Impact of Strategic Cross-Sector Brand Alliances on Consumer Behavior in a Recession

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Like many organizations in an economic downturn, such as a recession, nonprofits have experienced a decrease in donations from individuals, corporations, and governmental funding sources. This loss of funding has resulted in a reduction of services offered and in some cases closure. Management at nonprofit organizations should study successful examples of cross sector marketing alliances and strategically replicate them with private sector organizations. This is achieved via cause-related marketing, a commercial partnership between a nonprofit organization and a private sector business. Seven fictional organizations were created for the current study to avoid preconceived notions. Comparisons were completed between private sector and nonprofit sector organizations. Additionally, comparisons were made between mixed strategic alliances of organizations with a positive image and those with a negative image which examine the impact of strategic alliances between private and nonprofit organizations. The measurements were a respondent’s willingness to contribute to or purchase from the firms. Results indicate that a firm’s image influences the willingness of the respondents to support the organization through donations or purchases in both the individual firm and strategic alliance scenarios.

Nonprofit organizations experienced a decrease in corporate and individual charitable donations and the loss of government funding resulting in slashed budgets, a reduction of services offered and in some cases closure (Hrywna, 2006). Stories from across the country indicate that for many of these charitable organizations to survive in the current economy they will need to regenerate themselves fiscally through new avenues of fund raising. Management at nonprofit organizations should study successful examples of cross sector marketing alliances and strategically replicate them with private sector organizations. A notable successful alliance exists between Intel Corporation and The United Way. In the 2008 Corporate Responsibility Report at Intel reported...Despite economic uncertainty, Community Giving Campaign donations in 2008 increased 10.5% over 2007 to a record $11.7 million, including $622,000 from Intel retirees. With the Intel Foundation match, the total contribution amounted to more than $22.5 million. Every Intel site exceeded its goal. Intel placed in the top 10 United Way corporate campaigns in the U.S. in 2008 (Intel Corporation, 2009).

The marketing discipline is concerned with influencing consumer behaviors. In the private sector, this means convincing customers to purchase a particular product or service in lieu of other options. It is also concerned with influencing retailers to stock particular merchandise and through internal marketing, ensuring that the frontline staff of service organizations, whether public, nonprofit, or private, delivered exceptional customer service. Private sector managers at all levels know that marketing and a customer-centered marketing mindset are crucial to their success. Additionally, brand alliances have increasingly become an effective strategy to leverage a new or unknown brand (Najam and Rajesh, 2008). There is an increasing perception that organizations across the three sectors...can benefit by acting cooperatively, particularly through branding and forming alliances” (Heller, 2008).

Research has demonstrated the importance of brands matching on abstract measures for an alliance to have success. Managers need to recognize that fit between brands in an alliance should not only be on the functional level of skills and expertise, etc., but also on the abstract level with brands matching on a personality dimension giving stronger overall alliance attitude scores. Collaboration is a mutually beneficial way for both brand alliance partners to leverage their brands through the transfer of established brand attitudes to new relationship partners” (Dickinson and Barker, 2007).

The same is true in the nonprofit world and in many parts of the public sector. Public and nonprofit managers realize that their missions involve influencing donors to give, encouraging volunteers to come forward, convincing clients to seek help, motivating staff to be client friendly, and so on. Therefore, marketing and the marketing mindset are critical for these organizations as well.
Knowing goals and missions can be aligned across sectors has made the adoption of such strategies into the nonprofit sector much easier. “The substantial similarities between both (for-profit and nonprofit) is that they exist...to supply collective goods or create some sort of public benefit” (Word and Park, 2009). In both sectors, there are similarities in goals to influence their target audience; therefore, there has to be some sense of trust from the general public for success (Bryce, 2007). “Such cross-sector partnerships have been one of the most exciting and challenging ways that organizations have been implementing” such ideas (Seitanidi and Crane, 2009).

Through successful for-profit alliances, nonprofits have seen the value of adopting for-profit business practices and methods. Because of these successes, nonprofits are being motivated to adopt for-profit techniques and create competitive jobs to attract experienced employees to execute these techniques (Andreasen et al., 2005). The “benefit of for-profit skills/experience...was seen as filling a need for assistance” in using for profit ideas in nonprofit environments (Mannell, 2010). Market penetration for a nonprofit is the largest benefit, while for-profit agencies can benefit by aligning with a nonprofit that their customers “have an affinity” (Bennett et al., 2008).

