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ESSAYS ON CONSUMER CHARITY

by

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A dissertation submitted in partial fulfillment of the requirements  
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## **ABSTRACT**

Two essays comprise this doctoral dissertation on consumers and their charitable donations. The overall objective is to investigate the role of psychological distance in charitable donations, with each essay dealing with a different moderator of this relationship.

In the first essay, I study the interactive effect of social distance and processing mode (affect vs. cognition). Specifically, people tend to donate more if they use their emotions rather than cognition as diagnostic inputs for decision making, especially when donor and recipient are separated by greater social distance. This may be because affect-driven and cognition-driven donors are influenced by different goals. Affect-driven donors are mainly motivated by a consummatory goal of increasing their “warm glow” utility whereas cognition-driven donors are mainly motivated by an instrumental goal of increasing “public goods” utility (i.e., making a contribution that may benefit the donor as well). While both consummatory and instrumental goals are relevant at closer social distance, only the consummatory goal is at work at greater social distance, which leads to a social distance by processing mode interaction. The hypothesized effect is tested in a series of three experiments that use different contexts and dependent measures (e.g., donation of money vs. time).

In the second essay, I turn to the joint effect of psychological distance and dispositional empathy on charitable donation. Empathy or “Einfühlung” is defined as feeling one’s way into the situation of another. While the literature suggests that empathy generally increases various forms of prosocial behavior including donations, I argue that this effect is contingent upon the psychological distance between donor and recipient. The role of empathy is especially pronounced when the recipient is perceived to be psychologically closer to the donor. This is because closer psychological distance leads to greater identification by the donor with the recipient, which in turn leads to greater donation. I demonstrated support for the hypothesized interaction between dispositional empathy and psychological distance in three experiments, each addressing a different type of psychological distance.

I conclude this dissertation with a discussion of the theoretical contribution and managerial importance of the findings. Managers of not-for-profits are confronted with a multitude of challenges in increasing donations while optimizing their resources. By pointing out the processes that underlie individual donors’ decisions on charitable donations, this dissertation addresses a long-felt but rarely addressed lacuna in the literature.

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# **CHAPTER 1**

## **INTRODUCTION**

“Charity begins at home, and justice begins next door.”

- Tigg in Martin Chuzzlewit (Charles Dickens 1844/1994, 422)

Charity is a subject of interest for multiple and diverse fields including Economics, Psychology and Marketing. Charitable donations may be thought of as involving the voluntary giving of resources to benefit another, without any seeming benefit to the person who is giving the resources. In this dissertation the person who is receiving the benefit of the resources, either directly or indirectly is referred to as the recipient whereas the person who is giving or donating the resources is referred to as the donor. Further, the resources given may take the form of money, time or other resources that are of benefit to the recipient and that are of value to the donor. For the purposes of this dissertation the focus is more on intended donations of money in response to situations that require such donations. However, in order to increase external validity, a context of donation of time is also employed. Theory drawn from the fields of Economics and Psychology will be discussed but the emphasis is on the discipline of Marketing.

The focus in Marketing has mostly been on research on consumer behavior in order to increase profits for marketers. In contrast, the theme of this paper is on increasing donations from consumers to not-for-profit organizations. This is not very distant from much of the

literature in Marketing in that the same objective of increasing revenue lies at the crux of both. Indeed, the topic of increasing donations to not-for-profit organizations finds resonance in the call for transformative consumer research from senior members of the academy (Mick 2006, 2008).

Most of the work on charity comes from the discipline of Economics, possibly due to the puzzling aberrance of acts of charity. For the economist, charity has been intriguing because of the possibility that people act without regard to their own interests (Andreoni 2006). In other words, they act in a manner that does not maximize their utility. Instead of spending their limited resources on their own welfare, they choose to increase the welfare of another. This has led economists who study the topic to postulate two different explanations of why people perform acts of charity in separate streams of research (Vesterlund 2006).

The first stream of research in economics assumes that people who perform acts of charity do so out of a concern for the provision of the charity's outputs. This viewpoint reflects the public goods aspect of donations to charity, where the donor receives some utility from consuming the public good that she has donated to. An example would be someone who contributes to public radio in the anticipation that she would listen to public radio herself. This stream of research may be less applicable to those charities that do not allow everyone to share in the benefits that arise from the charitable act. For instance, those who donate body parts do so to a particular person and may not derive public goods benefits from such a donation. Similarly, those who contribute to feed starving children in a far-off country may not be doing so in the expectation that their own hunger for food will thus be satisfied.

This has led some economists to hypothesize at the existence of another type of utility that may uniquely arise from donations to charity. In this stream of research it is assumed that by making donations to charity, the individual derives some singular form of utility from the

very act of charity and not from the output of the charity. One of the terms used to describe this type of utility is “warm-glow” although the term “feel-good” has also been used (Andreoni 1989, 1990, 2007). The benefit of this type of utility accrues only to the person who contributes to charity and not to anyone else who contributes or does not contribute. A context that comes closest to exemplifying the effects of such type of utility may be in the “pay all” format of some charity auctions wherein the highest bidder wins the good whereas all those who have bid on the good pay the amount that they have bid (Engers and McManus 2007). The unsuccessful bidders would not win the good as their bid is not the highest but still would pay the amount of their bids, gaining more “warm-glow” utility for themselves. The winning bidder would gain both “warm-glow” utility as well as the utility that comes from acquisition of the good, but perhaps not “transaction utility” as suggested in Thaler’s (1985) work.

Assuming the existence of “warm-glow” utility allows for idiosyncratic behavior related to donations to charity since every person has a different utility function. In the literature that seeks to model “warm-glow” utility and allowing for the most general type of utility function, it is posited that each individual solves an optimization problem of:

$$\max U_i(x_i, G, g_i)$$

by choosing appropriate values of  $x_i$ ,  $G$ ,  $g_i$  subject to the constraints

$$x_i + g_i = w_i \text{ and } G_{-i} + g_i = G$$

where  $U_i$  is the utility that the  $i$ ’th individual attempts to maximize given that she has a certain wealth  $w_i$ , which the individual allocates between private goods  $x_i$  and donations to charity  $g_i$ . The total amount that accrues to charity is  $G$ , with  $G_{-i}$  being the amount accruing to charity without the contribution from the  $i$ ’th individual. The amount donated  $g_i$  enters the optimization problem twice; once as a private good ( $g_i$ ) and once as part of the public good

$(G_{-i} + g_i = G)$ . This allows capture of two extremes of charitable behavior. When the individual is purely concerned with adequate provision of the public good and is indifferent to the utility from the private good  $g_i$ , viz. the “warm-glow” utility she gains from making a charitable donation, the optimization problem becomes  $\max U_i(x_i, G)$ . Such an individual may be termed purely altruistic. On the other hand an individual who can be called purely selfish is not concerned with adequate provision of the public good and maximizes her “warm-glow” utility. In effect she optimizes the function  $\max U_i(x_i, g_i)$ . Most individuals can be characterized as operating somewhere between these two extremes and thus can be referred to as being impurely altruistic (Andreoni 1990). Hence, there is a possibility that individuals who contribute to charity could be operating with a purely altruistic or purely selfish mindset. More likely, donors derive utility from a combination of the provision of the public good and the “warm-glow” utility resulting from their donations and hence may be termed impurely altruistic. Support for this comes from the field of neuroscience that indicates neural activity is consistent with both “warm-glow” utility and pure altruism (Harbaugh, Mayr and Burghart 2007).

Considering “warm-glow” utility alone it is probable that an individual experiences it differently based on a host of individual factors, situational factors and a combination of individual and situational factors. The effects of some of these factors are detailed in the literature of psychology and marketing (Bendapudi, Singh and Bendapudi 1996). The terms “helping behavior” and “prosocial behavior” have been extensively used in the psychology literature, with the types of resources being donated by the donor including time, physical effort as well as money. Factors that influence individuals’ decisions with respect to charity include guilt, social status, religiosity, kinship with the beneficiary of donation and types of donation, as well as such psychological constructs as cognitive capacity, affect and memory.

The effect of emotion per se was examined by Bagozzi and Moore (1994) who found better results when negative emotions were aroused, which they did by pictorial depictions of a victim of child abuse in an advertisement asking for donations to help victims of child abuse. Also noteworthy are the results of experimental research that has demonstrated that donations of time are related to the affect engendered by the cause to which the donation goes to as opposed to the lack of such a relationship for donations of money (Reed, Aquino and Levy 2007). Continuing in this vein of examining the differences between donations of time and money, the role of emotion in the context of charitable donations has also been pointed out by Liu and Aaker (2008). They found that asking people how much time they would like to donate, increased the amount of money they stated they would subsequently like to donate as opposed to the contrary effect of asking for money first and then asking for commitment of time. Their explanation for this effect is that a request for time activates an emotional mindset, which is more core to an individual as compared to the activation of a mindset that deals with value when money is asked for.

Guilt is also related to affect or emotion. The effects of guilt have been examined in two forms. Hibbert et al (2007) suggest that intention to donate to charity following exposure to an advertisement depends on the level of guilt aroused on exposure to the advertisement. They point out that moderate levels of such guilt have been found to perform better than low or high levels of guilt. Basil, Ridgway and Basil (2008) posited another mechanism in which guilt could be aroused. Using a similar method of exposure to a stimulus, they suggested the empathy and the donor's perceived efficacy in being able to make a meaningful donation, mediates the arousal of anticipatory guilt. They distinguish between guilt and empathy which distinction has been pointed out in other research (Batson 1998). Anticipatory guilt is the guilt that could be experienced when a person assumes that she can act to make the situation

better and not doing so would make her feel guilty. Thus, the form of guilt differs between the two studies but common to the two studies is the role of guilt which is an emotional state (Lewis 1993). Hence there appears to be an effect of emotion or affect on charity as documented in a variety of studies. While affect can be manifested in the form of guilt or other constructs, underlying the decision to donate is affect. Affect is also distinct from other constructs that may be more oriented towards cognition such as empathy.

Empathy is distinct from guilt and is conceptualized as a construct predisposing the arousal of guilt (Basil, Ridgway and Basil 2008). Empathy has long been of interest in research on charity. Empathy is defined for the purposes of this dissertation as “Einfühlung”, a German word roughly translated as “to feel one’s way into”. In other words, “being cognitively aware of another person’s internal states and/ or putting oneself in the place of another and experiencing his or her feelings” (Bagozzi and Moore 1994, 58). Empathy may be regarded as more cognitive than affective in nature although there are elements of both in its nature (Davis et al 1987). Bagozzi and Moore (1994) used a context of child-abuse and found that empathy partially mediated a decision to help. It is important to distinguish sympathy from empathy, as these terms have been sometimes used interchangeably and sometimes have been confused with each other. Escalas and Stern (2003) looked at the effects on attitudes towards a dramatic advertisement and found that sympathy played a mediating role on the effects of advertisement type and this mediating role for sympathy was in turn mediated by empathy. They identified the definition of sympathy in consumer research as “a person’s awareness of the feelings of another but not absorption in the feelings themselves” whereas in the case of empathy it has been defined as “an emotional response that stems from another’s emotional state or condition and that is congruent with the other’s emotional state or situation” (Escalas and Stern 2003, 567). It appears that empathy has both

cognitive and affective dimensions with authors choosing to define the construct more in terms of the one at the expense of the other, depending on their purpose. However, since it necessitates the conscious assumption of the mental state of another as opposed to affect that is aroused in a relatively automatic manner, it would appear to need cognitive resources for activation.

Empathy must also be treated with caution since it is a dispositional variable as well as a consequent variable amenable to manipulation – one which demonstrates the effects of manipulation of a stimulus. Empathy has been treated as a dispositional variable and measured (Argo, Zhu and Dahl 2008). In order to examine the role that empathy plays when there is an option of being able to escape a situation that indicates need, Stocks, Lishner and Decker (2008) manipulated empathy. They found that even when the option of escape existed, higher rates of helping were brought on by greater empathetic arousal. It is well-known in psychology that some people empathize more than others and in consumer research that has measured the construct of empathy, it has been treated as being in response to a stimulus (Bagozzi and Moore 1994; Escalas and Stern 2003; Basil, Ridgway and Basil 2008). Since, there are differences in the values of the construct when it was measured in response to a single stimulus, it seems likely that participants differed in their capacity for empathy. In the literature, empathy can be a dispositional variable as well as a manipulated variable with the latter being crucial for establishing the causal role of empathy for charitable donations.

To sum up, the motivation for charity has been theorized in Economics to be that of maximizing utility, with individual differences manifesting in the relative proportion of “warm-glow” utility attendant on the act of charity. An individual may also derive utility from contributing to a public good for which the individual acts as donor and recipient. The role of the individual as recipient arises by virtue of his consumption of the public good.

Various factors have been shown to enhance or retard the act of charity. It appears that affect is one such factor and appears to play a role in the act of charity in various forms such as guilt or just as feelings about donation. Another factor distinct from emotion is empathy or the experience by the donor of the feelings or situation experienced by the recipient.

In the next section of this dissertation, I relate the motivation for charity of “warm-glow” utility to the emotions attendant on the act of charity.



## **CHAPTER 2**

### **THE USE OF AFFECT VS. COGNITION AND THE ROLE OF SOCIAL DISTANCE AS MODERATOR**

“The emotions aren't always immediately subject to reason,  
but they are always immediately subject to action”

- William James

Intuitively, it would appear to be a truism that affect has a beneficial role to play in charity. That is, people who use their heart more would tend to be more willing to donate, would feel better about donating and most importantly would donate more compared to those who relied more on cognitive processes. However, I suggest that “social distance” or the perceived extent of removal in a social sense that exists between donor and recipient, moderates the effect of the relative use of cognition and affect. Specifically, while the greater role of affect would be apparent when the donor and recipient are separated by greater social distance, this dominant role of affect may be less apparent with a decrease in social distance. This effect may arise because of the differing importance that “warm-glow” utility has for donors when there are differing magnitudes of social distance separating them from recipients. However, before discussing the moderating role of social distance, relevant work on affect and cognition is briefly discussed.

