).

Results. Based on the distribution of tokens, 66% of participants felt the store should give at least some aid to every cause, with 18% opting for a completely equal split. Comparing this with only 5% that preferred for the store to give all their support to one cause, these initial findings provide some support for H1. Although the findings suggest a clear preference for distribution, the scenario required participants to indicate what a company *should* do. Thus, it does not provide evidence for how a consumer would judge a company that adopted one of these approaches.

2.2 Study 2

This study aimed to address the shortcoming of the previous study by giving consumers a choice between 2 grocery stores which have already donated in different ways; prioritisation versus distribution. Identifying which was the most popular in this sense would provide more external validity in terms of its application to real-life consumer choices.

Procedure. 178 participants read about 5 different ways in which lives could be saved in sub-Saharan Africa (i.e., malaria nets, vaccinations, etc.) and were asked to rank them on several factors, one of which was effectiveness (i.e., *If each programme was given \$1million, which do you think could save the most lives?*). Participants were then given a scenario: Would they rather buy from Company A who donates 5% of profits to one of these

causes (randomly assigned) or buy from Company B who donates the same total amount but splits it equally between all 5 causes. Responses were recorded on a scale from -5 (Company A) to +5 (Company B) anchored at 0 (No preference).

Results. In line with our original hypothesis, the majority of participants chose Company B over Company A (72% vs 21%). However, in the instances where Company A's single cause was also ranked as most effective by the participant (vs when it was not), preference for Company A did increase [$prob = 0.52, SE = 0.03$ vs. $prob = 0.15, SE = 0.09; D = 0.37, p < 0.001$]. Although this provides some evidence that prioritising aid to effective causes impacts consumer choices, there are 2 main caveats. Firstly, these instances rely on *perceptions* of which cause is the most effective, and due to the design, rankings might be confounded with other factors, such as how in-need they deemed a cause to be. Secondly, even in those instances, roughly half still chose the company which supported several less-effective causes over the one they themselves believed to save the most lives. This implies that when choosing between philanthropic companies, social impact is not always considered most important, or if it is, consumers may not trust their own intuitions of which social cause/s are the most effective and thus avoid prioritising.

2.3 Study 3

To rule out consumers' uncertainty as an alternative explanation, we incorporated the use of objective measures into this study. We used the same design as the previous study, with participants choosing between a company that prioritised a specific cause and a company that distributed to several causes, except that some participants were told that the single cause was also the most effective at saving lives. As well as keeping the single cause constant, this between-subjects design (Effectiveness information: provided vs not provided) more reliably examined how consumers respond to a company that chooses to maximise their impact with a focused approach to giving.

Procedure. 362 participants read about the original 5 social causes (although they were now framed as charities). Those in the 'information provided' condition were also given statistics on the cost-effectiveness of each charity. Specifically, they were informed that with \$1 million, MalariaNets.org could save 450 lives – significantly higher than the other charities (220 lives, 200 lives, 120 lives, 90 lives). After ranking the charities, participants were then asked to choose between Company A which gave their entire donation to MalariaNets, and Company B which split their donation equally between all 5 charities.

Results. The manipulation was successful: more participants ranked MalariaNets.org as most effective when information was provided (77%) versus when it was not (6%). With regards to the 2 companies, when participants were not provided with effectiveness information, the majority preferred the company which split their donation over the one which prioritised (66% vs 18%), thus replicating the findings from Study 2. However, when participants were informed that the single cause was also most effective (vs when they

were not) preference for Company A over Company B increased [$prob = 0.37$, $SE = 0.04$ vs. $prob = 0.21$, $SE = 0.03$; $D = 0.37$, $p < 0.05$]. Thus, the preference for a distributive approach can be somewhat minimised by informing consumers that priority has been given to a cause which per dollar, can do the most 'good'. Again, it is important to note that overall, consumers still largely prefer companies which share donations between multiple charities, even if those charities are less effective. Given that the awareness manipulation was successful, the maintained preference for splitting could be driven by judgements of the company, consumer preferences from the consumer or a mixture of both.

3. General Discussion

Like past research has documented, there are barriers to effective altruism, even in the context of corporate giving. The studies we have carried out suggest that prioritising a cause or charity, even in an effort to save more lives, has drawbacks regarding consumer responses. It is likely that signalling fairness is more valuable to consumers than maximising impact, although further studies are required to identify the mechanisms driving this preference. Given the vast amount of money donated by companies, it is also important to explore boundary conditions – might the consequentialist approach focused on impact pair more favourably with companies which sell certain products (e.g. utilitarian vs hedonic) or with those that have already positioned themselves as trustworthy and credible? Further, is this preference only existent in forced choice scenarios? If fairness is a key mechanism driving the preference for splitting, it could be diminished if there is no other company to draw comparisons from. Thus, future studies are required to build on these initial findings and determine whether adopting a focused approach to philanthropy, aimed at maximising social good, can be positively received by consumers.

4 References

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