Cause related marketing calls on players outside the nonprofit sector to interact with the nonprofit and public sectors (Sagawa and Segal, 2000). Government agencies such as the National Cancer Institute or the Centers for Disease Control and Prevention partner with organizations like the American Cancer Society or the Campaign for Tobacco-Free Kids to achieve mutual objectives. An increasing number of corporations and nonprofits are partnering to achieve organization objectives. Cause-related marketing is a $7 billion sector with corporations like Nike and Coca-Cola actively engaged with Boys & Girls Clubs of America in achieving each organization’s objectives, as well as the objectives they have in common through the use of brand alliances and strategic partnerships.

Thus, managers in each sector need to understand marketing and how marketing is – and ought to be – used in the nonprofit environment. Nonprofit managers need to be better at influencing their myriad stakeholders and publics whose behaviors determine the nonprofit’s success. Government managers need to know about marketing techniques in the nonprofit world because they are often interested in promoting similar outcomes. Finally, corporate marketers need to understand nonprofit marketers and the world in which they operate to create efficacious partnerships (Andreasen, 2003).

Over the last 20 years an important development has occurred in the field of nonprofit marketing; the growth in importance of soliciting corporate involvement in the nonprofit sector. As nonprofits found themselves in greater and greater need of outside support, they turned to private sector partnerships for assistance. Cause-related marketing, a commercial partnership between a charity and a business, involves associating a charity’s logo with a corporation’s brand, product, or service. Effective cause-related marketing benefits organizations in both sectors. It encourages product sales for the private organization and raises funds for the charity. For example, General Mills contributes a determined amount to elementary schools for each “box top” or proof of purchase collected by the schools. Corporations have found that these and other public sector activities not only improve their public image but also contribute to their bottom lines (Weeden, 1998).

Organizations survive in part upon their reputations which are embodied in the public perception of them. A business organization that sells a product - Microsoft, selling computer software for example - relies on the public perception of the quality of its product for sales. This perception of product is largely tied to the public perception of the organization. This includes visions of the quality of management, the reliability of its service guarantees, and the perception that the company stands behind its product. More and more, even in the private sector, the public perception of the organization is affected by people’s beliefs about its mission, role in society and particularly the social responsibility it assumes (Lasser and Mittal, 1995). These same issues are also critical for nonprofit organizations, particularly those that deliver social services or promote positive societal outcomes for shared values such as creating opportunity for the poor, educational issues, and the like. Consequently, a nonprofit organization is judged on its ability to achieve its goal (service delivery or contributing to sustaining societal values), but also on the effectiveness of its management, the central value status of its goals, and its tactics for achieving goals. With a constricting economy, both private organizations and nonprofit organizations are
pressured to maximize the positive public esteem. In the private sector this has led to strategic alliances or partnerships between companies to promote mutual interests in both products and services offered and in the public perception of their legitimacy. Among nonprofits, there has been great interest in the past decade in similar alliances and partnerships - with other nonprofits and with private organizations - to maximize their own interests, including public acceptance of services offered and public support as volunteers and contributors.

The purpose of this study is to examine the impact of alliances among private and nonprofit organizations on people’s perceptions of the impact of the pairings on attitudes toward the organizations and intent to support the organizations. A marketing emphasis exists in this research that seeks to understand how an individual’s perceptions of an organization are affected when it partners with another organization to pursue joint goals. Conceptually, brand alliances and their use in the private sector and might be used in the nonprofit sector are at the theoretical basis of this study. The goal of this study is to examine consumer/donor responses to a series of diverse, hypothetical brand alliance and to identify risks that organizations take in choosing other organizations with which to partner. As there is limited research available on consumer perceptions of brand alliances in the private sector and almost no research incorporating the effects of alliances or partnering in the nonprofit sector, this research is exploratory in nature.