Affect and cognition can be thought of as two independent processes of information processing of the attributes of a target. Yet, these two processes co-exist in every person

affecting attitudes and behaviors. Most research in consumer behavior has focused on cognition leading to calls at the 2010 Society for Consumer Psychology conference for increased attention to affect. Earlier the two processes and their joint or separate effects on consumer choice were examined by Shiv and Fedorikhin in two papers (1999, 2002). In the first paper, the authors examined the interplay of affect and cognition. Using a choice between an option that elicited greater positive affect and lesser positive cognition and an option that was the opposite, the authors found a significant effect of availability of cognitive resources. In subsequent experiments, they examined the role of presenting the actual choices or an image of the choices as well as the dispositional variable of propensity to act impulsively. Underlying their results was their argument that there are two bases for the choices that their participants made. The first was an automatic affective route wherein participants would tend to choose the option that was more positive in affect but perceived as less desirable with cognition. The second cognitive route, which could override the first affective route, was hypothesized as leading to an increased choice of the second option – the one which was less positive in affect but elicited more positive cognition. In order to reveal these hypothesized effects the authors manipulated cognitive load for some of their participants. Using a scale with scale items selected from published papers, the authors constructed a “decision basis” scale with an acceptable reliability statistic ( $\alpha = 0.91$ ). The authors did find the same effects in their two experiments providing support to their notion that there was an interplay of affect and cognition in consumer choice (Shiv and Fedorikhin 1999). In their next paper, they sought to demonstrate that the interplay of affect and cognition could result in higher order affect. The two processes related to affect and cognition take place in different areas of the brain and hence it is possible for cognition to exist independent of affect. In their model of affective and cognitive processes, the authors

proposed that given sufficient cognitive resources, it was possible for consumer choice to be driven by higher-order affect with cognition and affective reactions to the same two choices. In the series of experiments reported in their paper, they sought to manipulate the availability of cognitive resources, first through the mechanism of varying cognitive load as was done in the first paper and second through varying the amount of time available for cognition. They used the same “decision basis” scale as in their first paper with an acceptable reliability statistic ( $\alpha = 0.88$ ) as a measure of the utilization of affect versus cognition. The authors reported support for their premise that participants may make a choice based on cognition as well as their affective reactions (Shiv and Fedorikhin 2002).

That affect may be used as a basis for decisions is echoed in research that indicates the use of what is known as the “How-do-I-feel-about-it” or HDIF heuristic. Schwarz and Clore (1983) documented the phenomenon that people may use momentary affective states induced experimentally as an indicator when making their judgments of happiness and their satisfaction with their lives. Much research done on affect has been in the same paradigm of inducing positive or negative affect and then documenting its effects on attitudes, decisions, self-esteem, etc. In the experiment by Schwarz and Clore, participants were induced to feel sad or happy by recollection of a suitable episode from their lives. Some participants were led to believe that a specially constructed room in which they were placed induced happiness or sadness in its occupants. This attenuated the effect of recollection of an unhappy episode on participants’ reported happiness and satisfaction. It was found that participants who were afforded the opportunity to misattribute the negative affect that was induced, to the situation of being in a room that purportedly led to negative affect, did not demonstrate the reduced levels of happiness and satisfaction evinced by other participants. It appeared that participants reported their level of affect after discounting the information value of their existing affect if

they were able to misattribute it to the situation and hence perceived it as not relevant to their stable state of happiness or satisfaction with their lives. Pham (1998) continued in this vein of research by showing that it was not only the relevance of affect that participants considered but also how representative the feelings were of the task they were considering undertaking. Using a similar manipulation as that of Schwarz and Clore (1983) he had his participants report an episode in their lives that engendered positive or negative affect. Another factor that he manipulated was whether participants had a consummatory or instrumental motive (Holbrook and Hirschman 1982).

Consummatory motives drive consumption behavior that is intrinsically rewarding such as seeing a movie for the pleasure of doing so. Instrumental motives are activated for behavior that is undertaken in pursuit of a goal such as seeing a movie as a pre-requisite for another objective. After priming consummatory or instrumental motives, Pham (1998) asked his participants to report their likelihood of seeing a movie. He found an effect of representativeness of the induced affect. The likelihood of seeing a movie depended not only on the perceived relevance of the induced affect as previously documented but also on its perceived representativeness. It must be noted that the affect induced and mistakenly transferred to the task (of seeing a movie) was thus integral to the task and not an artifact of having to make a decision about the task (about seeing a movie) or incidental to the task such as when it is related to the situation (Cohen, Pham and Andrade 2008). This stream of research seems to indicate that people conjure up a representation of the situation in which they undertake the task they are confronted with and then examine their feelings in that imagined situation (Greifeneder, Bless and Pham 2010). This seems to be the higher-order affect that Shiv and Fedorikhin (2002) also refer to in their paper and forms the content on

which the HDIF heuristic is based. Participants consider their affect related to the tasks which they are confronted with and then use that affect as an input to their decisions.

Making the connection to charitable donation, it could be expected that donors consider how they would feel about making (or not making) a donation and use that affect as an input for their decision on whether to donate and how much to donate. This kind of anticipatory affect manifested in the anticipation of guilt, has been shown to have an effect on donation behavior.

Anticipatory guilt in giving behavior was shown to be a factor in charitable donations by Basil, Ridgway and Basil (2008). In their research, they found that participants considered the level of guilt they would experience as a result of not acting to help someone in need. Earlier, Hibbert et al (2007) showed that actual guilt aroused on exposure to communications affected donations made. As was shown by Schwarz and Clore (1983) negative emotions arouse participants to address the situation to a greater extent than positive emotions, possibly because people desire and expect to be in a state of positive affect. Hence the guilt or anticipated guilt aroused when people are called upon to consider making a donation would be a factor that needs to be addressed in the context of charitable donations.

Thus, the intuition discussed at the beginning of this section, that affect plays a role in charitable donations has theoretical justification. In a chapter speculating on the origins of sympathy for helping behavior, Loewenstein and Small (2007) related a dual process model of what they called sympathy and deliberation on helping behavior. In their view, sympathy is “caring but immature and irrational” whereas deliberation is “rational but uncaring”. They suggest that this dual process explains why there were greater donations to help “Baby Jessica”, a 18 month old child who fell into a well in Texas compared to the 16% of children in the USA who are living in poverty (Loewenstein and Small 2007, 118). Work in the area

of charitable donations by Basil, Ridgway and Basil (2008) who documented the role of anticipatory guilt, the role of experienced guilt found by Hibbert et al (2007) and the review of work on charity by Bendapudi, Singh and Bendapudi (1996) establish the role of affect. The precise nature of this role vis-à-vis that of cognition has been demonstrated in papers by Shiv and Fedorikhin (1999, 2002) with the use of affect as an informational input for decisions suggested by the work of Pham (1998).

**H1:** Donors who rely more on affect as opposed to cognition will show greater propensity to donate.

In order to establish the antecedents of the role of affect in decision making on charity, the motivations for charity must be examined, viz. the motivation of increasing “warm-glow” utility.

### Warm-Glow vs. Cold Reason

Andreoni (1989, 1990) suggested that donors experienced a form of utility derived from making donations. This addressed the lacuna in theory from Economics that didn’t take into account the motivation of donors who gave away money or other resources such as time. It seems paradoxical that people could derive utility from giving their resources and not usually receiving something tangible in return. In Andreoni’s conception of impure altruism, the donor gains utility from the provision of the public good that she makes a donation to as well as the “warm glow” utility that comes from making a donation. At one extreme are the donations made solely for the benefit that comes from the act of making a donation or the

“warm glow”. It is readily apparent that the donor in this case is indifferent to the identity or other individual characteristics of the victim in whose benefit the donation is put to use. Instead the donor is concerned with her own benefit that comes from the “warm glow” utility attendant with making a donation.

A parallel could be drawn to the distinction between instrumental and consummatory motives for consumption (Holbrook and Hirschman 1982). As stated previously, consummatory motives drive consumption behavior that is intrinsically rewarding such as seeing a movie for the pleasure of doing so. Instrumental motives are activated for behavior that is undertaken in pursuit of a goal such as seeing a movie as a pre-requisite for another objective. A consummatory motive for making a donation would be indicated by a concern for the intrinsic reward that comes from the act of making a donation and not to the specificities of the donation. In other words, someone who is concerned solely with the “warm-glow” utility would be acting with a consummatory as opposed to an instrumental motive. As pointed out by Pham (1998) people with a consummatory motive are more likely to be influenced by affect. Since the donor is influenced by the “warm glow” utility or benefit that comes from making a donation, it could be predicted that any social distance that exists between donor and victim, would not be an overriding factor in decisions about donation. Regardless of the social distance that exists between donor and recipient, a donor would gain “warm-glow” utility from the very act of charity and would be acting from a consummatory motive. Hence, a donor motivated by “warm-glow” utility would pay more heed to the affect associated with the act of charity as affect would be more of an influence as described by Pham (1998). The quantum of social distance between donor and recipient may not play a role since the donor is focused on the act of charity rather than the recipient.

At the other extreme are the situations where the donor makes a donation without regard to the “warm glow” utility that comes from making the donation. In this case donors maximize a utility function that includes the precise amount needed for provision of the public good at the level that she considers optimum. It must be remembered that the optimization function concerns the allocation of her wealth between the public good of charity and the basket of private goods which confer utility as a result of their acquisition. Regarding the public good in isolation, the donor is concerned with her own direct or indirect consumption of it. An example could be donations to support broadcasting networks that provide entertainment to donors and other viewers alike (Fisher, Vandenbosch and Antia 2008). The donor motivation to make a donation is that the public good to which she donates, directly or indirectly benefits her. The donor is less concerned with the act of donation and the consequent “warm-glow” utility. The donor in this situation is likely to have instrumental motives (Holbrook and Hirschman 1982). In other words the donation isn’t intrinsically rewarding but is meant to assist in the pursuit of the goal of optimum provision of the public good. In such a situation, it is likely that the donor may be driven to a lesser extent by affect and pays more heed to her cognition.

It is logical that public goods that are more likely to be closer rather than farther would serve the donor better, as she is unlikely to derive utility from consumption of something that is farther away. Even if the donation is meant to help another person it is more likely that the donor will gain a benefit if the victim is part of her own society or is at a lesser social distance. Insights from evolutionary psychology suggest that a donor would prefer to contribute to the survival of related rather than unrelated genomes. For instance, a study of identical twins referred to as monozygotic, compared to fraternal twins referred to as dizygotic, indicates that the former exhibited greater helping behavior to each other than the



latter (Segal 1984). If an instrumental motive is indeed what motivates the donor, then it is likely that affect has less importance and instead the donor will more likely to be swayed by cognition about how her donation may benefit her. This cognition resulting from an instrumental motive will favor donation to a recipient at closer rather than farther social distance. In contrast, a person motivated by a consummatory motive will be more moved by the affect attendant on donation and will tend to donate more.

Since most people are unlikely to be solely motivated by either “warm-glow” utility or the utility from donating to public goods, it is expected that people will show the effects of impure altruism. The differences will be most apparent when the social distance existing between donor and recipient is greater, showing the differences in donation between people who use their “heart” or affect more as opposed to their “head” or effortful cognitive processes. At this point, it would seem to be in order to suggest a more formal definition of “social distance” along with the literature that appears to address this construct in the context of charity.

More often than not, donors in a society like that in the USA will contribute more to help victims in their own society. The donation tends to be less in the case of victims in a different society, even if the need for a donation is more. There are of course, many differences between the peoples of other societies and the society in the USA. The first difference that rises to mind is the actual geographical distance between the USA and those societies. Undeniably, geographical distance is very often confounded with societal differences. I seek to examine the effect of societal differences, which is termed social distance (Lieberman, Trope and Stephan 2007) by disentangling it from geographical distance. The effect of societal or more generally, social distance may be crucial for charitable fundraising. Very often, the only difference between a comparatively wealthy donor and a needy recipient is

that of social distance. In the USA, social class may be conflated with wealth indicating that charitable donations involving the transfer of money are not just a monetary transaction but also a transaction between social classes that are differentiated by social distance.

There has been work that has examined the role of social distance on prosocial behavior. Recently, Winterich, Mittal and Ross (2009) examined the role of perception of in-group versus out-groups on donation behavior, using undergraduate samples in the USA. In their first two experiments they examined the differences in donation behavior towards victims in the USA (Hurricane Katrina) or in Indonesia (Indian Ocean tsunami). They found significant effects of the location of the victims but not in their third experiment where they used a scenario related to aiding bombing victims in London, UK or in Iraq, based on the notion that undergraduates in the USA would identify more with victims in London. Their hypotheses examined the role of gender identity and the extent to which their participants' reported individual differences in the inclusion of others in their self-concept, as moderators of the simple effects of differences in donation behavior towards in-groups and out-groups. It could be contended that their in-groups and out-groups differed in terms of geography as well as the societies they were part of. This is in fact a recurring problem with the removal of the victim from the donor in a geographical sense being confounded by a simultaneous separation of victim and donor in a social sense. Grau and Folse (2007) used a manipulation that involved contribution to a national or a local cause – it is immediately apparent that the former subsumes the latter. Research that holds promise of considering social distance in isolation was the experiment designed by Kogut and Ritov (2007). The authors used samples drawn from the Israeli undergraduate population. Two days after the Indian Ocean tsunami, they asked students to donate to save either Indian tourists or Israeli tourists, with a common location of having been vacationing on the same Indian Ocean island. In this manner the

researchers were able to maintain the same geographical distance for the victims, while presenting differences related to social distance. The victims were all at the same geographical distance as they were lost on the same Indian Ocean island, with the only difference between them being whether they were members of an in-group (Israeli) or out-group (Indian) for Israeli undergraduates. The experimental scenarios used in this dissertation are similar to those reported in the paper by Kogut and Ritov (2007). In the scenarios presented to participants, the victims differ only in social distance but not in terms of the geography that they happen to be in. In other words, the recipients cannot be differentiated by their being geographically farther or closer in relation to the donors. The stimuli reported in this study are similarly designed to offer participants little differentiating information save that of differences in social distance that exist between participants (donors) and recipients. The differences in consequent attitudes towards donation and donation intentions are then hypothesized to arise due to the moderating role of social distance on the relative use of affect and/ or cognition on the part of participants.

**H2:** The beneficial effect of greater reliance on affect rather than cognition will be exacerbated when the donor and recipient are separated by greater social distance and attenuated when the donor and recipient are separated by lesser social distance. An interaction will exist between the measure of relative use of affect and cognition and social distance.

The question arises as to whether the processes of cognition and affect may act simultaneously; in equal and full measure. Shiv and Fedorikhin (2002) do not propose such a path in their model. Even if such a process did exist it would be unlikely that participants

would be able to indicate its effects as any awareness of their affect (emotions) would inevitably be a result of cognition based on the HDIF heuristic (Schwarz and Clore 1983).

The above hypotheses were put to test in a series of experiments with the assistance of undergraduate participants. The description and results of those experiments are detailed in the next section. In order to build on existing literature, the scenarios and measures are based on documented effects in the literature.

