



New to Cause Marketing? Here's What You Need to Know First





Introduction

In a landmark 1984 marketing campaign, American Express pledged to donate a penny from each cardholder transaction—as well as a dollar for every new credit card it sold—to help fund an undertaking to restore the Statue of Liberty. In addition to raising more than \$1 million in three months, **the promotion** earned American Express a 28 percent increase in cardholder transaction activity.

That idea of pairing marketing with philanthropy intrigued for-profit and nonprofit organizations, alike. Today, *cause marketing* is a widely used and **highly effective** strategy that helps businesses grow revenues by enhancing their reputations among consumers. Nonprofits benefit from raising funds for their causes, while increasing public awareness and interest in their missions.



For their part, socially conscious consumers have come to expect companies to embrace cause marketing. **Research shows** that when price and quality are comparable, 91 percent of consumers are likely to switch to brands that support good causes.

Despite the proven business and social benefits cause marketing provides, the strategy has skeptics. Some argue that companies spend more time and money professing good deeds than actually supporting them. What's more, **critics suggest** that contributing through cause marketing discourages or reduces outright charitable giving.

To fully benefit from cause marketing, **companies must** demonstrate real and meaningful social impact from their efforts. And they must find authentic and tangible ways to promote their causes to consumers.

This White Paper explains the most common types of cause marketing and the benefits to each approach; examines what companies should consider when choosing the causes with which they affiliate; and looks at potential downsides and pitfalls to cause marketing.

How Cause Marketing Gets Done

Cause marketing can drive sales and—over time—boost customer trust and loyalty. By leveraging their companies' core values to make a difference, businesses can distinguish their brands from competitors and position their products and services as worthy choices.

Cause-related promotions come in various formats, but each works best when tailored to a company's specific products, services, and clients. Here are some of the most commonly used types of cause-marketing campaigns.

Social Advocacy

A growing number of businesses are taking stands on—and **advocating for** changes in—social or environmental issues. By linking their marketing messages with those stances, companies can win favor among like-minded consumers.

Starbucks has used social advocacy to great advantage, most notably by promoting its commitment to **ethical coffee sourcing**. By paying fair-market prices directly to coffee farmers, the

company has improved living conditions for growers while raising awareness about bargaining abuses in the coffee commodity industry. Customers have rewarded Starbucks's social responsibility promise with unparalleled brand loyalty.



In some cases, businesses are on the forefront of creating the causes for which they advocate. For example, consider Chipotle’s social advocacy approach to genetically modified organisms (**GMOs**). Chipotle was the first national restaurant chain to disclose that its food contained GMOs, and then the first to switch to exclusively using non-GMO ingredients. While the company acknowledges that scientists disagree about whether or not GMOs are actually harmful to humans or the environment, Chipotle has turned its position on GMOs into a value proposition.

Donations Triggered by Consumer Actions

When American Express promised to make a donation for every cardholder transaction and new credit card sold, its contributions were dependent on consumer actions. However, the **triggering event** does not always require a purchase. For example, at Christmastime, Macy’s donates a dollar to Make-A-Wish® for every letter to Santa Claus written online or placed in letterboxes located in its stores—up to \$1 million annually.

While an action-triggered approach does not require a purchase, the method usually provides consumers with a **compelling reason** to behave in ways that indirectly lead to sales. In exchange for promising to forward their children’s letters to Santa, Macy’s encourages families to visit its retail or online stores where, presumably, shopping might occur.



10 Cents Of Every
Hamburger Goes To
Charity

Portion of Purchase

One of the **more popular** forms of cause marketing involves businesses donating a portion of their sales to charity. Donations can be percentages (i.e., 5 percent of your total purchase) or specific dollar amounts (10 cents from every hamburger sold). In some cases, the donations are limited to certain products or packaging (“specially marked boxes”) or to limited timeframes.

Businesses like the portion-of-purchase approach because costs are easy to track, and they can place a cap on the offers. Also, the limited-time nature of the promotions can help boost sales during slow periods. But companies must **clearly disclose** all details of their offers, lest they mislead consumers. For instance, is your company donating 10 cents of *every* sale, or 10 cents of every sale *up to* \$1,000?

Buy One, Give One

Whenever a customer purchases a pair of new shoes from TOMS®, the company **donates** a pair of new shoes to a child in need. The **buy-one-give-one** format lets consumers do something good by conducting business with socially conscious companies. While TOMS pioneered the BOGO model, other companies have adopted it for everything from healthcare access (buy one, we'll vaccinate one) to environmental initiatives (buy one, we'll plant one tree).

Consumers tend to **relate well** to the tangible one-for-one results promised by the BOGO method. But cynics say it's hard to measure actual impacts, such as how many lives were truly saved from a company's donated vaccines.

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Point of Sale

Popular among brick-and-mortar retailers and restaurants, point-of-sale campaigns **encourage consumers** to make charitable donations while their wallets are already handy. In some cases the approach is subtle, such as placing a change canister near the cash register; other times, cashiers encourage shoppers to help a specific cause by adding a dollar to their purchases or by rounding up their purchase prices to the nearest dollar.