**Research Questions**

The general aim of this research is to document whether or not different types of alliances or partnerships affect the consumer’s willingness to purchase or contribute to organizations and to investigate demographic differences that may exist. Two types of organizations are addressed: private sector businesses and nonprofit sector service organizations. The reputation of the organizations participating in the alliance or partnership as positive or negative is also of concern. These issues can be combined and addressed by answering the following research questions:

- What is the effect of an organization’s reputation (as positive or negative) on people’s willingness to do business?
- What is the effect of sector on willingness to do business for organizations with positive reputations?
- In brand alliances or partnerships, is there a differential penalty for an organization with a positive reputation that partners with an organization with a negative reputation?
- What is the effect of years of service and number of annual contributions on an individual’s willingness to do business with a nonprofit or private organization?

A quasi-experimental design that varies combinations of private sector and nonprofit organizations was used to structure comparisons that are based on individual research participant willingness to purchase a product (private sector) or willingness to contribute to a nonprofit organization (nonprofit sector).

**Research Hypotheses**

H1: It is expected that an individual’s willingness to contribute will increase with each additional annual contribution.

H2: It is expected that an individual’s willingness to contribute will increase with each additional year of service with their current organization.

**Significance of the Study**

This research is salient for several reasons. First, brand alliances are increasing in popularity as a means for both nonprofit and private sector organizations to accomplish organizational goals and
objectives. Thus, it is important for organizations to understand the costs and benefits in cross-sector alliance creation. Little empirical data exists regarding these issues in either sector.

This study addresses the question of whether the types of organizations (private versus nonprofit) and their reputations have an impact on people’s decisions to purchase or contribute. This issue is particularly important to the management of organizations that are preparing to enter alliances or partnerships with other organizations in the current recessed economy. In particular, nonprofit organizations which are increasingly dependent on charitable donations must choose optimal private corporate partners, in order to increase the likelihood of success.

Finally, given the exploratory nature of the study, the new information obtained can be used to identify new questions for further research. In particular, the research provides an initial assessment of attitudinal and demographic characteristics of people making assessments of private and nonprofit organizations’ reputations.

Research Methodology

The dependent variable in this study is individual “willingness to purchase a product or service from a private organization.” Since interest focuses upon making comparisons between private sector and nonprofit organizations that do not sell products or services, a parallel dependent variable is individual “willingness to make a contribution to a nonprofit organization.” These “willingness” variables are intended to measure the respondent’s ultimate support of a focal organization. That is, in the marketing discipline, the principal test of product or service perception is whether the product or service is purchased by consumers (Peter and Olson, 1999).

In the case of nonprofit organizations, services and products may be provided by the organization to its clients, but the relationship of interest in this study is between the organization and the public that may provide financial support. Individuals will be the focus for this research, and in measuring “willingness to contribute,” we will focus on willingness to contribute monetarily. Logistic regression was incorporated as it was the most appropriate given that the dependent variable was dichotomous; respondents indicated that they were either willing on not willing to contribute to or purchase from the fictitious firms. Willingness to contribute was measured as a dummy variable; possible response values were 1 and 0. Responses were coded “1” if the individual expressed willingness to contribute and “0” if the respondent was not willing to contribute to or purchase from the organizations.

The independent variables of interest for the analyses were both continuous. Annual Contribution Rate, measured in number of contributions in the last year, and Years of service with the respondent’s current organization. Results are reported as probability values with feasible responses falling within the range 0.0 to 1.0. Linear regression was ruled out for the analyses as there are no limits on the values predicted by a linear regression. The result of the linear regression yielded a predicted response less than 0 or greater than 1, either of which would be nonsensical as a response probability. If the dependent variable had been continuous rather than dichotomous, that is, if respondents had been asked how much money they would be willing to contribute or how much they would be willing to purchase from the fictitious firms, Linear Regression, ANOVA or a similar method could have been used.

As a result of the global economic downturn in the last five years, nonprofit organizations experienced a decrease in corporate and individual charitable donations. Combined with the loss of government funding, the impacts to these firms have been slashed budgets, a reduction of services offered and in some cases closure. Management at nonprofit organizations should study successful examples of cross sector marketing alliances and strategically replicate them with private sector organizations. This is achieved via cause-related marketing, a commercial partnership between a nonprofit organization and a private sector business. Seven fictional organizations were created for the current study. Comparisons were completed between private sector and nonprofit sector organizations as well as comparisons between mixed strategic alliances of organizations with a positive image and those with a negative image which examine the impact of strategic alliances between private and nonprofit organizations, and on respondent willingness to contribute to or purchase from the firms. Results indicate that firm image influences the willingness of
the respondents to support the organization through donations or purchases in both the individual firm and strategic alliance scenarios.