### Study 1

The first study was conducted to establish the moderating effect of social distance on the predominant use of either affect or cognition on participants' proposed amounts of donation. The stimuli were based on that used by Kogut and Ritov (2007) with appropriate changes. Instead of Indian or Israeli tourists missing after the tsunami on an island in the Indian Ocean, the scenario outlined missing Indian or American tourists. Participants were asked how much they would donate to a search for the missing tourists if they were compensated \$10 for participation in the study. The moderating effect of greater reliance of either affect or cognition was assessed using the five-item scale from Shiv and Fedorikhin (2002).

*Participants.* A sample of 60 undergraduate students enrolled in Marketing classes at a major public university in the Southeast of the United States participated in the study. 56% of the sample was female and their average age was 21.86 years ( $SD = 1.83$ , range = 19 – 27). These demographic characteristics did not have any significant effect on the dependant variable and are not discussed further.

*Design and Procedure.* The sample participants were assigned at random to one of two cells, with the target of donation varying in social distance being the between-subjects factor

(Indian tourists or American tourists missing on an Indian Ocean island). Participants were invited to take part in the study in return for extra course credit. They were informed that there was an alternative means of earning the same quantum of extra course credit if they did not want to participate in the study. After reading an informed consent document, participants completed the questionnaire at their own pace. Following completion of the questionnaire, participants submitted their questionnaires revealing neither any identifying information nor any means of linking the quantum of extra course credit to their responses in the questionnaire. This procedure and associated instruments were approved by a university-level Institutional Review Board.

### ***Measures***

*Relative Use of Affect vs. Cognition.* The predominant use of affect or cognition in arriving at an amount to donate was assessed using a scale based on the five-item scale used in Shiv and Fedorikhin (2002, 353). The statement above the scale asked participants what drives their final decisions on donations followed by five seven-point semantic differential scales. The opposite anchors for the five scales were: “My feelings” – “My thoughts”, “My desire” – “My willpower”, “My prudent self” – “My impulsive self” (reverse coded), “The rational side of me” – “The emotional side of me” (reverse coded) and “My heart” – “My head”. The reliability of these five items was assessed so as to enable the formation of a single measure. However a low value of the reliability coefficient ( $\alpha = .66$ ) necessitated the removal of the fourth item. The resulting reliability coefficient was satisfactory ( $\alpha = .79$ ) which enabled the average of the four items ( $M = 3.16$ ,  $SD = 1.39$ ) to be calculated so as to form a single measure of the relative use of affect or cognition in arriving at the dependant variable. The dependant variable was the numerical answer to the question, “If you were given \$10 as payment for participating in this research, how much would you have contributed...”

## ***Results***

Sixty undergraduate participants completed the questionnaire. However, ten of the responses were considered unusable owing to the participants indicating that they would contribute more than \$10. Previous work in charitable giving has relied on endowing participants with a sum of money and asking participants to return a part of that sum as their contribution towards the charity of interest. For example, Winterich, Mittal and Ross (2009) presented their participants with five one dollar bills and used the number of dollar bills placed by participants in an envelope that was marked for contribution, as their dependant variable. Research in the domain of charitable donations attempts to control for individual levels of wealth on the part of the participants. In order to achieve this neutralization of individual levels of wealth, researchers usually endow their participants with a certain amount of money and treat the amount returned as the participants' contribution to charity. In lieu of the availability of resources to endow my participants with money to donate, I use a hypothetical donation and remove those whose donations exceed the hypothetical endowment of \$10. The data from the resulting sample of 50 participants was used to test my hypothesis.

My hypothesis was that differences in donation amount elicited by variation in social distance would be affected by the differential use of affect or cognition. In order to reveal any significant differences, the variation in social distance was contrast coded (1 for American tourists and -1 for Indian tourists). This contrast code was multiplied by the score on the measure of relative use of affect or cognition to yield the interaction term. The dependant variable of amount out of \$10 that the participant would have contributed was regressed ( $R^2 = 0.16$ ) on the contrast code for social distance ( $t = -2.19$ ,  $p = .033$ , partial  $\eta^2 = 0.097$ ) revealing a significant simple main effect. Similarly a significant simple main effect of the relative measure of use of affect or cognition ( $t = -2.09$ ,  $p = .042$ , partial  $\eta^2 = 0.088$ ) was evident. As

hypothesized the interaction of the two ( $t = 1.94$ ,  $p = .06$ , partial  $\eta^2 = 0.077$ ) showed as an effect. This indicated marginal support for the hypothesis of interaction – the increased reliance on affect as opposed to cognition appeared to be moderated by the effects of social distance.

In order to facilitate interpretation, the sample was split with respect to their responses to the measure of use of affect versus cognition with the median serving as the point at which the sample was divided. The figure below is presented below only for purposes of interpretation. The same procedure is followed for all figures that are provided to illustrate the empirical results. Please refer to Figure 10 for a schematic illustrating the procedure followed for all figures in this dissertation.

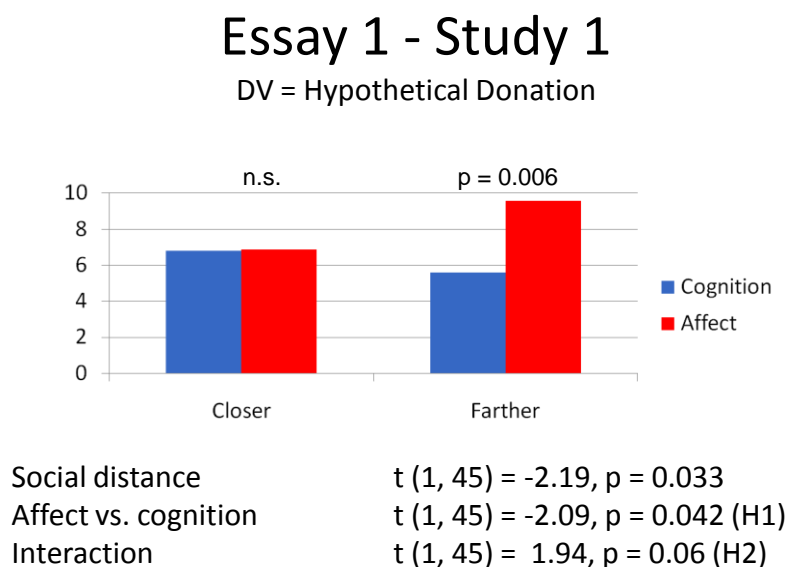


Figure 1 Interaction of Social Distance with Affect vs. Cognition for dependant variable of hypothetical donation in first experiment of first essay

The results indicate that the individual difference in the use of affect vs. cognition is more pronounced in its effect on donations when recipients are farther off socially from the donor.

There appears to be little difference in donation when the recipient is closer in terms of social distance, regardless of individual differences in mode of processing. To compare whether the differences in donation was actually significant, a regression analysis was used to find the effect of the relative measure of use of affect or cognition on the hypothetical donation. When the condition for closer social distance was blocked there was no effect of the relative use of affect vs. cognition. However, when the condition for greater social distance was analyzed separately, the relative use of affect vs. cognition was significant in predicting the amount of the hypothetical donation ( $t = -3$ ,  $p = 0.006$ ).

### ***Discussion***

My first study indicates that there is some support for the hypothesis that there is a moderating effect of social distance on participants' use of predominantly affect or cognition in their processing of decisions as to how much to donate to recipients. It must be reiterated that any manipulation of social distance may also inadvertently result in differences in perceived geographical distance. I used established stimuli that resulted in differences in social distance, while maintaining geographical distance as constant. The authors who developed those stimuli were interested in the differences in donation to in-groups compared to out-groups (Kogut and Ritov 2007). The difference between in-groups and out-groups can be likened to social distance. The ingenuity of the stimuli lies in the manipulation of social distance while holding geographical distance unchanged – both the Israeli tourists (American in my study) and Indian tourists were feared lost on the same Indian Ocean island following the tsunami.

The marginal significance of the interaction term is a cause for some concern. Perhaps this was due to the loss of data resulting from exclusion of those participants who had stated their intent to donate more than the hypothetical endowment of \$10. The consequent loss of power



may have led to findings of marginal significance. It must also be noted that the insufficient reliability coefficient ( $\alpha = 0.66$ ) for a scale that demonstrated adequate reliability ( $\alpha = 0.88$ ) in the study reported by its authors (Shiv and Fedorikhin 2002), also served as impetus for replicating the first study with enhanced power. Thus, Study 2 did not differ greatly from Study 1 except as reported below.

### Study 2

The second study was conducted to address the identified shortcomings of the first study, namely (i) the possible lack of sufficient power to yield results that were significant at the conventional 95% confidence level and (ii) the low level of reliability seen in the five-item scale that served as the measure of the variables capturing the relative use of affect or cognition. The stimuli were identical to that of the previous study. Participants were asked for their likelihood of donating and how much they would donate to a search for the missing tourists if they were compensated \$10 for participation in the study. It was emphasized to participants that their donation should be out of the \$10 hypothetical compensation for participation in the study. The only other change was to the nationality of missing tourists in the condition of greater social distance – from Indian to Russian. Using Indian tourists in the scenario may elicit thoughts of tourists coming from a country with fewer resources to mount a rescue operation. Taking into account this possible complication, it was decided to replace India with Russia as the latter is more similar to the United States in terms of size and resources.

*Participants.* A sample of 98 undergraduate students enrolled in Marketing classes at a major public university in the Southeast of the United States participated in the study. 54% of

the sample was female and their average age was 22.08 years ( $SD = 5.44$ , range = 18 – 55). These demographic characteristics did not have any significant effect on the dependant variables and are not discussed further.

*Design and Procedure.* The sample participants were assigned at random to one of two cells, with the target of donation varying in social distance being the between-subjects factor (Russian tourists or American tourists missing on an Indian Ocean island). The procedure followed was identical to the first study. However, participants were handed a set of questionnaires for different studies including the questionnaire for this study. None of the other studies were relevant or could affect responses to the questionnaire for this study. The procedure and associated instruments were approved by a university-level Institutional Review Board.

### ***Measures***

*Relative Use of Affect vs. Cognition.* The predominant use of affect or cognition in arriving at an amount to donate was assessed using the same five-item scale as before (Shiv and Fedorikhin 2002). The scale asked participants what drives their final decisions on donations followed by five seven-point semantic differential scales. The reliability of these five items was assessed so as to enable the formation of a single measure. The resulting reliability coefficient was satisfactory ( $\alpha = 0.83$ ) which enabled the average of the five items ( $M = 3.16$ ,  $SD = 1.39$ ) to be calculated so as to form a single measure of the relative use of affect or cognition in arriving at the dependant variable. The first dependant variable was the answer to the question, “How likely is it that you would have contributed to the effort by the rescue team...” with the response elicited on a seven-point scale anchored by Very Unlikely and Very Likely. The second dependant variable was the numerical answer to the question, “If you were given \$10 as payment for participating in this research, how much would you have

contributed...” In the case of the second dependant variable, emphasis was placed on instructions that the maximum amount that could be hypothetically donated was \$10.

*Manipulation Checks.* Since the stimuli was changed from that used by Kogut and Ritov (2007) it was thought necessary to incorporate a manipulation check. The manipulation check was participants’ reaction to the statement “The person who needs help in the scenario is part of a different social circle.” Participants indicated their agreement with this statement using a seven-point semantic differential scale anchored by “Strongly disagree” and “Strongly agree”. Analysis indicated a significant difference between the two groups ( $t(96) = 3.13$ ,  $p$  (one-tailed) = 0.001) with participants in the group considering Russian victims indicating greater agreement ( $M = 5.12$ ) than participants in the group considering American victims ( $M = 4$ ).

## ***Results***

The data from two undergraduate participants were excluded as they did not provide responses to all the relevant questions, leaving data from 96 participants available for analysis. My hypothesis was that differences in social distance would moderate differences in the relative use of affect or cognition. In order to reveal any significant differences, the variation in social distance was contrast coded (1 for American tourists and -1 for Russian tourists). This contrast code was multiplied by the score on the measure of relative use of affect or cognition to yield the interaction term and three variables were used for regression ( $R^2 = 0.09$ ). The simple main effect of social distance did not have significant effects on the dependant variable of likelihood that the participant would have contributed. However there was a significant simple main effect of the measure of relative use of affect or cognition ( $t = -2.7$ ,  $p = .008$ , partial  $\eta^2 = 0.073$ ) on this dependant variable. Of most interest was the marginal significance of the interaction of the two ( $t = 1.77$ ,  $p = .08$ , partial  $\eta^2 = 0.033$ ) on the

dependant variable of likelihood of the participant donating. This indicated marginal support for the hypothesis of interaction – the increased reliance on affect as opposed to cognition appeared to be moderated by the effects of social distance.

## Essay 1 - Study 2

DV = Likelihood of Donation

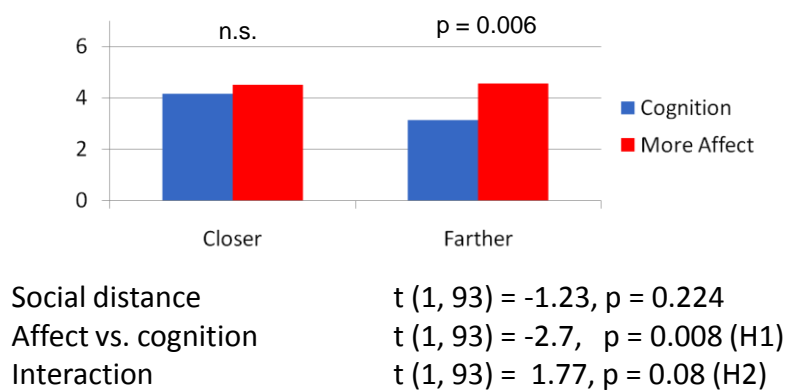


Figure 2 Interaction of Social Distance with Affect vs. Cognition for dependant variable of likelihood of donation in second experiment of first essay

The results indicate that it benefits recipients at greater social distance when participants lean towards affect more than cognition in making their decisions on donation; increasing the likelihood of their making a donation. When the social distance between the donation target and donor is decreased, the differences in likelihood between participants differing on the affect vs. cognition dimension are considerably attenuated. In order to reveal the exact nature of the interaction, regression analyses were employed as planned comparisons. Within the condition of lesser social distance (American beneficiaries) there was no effect when the likelihood of donation was regressed on the relative measure of use of affect vs. cognition.

However, there was an effect that was significant ( $t = -2.86$ ,  $p = 0.006$ ) in the condition of greater social distance (Russian beneficiaries).

