Examining the Negative Impact of Corporate Sponsorship on Prospective Donors' Willingness to Support Nonprofit Organizations

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Corporate sponsorship is an often-used fundraising strategy for nonprofit organizations and is considered to be a “win-win” situation for the sponsoring company as well as the nonprofit. While prior research suggests that corporate sponsorship can positively affect the sponsoring company, little research to date has investigated the impact of such sponsorships on the nonprofit, particularly when it is the nonprofit that is disclosing the sponsorship. We address this question and examine the impact of prominent donors on people’s willingness to support nonprofit organizations. Results from three experiments suggest that revealing corporate sponsors can, under certain conditions, negatively affect a nonprofit’s effort to garner financial support from individuals.

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SYMPOSIA SUMMARY
Resolving Dilemmas Posed by Personal Sacrifices: Facilitators and Hindrances to Charitable Giving
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SESSION OVERVIEW
Giving USA, a yearbook of U.S. philanthropy, estimated charitable giving in 2005 at two hundred and sixty billion dollars—a growth of 6.1% over the previous year. While charitable assistance to those less fortunate than us is an undeniable part of the North American value system, the decision of how much and who to help is not an easy one. Monetary donations many times imply trade-offs between personal welfare, or the welfare of those close to us, and that of others. Faced with such dilemmas, factors that seemingly mitigate the need of others—for example, perceptions that a social cause is undeserving or does not warrant self-sacrifice—may act as added incentives for consumers to tip the balance in their own favor. Proliferating numbers of charitable organizations—Internal Revenue Service figures for 2004 put the number of public charities operating in the U.S. alone at 822,817—and the concomitant causes they campaign for, make it critical to understand how consumers make self-serving versus sacrifice decisions.

The objectives of the symposium were three-fold: (a) To encourage greater consumer research into charitable giving behaviors—a domain that remains under-examined despite its societal importance. While benevolent governments should ideally support deserving charitable causes, the escalating complexity of social needs and cutbacks in government funding have forced charities to rely more and more on corporate and individual level funding. Charities today must focus not only on alleviating social problems but also on competing with each other for finite resources. Well thought out promotional campaigns that are based on an understanding of how charitable decisions are made at the micro-level are essential to charitable organizations in meeting their goals; (b) To appeal to social marketers and the broader ACR community by bringing together research from the domains of philanthropic giving and consumer decision-making—an objective that was in line with the current conference theme of building bridges between different areas; and (c) To examine internal and external pressures that are potential facilitators as well as hindrances to consumers’ charitable assistance. All papers within the symposium provided overviews of each paper, in the order of presentation, are as follows.

In the first paper, Michal Strahilevitz discussed the phenomenon of ‘take-aversion’—an aversion to taking patronage away from a charity over not participating at all—as an important facilitator of willingness to continue charitable donations by existing donors. The impact of external (peer awareness) and internal social stressors (guilt) on the take-aversion phenomenon were addressed—both in the context of private as well as publicly made decisions. Sergio Carvalho and Namita Bhatnagar discussed their research on the influence of internal group-categorizations and external signals of overall participation and group need on the decision to donate in the second paper. Best practices for charities that attempt to generate broad-based support for localized problems were suggested—specifically, by taking advantage of pre-existing in-group biases via re-classifications that place perceived outgroup beneficiaries within all inclusive super-ordinate in-group categories. The moderating effects of expected participation and group-need were then shown—added signals of high levels of participation will generate pressure to donate to campaigns targeting large super-ordinate groups only when the ability to make a perceptible difference is discerned. Finally, Christine Bennett, Hakyun Kim, and Barbara Loken showed that disclosures of corporate sponsorship by a charity can be a hindrance to individual contributions—i.e., potential donors may perceive the charity as already well funded and a lack of personal ability to significantly contribute toward its goals. It also demonstrated that: (i) the greater the number of corporate sponsors, the lower the willingness to support a charity; and (ii) the lower the past giving behavior and prior non-profit expertise, the lower the likelihood of giving to charities supported by corporate donors.