Other variables to be measured in this study are principally background variables are used as control variables in the analysis. To account for basic comparability of subjects, age, gender and years on the job were measured for each subject. It is possible that a person’s experience with or perception of nonprofit organizations in general might have an impact on how the “willingness” ratings are made. To examine any possible relationship between a person’s history with nonprofit organizations and their rating of such organizations, each subject will also be asked, "How frequently have you contributed time or money or made other types of donation to any nonprofit organization (not a church)?"

The research questions in this study require the respondent to make a series of structured comparisons. To accommodate these comparisons, the basic design of the study is quasi-experimental design, involving participant evaluations of a series of six structured pairs of organizations (Reichardt and Mark, 1998). Seven fictional organizations were created for the study, four from the private sector and three from the nonprofit sector. In addition to comparisons between private sector and nonprofit sector organizations, the research questions call for comparisons between organizations with a positive image and those with a negative image.

The development of a positive versus negative image for selected organizations is the experimental manipulation. The manipulation was achieved by varying the descriptions offered for the organizations. In this case, two of the nonprofit organizations were given a positive profile, two private organizations were given a positive profile, two private organizations were given a negative profile, and one nonprofit was given a negative profile. The organizations with a positive profile contained positive statements in all four of the reputation elements. The organizations assigned a negative profile had positive descriptions in two areas (product/service reliability and managerial effectiveness) and negative descriptions in two areas (honesty of claims and social responsibility).

This study used an availability sample (volunteers) of 120 subjects drawn from employees of a Fortune 500 company located in Chandler, Arizona. A single questionnaire was developed that contained the descriptions, the combinations of organizations and the willingness measure described above. The questionnaire also contained demographic questions and questions regarding the participant’s past involvement and attitude toward nonprofit service organizations. The last questions were used to determine whether or not the respondents’ past practices or attitudes impact the dependent variable independently of the sector and reputation of the organizations.

Results

Before analysis was completed the dependent variable response sets were re-coded from a 7 item Likert Scale assessing varying levels of willingness to purchase or contribute, to a binary response set - willing to purchase or contribute or not willing to purchase or contribute. General descriptive statistics, provided in Table 1, were run for the independent variables of interest. Cross Tabulations were then run to determine willingness to donate for each organization and the experimental pairings. These results are presented in Table 2. Finally, logistic regression analysis was used to understand the effect of the independent variables of interest on willingness to donate and the results are presented in Table 3.

Descriptive statistics revealed that the average age of the respondents in this study was 33 years. On average they have been with their current employer 8 years and as a group contribute (financially) to nonprofit organizations (not churches) about 2 times per year. See Table 1 for complete descriptive statistics.

<table>
<thead>
<tr>
<th>Table 1: Descriptive Statistics on Independent Variables</th>
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<tbody>
<tr>
<td>Variable</td>
</tr>
<tr>
<td>Years of Service with Organization</td>
</tr>
<tr>
<td>Number of contributions to nonprofit in last year</td>
</tr>
<tr>
<td>Age</td>
</tr>
</tbody>
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167
The goal of this study was to respond to four research questions as outlined above. The results from the cross tabulations were used to respond to the first 3 questions and logistic regression analyses were conducted to respond to the fourth. The results for these questions are presented below.

The purpose of research question 1 was to determine if there was a difference in respondent’s willingness to contribute to or purchase from an organization based on the organizations reputation. Convincingly, for both private and public organizations, respondents were much less likely to do business with the organizations that had been assigned negative (-) reputational attributes. For all three organizations that were reported to have negative reputations, the percentage of respondents willing to do business was less than 9%. Rather, only 9% of the respondents were willing to do business with an organization with a negative reputation.

