Available online at www.sciencedirect.com
SciVerse ScienceDirect
Journal of Consumer Psychology 23, 3 (2013) 288 – 300
JCP JOURNAL OF CONSUMER PSYCHOLOGY

Research Article

Corporate sponsorships may hurt nonprofits: Understanding their effects on charitable giving ☆

Christine M. Bennett [a,1], Hakkyun Kim [b,*], Barbara Loken [c,2]

[a] Opus College of Business, University of St. Thomas, 1000 LaSalle Avenue, Minneapolis, MN 55403, USA
[b] School of Business, Sungkyunkwan University, 25-2 Sungkyunkwan-ro, Jongno-gu, Seoul, 110-745 South Korea
[c] Carlson School of Management, University of Minnesota, 321 19th Avenue South, Minneapolis, MN 55455, USA

Received 5 January 2012; received in revised form 25 October 2012; accepted 26 October 2012
Available online 3 November 2012

Abstract

While prior research suggests that corporate sponsorship can positively affect consumers' perceptions of sponsors, little research to date has investigated the impact of such sponsorships on an individual's willingness to support nonprofits. This paper investigates the psychological processes that underlie whether and how corporate sponsorship impacts an individual's willingness to support nonprofit organizations and suggests that unintended negative outcomes may emerge. Specifically, results from five studies suggest that exposure to sponsorship information can reduce prospective donors' willingness to support a nonprofit because people believe that their individual contributions will matter less. In addition, this research identifies a potential mechanism (i.e., donor-company identification) that can mitigate these negative effects.

Keywords: Nonprofit marketing; Sponsorship; Donation; Charitable giving; Social loafing

Introduction

> "It's the classic 'win–win' situation. The corporation gets credit for being a good citizen, while [nonprofits] receive support to accomplish good things in the community."
> —Society for Nonprofit Organizations, 2011

The above quote summarizes the prevailing wisdom in the nonprofit sector: corporate sponsorship will not only benefit the sponsor, but will also benefit the nonprofit by enabling it to acquire the needed resources to do its work in the community. This paper examines whether an unintended outcome may emerge with other donor groups (i.e., individual donors). As nonprofit charitable organizations face a growing need for services, inter-charity competition, and reduced governmental funding (Bendapudi, Singh, & Bendapudi, 1996; Small & Verrochi, 2009), effective fundraising from all donor groups continues to be pivotal to their success. Moreover, with problems heightened by the recent recession, nonprofit organizations are increasingly incorporating corporate sponsorships into their fundraising and development initiatives. For example, of the 10 largest charities ranked by *Forbes* in terms of private donations, all charities provided sponsorship information in some format on their national or affiliates' websites (Barrett, 2008). Given that many nonprofits engage in the practice of publicizing their corporate sponsors, a question that emerges is whether and how such exposure impacts an individual's charitable giving.

Lay theory suggests that while corporate sponsors receive positive publicity for their goodwill, the nonprofit, in turn, not

☆ This research was partially supported by the Opus College of Business Summer Research Award in 2011 (awarded to C.M. Bennett), the Institute for Research in Marketing, Carlson School of Management (awarded to B. Loken) and Carlson School of Management Dean's Small Grant (awarded to B. Loken). The authors thank Tianchi Hou, Marco Morelli and Wyatt Wenzel for research assistance in conducting interviews and experiments.
* Corresponding author. Fax: +82 2 760 0950.
E-mail addresses: christine.bennett@stthomas.edu (C.M. Bennett), hakkyunkim@skku.edu (H. Kim), bloken@umn.edu (B. Loken).
[1] Fax: +1 651 962 5093.
[2] Fax: +1 612 624 8804.

1057-7408/$ -see front matter © 2012 Society for Consumer Psychology. Published by Elsevier Inc. All rights reserved.
http://dx.doi.org/10.1016/j.jcps.2012.10.010

