

# WISE GIVING™

GUIDE

BBB WISE GIVING ALLIANCE : SPRING 2012

## Cause-related Marketing: BRANDING, BUYING & DONATING



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# president's MESSAGE

For decades, many of us, as consumers, have reacted with enthusiasm to cause-related marketing. We're used to seeing a business name next to a charity name. We won't be surprised, as the London Olympics approach, to see corporate logos alongside the logos of Olympic teams on TV screens or sweatshirts. We don't blink when we're told that using a credit card or buying a product will prompt a business to benefit a charity.

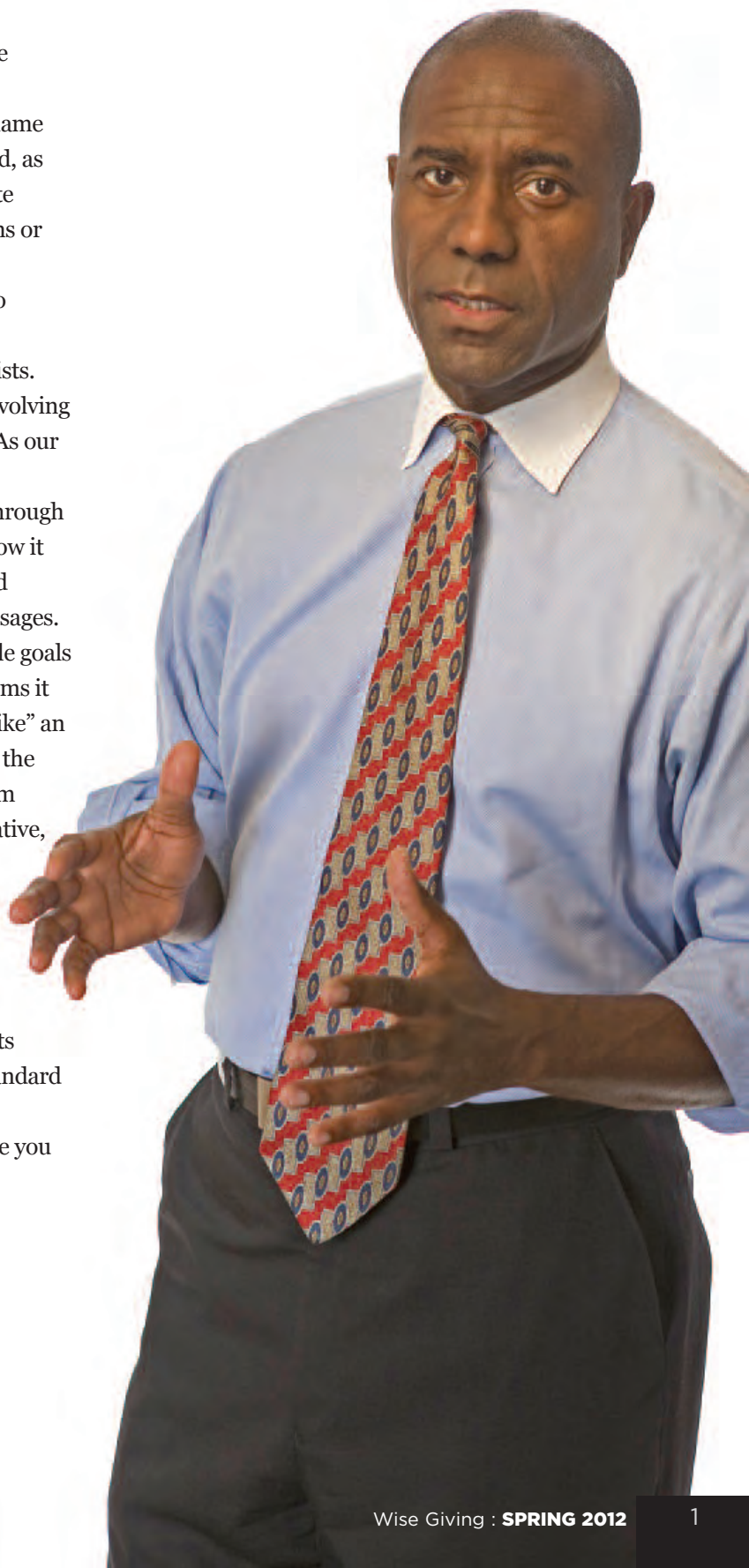
But those familiar practices now have additional twists. Countless other approaches and devices, increasingly involving the Internet, make up today's cause-related marketing. As our cover article points out, businesses and charities have broadened their thinking about what they can achieve through joining forces. They strategize, each party considering how it can leverage the other's resources to promote names and brands and reach particular audiences with specific messages.