EXTENDED ABSTRACTS
“Why Might One Feel Guilty for Giving a Homeless Guy a Dollar? The Effects of Endowment, Peer Awareness and Guilt on Charitable Giving”
Michal Strahilevitz, Golden Gate University
This paper explores the endowment effect in the context of charitable giving. Kahneman and Tversky (1979) demonstrated the phenomenon known as loss aversion—that losses loom larger than gains. In this research, a series of experiments are presented that demonstrate a phenomenon that can best be described as “take-aversion”—that taking away (from a charity) looms larger than not giving (to that same charity). The studies presented control for status-quo bias and guilt preference. I also examine the effects of peer awareness (whether the decision to donate is made in the presence of fellow students) and guilt on the take-aversion.

Data is also presented that compares take aversion (with donations) to loss aversion (with various objects as well as with money). It is found that take-aversion can be even more powerful than loss aversion, regardless of whether the endowment in question is monetary, hedonic, or utilitarian. For example, even with a population that prefers receiving something (e.g., money, keychain, candy) over having money donated to a charity in a pure choice condition, subjects who are initially endowed with a donation to charity are less likely to trade that donation for a self endowment (e.g., money, keychain or candy) than subjects endowed with receiving something for themselves (e.g., money, keychain, candy) are to trading that in for a charitable donation. Although the relatively stronger aversion to undoing a donation than undoing a gain is stronger when others are aware of the subjects’ donations, it occurs even when the decision of taking for oneself or giving to charity is made privately (i.e., not in the presence of one’s peers).

Take-aversion is also observed in cases where subjects are endowed with a donation to one charity and given the option of moving that donation to another charity. For example, subjects endowed with a donation to March of Dimes tend to stick to that charity when given the option of switching to the World Wildlife Fund, and subjects endowed with a donation to the World Wildlife Fund tend to prefer to keep the donation with the World Wildlife Fund rather than switch it over to the March of Dimes. Guilt is demonstrated to play a key mediating role in both switching from
charitable giving to getting something for oneself, and switching from donating to one charity to donating to another charity.

After presenting the results, as well as a theoretical explanation for the findings, I discussed how the guilt of taking (from a good cause), the pain of losing (one’s own wealth), the joy of giving (to a good cause), and the fun of gaining or acquiring (for oneself) differ from one another in terms of both the nature and intensity of the emotions experienced. Implications to fund-raising that arise from having a better understanding of what take-aversion and loss aversion share in common, and how they differ, were also examined. Specifically, the phenomenon of “charity contracts” where donors sign long term commitments to sponsor a specific “unit of need” (be it a child, school, or stray animal) were discussed. This fund-raising tool allows charities to play on the negative emotions of undoing a charity commitment, and may lead donors to end up making larger contributions to a specific cause over time than they had originally intended.

“The Role of Group-Categorizations within Charitable Campaigns: The Moderating Effects of Expected Participation and Group Need on Consumers’ Willingness to Participate”

Sergio Carvalho, University of Manitoba
Namita Bhatnagar, University of Manitoba

Consumers in North America are generous in their support for social causes, and numerous charitable organizations routinely compete for donations of time and money. The manner in which people perceive the group-membership of beneficiaries is key in deciding charitable allocations. This is especially true given the targeted nature of most charitable campaigns that seek to address the needs of specific groups of people or specific problems (e.g., United Way’s community-specific strategies; Red Cross’ disaster relief for tsunami survivors in Asia). In this paper, we examine how group membership and the re-categorization of basic level out-groups within super-ordinate in-groups impact consumers’ willingness to participate in targeted charity campaigns. We then look at the potential for variations in expectations of overall participation and group need in moderating these effects.

Recent evidence for positive biases in behaviors that help in-group members suggests that categorizing people as part of the in-group engenders perceptions of similarity and identification, and facilitates feelings of responsibility for their well being (Levine et al., 2005). Such in-group categorizations are believed to decrease perceived costs of helping and increase the likelihood of providing assistance (Dovidio et al., 1991). Along similar lines, Gaertner et al.’s (1993) Common In-group Identity model suggests that outsiders can reap the benefits of pro-in-group biases via a re-categorization process that incorporates both the in- as well as out-group within an over-arching super-ordinate social category. Attitudes toward out-group members are enhanced when people are induced to view themselves as part of a common group (Dovidio et al., 1991). By this token, consumers should engage more willingly in charitable giving that benefits groups they already belong to—any reclassifications that place out- and in-groups within a single category should raise benevolence toward the former.