The same procedure was followed for the second dependant variable of the hypothetical amount out of \$10 that the participant would have contributed. In the regression model ( $R^2 = 0.13$ ), the simple main effect of social distance was not significant but the measure of relative use of affect or cognition achieved significance ( $t = -2.17$ ,  $p = .032$ , partial  $\eta^2 = 0.048$ ). Of especial interest was the significance of the term capturing the interaction of the two ( $t = 2.22$ ,  $p = .03$ , partial  $\eta^2 = 0.05$ ). This indicated support for the hypothesis of interaction – the increased reliance on affect as opposed to cognition was moderated by the effects of social distance for intent to make a donation from the \$10 compensation.

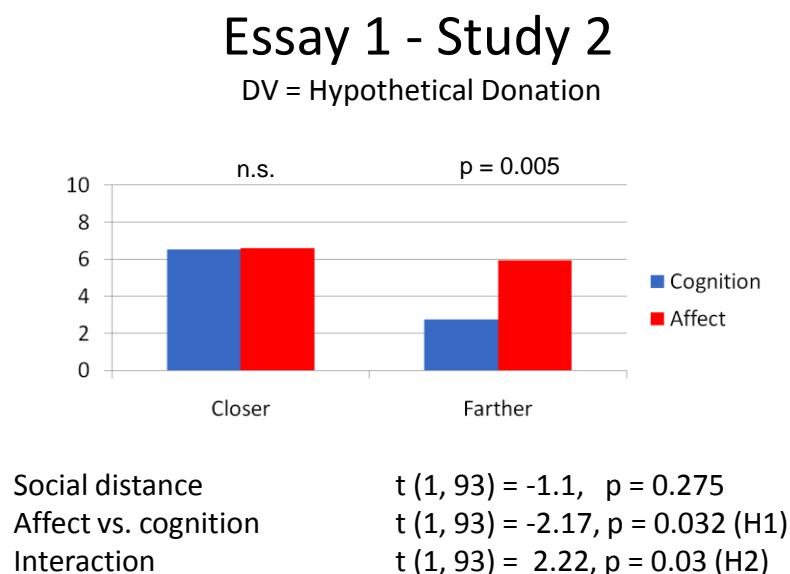


Figure 3 Interaction of Social Distance with Affect vs. Cognition for dependant variable of hypothetical donation in second experiment of first essay

The results indicate that when the donation target is farther off socially from the donor, those who demonstrate increased reliance on affect for making the decision to donate tend to

make higher donations. When the social distance between the donation target and donor is decreased, there appears to be a smaller difference in donation regardless of whether the donor is driven by affect or cognition. To check the genesis of the interaction, two regression analyses were run. In the condition of lesser social distance (American beneficiaries) there was no significant result of regressing the hypothetical donation out of \$10 on the relative measure of use of affect vs. cognition. However in the condition of greater social distance (Russian beneficiaries) the relative measure of the use of affect vs. cognition was significant ( $t = -2.95$ ,  $p = 0.005$ ) in predicting the hypothetical donation.

### ***Discussion***

The second study replicates the results of the first study indicating support for the hypothesis that there is a moderating effect of social distance on participants' use of predominantly affect or cognition in their processing of decisions as to how much to donate to recipients. However, in this study a significant effect of the interaction term was revealed in contrast to the marginal significance in the previous study. These effects were seen in the dependant variable of the hypothetical donation made from \$10 that participants imagined receiving as compensation for participation in the study. Further, I did not have to exclude the data from any participant due to their stated intention to contribute more than \$10. It can thus be ruled out that there was any effects of participants' differing wealth on their quanta of donation.

The marginal significance of the interaction term in the regression using the dependant variable of likelihood of donation indicates that the stimuli did not have as much verisimilitude as I would have liked. Unlike Kogut and Ritov (2007) who conducted their study (i) within days of the Indian Ocean tsunami, (ii) with one group of lost tourists who would have been seen as part of the Israeli students' in-group (Israeli tourists) and (iii) with

actual donations; my study asked students to consider a retrospective situation and imagine the opportunity to make a donation to help a group of tourists who while of the same nationality as the students, might have been seen as part of a different demographic. The next study attempts to neutralize the effects of these factors by asking student participants to consider making a real donation to help fellow students whose need was current. Further, it mimics the usual operationalization of donation wherein participants are endowed with a sum of money and then providing them with the opportunity to contribute a part or all of it while retaining the balance (if any) for themselves.

### Study 3

The third study was undertaken to buttress the argument for reliability of the effects found in the previous two studies. The scenario was designed to be more relevant, more timely and involve actual donations rather than intent to donate. The students in the large Marketing section at the public research university in the Southeast United States at which the research was conducted, receive ten points (on a 1,000 point scale) for participation in research. These are the extra course credit points which about half of the eligible students (in a section of 1,500 students) receive by virtue of their participation as subjects in experimental research. Participants were asked how many of the ten extra credit points they would be willing to donate to a fellow student who could not participate in the research due to illness or conflicting work schedule. As a manipulation of social distance, students were told either that the needy student was a marketing major or a nursing major. The notion that a marketing major would be socially distant from a student majoring in nursing seemed to have face validity, especially when compared to the diminished social distance that a student in an

introductory marketing class would have from a fellow student majoring in marketing. Participants could donate between zero and ten extra credit points to help the needy fellow student. After completing the questionnaire, participants were debriefed and reassured that they would receive their ten points regardless of whether they had chosen to donate or how many points they had chosen to donate. There was no effect of social pressure as participants had returned their questionnaires before debriefing. Further, there was no identifying information elicited in the questionnaire which could have precluded the donation of extra credit course points from the participants' allocation of ten such points. However at the time of completing the questionnaire, the participants would not have been sure that their identifying information could be taken as they handed in their completed questionnaires, with their donation of extra credit course points being noted along with the balance to be credited towards the calculation of their course grade.

*Participants.* A sample of 70 undergraduate students enrolled in the large Introductory Marketing class participated in the study. This class is required for all business majors and open to all majors. 47% of the sample was female and their average age was 21.74 years ( $SD = 3.61$ , range = 19 – 39). These demographic characteristics did not have any significant effect on the dependant variables and are not discussed further.

*Design and Procedure.* The sample participants were assigned at random to one of two cells, with the target of donation varying in social distance being the between-subjects factor (marketing major or nursing major). The procedure followed was identical to the second study. However, participants were debriefed after submitting their questionnaire to the effect that they would receive all of their ten extra course credit points regardless of their responses in the questionnaire. The procedure and associated instruments, including the debrief form were approved by a university-level Institutional Review Board.



## ***Measures***

*Relative Use of Affect vs. Cognition.* The predominant use of affect or cognition in arriving at an amount to donate was assessed using the same five-item scale as before (Shiv and Fedorikhin 2002). The scale asked participants what drives their final decisions on donations followed by five seven-point semantic differential scales. The reliability of these five items was assessed so as to enable the formation of a single measure. The resulting reliability coefficient was satisfactory ( $\alpha = 0.84$ ) which enabled the average of the five items ( $M = 3.85$ ,  $SD = 1.39$ ) to be calculated so as to form a single measure of the relative use of affect or cognition in arriving at the dependant variable. The first dependant variable was the answer to the question, “How likely is it that you would contribute some of your extra credit points?” with the response elicited on a seven-point scale anchored by Very Unlikely and Very Likely. The second dependant variable was the answer to the question “How would you feel about contributing ...” with the response elicited on a seven-point scale anchored by Very Negative and Very Positive. The third dependant variable was the numerical answer to the question, “How many of the TEN extra credit points do you give? Please divide your points to clearly indicate how many should go to the other student and how many for yourself. The total should equal TEN points.”

*Manipulation Checks.* Separate samples of students completed various measures assessing the closeness they felt to either a marketing student or a nursing student. Participants indicated their level of agreement on a seven-point scale anchored by Strongly Disagree and Strongly Agree. There were significant differences in participants’ responses ( $t(63) = 1.9$ ,  $p$  (one- tailed) = 0.03) to the statement “I would most probably like the same things as the student”, with responses to a student who is a marketing major ( $M = 4.25$ ) being higher than for a student who is a nursing major ( $M = 3.48$ ). A possible confound could have been that

participants felt that a nursing major would need more help than a marketing major to get through a class in Marketing. Participants' reaction to the statement "The student needs the extra credit points more than I do" did not reveal any significant differences between participants' responses for a marketing major vs. those for a nursing major.

### ***Results***

Seventy undergraduate participants provided responses to the question regarding likelihood of donation. The hypothesis was that social distance would moderate the effect of differences in the use of affect or cognition on the likelihood of donation. In order to reveal any significant differences, the variation in social distance was contrast coded (1 for marketing major and -1 for nursing major). This contrast code was multiplied by the score on the measure of relative use of affect or cognition to yield the interaction term. The dependant variable of likelihood that the participant would have contributed was regressed ( $R^2 = 0.09$ ) on the contrast code for social distance to yield a significant simple main effect ( $t = -2.128$ ,  $p = .037$ , partial  $\eta^2 = 0.064$ ). However, the simple main effect of the relative measure of the use of affect or cognition did not reach significance. As predicted the interaction of the two showed differences ( $t = 1.988$ ,  $p = .051$ , partial  $\eta^2 = 0.057$ ). This indicated marginal support

## Essay 1 - Study 3

DV = Likelihood of Donation

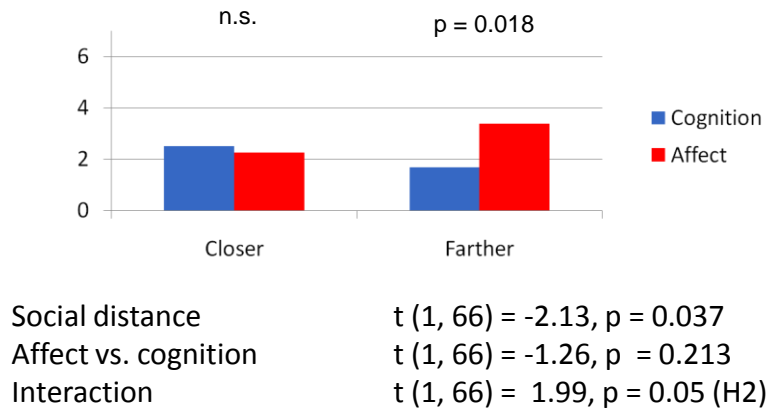


Figure 4 Interaction of Social Distance with Affect vs. Cognition for dependant variable of likelihood of donation in third experiment of first essay

for the hypothesis of interaction – social distance moderated increased reliance on affect as opposed to cognition.

The results indicate that when the donation target is farther off socially from the donor, participants indicating increased reliance on affect for making the decision to donate show greater likelihood of making a donation. When the social distance between the donation target and donor is decreased, the differences in likelihood are effectively neutralized with even a seeming reversal. Regression analysis was employed to reveal the nature of the interaction. In the first regression model, within the condition of closer social distance (marketing student) there was no significant effect of the relative use of affect or cognition on likelihood to donate. This was not the case in the condition of greater social distance (nursing student) where a significant effect ( $t = -2.48, p = 0.018$ ) of the relative use of affect vs. cognition was found on likelihood of donation.

The same procedure was followed for the second dependant variable of feelings about making a donation. To reveal the significance of social distance, the dependant variable was regressed ( $R^2 = 0.12$ ) on the contrast code for social distance ( $t = -2.607$ ,  $p = .011$ , partial  $\eta^2 = 0.093$ ). Further, there was no simple main effect of the relative measure of use of affect or cognition. As expected the interaction of the two reached significance ( $t = 2.159$ ,  $p = .034$ , partial  $\eta^2 = 0.066$ ). This indicated support for the hypothesis of interaction – the effect of increased reliance on affect as opposed to cognition by participants appeared to be moderated by the effects of social distance on the feelings about making a donation.

## Essay 1 - Study 3

DV = Feelings about Donation

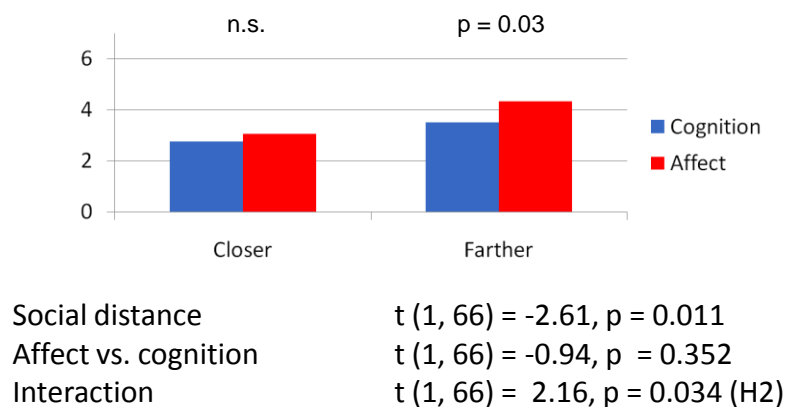


Figure 5 Interaction of Social Distance with Affect vs. Cognition for dependant variable of feelings about donation in third experiment of first essay

The results indicate that when the donation target is farther off socially from the donor, those gravitating more towards affect for making their donation decision to donate show more positive feelings about making the donation. When the social distance between the donation target and donor is decreased, this effect is nullified. Regression analyses were

conducted to establish the origin of the interaction. For the condition of lesser social distance (marketing student) the regression of feelings about donation on the relative use of affect or cognition was not significant. This was not the case in the condition of greater social distance (nursing student) where the regression analysis emerged as significant ( $t = -2.26$ ,  $p = 0.03$ ). What is interesting is the feeling about making a donation is less positive with decreasing social distance, regardless of whether the participant uses affect or cognition.

Finally, for the third dependant variable of how many points the participants would donate, a regression ( $R^2 = 0.19$ ) on the contrast code for social distance yielded the simple main effect ( $t = -2.459$ ,  $p = .017$ , partial  $\eta^2 = 0.084$ ). There was a significant simple main effect of the measure of the relative use of affect or cognition ( $t = -2.656$ ,  $p = .01$ , partial  $\eta^2 = 0.097$ ). Most crucially was the interaction of the two ( $t = 1.968$ ,  $p = .053$ , partial  $\eta^2 = 0.055$ ). The marginal significance of the interaction term indicates support for the hypothesis of

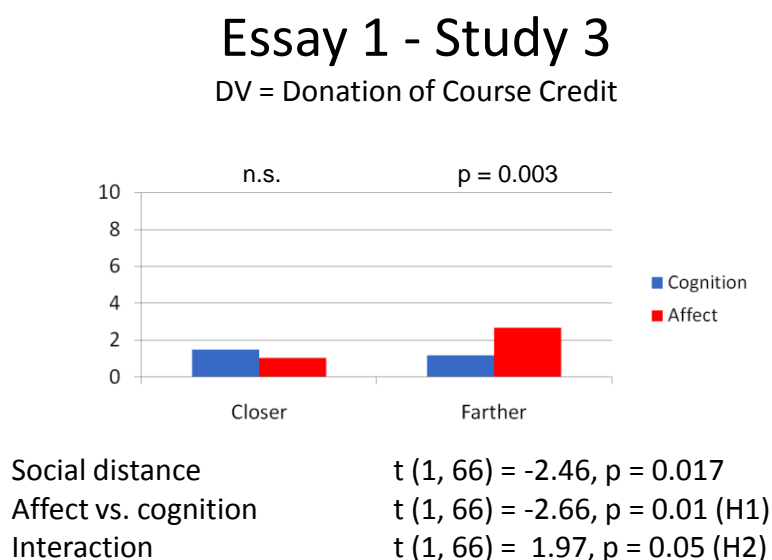


Figure 6 Interaction of Social Distance with Affect vs. Cognition for dependant variable of donation of course credit in third experiment of first essay

interaction – the effect of participants demonstrating greater reliance on affect as opposed to cognition appeared to be moderated by the effects of social distance.