Typically, donations in point-of-sale campaigns come totally from consumers—a fact not lost on consumers. Therefore, businesses get the most from point-of-sale cause marketing when the company’s connection to the benefiting charity is apparent. An example is McDonald’s, whose countertop **donation canisters** support Ronald McDonald House Charities®.

Licensing Program

In licensing programs, businesses pay nonprofit organizations for legal rights to use their logos, seals of approval, or other trademarked properties in their marketing. Examples include national medical association endorsements listed on the packaging for over-the-counter medications or food products.

Licensing programs are complicated and expensive to launch and maintain, and they work best when associated with nonprofits with considerable name recognition. For those reasons, licensing is a good cause-marketing strategy for only the largest business and nonprofit brands.



Proud Supporter

Proud supporter **campaigns** allow companies to piggyback on the names and reputations of well-known charities. By making financial donations, businesses can advertise as “proud supporters” or “proud sponsors” of nonprofit organizations. Companies can earn customer goodwill by being proud supporters, but the approach rarely drives consumer engagement as effectively as other cause-marketing methods do.

The Right Message; The Right Voice

It goes without saying that cause-related marketing requires companies to support an identifiable cause. With that in mind, businesses have routinely partnered with one or more nonprofit agencies in their cause marketing efforts. One example of this approach is Macy's Santa-letter tie-in with Make-A-Wish. By specifying Make-A-Wish as its campaign beneficiary, the retailer aligns itself with both a popular cause and a respected charitable organization.

But as **cause marketing evolves**, more and more businesses are forgoing branding relationships with specific charities and focusing only on the cause. Dick's Sporting Goods, for example, supports underfunded youth athletic programs without mentioning the organizations that receive its philanthropy. Dick's makes one-to-one matching donations to qualifying teams through its Sports Matter **initiative**. However, those teams are not front-and-center elements in Dick's promotional messaging.

A company's best option depends on the strength of its brand. Already household names, Macy's and Dick's have little to gain by designating a nonprofit cause-marketing partner. On the other hand, smaller—or newer—businesses might benefit by associating with not-for-profit organizations with highly recognized names.

Whether you partner with a nonprofit agency or go it alone, your supported cause should have an obvious connection to your business. To be sure, ethical coffee sourcing is a logical cause for Starbucks to support; but the issue would hardly align with Dick's business. When consumers struggle to recognize an affiliation between a company and the issues it supports, they become wary that the marketing message is **unauthentic**.

And wary consumers are not what a cause marketing campaign needs.

Possible Downsides

While it's clear that consumers prefer to support brands that are associated with good causes, there are some potential disadvantages to the strategy.

First, there's the risk that consumers will consider the business-and-nonprofit connection unauthentic or inappropriate. In 2010, KFC ran a **promotion** called "Buckets for the Cure" in which the restaurant chain pledged to donate 50 cents to Susan G. Komen for the Cure for each bucket of chicken sold. Critics quickly accused Komen of helping KFC sell food that is high in fat and calories—and promoting the unhealthy lifestyles being linked to some cancers.

Next, consumers could feel overwhelmed by cause-related promotions. Indeed, **research** indicates that people are beginning to tire from the widely used approach. Some find cause marketing "annoying," and others are skeptical of what they consider corporate "spin."

There's also **concern** that nonprofits might deplete their reputations by lending their brand names to corporate marketing campaigns. Some argue that cause marketing weakens the public's trust in charities—and removes any separation between business and philanthropy.

Perhaps the strongest criticism of cause marketing is the belief that it detracts from traditional charitable giving. This **reasoning** proposes that donors tend to make larger gifts when writing checks directly to a nonprofit than when donating a dollar at a cash register, for example. Cause marketing, opponents argue, teaches consumers to expect something in return for their charitable gifts, thus making them less likely to make outright donations.





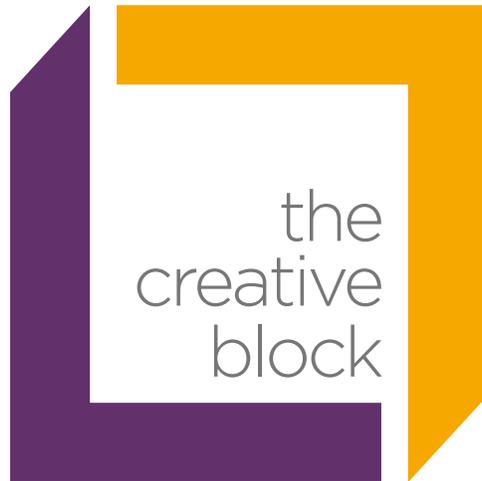
Conclusion

With the right cause and the proper method, cause marketing can help boost a company's revenues and social reputation. With nine out of 10 consumers saying they would switch to brands that support good causes, what began as a unique strategy three decades ago is quickly becoming a fundamental element in every company's marketing plans.

A successful cause-marketing campaign requires a good cause, an obvious and appropriate affiliation between the company and that cause, and a campaign method uniquely tailored to the company's products, services, and customers. And, importantly, choosing whether to align with a known nonprofit organization, or letting the company's own voice speak for the cause.

While some are quick to point out potential downsides to cause marketing, most consumers prefer doing business with altruistic companies.

And that's cause enough to begin a cause-marketing program.



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