Consumers routinely face dilemmas hinged on trade-offs between helping others and helping themselves. Social Dilemma Theory posits that acting in the interest of the collective is strongly related to expectations of participation by others within the group (Sen, Gurhan-Canli, and Morwitz, 2001; Klandermans, 1992). Variations in overall participation levels act as signals of presence or absence of social norms surrounding participation, and give rise to attendant perceptions of normative pressure and felt obligation to comply. Social dilemmas can also be resolved via perceptions of group need. Fisher and Ackerman (1998) believe that people feel a sense of obligation to assist when they see their group in need of help—a high value is put on incremental contributions made toward the attainment of group objectives. Expected participation and perceptions of group need should have similar normative effects within campaigns targeted toward in-group and out-group recipients as well as beneficiaries belonging to super-ordinate categories.

The effects of group categorization, expected participation and group need were tested within two laboratory experiments within the context of charitable donations for alleviating child poverty—a cause found to be important to the sample population. Undergraduate business students at a major mid-western university in Canada participated in the studies in exchange for course credit. In Study 1, we examined willingness to donate money for reducing child poverty within in-group versus out-group community contexts (i.e., within the home-province or an alternative province) and the effects of varying group participation (i.e., low, high or medium), as well as the influence of re-categorizing out-groups and in-groups within one common over-arching category (i.e., by categorizing the home-province or the alternative province within Canada). The alternative community was chosen by pre-testing felt identification and belongingness to provinces using an independent sample from the same population. Results indicate that people exhibit greater generosity toward basic-level and super-ordinate in-groups as compared to out-group communities. Benevolence toward the out-group was enhanced upon re-classification within the super-ordinate country-level category. Rising expectations of group participation further increased willingness to participate—for the in-group target more so than the out-group—except in the case of the super-ordinate category (i.e., the overall Canadian category) and when the out-group was included within it (i.e., the alternative province within Canada category). It is possible that a priming of group size elicits free-rider effects where categories are perceived as large, as in the case of the latter two. Research into free-rider effects suggests that people within large groups significantly discount the extent of difference they have the ability to make in the provision of public good by the group. Thus, the bigger the group size, the smaller the relative share of contributions each group member tends to make (Albanese and Van Fleet 1985). A second study was conducted to investigate whether higher perceptions of group need and the extent of difference individuals are able to make would exacerbate willingness to participation within the super-ordinate group. ANOVA results of Study 2 show that willingness to participate in super-ordinate country-level campaigns rise with stronger expectations of group participation under conditions of high group need—for both predictive as well as normative participation willingness (measured via responses to the statements: “I will participate in the campaign;” and “I should participate in the campaign”). These results hold for expected participation by others within the group as well. This suggests that consumers comply with normative pressure to abide by group participation norms when group need is high and it is felt that a perceptible contribution can be made toward attaining group objectives.

In a climate where charitable organizations routinely compete for funds, it is common practice to encourage support from individual donors by creating a sense of identification with causes being campaigned for. Social trade-offs that pit personal welfare against societal well-being make it difficult to generate broad-based support for problems faced by specific groups of people. This research provides managerial and theoretical insights into the effects of re-categorizations that frame outsiders and their problems as part of a common in-group and threats to collective welfare. Charitable
campaigns can also stimulate consumers’ willingness to participate by sending signals of strong group participation as well as high group need when perceived group size is large.

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Effective fundraising is vital to the success of nonprofit organizations. These organizations require outside support often secured through grants, corporate donations (financial and in-kind) and individual donations in order to carry out their respective missions (e.g., to house the homeless or feed the needy). The Society for Nonprofit Organizations indicates that the fastest growing segment of nonprofit fundraising is corporate sponsorship, a strategy considered to be a “win-win” situation for both the sponsoring company and the nonprofit. Prior research suggests that consumers have favorable attitudes toward companies that support a cause and these attitudes can potentially impact purchase decisions and product evaluations in a positive way (Barone, Miyazaki and Taylor, 2000; Brown and Dacin, 1997; Sen and Bhattacharya, 2001).