The results indicate that when the donation target is farther off socially from the donor, those with a disposition to use their level of affect for making the decision to donate, exhibit higher donations of extra credit course points. When the social distance between the donation target and donor is decreased, this effect appears to be nullified. To reveal the actual nature of the interaction, regression analyses were run as before. Within the condition of lesser social distance (marketing student) the regression of the number of extra credit points donated on the relative use of affect vs. cognition was not significant. However, in the condition of greater social distance the effect was significant ( $t = -3.25$ ,  $p = 0.003$ ).

### ***Discussion***

The third study replicates the results of the first and second studies indicating support for the hypothesis that there is a moderating effect of social distance on participants' use of predominantly affect or cognition in their processing of decisions as to how much to donate to needy recipients. Further, it also reveals the same effects in the measures of likelihood of donation and feelings about donation. In this study, I turned to a different sort of donation – donating extra course credit points to a student who was prevented by illness or work schedule from getting the extra course credit points. I manipulated social distance by painting the victim as either a nursing major or marketing major. By doing so I removed any effects of students' existing resources. By their participation in the research in order to gain extra course credit participants indicated that they valued the points and would have been loath to give up such points. Participants indicated that they were willing to donate an average of 1.49 points with standard deviation of 1.81 points and a range from zero to seven points out of a possible ten points. It must be noted that students were unaware of the fact that there was no

actual donation of the extra course credit points until they were debriefed after the submission of their completed questionnaire.

### General Discussion

Across three studies I have shown that there is a moderation by social distance on the use of affect as opposed to cognition that leads to greater contributions (albeit hypothetical in the first two studies). This social distance is that which exists between donors and recipients. Some of the findings of marginal significance may be due to the hypothetical context as well as the differing worldviews of a student sample as compared to adult donors or the immediacy of the victims as used in the previous studies (Kogut and Ritov 2007; Winterich, Mittal and Ross 2009). My conjecture is supported by the significant effects of interaction that was got in the third study which involved seemingly actual and immediate donations to a fellow student of a resource that was of value to the undergraduate sample.

The theoretical implications of the findings in this essay relate to the use of affect as an input to decision making. I have examined the possibility that people may be more driven by affect, especially when they are motivated by considerations of “warm-glow” utility. From these theoretical implications flow input for managers, in that in order to induce greater donations it might be preferable that donors rely on their affect rather than their cognition especially when greater social distance is existent between donor and recipient.

### **CHAPTER 3**

## **THE EFFECT OF EMPATHY ON CHARITABLE DONATIONS AND THE MODERATING EFFECT OF PSYCHOLOGICAL DISTANCE**

“You know, there's a lot of talk in this country about the federal deficit. But I think we should talk more about our empathy deficit -- the ability to put ourselves in someone else's shoes; to see the world through the eyes of those who are different from us -- the child who's hungry, the steelworker who's been laid-off, the family who lost the entire life they built together when the storm came to town. When you think like this -- when you choose to broaden your ambit of concern and empathize with the plight of others, whether they are close friends or distant strangers -- it becomes harder not to act; harder not to help.”

- Barack Obama in his Commencement Address at Xavier University  
(2006)

The notion of psychological distance has most frequently been studied in its four manifestations of temporal, hypothetical, physical and social distance (Trope and Liberman 2010). The previous chapter documented the effects of social distance on the relative use of affect versus cognition. In this chapter, I examine the moderating role of the other three of these manifestations of psychological distance on empathy. While there are the four



manifestations of psychological distance that have been established, there may be other manifestations, especially related to consumer psychology as suggested by Fiedler (2007).

While the effects of psychological distance on charitable donations have not been explicitly examined, there is a great deal of work that can be subsumed under that head. Diverse studies point to the effects of variation in types of psychological distance to various targets, in a charitable donation context. For example, distance between the donor and the recipient, distance between the donor and an agent acting on behalf of the recipient (a fundraising organization) and distance between the donor and other donors. Peter Reingen (1982) was possibly the first to indicate the role of connectedness in charitable donations. He showed that if potential donors are shown a list of people who have already donated, they will increase their donation intentions and size of their donations, especially if the list is larger rather than smaller. Donors may also seek to enhance their status by following the lead of donors who are high in status (Kumru and Vesterlund 2010) or seek to signal their greater status by their acts of donation (Glazer and Konrad 1996). Fisher and Ackerman (1998) showed that participants were more likely to donate provided the group they belonged to was in need of their efforts. Pelozo and White (2006) examined the role of public versus private donation behavior, hypothesizing that this could lead to significant differences. Similarly, Grace and Griffin (2006) in their theoretical paper predict that donation will depend on interpersonal factors. Andreoni and Scholz (1998) showed that less social distance to other donors will result in greater charitable donations. Viewing these studies through the lens of psychological distance, it would suggest that with decreasing psychological distance to other donors, the quantum of donations would increase.

Naturally, psychological distance refers to perceived or the subjective experience of distance. As such, it is quite possible for a donor to feel that there is negligible distance

between himself and a recipient of his charity on the other side of the world as there is for a neighbor to feel the same about the person who lives next door. The most crucial aspect of psychological distance in a charity context must be that which exists between the donor and recipient. Small and Simonsohn (2007) found that a person showed greater sympathy and prosocial behavior towards the victim of a misfortune if the person knew someone else who had suffered a similar misfortune. They also showed that the degree of sympathy and prosocial behavior increased with the intensity of the relationship with a previously known victim of a similar misfortune. In this case, it would seem that less psychological distance between the donor and someone known to the donor, resulted in greater benefits to an unknown victim provided both the victim and person known to the donor had suffered the same misfortune. Similarly, Small and Loewenstein (2003) found that even a minimum degree of identifiability such as lessening the abstraction associated with helping “a” victim compared to helping “the” victim, increased prosocial behavior. In their manipulation they contrasted the effects of informing their participants that a family had been selected for receipt of their munificence compared to informing them that a family would be selected in the future. A family that has been selected could result in a perception that the donor knows them and therefore less psychological distance because it is possible to identify them. A family that has not been so selected will remain at a greater psychological distance because no identifying information is available for them. This effect is buttressed by the findings of Small, Loewenstein and Slovic (2007) that when people are shown a portrayal of a single victim they are more likely to donate regardless of the number of people affected and despite debiasing instructions aimed at getting people to adopt a mindset rooted in statistics. In one of their papers, Kogut and Ritov (2005) showed that the ability to individuate among victims was a persistent factor even when the number of victims was small compared to when the

number of victims was large. Rationality in the economic sense would decree that as the number of victims increased so would the contributions as donors perceived an increased need. In a later paper, the authors (Kogut and Ritov 2007) showed that identifiability was related to the perception of the recipient being part of the participant's in-group. This finding resonates with that of Kunstman and Plant (2008) who found that the speed and quality of help appeared to depend on the ethnicity of the donor and recipient. They found that as the need for help rose, white participants were slower in offering help and also decreased the quality of help offered to black victims – however, they did not find the same effect when the ethnicities of victim and donor were reversed. Finally, Grau and Folse (2007) found that portraying the donation as having effects that were local rather than at greater distance, was beneficial on attitudes and behavioral intentions.

These findings seem to suggest that any effect that lessens the psychological distance appears to enhance prosocial behavior by donors towards recipients. Different ways in which this effect is achieved include the lessening of thinking about victims in the abstract by providing individuating information or by participants being acquainted with a victim who has suffered the same misfortune or who is at a lesser social distance by virtue of having the same ethnicity. All of these effects result in the perception of decrease in psychological distance, whether it be of hypothetical distance by showing an individual rather than showing one among a number of victims or whether it be of social distance by portraying the victims as of the same ethnicity as participants or whether it be of physical distance by portraying the benefits as local rather than national. It is probable that similar effects would be seen with differences in temporal distance.

### Einfühlung - Close-up or Far Away

Yet, it would also be necessary to consider the effects of empathy which has reliably had an effect on charitable donations. Much work in the psychology literature has found that increased empathy is beneficial for prosocial behavior (Eisenberg and Miller 1987). Empathy is defined for the purposes of this dissertation as “Einfühlung”, a German word roughly translated as “to feel one’s way into”. In other words, “being cognitively aware of another person’s internal states and/ or putting oneself in the place of another and experiencing his or her feelings” (Bagozzi and Moore 1994, 58) or “one’s ability to experience and understand another person’s affective or psychological state” (Argo, Zhu and Dahl 2008, 615). However, it is important to distinguish sympathy from empathy (Wispé 1986; Escalas and Stern 2003; Loewenstein and Small 2007), as these terms have been sometimes used interchangeably and sometimes have been confused with each other. Sympathy may be thought of as “the heightened awareness of the suffering of another person as something to be alleviated” whereas empathy can be defined as “the attempt by one self-aware self to comprehend unjudgementally the positive and negative experiences of another self” (Wispé 1986, 318). To summarize Wispé (1986) states that “empathy is a way of knowing” and “sympathy is a way of relating”. Escalas and Stern (2003) looked at the effects on attitudes towards a dramatic advertisement and found that sympathy played a mediating role on the effects of advertisement type and this mediational role for sympathy was in turn mediated by empathy. They identified the definition of sympathy in consumer research as “a person’s awareness of the feelings of another but not absorption in the feelings themselves” whereas in the case of empathy it has been defined as “an emotional response that stems from another’s emotional state or condition and that is congruent with the other’s emotional state

or situation” (Escalas and Stern 2003, 567). Pointing to the important role of empathy, Basil, Ridgway and Basil (2008) found that the effect of a persuasive message on donation intentions was mediated by empathy which in turn was mediated by anticipatory guilt. Using a context of child-abuse, which tends to arouse negative emotions, Bagozzi and Moore (1994) found that empathy partially mediated a decision to help. It appears that empathy enhances the effects of persuasion in a charity context and predominantly is hypothesized at as acting as a moderator in studies that have examined the role of various contextual factors on prosocial behavior (Eisenberg and Miller 1987; Graziano et al 2007).

**H1:** Greater dispositional empathy would be associated with higher propensity to donate.

While the beneficial effects of empathy on charitable donations are well documented, the exact motivations are somewhat nebulous. A group of social psychologists led by Batson have advocated for the empathy-altruism hypothesis that predicts prosocial behavior has an ultimate goal of increasing another’s welfare (Batson et al 1983). The most commonly used mode of establishing that persons high in empathy exhibit prosocial behavior regardless of the situation is that of providing experimental participants with an easy escape from the situation that exposes them to a recipient (Stocks, Lishner and Decker 2009). The theorists in this tradition believe that prosocial behavior including charitable donation resulting from empathy is a result of the awakening of altruistic motivation which has as its ultimate goal the increase of another’s welfare. In contrast, another group of social psychologists of which Cialdini may be the leading proponent, believe that self-interest motivates prosocial behavior (Cialdini et al 1987). In this altruism as hedonism approach, it is posited that people exhibit prosocial behavior in order for selfish gain such as reducing the negative affect that results

from realization of another's need (Dovidio 1991). It can be appreciated that to untangle true altruism that is concerned only with the welfare of another and has no selfish benefit, from prosocial behavior that has a benefit for the donor, is a problem that has proved to be intractable. Any form of prosocial behavior may confer some sort of benefit to the donor. This includes assuaging negative effect that empathizing with a person in need may have as empathy is experiencing what the other experiences (Batson et al 1983; Cialdini et al 1987; Batson, Fultz and Schoenrade 1987). It may also confer the benefit of bolstering self-esteem when mortality is salient (Jonas et al 2002; Hirschberger, Ein-Dor and Almakias 2008). Research that has the objective of finding support for the empathy-altruism hypothesis has been on demonstrating the lack of effects that can be predicted from the self-interest approach. Proponents of the theory that pure altruism motivates some donors to give their resources purely for the benefit of a recipient and not that of themselves, cannot directly demonstrate the effect of altruism. Any form of prosocial behavior including charitable donations, can be construed as conferring some benefit to the donor regardless of the benefit to the recipient. Hence, research in this area has taken the form of theorists suggesting possible benefits that someone could accrue through prosocial behavior and sometimes demonstrating initial support for this. This is followed by advocates of the pure altruism motivation conducting research meant to rule out those benefits with the default then being that pure altruism exists. For example, Batson et al (1997) attempted to demonstrate that empathy-induced helping was not due to a more expansive definition of the self by donors so as to include recipients. Similarly, in reaction to the notion that people act in a prosocial manner to gain or avoid, rewards or punishments specific to the empathy construct, Batson et al (1988) conducted experiments which resulted in patterns of results that were more in tune with the empathy-altruism account than the empathy-specific reward and the empathy-

specific punishment hypotheses. Another hypothesis examined by Batson et al (1991) was the empathic joy explanation for why people would behavior in a prosocial manner. The essence of the empathic joy hypothesis is that donors are able to enjoy what the recipient feels in a vicarious manner. To sum up, various alternate accounts of the goals that people pursue through prosocial behavior other than pure altruism have been shown to be deficient through experiments that test an aspect of the account and show that the pure altruism account fits the pattern of results better than the alternate.

Many people believe in a “just world” and prosocial behavior may help in restoring their belief when confronted with the injustice of distribution of resources. People who believe in a “just world” take the view that they live in a world in which they can get what they deserve and deserve what they get (Lerner 1971). Zuckerman (1975) conducted experiments that indicated participants were ready to commit themselves to participate in an experiment or help a blind student who was enrolled in the same course they were taking, provided that they were high on belief in a “just world” and their exams were soon. The rationale being that participants who scored high on belief in a “just world” would also believe that by helping someone, they would in turn be helped on their exams. Further, Hafer (2000) found that participants when exposed to a situation featuring an “innocent” victim tended to attempt to maintain their belief in a “just world” by derogating the victim or somehow attributing the circumstances that the victim found herself in to actions by the victim. Derogation of a victim in distress has been demonstrated (Mills and Egger 1972). This includes some of the literature related to Terror Management Theory (Hirschberger 2006) as well as studies relating hostile sexism to derogation of a victim of acquaintance rape (Abrams et al 2003).