As a consumer, you may be less aware of the multiple goals of today's cause-related marketing than of the varied forms it now takes. You can introduce your friends to an offer, "like" an image on a corporation's Facebook page, or help choose the charity a corporation will benefit. The opportunities seem endless. Paths to participation are so diverse—often creative, sometimes quirky, sometimes murky—that we couldn't possibly describe them all.

But then, that's not our job. We're concerned with transparency, the absolute essential. If a cause-related marketing scheme offers you a chance to help a corporation help a charity, you should be given clear facts about how buying makes that happen. The Alliance's standard 19, described on page 53, holds charities responsible for making sure that those basic facts appear up front. I urge you to look for them.



H. Art Taylor, *President*





# Cause-related Marketing: BRANDING, BUYING & DONATING

**B**uying this cereal or that yogurt, or this T-shirt or that ice cream, you're told, will prompt the manufacturer or retailer to contribute to a charity. Signing up for electronic billing from a particular cellular company or opening a bank account will trigger a charitable donation.

No surprises here—arrangements like these that bring together business, charity and consumers beckon from store shelves, print media, websites and social media, now so common that they're almost ho-hum.

Cause-related marketing has become routine in our lives because it works. It has worked since the early 1980's when American Express promised to contribute to the Statue of Liberty/Ellis Island Foundation one cent for every card transaction and a dollar for every new card it issued. It was a success all around: in just over four months, the company donated \$1.75 million, new card applications went up 17% and card transactions grew by 28%.

If financial benefits were the sole benefit, this kind of marketing would not have thrived as it has. It is

still going strong because it offers something to everyone involved:

- Corporations, by linking their name to a charity's, can gain sales, set themselves apart from their competitors and acquire the aura of altruism.
- Charities can gain financially, benefit from increased visibility for their name and work, and set themselves apart from others in their field.
- Consumers, once convinced that product and price are wise, can feel as they buy that they've "done good" as well. (Though exactly how much the "good" means in tangible benefit to the charity may not be clear. The Alliance's Standard 19 addresses this point on page 53.)

Consumers' enthusiasm has even been documented. Cone Inc., a Boston-based consulting firm, has for years been surveying public attitudes toward cause-related marketing. Here are findings from its *2010 Cause Evolution Study*:

- 88% of Americans are fine with companies' involving a cause or issue in their marketing (up from 66% in 1993).

- 85% of consumers think more positively of products or companies that support causes they care about.
- 83% of Americans “wish more of the products, services and retailers they use would support causes.”

While these findings leave the meaning of “causes” somewhat vague, the sense is clear: people are happy to see business involved with non-business entities and issues—and are willing to play (and pay) their part in the relationship.

Yet even as early forms of cause-related marketing persist, changes—from slight to radical, admirable to questionable—are evident, not only in novel deals and devices but in the thinking that guides them. Goals have expanded. New media have magnified outreach, but risk as well. Best practices aren’t always observed. Some legal authorities are asking questions. Keeping up with what’s happening can help you respond with confidence when you’re asked to choose.

## Charge, refer, savor, “like”

A sampling of cause-marketing arrangements recent and past:

**American Express** enables those in its Membership Rewards program to redeem for charity the points accrued through their credit card purchases. For every 1,000 points redeemed, Amex donates \$10 to a charity of the customer’s choice, and choice is wide—“over 1 million public charities in the U.S.,” according to the program description. Links provide copious additional information.

In **Diapers.com**’s Refer-a-Friend Program, you can “Give your friends \$10 off their first order of \$49 or more! Plus, for every eligible friend you refer, we’ll donate up



...corporations look for promotions that will strengthen their brands, give them access to communities that they couldn’t reach otherwise, such as on social media, and perhaps offer volunteering opportunities to their employees.

to \$30 to our charities.” Five charities, named in the promotion, are potential recipients.