Little research to date, however, has investigated the impact of corporate sponsorship on the nonprofit organization. In particular, little is known about the effects of corporate sponsorship on people’s willingness to donate to a nonprofit when the nonprofit is the entity communicating the existence of the sponsorship to the public. The current research addresses this question. Specifically, we investigate how the disclosure of corporate sponsorship affects individual donations to the nonprofit. This issue is an important one because one technique widely used in the nonprofit sector is the public acknowledgement of corporate donors. Nonprofit organizations routinely and prominently disclose their major donors by noting their generosity in “thank you” advertisements in local newspapers with an appeal for readers to donate.

While the disclosure of corporate donors not only appeases sponsors, it may give the organization needed exposure and recognition which is important as many nonprofits have limited publicity budgets. However, this disclosure could potentially reduce an individual’s willingness to support a nonprofit if having corporations on board increases the perception that the nonprofit is already well-funded or that an individual’s contribution will have a minimal impact. Today, the general public is often bombarded with appeals to assist those less fortunate. While people are often ready to lend a hand, they are often troubled by the uncertainty of knowing whether or not an organization is deserving of their hard-earned money and will put it to good use. For example, when a new prospective donor is solicited for a monetary donation by a nonprofit organization to which they are unfamiliar, the prospective donor may not have a clear idea about whether the organization is actually in need of money. Huber and McCann (1982) and Jacard and Wood (1988) suggest that when relevant information is missing, people will infer values of the missing information from the information presented and will then adjust downward to reflect their uncertainty. Therefore, in order to reduce the uncertainty of whether or not a nonprofit is deserving of their donation, a prospective donor may infer the nature of the nonprofit from available cues. Specifically, the presence of corporate sponsors may indicate to prospective donors that nonprofit is already well-funded and that their own donations will have little impact.

Three experiments were conducted to test this premise. Specifically, we examine whether the disclosure of prominent donors influences individuals’ willingness to support nonprofit organizations. In terms of the procedure, participants were first asked to read a message from a nonprofit organization helping at-risk and homeless teenagers and to indicate the extent to which they were willing to donate money to the nonprofit. In study 1, one factor was manipulated such that either prominent donors (i.e., corporations and foundations) were either listed or not on a nonprofit’s annual appeal. A significant main effect of condition is observed such that participants that viewed a message with sponsors listed were less likely to donate money to the nonprofit than participants in the control condition (MControl=4.70 vs. MSponsor=4.32; F (1, 56)=4.44, p<.05). Study 2 was conducted to examine whether participants use sponsorship information as an informational cue. Specifically, we varied the number of sponsors listed (e.g., two corporate logos vs. nine corporate logos) and find that the greater the number of corporate sponsors listed, the less individuals are willing to support the nonprofit (MTwo=4.15 vs. MNine=3.54; F (1, 91)=5.02, p<.05).

In study 3, we examine whether experience with nonprofits or past donating behavior impacts the use of corporate sponsors as informational cues. We relied on a 2 (control vs. sponsor) x 2 (nonprofit experience: high vs. low) between-subjects design. Results indicate a marginally significant interaction. Specifically, in the control condition, there is no difference in participants’ willingness to donate to the nonprofit as a function of high or low prior experience with nonprofit organizations (M=3.54 vs. M=3.83). However, in the sponsorship condition, participants high in nonprofit experience were more likely to support the nonprofit and participants low in nonprofit experience were less likely to support the nonprofit (M=4.50 vs. M=3.78; p<.06).

Altogether, these findings suggest that people who know that corporations are sponsoring a nonprofit organization are less likely to help the organization, compared to those who have no such information. Thus, these findings indicate that revealing corporate sponsors may negatively impact a prospective donor’s willingness to support a nonprofit organization. It appears that people make inferences about the needs of an organization based on cues such as the advertisement of corporate sponsorship and such advertisement may unwittingly signal that the nonprofit is already sufficiently funded. This in turn lowers people’s motivation to financially support the nonprofit. Furthermore, our findings indicate that this phenomenon is particularly strong among people with little direct experience with nonprofits, probably because these individuals use the donor information as a peripheral cue, while those with prior experience with nonprofits may make judgments based on the focal message and are less affected by such cues.

REFERENCES

All references are available upon request