Harking back to the definition of empathy as a person’s ability to feel the feelings of another, it would appear that such a process would be enhanced if the other was at a lesser

psychological distance to the donor. Such lessening of psychological distance would lend itself to less effort at achieving “Einfühlung”. Under such circumstances, those who are high in dispositional empathy may attempt to bolster their belief in a “just world” by attempting to mitigate the negative effects on the recipient. In contrast, those who are lower on dispositional empathy may attempt to derogate a victim who is at lesser psychological distance from them. In view of this prediction, it is proposed to treat empathy as a dispositional rather than a manipulated construct for the empirical studies.

Empathy must be treated with some caution since it is a dispositional variable as well as a variable amenable to manipulation – one which demonstrates the effects of manipulation of a stimulus. Empathy has been treated as a dispositional variable and measured (Argo, Zhu and Dahl 2008). In that paper the first two studies used gender as a proxy for empathy on the grounds that females tend to be more empathetic than males. In their third study, the authors measured empathy and dichotomized it using a median-split procedure yielding “high empathizers” and “low empathizers”, which were females and males respectively in their previous studies.

It is well-known in psychology that some people empathize more than others and in consumer research that has measured the construct of empathy, it has been treated as being in response to a stimulus (Bagozzi and Moore 1994; Escalas and Stern 2003; Basil, Ridgway and Basil 2008). Since, there are differences in the values of the construct when it was measured in response to a single stimulus, it seems likely that participants differed in their capacity for empathy. In order to examine the role that empathy plays in the presence of being able to escape a situation that indicates need, Stocks, Lishner and Decker (2009) manipulated empathy. They found that even when the option of escape existed, higher rates of helping were brought on by greater empathic arousal. To sum up, empathy can be a



dispositional variable as well as a manipulated variable. In the empirical section of this essay it is operationalized as a dispositional variable that must be measured.

**H2:** The beneficial effect of greater empathy will be exacerbated when the donor and recipient are separated by lesser psychological distance (physical, temporal and hypothetical) and attenuated when there is greater psychological distance. An interaction will exist between dispositional empathy and psychological distance.

In the next empirical section support is found for the hypotheses in three studies. In these studies, three dimensions of psychological distance, viz. temporal, physical and hypothetical are manipulated and dispositional empathy is measured.

### Study 1

The first study was undertaken to find the moderating effect of temporal distance on dispositional empathy in the context of charitable donations. The scenario was designed to involve actual donations rather than intent to donate. Potential participants were students enrolled in the large Marketing section on the main campus at a major public university in the United States. Students enrolled in this class are eligible to receive ten points (which is added to a possible 1,000 points which decides their grade) for participation in research. About half of the students in the class (total enrolment of 1,500 students) choose to participate in research and receive ten points by virtue of their participation as subjects in experimental research. In this study, participants were asked how many of the ten extra credit points that they were earning, would they be willing to donate to a fellow student who could not

participate in the exercise due to illness or a conflicting work schedule. To manipulate temporal distance, students were told that the extra credit points would be donated to the needy student either at the end of the next week or at the end of the semester. It should be noted that this study was conducted in the first half of the semester. Participants were asked if they would like to donate between zero and ten extra credit points to help the needy fellow student. Participants were debriefed on the purpose of the research after completing and submitting their questionnaires, in the process receiving reassurance that they would receive their ten points regardless of whether they had chosen to donate or how many points they had chosen to donate. It does not seem likely that there was any social pressure to donate on the participants as they completed the questionnaire in private and submitted it before being debriefed. Further, there was no identifying information elicited in the questionnaire. It must be noted that at the time of completing the questionnaire, the participants would imagine that their identity would be revealed as they handed in their completed questionnaires, with their donation of extra credit course points being noted along with the balance to be credited towards the calculation of their course grade.

*Participants.* A sample of 68 undergraduate students enrolled in the large Introductory Marketing class participated in the study. This class is required for all business majors and open to all majors. 51% of the sample was female and their average age was 21.13 years ( $SD = 4.13$ , range = 18 – 44). While there was no significant effect of age on the dependant variables, there were significant effects of gender with females showing differences from males. Previous research has hinted at females being possessed of a disposition that makes them more prone to empathize than males (Argo, Zhu and Dahl, 2008). In terms of the dependant variable measuring likelihood to donate which was measured on a seven-point scale, females showed greater likelihood than males ( $t = -2.51$ ,  $p = 0.015$ ). The mean for

females was greater than that for males ( $M = 2.89$  vs.  $M = 1.88$ ) with greater values indicating higher likelihood of donating. Similarly the number of points actually donated showed that females donated marginally ( $t = -1.71$ ,  $p = 0.09$ ) more than males ( $M = 1.89$  vs.  $M = 1.15$ ). However, these demographic variables did not play a significant role in the regression analyses hereunder described.

*Design and Procedure.* The sample participants were assigned at random to one of two cells, with the target of donation varying in temporal distance being the between-subjects factor (donation of points within a week or at the end of the semester). The procedure followed was that participants registered their attendance and then picked up a set of questionnaires. They completed these questionnaires in private at their own pace. As they submitted the completed questionnaires, participants were debriefed by assuring them that they would receive all of their ten extra course credit points regardless of their responses in the completed questionnaire. The procedure and associated instruments, including the debrief form were approved by a university-level Institutional Review Board.

### ***Measures***

*Scale Measuring Dispositional Empathy.* Participants completed a seven-item scale which measured their disposition for “empathic concern” (Davis 1980, 85). The instructions at the top of the scale asked participants to indicate the extent to which they agreed or disagreed with each item. This was followed by seven semantic differential scales, each anchored at its left extreme by “Strongly Disagree” and at the right extreme by “Strongly Agree.” Separating the two extremes were seven scale points. Three of the items were reverse coded scales. The reliability of these seven items was assessed so as to enable the formation of a single measure. The resulting reliability coefficient was satisfactory ( $\alpha = 0.77$ ) which enabled the average of the five items ( $M = 5.31$ ,  $SD = 0.91$ ) to be calculated so as to form a single

measure of the dispositional empathy of the participant. The dependant variable was the answer to the question, “How likely is it that you would contribute some of your extra credit points?” with the response elicited on a seven-point scale anchored by Very Unlikely and Very Likely.

*Manipulation Checks.* The manipulation check employed to establish the efficacy of the temporal distance manipulation was participants’ reaction to the statement “The student who needs help in the scenario will NOT get it very soon.” Participants indicated their agreement with this statement using a seven-point semantic differential scale anchored by “Strongly disagree” and “Strongly agree”. Analysis indicated a significant difference between the two groups ( $t(67) = -1.71$ ,  $p(\text{one-tailed}) = 0.046$ ) with participants in the group considering a donation at the end of the semester indicating greater agreement ( $M = 4.94$ ) than participants in the group considering a donation within a week ( $M = 4.24$ ).

## ***Results***

Sixty eight undergraduate participants provided responses to the question regarding likelihood of donation. The hypothesis was that temporal distance would moderate the effect of differences in participants’ dispositional empathy on the likelihood of donation. In order to reveal any significant differences, the variation in temporal distance was contrast coded (1 for donation taking effect within a week and -1 for donation taking effect at the end of the semester). This contrast code was multiplied by the score on the collapsed measure of empathic concern to yield the interaction term. The dependant variable of likelihood that the participant would have contributed was regressed ( $R^2 = 0.15$ ) on the contrast code for temporal distance, the measure of dispositional empathy and the interaction of the two. There was a significant effect of the collapsed measure of empathy on the dependant variable ( $t = 2.14$ ,  $p = .04$ , partial  $\eta^2 = 0.066$ ). This provided support for the first hypothesis. As predicted

the interaction of the two showed marginal significance ( $t = 1.78$ ,  $p = .08$ , partial  $\eta^2 = 0.046$ ).

This indicated marginal support for the hypothesis of interaction – temporal distance

moderated the effect of dispositional empathy on likelihood of donation.

## Essay 2 – Study 1

DV = Likelihood of Donation

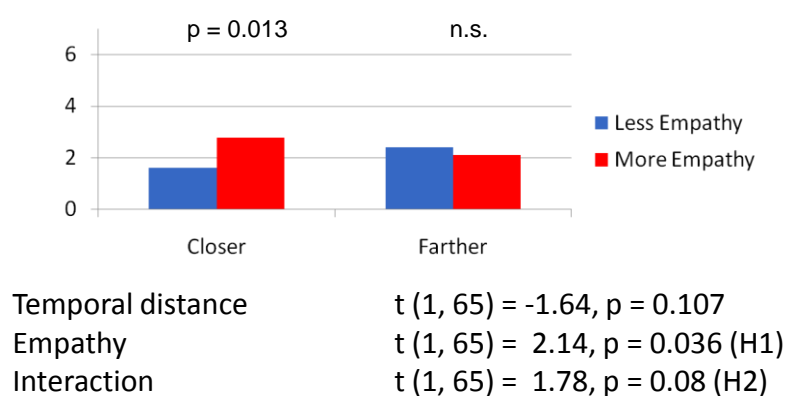


Figure 7 Interaction of Temporal Distance with Empathy for dependant variable of likelihood of donation of course credit in first experiment of second essay

The results indicate that when the donation target is closer in a temporal sense to the donor, increased dispositional empathic concern increases the likelihood of making a donation. When the temporal distance between the donation target and donor is increased, the differences in likelihood are effectively neutralized. In order to reveal the effect in detail two regression analyses were run as planned comparisons. When the variable indicating likelihood of donation was regressed on the measure of empathy only for the participants considering making a donation which was temporally closer, the effect was significant ( $t =$

2.64,  $p = 0.01$ ). However, the same analysis did not attain significance for participants considering making a donation which was temporally farther away.

### ***Discussion***

The first study in this chapter indicates support for the hypotheses that there is a simple main effect of dispositional empathy and a moderating effect of temporal distance on participants' dispositional empathy which they use in their processing of decisions as to how much to donate to needy recipients. A different sort of donation was used in this study – donating extra course credit points to a student who was prevented by illness or work schedule from getting the extra course credit points by participating in the study. I manipulated temporal distance by stating that the donation would take effect after a week or at the end of the semester. There may have been a reluctance or alternatively a readiness to donate points based on the student participants' current accumulation of points that counted towards their grade. However, there is no reason to assume that the hypothesized at between-subject effects would be related to this. In addition, by their participation in the research in order to gain extra course credit, student participants indicated that they valued the points and would have been loath to give up such points.

### **Study 2**

The second study was undertaken to find the moderating effect of physical distance on dispositional empathy in the context of charitable donations. The scenario was designed to involve actual donations rather than intent to donate. Potential participants were the students enrolled in the large Principles of Marketing section on the main campus at a major public university in the United States. Students enrolled in this class are eligible to receive ten points

(to be added to a possible 1,000 points they may accrue through exams and other assessments) for participation in research. It has been observed that about half the class (with a total enrolment of 1,500 students) volunteers to participate in research and receive ten points as a result of their participation as subjects in experimental research. As in the previous study, participants were asked how many of the ten extra credit points that they were expecting, would they be willing to donate to a fellow student who could not participate in the research due to illness or a conflicting work schedule. To manipulate physical distance, students were told that the needy student was either enrolled on the main Orlando campus as all of them were or was enrolled at the Ocala branch campus. Students at the branch campuses are enrolled in the same course but in a different section. They view the same video stream of the class as those main campus students who choose to watch the class at home on their computers or cell phones. Both sets of students may attend the live class subject to seating being available. However, students enrolled in the branch campuses take their exams at their campuses and earn their extra credit points through a different mechanism than the main campus students. Participants were asked if they would like to donate between zero and ten extra credit points to help the needy fellow student. Participants were debriefed after completing and submitting their questionnaires, in the process reassuring them that they would receive their ten points regardless of whether they had chosen to donate or how many points they had chosen to donate. It does not seem likely that there was any social pressure to donate on the participants as they completed the questionnaire in seclusion and their debriefing took place after they had submitted their completed questionnaire. Further, there was no identifying information elicited in the questionnaire. It must be noted that at the time of completing the questionnaire, the participants would imagine that as they handed in their

completed questionnaires, their donation of extra credit course points would be noted along with the balance to be credited towards the calculation of their course grade.

*Participants.* A sample of 70 undergraduate students enrolled in the large Introductory Marketing class participated in the study. 44% of the sample was female and their average age was 21.16 years ( $SD = 3.75$ , range = 19 – 42). These demographic variables had no significant effect on the dependant variables and are not addressed in further analysis.

*Design and Procedure.* The sample participants were assigned at random to one of two cells, with the target of donation varying in physical distance being the between-subjects factor (recipient of donated points being a student at Ocala or Orlando). All participants first registered their attendance to earn their ten extra credit points and then picked up a set of questionnaires. They completed these questionnaires in private at their own pace. Once they submitted the completed questionnaires, participants were assured that they would receive all of their ten extra course credit points regardless of their responses in the questionnaire. This assurance was provided in a debrief form which participants were handed to read. The procedure and associated instruments, including the debrief form were approved by a university-level Institutional Review Board.

### ***Measures***

*Scale Measuring Dispositional Empathy.* Participants completed a seven-item scale which measured their disposition for “empathic concern” (Davis 1980, 85). Participants read instructions at the top of the scale asking them to indicate the extent to which they agreed or disagreed with each item. Underneath these instructions were seven semantic differential scales, each anchored at its left end by “Strongly Disagree” and at the right end by “Strongly Agree.” Between these two ends were seven scale points. Three of the scales were reverse coded. The reliability of these seven items was assessed so as to enable the formation of a



single measure. The resulting reliability coefficient was satisfactory ( $\alpha = 0.83$ ) which enabled the average of the five items ( $M = 5.36$ ,  $SD = 0.97$ ) to be calculated so as to form a single measure of the dispositional empathy of the participant. The dependant variable was the numerical answer to the question, “How many of the TEN extra credit points do you give? Please divide your points to clearly indicate how many should go to the other student and how many for yourself. The total should equal TEN points.”