Research question 2 addressed potential differences in willingness to do business that may exist due to the sector in which an organization falls for organizations with positive reputations. Four experimental organizations met these criteria - 2 public and 2 private. Results show that more respondents were willing to do business with the private organizations with positive reputations 93.64 and 94.55%, than were willing to do business with public organizations with positive reputations 89.10 and 87.27%.

Research question 3 addressed the willingness to do business with organizations in a brand alliance in which one of the organizations has a negative reputation versus alliances in which both organizations have positive reputations. Four pairings were compared to answer this research question.

- PR (+) & PU (+)
- PU (+) & PU (+)
- PR (-) & PU (+)
- PU (+) & PU (-)

In all cases, the respondents were less willing to do business with pairs of organizations in which one of the organizations had a negative reputation. Several other interesting results fell out of this research questions. First, more respondents - 90% -- were willing to contribute to allied nonprofit organizations with positive reputations than any other pairing of or individual organization. Second, respondents were much less likely to do business with a nonprofit with a positive reputation paired with a private with a negative reputation - 36% -- than to do business with a nonprofit with a positive reputation paired with a nonprofit with a negative reputation - 60%. See Table 2 for complete results.

<table>
<thead>
<tr>
<th>Organization or Organizational Pairing</th>
<th>%Willing to Contribute</th>
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<tbody>
<tr>
<td>Childhood Disease Foundation (PU+)</td>
<td>89.10</td>
</tr>
<tr>
<td>Mom’s Friend Childcare (PU+)</td>
<td>87.27</td>
</tr>
<tr>
<td>Neighbor’s Helping Home Meals (PU-)</td>
<td>7.27</td>
</tr>
<tr>
<td>Nirvana Bath Fixtures (PR-)</td>
<td>6.36</td>
</tr>
<tr>
<td>Jerry’s Furniture (PR+)</td>
<td>94.55</td>
</tr>
<tr>
<td>Floppy Ears Personal Computer (PR+)</td>
<td>93.64</td>
</tr>
<tr>
<td>International Athletic Shoes (PR-)</td>
<td>8.18</td>
</tr>
<tr>
<td>Jerry’s Furniture (PR+)/ Childhood Disease Foundation (PU+)</td>
<td>77.27</td>
</tr>
<tr>
<td>Childhood Disease Foundation (PU+)/ Mom’s Friend Childcare (PU+)</td>
<td>90.00</td>
</tr>
<tr>
<td>Nirvana Bath Fixtures (PR+)/Mom’s Friend Childcare for Single Mothers (PU+)</td>
<td>36.36</td>
</tr>
<tr>
<td>Neighbor’s Helping Home Meals (PU+)/Childhood Disease Foundation (PU+)</td>
<td>60.91</td>
</tr>
</tbody>
</table>

Notes: Willingness to contribute is measured as a dummy variable, which equals 1 if the individual expressed willingness to contribute and 0 if otherwise.

Finally, logistic regression analysis was used to explore the relation between willingness to do business and the years of service at the current organization. Only the overall model for Neighbor’s Helping Home Meals (PU-)/Childhood Disease Foundation (PU+) was significant and model coefficients and standard deviations are presented in Table 3. The annual contribution rate odds ratio was statistically significant, p = .015, at the alpha = .05 level. Results of the logistic regression model are interpreted as
the odds of a contribution increase by 1.53 for each additional contribution per year. The magnitude of the odds ratio and the direction of the sign are appropriate.

### Table 3: Effect of Annual Contribution rate on Willingness to Contribute

<table>
<thead>
<tr>
<th>Variable</th>
<th>(1)</th>
<th>(2)</th>
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<tbody>
<tr>
<td>Annual Contribution Rate</td>
<td>1.528*</td>
<td>1.538*</td>
</tr>
<tr>
<td></td>
<td>(.2692)</td>
<td>(.2740)</td>
</tr>
<tr>
<td>Years of Service with Organization</td>
<td>1.033</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(.0462)</td>
</tr>
</tbody>
</table>

Notes: Willingness to contribute is measured as a dummy variable, which equals 1 if the individual expressed willingness to contribute and 0 if otherwise. Years of service and Number of contributions in the last year are measured as continuous variables in years, and number of contributions. Odds ratios are presented as are standard deviations (in parentheses). * Denotes statistical significance at the .05 level.