**Ben & Jerry’s** partnered with **KaBOOM!**, which works to build children’s playgrounds, in a promotion that included creation of a KaBerry KaBOOM! flavor ice cream. KaBOOM licensed use of its logo, name, and trademark on the packages. Each purchase brought it a contribution. Related agreements with other partners dealt with shelf space and brand exposure of the product at retail.

**Pepto-Bismol**, with Modern Family actor Eric Stonestreet, pledged 8 meals (monetary equivalent \$1/meal) to **Feeding America** for each visitor who “liked” a photo of a Thanksgiving turkey, shown with Stonestreet, on the Pepto Facebook page in the Thanksgiving season.

The company said it aimed to donate two million meals.

**Coca-Cola** and the **World Wildlife Fund** partnered in a campaign to protect polar bears, using limited edition

white Coca-Cola cans and bottle caps. With package codes from the marked items, customers could text a \$1 donation to the World Wildlife Fund or do the same online, with Coca-Cola matching donations up to \$1 million.

No single approach dominates. Where monogamy once ruled, companies today may have multiple charity partners and vice versa. A business may let customers name the charity they want their purchase to help. A manufacturer may create special products to benefit a particular charity. A cause-related marketing promotion may require no purchase at all, but only certain actions online. And details of the agreements can be so numerous that curious customers must study FAQs for full understanding.

## What’s the *big* Idea?

But the real change in cause-related marketing over the years goes far beyond tweaking the mechanics of customer (or online player) engagement. The notion of linking a purchase to a contribution has expanded to become “a popular strategic marketing and public relations tool for corporations and charities alike,” writes Edward B. Chansky, a lawyer who focuses on the field.

In this broader concept, corporations look for promotions that will strengthen their brands, give them





access to communities that they couldn't reach otherwise, such as on social media, and perhaps offer volunteering opportunities to their employees. Necessarily they affiliate with specific charities, but they may stress that their ultimate commitment is to the cause the charity addresses—the environment or child health, for example.

For their part, many charities, the larger ones in particular, now think of cause-related marketing much as businesses do. They too talk of brand, the image that's meant to convey their identity and values. They identify specific audiences that they want to reach. Some court corporate partners on their websites:

- A conservation organization states that it “can develop a CRM [cause-related marketing] or licensing program that increases brand awareness and strengthens brand loyalty for your company. From creative co-branded merchandise to promotions designed to increase sales of a product or service, we can find the right fit to meet the goals and objectives of your company.”
- A health organization promises work with partners to “develop customized programs to help you reach your cause-marketing and philanthropic goals while promoting a positive corporate image, building employee morale and engaging consumers in a cause that has become part of the national and global health agenda.”
- A child-focused charity looks for partners interested in “developing a cause marketing program that will allow your brand to soar to new heights....”

## The view from charity headquarters

“Many businesses and nonprofits have grown more sophisticated in understanding what partners can bring to strategic alliances involving cause marketing,” says David Hessekiel, president of Cause Marketing Forum, Inc., a Rye, New York-based firm that works to advance and expand cause marketing.

“Strategic alliances” is a core phrase. Echoing military or political campaigns, it suggests that businesses and charities don't join forces merely because it's appealing

or convenient: instead, they unite to advance complex, complementary goals.

Corporations, fully alert to the advantages of these relationships, have become more strategic in forming them, says Kathy Forshey, vice president, corporate alliances, at **Make-A-Wish Foundation**. Where once they might have sought partner charities mainly to burnish their image, they now look for charity connections that reflect their corporate values and play to the interests of their employees and customers. They're ready to pick and choose.

Charities, too, are becoming more strategic, increasingly taking the initiative to identify and then approach partners that offer products or locations that may give them access to consumer groups they want to reach. They seek long-term commitments, at least a year, to maximize the impact of a campaign and validate the work that goes into it. With growing awareness of their value in the marketplace, charities can act with confidence. They need not let business call the shots.

## Making a go of it

Once an agreement is reached and a campaign launched, there is much back-and-forth, as both partners look for anything that's gone wrong, make improvements, and evaluate customer reaction. As with any partnership, there can be disagreements and unsatisfied expectations. Charities say that managing a corporate relationship isn't always easy. Businesses expect charity staff to be competent in conducting cause-related marketing programs.

