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Recommended Citation

Swift, Amanda and Karabas, Ismail, "Consumer Response to Foundations and Firms When Firms Own or Sponsor a Foundation" (2020). *Association of Marketing Theory and Practice Proceedings 2020*. 30. https://digitalcommons.georgiasouthern.edu/amtp-proceedings_2020/30

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Consumer Response to Foundations and Firms When Firms Own or Sponsor a Foundation

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ABSTRACT

Corporate philanthropy is not a new concept. Practices have been around for centuries, a more modern understanding of it has evolved into corporate social responsibility (CSR) (Carroll, 1999). As more and more consumers are asking for companies to be more involved in making the world better, CSR has become increasingly more popular in the business world. CSR goes beyond having a positive mission, it is businesses holding themselves accountable for their own actions, which can take many forms ranging from philanthropic efforts, like supporting a cause, to increasing sustainability (Carroll, 1999). Besides doing well for the world, consumers will pay more if there is a social benefit with what is being purchased (Furlow, 2011). Recently, corporate foundations, have become a popular way to utilize CSR as a way to enhance public appearance. Although, corporate foundations only make up a small percentage (5%) of all foundations out there, they account for a larger amount of the contributions to foundations (11%) (Rey-Garcia, Sanzo-Perez, & Alarez-Gonzalez, 2018). Many well-known companies have started their own corporate foundations, like Walmart and Wells Fargo Bank. Both companies gather some proceeds and give it to the foundation that the companies set up, and then that money is used as grants or gifts for causes established when the foundations were created. These corporate foundations, bearing the names of the companies, are then able to do well for the companies. Because so many are practicing CSR, businesses have to find ways to practice CSR that set themselves apart from competition.

The purpose of this research is twofold. First, by using experiments, we aim to explore purchase intentions toward corporations that either partner with a foundation or develop their own foundation. Second, we are interested in donation likelihood toward foundations that are created by a corporation or partnered with a corporation. This research is necessary for providing strategic insights to corporations toward the better CSR strategy (own a foundation vs. partner with a foundation). Also, investigating consumer response to foundations' strategic positioning in the marketplace will allow optimizing consumer contributions to the cause. Corporations in general are seen as more competent, especially when it comes to money (Aaker, Vohs & Mogliner, 2010), so consumers will trust them more with their money. Brand trust leads to higher purchase intentions. Our hypotheses are (H₁) that corporate foundations will lead to more perceived trust towards the foundation thus creating a positive effect on (H_{1a}) purchase intentions towards the corporation and (H_{1b}) on donation likelihood towards the foundation. It is a common misconception that nonprofits have no money because the name says no profits, because of this it is more likely that consumers will believe that a company has more money to give to a cause,

thus creating a more perceived impact on the cause. We also propose that (H₂) corporate foundations will lead to more perceived impact of the foundation thus creating a positive effect on (H_{2a}) purchase intentions and (H_{2b}) donation likelihood.

Using Amazon Mechanical Turk (MTurk; $N = 143$; 35% female; median age = 32, mean age = 34.54, age range = 18 – 69; 79.7% Caucasian), we tested our hypotheses with a single-factor between-subjects experiment (CSR-type: *founded by* vs. *sponsored by*). Participants imagined coming across a flyer that belongs to the Literacy for All (LFA) foundation that was either *founded by* or *sponsored by* the company Books Co. After reviewing the flyer, participants completed the measures of donation likelihood, perceived impact of the foundation, perceived trustworthiness of the foundation, and purchase intentions toward Books Co. The study ended with an attention check question (i.e., measuring whether participants knew Books Co. was a company) and demographics.

Excluding participants who thought Books Co. was a foundation has left us with 93 participants. The results of PROCESS Model 4 (Hayes, 2018) showed that the indirect effect of CSR-type on purchase intentions was significant through perceived trustworthiness (H_{1a}) and perceived impact of the foundation (H_{2a}) (in parallel) as the confidence intervals did not include zero (trustworthiness: $\beta = -.16$, SE = .09, 95% CI: -.3583, -.0055; impact: $\beta = -.21$, SE = .14, 95% CI: -.5404, -.0060). In addition, tests of H_{1b} and H_{2b} showed that the indirect effect of CSR-type on donation likelihood was significant through perceived impact ($\beta = -.44$, SE = .25, 95% CI: -.9486, -.0052), but not through perceived trustworthiness ($\beta = -.13$, SE = .11, 95% CI: -.3832, .0308).

Supporting H_{1a} and H_{2a}, the results suggest that firms may generate higher purchase intentions by establishing their own foundation than sponsoring another foundation. This is due to higher (consumer) perceptions of trust and impact of a corporate foundation than a foundation that is being sponsored by a company. Supporting H_{2b}, results revealed that consumers are more likely to donate to corporate foundations than foundations sponsored by a company, due to higher perceived impact of corporate foundations. Results did not support H_{1b}. This indicates that with the right resources a corporation can start its own foundation and that can be a potentially viable way to practice CSR. Our results are important because not only can corporate foundations be a viable option in increasing trust with consumers, but they can also be seen by consumers as making some impact on the cause. We contribute to research on CSR practices and confirm previous research that it can increase purchase intentions. The implications are that when wanting to practice CSR activities, corporate foundations should be considered and should carry more weight than sponsoring a foundation.

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