only receives financial or in-kind support from the corporation, but also receives increased public awareness and enhanced creditability, which is believed to increase public support in terms of monetary donations, volunteer hours and the like. Prior research also indicates that consumers favor companies and brands engaged in corporate social responsibility (cf., Yoon, Gürhan-Canli, & Schwarz, 2006), and the assumption has been that these preferences can potentially impact both the corporate sponsor and the nonprofit favorably (for a review, see Gürhan-Canli & Fries, 2010). However, while the positive effects of these corporate sponsorships on consumers' perceptions and purchases of the corporations' branded products are well documented, little research to date has investigated the impact of these sponsorships on nonprofits. Specifically, most research investigating the impact of sponsorship initiatives takes the perspective of the sponsoring company, either by focusing on the impact of corporate sponsorship on the performance of sponsoring companies (e.g., Barone, Miyazaki, & Taylor, 2000; Henderson & Arora, 2010; Sen & Bhattacharya, 2001) or by choosing a context where the company requests that their customers also support the nonprofit (e.g., Lichtenstein, Drumwright, & Braig, 2004). Thus, the impact of corporate sponsorship on prospective donors, specifically when the nonprofit is the entity communicating the existence of the sponsorship to the public and requesting support from individuals (e.g., donating money, volunteering, signing petitions, or participating in fundraising events) has been largely ignored in the literature.

The current research addresses this question, which is important from the perspective of consumer psychologists, nonprofit managers, as well as society at large. Its importance stems from the fact that individual donors as a group account for the largest single source of donations to nonprofit organizations: out of all estimated donations in 2011 ($298.42 billion), individual donations accounted for $217.79 billion or 73%. In contrast, corporate donations account for 4.9% (GivingUSA Foundation, 2010). Thus, given the critical role that individuals have in generating needed revenue for nonprofits, it is important to investigate whether and how corporate sponsors impact an individual's charitable behavior. Thus, our research aims to advance prior findings by providing new insights into how these sponsorships impact prospective donors' willingness to support nonprofits.

Conceptual background

Charitable giving

Prior research has investigated factors that impact charitable giving including prospective donors' empathic responses to victims (Hung & Wyer, 2009; Small & Simonsohn, 2008; Small & Verrochi, 2009), donor identity salience (Arnett, German, & Hunt, 2003), moral identity (Reed, Aquino, & Levy, 2007; Winterich, Mittal, & Ross, 2009), self-benefit versus other-benefit appeals (White & Peloza, 2009) and the public's images of nonprofits (Aaker, Vohs, & Mogilner, 2010). In addition, motivations for prosocial behavior that have been identified include reducing personal distress (e.g., guilt), obtaining rewards (e.g., social recognition), or alleviating others' needs (e.g., the belief that one has made a significant difference to others; see Clary & Snyder, 1991; Penner, Dovidio, Piliavin, & Schroeder, 2005 for a review).

When prospective donors become aware of the existence of corporate donors, the question arises as to whether such sponsorship information enhances or diminishes an individual's desire to support the organization, as well. On one hand, we might expect that when prospective donors receive information that other entities have already supported the organization, they will view this endorsement favorably and will also be inclined to donate. This expectation is consistent with lay beliefs held by nonprofit managers and is in line with the principle of social proof or informational social influence in the psychology literature, whereby an endorsement from a credible source (the corporation) serves as a catalyst for donors to support the organization. On the other hand, publicizing current donors may change an individual's perceptions of the impact their own participation will have, thereby negatively impacting prospective donors' willingness to support nonprofits. This negative response may be triggered by a perception that one's individual donation is not likely to make much of an impact to the nonprofit. This reasoning is in line with the theory of social loafing. Thus, two competing predictions emerge from the literature to explain the impact of publicizing corporate donors on individuals' willingness to support nonprofits. We next briefly review each of these streams of research.

Social proof

The principle of social proof, also known as informational social influence, suggests that individuals sometimes look to the behavior of others as a source for how to determine the appropriate course of action (Goldstein, Cialdini, & Griskevicius, 2008; Schultz, Nolan, Cialdini, Goldstein, & Griskevicius, 2007). Specifically, this principle suggests that "[w]e view a behavior as correct in a given situation to the degree that we see others performing it" (Cialdini, 1993, p. 100). Prior research has shown that the principle of social proof has been influential in a number of contexts, including returning lost property (Hornstein, Fisch, & Holmes, 1967), engaging in promiscuous sexual activity (Buunk & Baker, 1995; Winslow, Franzini, & Hwang, 1992) and suicidal decisions (Garland & Zigler, 1993; Phillips & Carstensen, 1988). The extant research in a fundraising context suggests that publicizing donor information can have a positive effect on an individual's willingness to donate, as well. In a study conducted by Reingen (1982), participants were solicited for a donation in support of a heart association, either after being exposed to a list of eight donors who had already donated to the organization, or without receiving any donor information. The results indicated that participants were more likely to donate when a donor list was provided, compared to when no donor information was provided. A similar pattern of results was obtained in a follow-up study in the context of a blood drive campaign where participants were asked to donate blood. Participants were more likely to agree to donate blood after seeing a list of eight people who had already