Cause-related marketing isn't for every charity. Not all have the business and legal skills necessary to participate, or the money to pay for them. Not all have the forethought to establish beforehand what they will agree to and what they won't—or the backbone to stand by it.

The asset that a charity must have for success in cause-related marketing, however, is a cause or brand sufficiently recognizable to attract corporate partners. Common diseases or health conditions, children and animals get attention because they appeal to the sympathies of consumers that corporations want to reach. Lesser known health problems, or issues on which public attention is deeply divided, haven't the same attraction, though unfamiliar or sensitive topics can become less so over time, as autism and AIDS have done.

## Identity crises

Charities work hard to establish a distinctive identity and image. Protecting that brand is a growing challenge. Unauthorized use of charity names is illegal but hardly

unknown. In late 2011, for example, the New York Attorney General filed a complaint against the Coalition Against Breast Cancer, alleging, among other serious charges, that the group has deceptively advertised an affiliation with the Memorial Sloan-Kettering Cancer Center, when no such affiliation existed.

Use of a charity's name and licensed marks is strictly controlled and can cover much more than a logo. **Susan G. Komen for the Cure**, for example, owns the trademarks for the Susan G. Komen for the Cure name, Signature Logo, Running Ribbon, 1-877 GO KOMEN toll free number and "a family of 'for the Cure' and 'for a Cure' marks...." Written permission from Komen is required for their use. You'll find similar statements about licensing on the website of the **American Red Cross** and many other charities.

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But all the legal protections in the world may not prevent harm to either party in a cause-marketing arrangement. Controversy—political, religious, social or all three together—can strike. If your charity's petroleum company partner has an oil spill, no good. If staff salaries at your corporation's charity partner suddenly make headlines, not great.

Some problems arise from within. A partnership that strikes observers as dissonant, like a health charity paired with food products widely considered unhealthy, can spark criticism that will spread on the Web in a flash. The long-term effects, if any, of the recent controversy over Susan G. Komen for the Cure and its grants to Planned Parenthood are as yet unknown.

## Happy sellers, happy buyers

No one claims that altruism alone drives business into cause-related marketing. In a recent study, 81% of responding manufacturers and retailers said sales impact was a main reason for making that connection.

They have come to believe that a corporate image that communicates social concerns as well as quality products benefits sales.

Consumer behavior supports this view. According to the Cone study cited above, 41% of Americans say that in the past year they have bought a product because of its tie to a cause. Confronted with brands of about equal price and quality, 80% say they'll go for the one that supports a cause.

## Caveat emptor—and donator

When you consider a cause-related marketing opportunity, though, put aside warm and fuzzy feelings and look for facts. Customers tend to over-estimate the money that goes to charity in a cause-marketing arrangement. All too often they accept "information" that hides rather than reveals. "A portion of the proceeds," for example, says nothing; and the statement that "2 percent of store sales [what's that?] will benefit a charity... up to a guaranteed maximum of \$50,000" says in effect that the consumer's purchase doesn't matter since the store has already committed to a "guaranteed" \$50,000 donation.

The Alliance's **Standard 19** gives the essentials:

When a promotion for a consumer sale or transaction states or implies that a charity will benefit, the promotion should disclose, at the point of solicitation:

- (a) the actual or anticipated portion of the purchase price that will benefit the charity (for example, 5 cents will be contributed to the charity for every xyz company product sold);
- (b) the duration of the campaign (for example, during the month of October), and
- (c) any maximum or minimum contribution amount (up to a maximum of \$200,000, for example).

*(Test your understanding of required disclosures in the quiz on page 7.)*

For many charities, such points are practical as well as reasonable. "Trust and integrity are critical in the public eye," says Forshey of Make-A-Wish Foundation; "A consumer must know exactly how a charity is benefiting from the arrangement." Katrina McGhee, executive vice president and chief marketing officer at Susan G. Komen for the Cure, says transparency is key: "The better consumers feel about the transaction, the more likely they are to participate and spread the word."

Adherence to Alliance standards isn't universal. As you can see from the numerous citations of Standard 19 as either "not met" or "unable to verify" in the charity list in this magazine, transparency isn't a given in cause-related marketing.