*Manipulation Checks.* The manipulation check employed to establish the efficacy of the physical distance manipulation was participants’ reaction to the statement “The student who needs help in the scenario seems to be far away.” Participants indicated their agreement with this statement using a seven-point semantic differential scale anchored by “Strongly disagree” and “Strongly agree”. Analysis indicated a significant difference between the two groups ( $t(68) = -1.73$ ,  $p(\text{one-tailed}) = 0.045$ ) with participants in the group considering a donation to a student in Ocala indicating greater agreement ( $M = 5.29$ ) than participants in the group considering a donation to a student on the Orlando campus ( $M = 4.6$ ).

## ***Results***

Seventy undergraduate participants provided responses to the questionnaire. The hypothesis was that physical distance would moderate the effect of differences in participants’ dispositional empathy on the number of points donated. The difference in physical distance was contrast coded (1 for donation to a student in the Orlando section and -1 for donation to a student in the Ocala section). This contrast code was multiplied by the score on the collapsed measure of empathic concern to yield the interaction term. The dependant variable of number of points was regressed on the contrast code for temporal distance, the collapsed measure of dispositional empathy and the interaction of the two.

The results for the dependant variable of actual donation in the shape of number of extra credit course points given up for a fellow student yielded support for both hypotheses. A regression model ( $R^2 = 0.17$ ) was estimated with the independent variables of the contrast code for physical distance, the measure of dispositional empathy and the interaction of the two. The dependant variable was the number of extra credit points donated. There was a significant effect of the variable that was contrast-coded to indicate physical distance ( $t = -2.25$ ,  $p = 0.03$ , partial  $\eta^2 = 0.071$ ) and a significant effect for the variable that indicated participants' level of dispositional empathy ( $t = 2.2$ ,  $p = 0.03$ , partial  $\eta^2 = 0.068$ ). It appeared that those with higher scores on the collapsed measure of empathic concern donated more of their extra course credit points to a fellow student. This indicated support for the first hypothesis that higher levels of dispositional empathy increases charitable donation. For the test of the hypothesis predicting an interaction, there was a significant effect of the variable

## Essay 2 - Study 2

DV = Donation of Course Credit

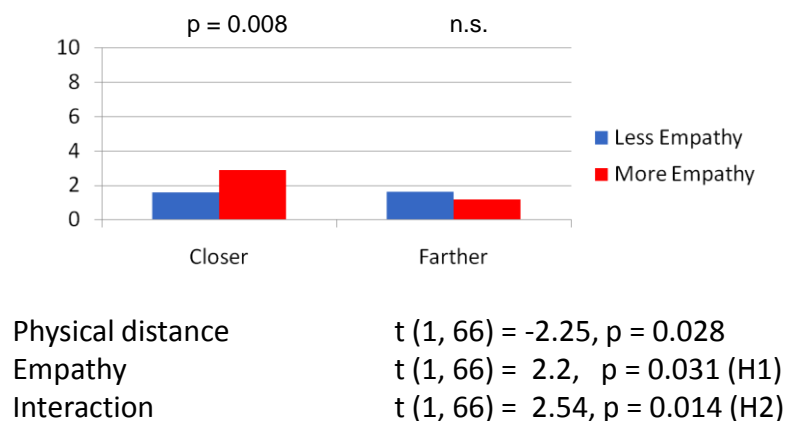


Figure 8 Interaction of Physical Distance with Empathy for dependant variable of donation of course credit in second experiment of second essay

capturing the interaction between physical distance and dispositional empathy ( $t = 2.54$ ,  $p = 0.01$ , partial  $\eta^2 = 0.089$ ). Support for the second hypothesis was revealed.

To reveal the precise nature of the interaction, each level of physical distance was blocked and the relation of the measure of dispositional empathy to actual number of points donated was examined. When the distance was greater, there was no significant effect of empathic concern on the amount of extra credit points donated. However, when the distance was lessened there was a significant effect ( $t = 2.82$ ,  $p = 0.008$ ) with participants donating more to help a student who was physically closer to them as their dispositional empathy increased.

The results indicates that when the physical distance between donor and recipient is lessened, a higher degree of dispositional empathy measured as empathic concern makes the donor increase the actual donation. This effect is not seen with greater physical distance between donor and recipient.

### ***Discussion***

The second study in this chapter indicates support for the hypothesis that there is a moderating effect of physical distance on participants' dispositional empathy which they employ when processing a decision as to how much to donate to needy recipients. Previous research has established the importance of dispositional empathy in increasing donations. The study also reveals that higher levels of dispositional empathy in the form of empathic concern results in increase in the quanta of actual donation. As done in the previous study, a different sort of donation was used in this study – donating extra course credit points to a student who was prevented by illness or work schedule from getting the extra course credit points by participating in the study. I manipulated physical distance by stating that the donation was to a student who was enrolled in the Orlando section or enrolled in the Ocala section. All participants were enrolled in the Orlando section. Students in the Ocala section went through

a different exercise to gain their extra credit points. As noted previously, there may have been a lesser or greater propensity to donate points based on the student participants' current accumulation of points that counted towards their grade. However, it cannot be assumed that the hypothesized at between-subject effects would be related to this. By their participation in the research in order to gain extra course credit, student participants indicated that they valued the points and would have been loath to give up such points.

### Study 3

The third study was undertaken to find the moderating effect of hypothetical distance on dispositional empathy in the context of charitable donations. As before the scenario was designed to involve actual donations rather than hypothetical donations. The participants were volunteers from a large class of students taking Principles of Marketing on the main campus at a major public university in the United States. Students enrolled in this class are graded on a 1,000 point scale through exams and assignments. They may add ten points to their total of points by participation in research. About half of the students in the class (total enrolment of 1,500 students) choose to participate in research and receive the ten points as a result of their participation as subjects in experimental research. In this study, participants were asked how many of the ten extra credit points that they were earning, would they be willing to donate to a fellow student who could not participate in the research due to illness or a conflicting work schedule. To manipulate hypothetical distance, students were told that the needy student had already been chosen or would be chosen. A similar manipulation has been used successfully in previous studies on charitable donations (Small and Loewenstein 2003). Students would assume that the probability that a needy student would get their donation of

extra credit points would be greater if the student had already been chosen as opposed to would be chosen. Participants were asked if they would like to donate between zero and ten extra credit points to help the needy fellow student. After completing and submitting their questionnaires participants were debriefed, reassuring them that they would receive their full ten points even if they had chosen to donate and regardless of how many points they had chosen to donate. It does not seem likely that participants experienced any social pressure to donate as they completed the questionnaire in seclusion and were debriefed after they submitted their completed questionnaires. Within the questionnaire itself, no identifying information was elicited. The procedure was designed so that while they were completing the questionnaire, participants imagined that their identity would be revealed as they handed in their completed questionnaires and their donation of extra credit course points would be noted along with the balance to be credited towards the calculation of their course grade.

*Participants.* Sixty nine undergraduate students enrolled in the large Introductory Marketing class participated in the study. 52% of the sample was female and their average age was 21.83 years ( $SD = 3.61$ , range = 18 – 36). There was no significant effect of demographic variables on the dependant variables.

*Design and Procedure.* The sample participants were assigned at random to one of two cells, with the target of donation varying in hypothetical distance being the between-subjects factor (recipient of donation already identified or to be identified). The procedure followed was that participants registered their attendance and then picked up a set of questionnaires. They completed these questionnaires in private at their own pace. As they submitted the completed questionnaires, participants were debriefed by assuring them that they would receive all of their ten extra course credit points regardless of their responses in the

questionnaire. The procedure and associated instruments, including the debrief form were approved by a university-level Institutional Review Board.

### ***Measures***

*Scale Measuring Dispositional Empathy.* In order to measure participants' dispositional empathy a seven-item scale was used which measured their disposition for "empathic concern" (Davis 1980, 85). Participants first read the instructions at the top of the page asking them to indicate the extent to which they agreed or disagreed with each of the items. This was followed by seven semantic differential scales, each anchored by "Strongly Disagree" at the left and at the right by "Strongly Agree." Separating the two anchors were seven scale points. Three of the items were reverse coded scales. The reliability of these seven items was assessed so as to enable the formation of a single measure. The resulting reliability coefficient was satisfactory ( $\alpha = 0.75$ ) which enabled the average of the five items ( $M = 5.26$ ,  $SD = 0.9$ ) to be calculated so as to form a single measure of the dispositional empathy of the participant. The dependant variable was the numerical answer to the question, "How many of the TEN extra credit points do you give? Please divide your points to clearly indicate how many should go to the other student and how many for yourself. The total should equal TEN points."

*Manipulation Checks.* The manipulation check employed to establish the efficacy of the hypothetical distance manipulation was participants' response to the statement "When I was reading the scenario I would describe my thoughts on whether to donate as:". Participants indicated their response to this statement using a seven-point semantic differential scale anchored by "General" and "Specific". Analysis indicated a significant difference between the two groups ( $t(66) = 2.02$ ,  $p(\text{one-tailed}) = 0.024$ ) with participants in the group considering a donation to a student who will be chosen indicating more general thoughts ( $M$

= 4.23) than participants in the group considering a donation to a student who has been chosen ( $M = 5.12$ ).

### ***Results***

Sixty eight undergraduate participants provided responses to the question regarding donation of extra credit to test the hypothesis that hypothetical distance would moderate the effect of differences in participants' dispositional empathy on donation. The variable indicating the level of hypothetical distance was contrast coded (1 for donation to an identified recipient and -1 for a to-be-identified recipient). This contrast code was multiplied by the score on the collapsed measure of empathic concern to yield the interaction term.

A regression model was estimated with the contrast code indicating hypothetical distance, the measure of dispositional empathy and the interaction of the last two. The dependant variable was the number of points donated. The hypothesized at effects did manifest themselves in the regression ( $R^2 = 0.24$ ) as detailed below. The contrast code indicating hypothetical distance (recipient chosen vs. recipient to be chosen) was marginally significant ( $t = -1.82$ ,  $p = 0.074$ , partial  $\eta^2 = 0.048$ ). The measure of empathic concern used to indicate dispositional empathy was significant ( $t = 3.13$ ,  $p = 0.003$ , partial  $\eta^2 = 0.131$ ). As before, this provided the first hypothesis with empirical backing. As predicted by the hypothesis, the interaction of hypothetical distance and dispositional empathy was significant ( $t = 2.22$ ,  $p = 0.03$ , partial  $\eta^2 = 0.07$ ).

## Essay 2 - Study 3

DV = Donation of Course Credit

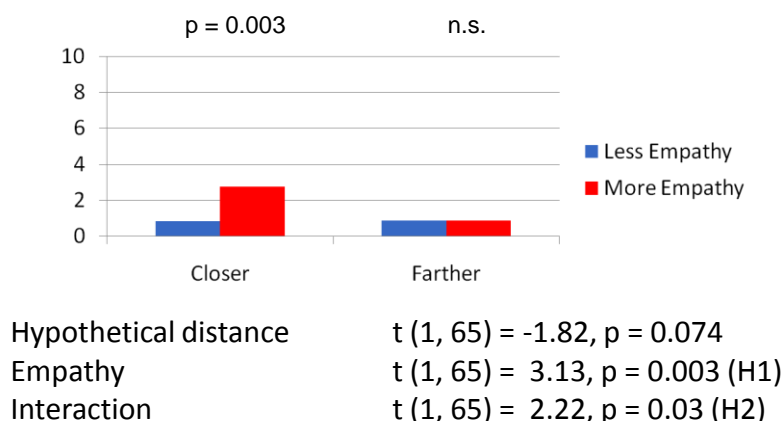


Figure 9 Interaction of Hypothetical Distance with Empathy for dependant variable of donation of course credit in third experiment of second essay

As before, separate regression analyses were run within each of the conditions of hypothetical distance. When the amount of donation of extra credit points was regressed on dispositional empathy in the condition of closer hypothetical distance; the recipient having already been chosen, a significant effect was revealed ( $t = 3.27, p = 0.003$ ). This was not manifested in the condition of greater hypothetical distance or the recipient to be chosen.

### *Discussion*

Support for the hypotheses is found in this study that there is a simple main effect of dispositional empathy and a moderating effect of hypothetical distance on participants' dispositional empathy which they use in their processing of decisions as to how much to donate to needy recipients. A different sort of donation was used in this study – donating extra course credit points to a student who was prevented by illness or work schedule from getting the extra course credit points by participating in the study. I manipulated hypothetical



distance by stating that the donation would go to a student who had already been chosen to receive it or would be chosen to receive it. Participants may have been more or less willing to donate points based on their current accumulation of points that count towards their grade. However, there is no reason to assume that the hypothesized at between-subject effects would be related to this. In addition, by their participation in the research in order to gain extra course credit, student participants indicated that they valued the points and would have been loath to give up such points.

### General Discussion

In three studies I have demonstrated that empathy which is usually considered to increase prosocial behavior as it increases, in fact depends on the level of psychological distance separating donor and recipient. In three studies, each addressing a different type of psychological distance – temporal, physical and hypothetical, I have shown that dispositional empathy is a factor when the psychological distance is lesser rather than greater. I have done so using what seems to be a donation of time – the extra credit points that a student receives for participating in research. This may be of concern as there is no research that indicates a mapping of extra credit points to monetary donations. It can be safely assumed that such a transformation will be of a monotonic nature. Another area of concern could be that empathy was treated as a dispositional variable and measured rather than manipulated. I believe that such treatment enhances the external validity of this research. However, it would add to the contribution of this research if empathy were manipulated in further experiments and yielded the same effects.

## **CHAPTER 4**

### **CONCLUSION**

“With malice toward none, with charity for all,  
with firmness in the right as God gives us to see the right, let us finish the work; we are in.”

- Abraham Lincoln (1865)

In two essays I have revealed the effects of psychological distance on charitable donations. In the first essay, I showed that decisions on charitable donations based on affect are beneficial for recipients at greater social distance to the donor. In the second essay, I have added to the findings of beneficial effects of empathy on charitable donations by showing that this differs depending on whether the donor and recipient are separated by lesser psychological distance.

The result of the research in my first essay gives credence to my argument that Andreoni's (1989, 1990) concept of impure altruism is echoed in the distinction between consummatory and instrumental motives (Holbrook and Hirschman 1982; Pham 1998). Specifically, when a donor is driven by “warm glow” utility and regards the act of donating as crucial as opposed to the victim who will benefit, the donor may be driven by consummatory motives that have a greater role for affect. As opposed to this, when a donor is driven by instrumental motives

and regards the optimum provision of a public good that she partakes of as most important, affect will play a lesser role as compared to cognition.