### Conclusions, Discussion, and Marketing Implications

Results for question one indicate that respondents were convincingly less likely to do business with organization with negative reputations. This finding was not surprising and conveys that regardless of sector, respondents were not willing to do business with organizations that did not have positive reputations. The finding was nearly the same across all the organizations and the willingness to contribute percentage for all organizations fell in the 6-8% range. Though not surprising, the implication of this finding has economic salience for organizations with negative reputation and will be considered below.

Results for question two demonstrated that respondents showed a greater willingness to do business with private organizations than with nonprofit organizations, when both had positive reputations. A potential explanation for this finding is self-interest. Respondents may be slightly more willing to do business with a private organization as there is an immediate and tangible benefit. Whereas with the nonprofit, the benefit is not tangible and depending on the timing of the contribution, any potential fiscal benefit may be delayed.

A differential ‘alliance’ penalty for organizations with a positive reputation that allies with an organization with a negative reputation was incorporated into the study. Rather, the willingness to do business with this alliance was substantially lower than the willingness to do business with allied organizations with positive reputations. Research question 3 yields several salient economic factors. First, for organizations with positive reputations, in either sector need to steer clear of organizations of either sector with negative. However, organizations with negative reputations ought to seek out alliances with organizations with positive reputations. For example, 7.27% of respondents were willing to contribute to Neighbor’s Helping Home Meals (NHHM). However, when NHHM allied with Childhood Disease Foundation (CDF) respondents were eight times more likely (60.91%) to contribute. Thus, it appears that not only is there a differential penalty for positive organizations that ally with a negative organization, there is also a differential reward for organizations with a negative reputation to ally with an organization with a positive reputation. This finding should be of particular value to organizations struggling with reputation (at least with our sample).

The results of the final research question indicated that the odds of a contribution increase by 1.53 for each unit increase in annual contribution rate. The direction is as expected and the magnitude seems to make sense. Though it is possible that a co-linearity problem may exist as the dependent variable - willingness to contribute and the independent variable - annual contribution rate may be highly related.

### Future Research Direction

This study was exploratory in nature, and the questions addressed herein have not been addressed in the literature. As with all exploratory research, part of the purpose of the study was to identify further questions for future research. This study has highlighted needs for further research in several areas. The first area is further understanding of collaborative brand alliances because the experimental design used here was based on measuring the effectiveness and risk of brand alliances focusing upon experimentally assigned variation in two aspects of reputation. Cooke and Ryan (2000) proposed that forms of brand alliances range along a continuum from reputation-based efforts, which revolve around abstract or
symbolic characteristics of the brand, to those which are based on product related or functional brand attributes and which involve a physical combination of resources. The opposing ends of this continuum reflect the strategic objectives and nature of these different forms of alliances: reputation endorsement and collaboration on core competencies. This view of brand alliances mirrors the perspective developed in the literature that brand alliances range from publicity based agreements to alliances involving co-operation further along the value chain in co-product development and/or commercialization (Cooke and Ryan 2000). Exploring the same basic research questions addressed here also could be applied to brand alliances that collaborate on core competencies. This information would present a more complete picture of the effects of the full scope of brand alliance types.

Another expansion area of the research initiated by this study involves inclusion of the government sector. It can be speculated that reputation is a critical issue for public sector organizations. It is also known that public sector organizations enter into brand alliances with both private sector and nonprofit sector organizations. There has been an emphasis for some years now among government organizations to embrace partnerships with private businesses. Presently, there is no research on the character or outcomes of these partnerships in terms of reputation factors (variables). It will be important that such research be fully comparative, looking at the relationships among private, nonprofit and public organizations.

Finally, this study should be replicated with a larger, more heterogeneous sample population. All of the participants in this research were employees of a large private sector corporation. Certainly most employees in the United States work for private sector organizations and these subjects form a critical audience for all three sectors. However, this research was unable to address “willingness to do business” with private and nonprofit sector organizations by employees in the public or nonprofit sector. This represents an important potential gap in knowledge. There is logic in the reasoning that organizational reputations in general may be more important to people in nonprofit and public sectors and that this might influence the outcomes of assessments of reputation in organizations and willingness to do business.

REFERENCES


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