## Critics

Cause-related marketing has always had critics. A common charge is that businesses affiliate with good causes to distract attention from problems they create or aggravate. (“Cause washing” is linking a business with a charity to burnish a corporate name rather than confront a real social or environmental issue.)

Another charge is that businesses are the chief winners, economically, in these alliances. Indeed, the Product (RED) campaign, where businesses agreed to donate a portion of purchase prices to fight HIV/AIDS in Africa, has been criticized for profiting those businesses, through related sales, far more than helping charities.

Others stress that cause-related marketing is not philanthropy—and indeed it isn’t. Cause-related marketing is, well, marketing, and its costs are marketing costs. It raises impressive sums—\$1.68 billion in 2011, according

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to the *IEG Sponsorship Report*—but still far less than the \$15+ billion that corporations gave to philanthropy in 2010 without any quid pro quo [*Giving USA 2011: The Annual Report on Philanthropy for the Year 2010*].

And some critics see moral damage. Mark Rosenman, a public service professor at the Union Institute & University, says that corporate involvement in cause-related “schemes” is “diminishing true altruism in the corporate world.” Angela M. Eikenberry writes in the *Stanford Social Innovation Review* that cause marketing “devalues the moral core of philanthropy by making virtuous action easy and thoughtless.”

## Popularity, proliferation...and government attention

Yet both businesses and charities vigorously pursue partners, and the public applause goes on. The growth of cause-related marketing gets generally good reviews.

“It’s exciting to see new companies emerging that have a ‘giving back’ element in their DNA,” says Hessekiel of Cause Marketing Forum.

But the future may bring challenges. The spread of cause-related marketing arrangements, and their abuse, is attracting increased legal scrutiny. It seems certain, for one thing, that “like” campaigns on Facebook, where existing laws may be insufficient, will draw attention.

At least two states have recently addressed cause-related marketing. In Vermont, the House has considered a bill that would require providing, at the point of sale, the website address where consumers could go for more information. That website would have to furnish, among other things, extensive detail about both partners in the arrangement and the terms of their agreements.

In New York, the Attorney General recently sent questionnaires to at least 40 charities and 130 companies in connection with his investigation into cause-related marketing activities of breast cancer charities.

The questionnaire asks about contracts, campaign materials, promotional methods, disclosures to consumers, calculation of the charitable donation amount and much more. One concern is with products with expired co-venture labeling: there could be deceptive advertising if it is not clear to a “reasonable consumer” that the purchase would no longer have a charitable benefit. Whether the information that’s gathered will lead to further New York action isn’t clear, but you can be sure that many organizations that weren’t sent the questionnaire want to see what’s asked.

## The Third Party

Corporations and charities may be courting, partnering and allying in cause-related marketing as never before. All parties in the movement may have heft and savvy, creativity and ethical commitment. Or not. You, the essential third in the deal, can help the best prevail.

- Look for authenticity. Make sure that companies that claim to be socially responsible are doing more than just attaching a well-regarded charity name to their own to benefit their sales or corporate images.
- Tell charities if you’re uncomfortable with their marketing deals.
- Expect transparency. Charities should ensure that appropriate disclosures are included in promotions. Corporations should be open about their aims.

Weigh in. Be heard. ■

## *And the topic is:* **Disclosures**

**Do the following statements tell how much of your purchase goes to charity?**

1. “All net proceeds of online sales of ABC pet products are used to help save and care for the animals.”

☐ YES ☐ NO

2. “The author of this book is donating all of her royalties to XYZ charity to support its international aid efforts.”

☐ YES ☐ NO

3. “The oral health products company will donate 25¢ to the XYZ health charity for each tube of toothpaste purchased, up to \$400,000!”

☐ YES ☐ NO

4. “Every time you use your ABC credit card to make a purchase, a contribution will be made to XYZ veterans charity.”

☐ YES ☐ NO

5. “Dine in our restaurant on Thursday night and the net profits for the evening will benefit XYZ charity.”

☐ YES ☐ NO

**Answers:** 1. No, “net proceeds” usually means the money left after expenses — an amount the consumer is unlikely to know. 2. No, the amount of royalties is unknown to the consumer. 3. Yes. 4. No, the disclosure does not specify how much of each card transaction will go to the charity. 5. No, “net profits” tells no more than “net proceeds.”

For more information about disclosures required to meet the Alliance’s Standard 19, see page 53.