I was somewhat surprised to find that participants on occasion donated more on average to socially distant victims than those that were closer to them. In his latest book *Predictably Irrational* (2010) Dan Ariely speaks of the distinction between the social world and the economic world. It may be that charitable donations are considered to have more to do with the social world and hence donating to a victim that was closer to them in a social sense may have led to the feeling that they would derive a benefit from their donation. In this case, they may not have wanted to derive utility from their donation leading to increased donations for socially distant victims. This may have been especially true for the increased donations of extra credit course points to nursing majors as opposed to marketing majors – nursing majors are socially very distant from marketing majors. Similarly, the “time-ask” effect documented by Liu and Aaker (2008) results in greater donations of money in case such requests for monetary donations were preceded by a request for a donation of the participant’s time. Liu and Aaker suggest that asking a person to donate time may be a more personal and involving expenditure than money, thus increasing the subsequent donation of money. Perhaps the participants regarded the donation of extra credit points in the light of a donation of time. Student participants who were asked if they regarded the donation of extra credit points as being more equivalent to a donation of time or of money, were more inclined to regard it as the former rather than the latter. Since students pay fees to take a course, they could believe it to be similar to donating money. However, the mean when contrasted with the mid-point of the scale anchored at its ends by time and money respectively, indicated that students believed that donating extra credit points was more like a donation of time. The difference

between the scale mid-point and the mean was statistically significant ( $t(191) = -3.63, p < 0.001$ ).

To sum up my theoretical contribution in the first essay lies in showing the differential effects of affect versus cognition in the context of charitable donations. Charitable donations are per se a very different context and call for an entirely different type of theorizing as it involves the expenditure of resources without benefit to oneself. Previous studies examining the differences between the use of affect vs. cognition did so in a context that benefitted the participants. For instance, Shiv and Fedorikhin (1999) allowed their participants to make a choice between an option that was more affect-laden (chocolate cake) and an option that was more in tune with cognition about eating (fruit salad). In contrast, my between-subjects design required participants to choose how much they would donate to a victim and showed that increased affect as opposed to cognition would result in differences in donation.

The implications for managers or practitioners who seek to raise funds for charitable purposes are clear. To increase donations it is better to ask donors in a context where they are more likely to rely on their affect rather than their cognitive mechanisms. Yet, the possible use of the HDIF heuristic indicates that making such requests when cognitive resources are likely to be constrained may actually harm the cause rather than benefit it. Instead, donors should be somehow induced to rely on the affect heuristic. Most donors feel a sense of separation or social distance from the needy victims. If a donor and a victim were both at the same level of need, then the donor would be loath to make a donation to a victim when the donor could be a victim herself. Actual geographical distance could exist between the donor and victim in addition to social distance which may exacerbate the lessening of donation due to instrumental motives arising from a desire to derive utility from the cause that the donor is contributing to. The manager who wants to increase donations should induce potential donors

to examine their feelings about the act of donation as opposed to the victim that the donation will benefit. This may appear somewhat counterintuitive but is a natural extension of the arguments put forth in the first essay.

However, before such arguments are adopted, some of the deficiencies in the empirical section of these essays must be noted. As is usually the case when effects are documented using an undergraduate sample, questions arise as to the generalizability of the documented effects (Carpenter, Connolly and Myers 2008). There is research that indicates that the results of experiments conducted in the laboratory can be applied to the general population (List 2004). My first essay endeavors to pre-empt such arguments in the third study that examines actual donations of a resource that is valued by undergraduates. The previous studies show the same effect in the case of donations but with the donation amounts being hypothetical.

One of the extensions to this paper which merits examination is the priming of instrumental or consummatory motives as was done by Pham (1998). It somewhat surprised me when on average the donations to victims at a greater social distance was more than to victims at a lesser social distance. I ascribe this to the use of the affect felt at contemplating the donation which indeed is the crux of the dissertation. Yet, there may be a reversal such that victims at a closer social distance will benefit more from the priming of instrumental as opposed to consummatory motives. Indeed, the priming of one or the other type of motive may induce people to adopt different mindsets that may affect their behavior in a variety of contexts – not just in the context of charitable donations. A second extension would be the use of stimuli that aroused different levels of affect. Hibbert et al (2007) advocate that a moderate level of guilt induced in donors yields better dividends than either extreme of guilt – too little or too much. Similarly, stimuli that induce too little or too much affect may result in less utilization of the HDIF heuristic and consequently diminish fundraising.

My second essay considers the role of dispositional empathy in contexts of differing psychological distance. It is well established that greater empathy on the part of a donor elicits greater donations to help recipients (Eisenberg and Miller 1987). My research indicates that this is especially relevant when there is less temporal, physical or hypothetical distance separating donor and recipient. Participants reporting a greater disposition to be empathically concerned were willing to donate more of a resource that they valued compared to those whose disposition made them less empathically concerned. As empathy involves experiencing what another person experiences, it will be facilitated if there is a decrease in psychological distance. At lesser psychological distance those whose dispositions make them prone to empathize will be inclined to increase their donations, compared to those who are not so prone.

The process by which this works may have to do with participants' belief in a "just world" (Zuckerman 1975). Encapsulated in the statement that "what goes around, comes around" is the belief that what happens to one is based on what one does. Participants confronted with a recipient who was at closer psychological distance and who are more prone to empathic concern, may on experiencing what the recipient is experiencing exhibit increased prosocial behavior. In contrast, those who are less prone to dispositional empathy, may derogate the recipient based on their belief in a "just world". As they do not empathize with the recipient, they may derogate the recipient so as to feel that it is the recipient's fault that she finds herself in the situation where she needs assistance (Mills and Egger 1972).

The implications for managers who are attempting to garner assistance for victims who are at a lesser psychological distance to the donors, are that those who are higher on dispositional empathy are more likely to respond with greater charitable donations. Since the three studies narrated in the second essay deal with temporal, physical and hypothetical distance; it would

appear that managers should target donors prone to greater empathic concern when asking for donations to help victims of a recent rather than distant negative event or when they are physically closer to the recipient rather than far away or when the recipients have been identified for help compared to them being part of an amorphous mass of victims in need of assistance. The link between empathy and altruistic behavior is well-established. Hence, it is likely that those who have donated in the past are more likely to demonstrate higher levels of dispositional empathy. Therefore when the psychological distance is decreased between donors and recipients, it may be to the advantage of the fundraising manager to target those who have already contributed rather than embark on a campaign to communicate with all potential donors.

The limitations of the findings of the three experiments described in the second essay may be primarily the donation of extra credit points being somewhat different from actual monetary donations. On the one hand, extra credit points may be treated as an interval scaled variable and similar to number of dollars, on the other hand there appears to be no equivalence to dollars. In the future, it is proposed to demonstrate concurrent validity by replicating the experiments by using actual monetary donations. Further, the proposed experiments will also be designed to yield data so as to establish the underlying process such as derogation and participants' belief in a "just world". Finally, empathy was treated as a dispositional construct. It would be desirable to enhance the argument for causality by manipulating the level of empathy that participants experience in making their decisions.

Managers charged with fundraising in not-for-profit organizations face an onerous task. On the one hand their donors expect that their donations will be used to assist the recipients that the not-for-profit organization is purported to help. On the other hand, in order to raise donations used to help the recipients, the managers must invest in fundraising efforts such as

advertising and other means of communication to potential donors. There have been instances of the misuse of donated funds meant to benefit recipients but instead channeled into administrative and fundraising costs. Telephone solicitors working for an organization called Telemarketing Associates contacted donors to ask for donations to VietNow, an organization that was purported to work for veterans. Only 15% or \$1.1 million of the amount raised was funneled to VietNow which spent 3.3% of that amount on charitable programs (Bowman 2006). Another instance of the practices of some not-for-profits was contained in a series of stories by the Orlando Sentinel on Florida Blood Centers. Florida Blood Centers was reported to be charging local hospitals \$310 a pint for blood and the CEO was reported to earn an annual salary of close to \$600,000 (Tracy July 16<sup>th</sup> 2009). The Internal Revenue Service requires not-for-profit organizations to file Form 990 on an annual basis. This form requires the organizations to report their program expenses, fundraising expenses and management & general expenses under separate heads (Hager 2003). There is some latitude as to allocating expenses to those heads as it is possible that the CEO of a not-for-profit may be working on implementing programs, opening the possibility of allocating part of his salary to management expenses and part to program expenses. This makes the data reported on Form 990 somewhat nebulous. Despite these drawbacks the collated information provides an important input for donors who may access such information through websites such as [www.GuideStar.org](http://www.GuideStar.org). Such information was the basis for research using a quasi-experimental design by Bowman (2006) who tracked the donations made through the Combined Federal Campaign by federal employees in the Chicago area. The years covered were 1999-2001 and the data includes actual donations by individuals to various organizations. Each federal employee decides on the recipients of her donations by consulting a Donor's Guide that contains the overhead ratios for each organization. An organization is flagged if its overhead



ratio is greater than 25% with a footnote explaining that the organization is taking steps to bring its overhead ratio below the 25% level. The overhead ratio is the sum of fundraising and general administrative expenses divided by total revenue. The results indicated that donations decreased with increase in overhead ratios but the effect was rather small leading the author to speculate that other factors, such as the importance of the missions of an organization played a more significant role.

Apart from the possibility of reduction in donation due to donors perceiving higher overheads, not-for-profit organizations face declining donations due to economic factors. The last Giving USA report from The Center on Philanthropy at Indiana University, reports an inflation-adjusted decline of 3.2% in charitable donations in 2009. The analysts ascribe this decrease as being due to the recession. The total amount donated for the year 2009 was estimated to be \$ 315.08 billion, with individual donations estimated at \$ 227.41 billion. It is apparent that the “third sector” as it is sometimes called is rather large in terms of revenues and expenditures in the USA.

In addition to the primary segment of not-for-profit organizations that the findings of this dissertation is relevant for, mention must also be made of its applicability to for-profit organizations who solicit charitable donations or conduct programs meant to enhance their image of Corporate Social Responsibility (Webb and Mohr 1998). Most of the work that is classified as pertaining to Corporate Social Responsibility are those studies that examine whether contributions to charity on the part of the marketer lead to increases in the profitability of the marketer (Simmons and Becker-Olsen 2006). Since this increase in profitability has to come from customers spending more, the literature in Marketing has examined whether customers increase their spending in the knowledge that part of their expenditure is earmarked for charity. Alternatively they may switch their patronage to the

marketer for the same reason (Lichtenstein, Drumwright and Braig 2004). An example of the efficacy of such a strategy comes from the field of auction theory. Research indicates that when a percentage of the proceeds are earmarked for charity, bidders tend to increase their bids for the good that is being auctioned. In a paper that examined the revenues accruing from charity auctions where a percentage of the winning bid is to be donated to charity, it has been estimated that when bidders are informed that 25% of the winning bid is designated as proceeding to charity, the revenue accrued net of the charitable donation is more than that of a non-charity auction for the same good. The authors of that paper conducted field experiments for identical goods, one with a contribution to charity and the other without (Leszczyc and Rothkopf 2010). Arora and Henderson (2007) took a different view of cause-related marketing, when they conceptualized a linkage to a social cause as an example of a promotional strategy. They found that at low denominations the linkage to a social cause was more effective than equivalent price discounts. The effectiveness of what is commonly known as cause-related marketing has been well established. The research mentioned and evidence from a multiplicity of studies indicate that consumers are willing to spend more when they perceive that a percentage of the price that they pay will be a charitable donation. Managers of for-profit organizations employing such strategies may consider the effect of psychological distance existent between their consumers and recipients of their charity. Based on the findings of the research contained in this dissertation they may adjust their communication strategy so as to enhance the quantum of charitable donations that consumers may be willing to pay and consequently their willingness to pay higher prices.

To conclude, this dissertation contributes to the theorizing about charitable fundraising and affords the practitioner with actionable insights to increase the funds raised. It's primary contribution is the relation of psychological distance to charitable donations. In the first

essay, social distance interacts with consumers' use of affect vs. cognition to determine charitable donations and in the second essay, the three other types of psychological distance interact with empathy in consumers' charitable donation decisions.

## FIGURES

### Key to Interpretation of Figures

(from bottom to top)

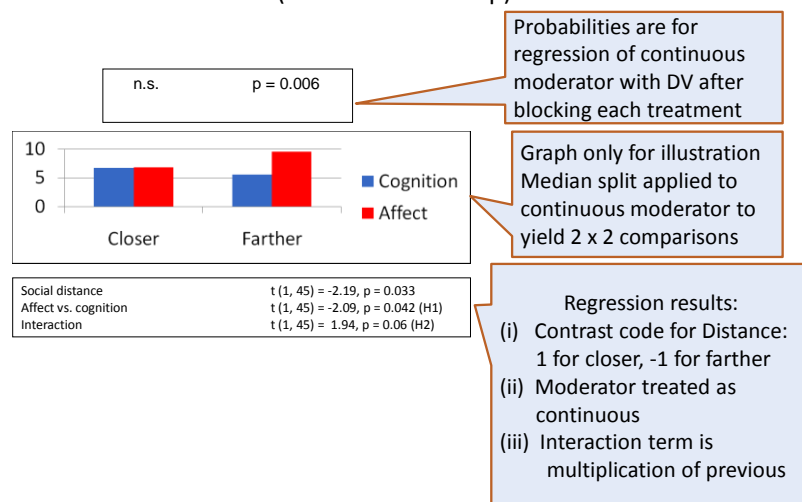


Figure 10 Key to Interpretation of Figures

## **APPENDIX: INSTITUTIONAL REVIEW BOARD LETTER**



University of Central Florida Institutional Review Board  
Office of Research & Commercialization  
12201 Research Parkway, Suite 501  
Orlando, Florida 32826-3246  
Telephone: 407-823-2901 or 407-882-2276  
[www.research.ucf.edu/compliance/irb.html](http://www.research.ucf.edu/compliance/irb.html)

### Approval of Exempt Human Research

From: **UCF Institutional Review Board #1  
FWA00000351, IRB00001138**  
To: **Joseph Paniculangara**  
Date: **November 17, 2009**

Dear Researcher:

On 11/17/2009, the IRB approved the following activity as human participant research that is exempt from regulation:

Type of Review: Exempt Determination  
Project Title: Effect of Construal on Charitable Donations  
Investigator: Joseph Paniculangara, M.S., M.B.A.  
IRB Number: SBE-09-06562  
Funding Agency:  
Grant Title:  
Research ID: N/A

This determination applies only to the activities described in the IRB submission and does not apply should any changes be made. If changes are made and there are questions about whether these changes affect the exempt status of the human research, please contact the IRB.

In the conduct of this research, you are responsible to follow the requirements of the Investigator Manual.

On behalf of Joseph Bielitzki, DVM, UCF IRB Chair, this letter is signed by:

Signature applied by Joanne Muratori on 11/17/2009 02:33:28 PM EST

A handwritten signature in black ink that reads 'Joanne Muratori'.

IRB Coordinator

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