Cause Marketing: 10 Cautionary Principles for Nonprofits

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What is cause-marketing? Cause Marketing is a marketing approach where a company ties its name, products or services to a societal issue with the goal of deepening its trust and relationship with its customers, improving its corporate image and ultimately hoping to drive sales — all while providing benefits to the cause.

If as a consumer you’ve purchased a brand of ice cream because it also promises to help save the rain forest or hold a credit card from your college or cause, then you already understand how cause-marketing can influence purchasing decisions.

The term “cause-related marketing” was coined by American Express to describe its 1984 advertising campaign to help raise funds to restore the Statue of Liberty.

For nonprofits, cause-marketing dangles the promise of money or exposure for little work or out-of-pocket costs — a temptation hard to resist.

But before your nonprofit leaps into a cause-marketing arrangement with the first business that comes calling, here are 10 cautionary principles to guide your decision.

#1: Don’t undervalue your name and good will. They are your most valuable assets.

Keep this principle uppermost in your mind at all times. It is exactly the value of your name and good will that a company is trying to buy with its cause-marketing offer (or that you are selling if you’re doing the pitching). What would it cost you to earn back your reputation once it had been damaged? Remember that in the for-profit world “good will” is a tangible business asset.

(#1a: Your next most valuable asset is your mailing list. For a base equation of value, you might look at what donor list rentals are going for these days. But those fees don’t come close to the long term value of the relationships you’ve built or the value of your endorsement of a product or service to your close friends. And what would replacing a lost supporter cost you?)

#2: Cause-related marketing is a business deal, not philanthropy.

Remember that the company you are working is interested in piggybacking on your cause or organization because they see it as a way to increase its bottom line. The benefits to the company may include building its brand image, increasing customer loyalty, or getting the sale in the first place — all business propositions.

So, it is important that you enter cause-marketing discussions from that perspective as well. Think of it as a negotiation where both parties satisfy their needs. Do your homework. Don’t be
shy about asking for all you need. Understand what you have to give, and what your potential business partner needs that you can offer.

And please, don’t act like a beggar. Be prepared to walk away if the deal isn’t right for you.

#3: Don’t come cheap.

If a company wants to hitch its wagon to your star, then make sure that the returns you get from the deal represent the full value of the use of your name, or logo, or whatever else you are offering. The amount of remuneration will depend on how big you are and how well-known your name is. The bigger and more well-known you are, the more value the company should and will offer you.

#4: Get the money (or value) up front.

Because the business will benefit from the use of your name as soon as it starts promoting its association with you, why should you wait until the promotion is over to receive a return from the company, even if part of the return is based on units sold. There are hundreds of stories of nonprofits who have received nothing at all from concert promotions and other “deals.” Not only is this a bad deal for your organization, but you undercut public belief in the trustworthiness of these types of arrangements and of your organization. And you assume the business’s public relations risk as soon as your name starts appearing (imagine if your environmental group had started a co-venture with BP just as the oil disaster happened).

Look to well-known organizations for advice. Nonprofits with positive high name recognition are frequently approached by business with cause-marketing deals. Many have learned to set a minimum level of guaranteed return before they will even enter into the deal – whether that’s a minimum monetary guarantee or something of equivalent value.

#5: Control all uses of your name and image.

Don’t let your name appear on a single piece of advertising until you have approved its use. Approve it all: copy, photos, placements, everything. Picture the worst case scenario… like the logo of your youth-serving organization next to an ad for cigarettes or part of an ad campaign that your supporters would find terribly offensive.

#6: Check every deal with your accountant and attorney.

Protect your non-profit status by structuring the deal so there are no unfavorable implications for your non-profit. Is this arrangement subject to Unrelated Business Income Tax? That’s not necessarily a bad thing, but if you could have avoided UBIT by carefully structuring the contract language (e.g. as a royalty arrangement) then you’ve lost money.

Don’t find yourself in the worst case scenario where your tax exempt status is at risk because your cause-marketing arrangement looks to the IRS like substantial business activity. Check
everything in advance with your accountant and your attorney. And read the IRS regulations yourself.

#7: Get it in writing!!!

Too many organizations have been “stiffed” (never receive the agreed-upon payment) on good faith arrangements and enough have been stiffed even with written contracts. Put every aspect of the deal in writing. This won’t ensure against completely unscrupulous players, but it will let the company know that you take this deal very seriously, and it will provide basis for a claim. Make sure your lawyer reviews everything before you sign.

#8: Tell the public the whole truth.

Make sure that the “proceeds to benefit” language used in advertising meets the charitable giving guidelines of the Better Business Bureau. Are you getting .05% of ticket price? Are you limited to a maximum of $10,000? Does the campaign end in two weeks? Then make sure that the advertising says so. If you don’t disclose what “proceeds to benefit” really means, you could find your organization no longer “meets the guidelines” of this national watchdog organization. Getting knocked off the “meets the standards” list can hurt your future fundraising. Plus, you owe it to the buying public and to the good name of philanthropy to let people know just what societal benefit their purchase is really making.

#9: It shouldn’t cost you out-of-pocket.

This deal shouldn’t cost you anything. Not the printing, not the postage, nothing. If it does, then the cost should be added to your agreed-upon minimum deal. In most cases, let your business partner take the financial risk.

#10: Establish an organizational policy for cause-marketing ventures.

If you plan to do a lot of cause-marketing, then develop a policy which deals with many of the above issues. The policy should also discuss what types of business you won’t work with. Make cause-marketing part of your broader corporate gifts receipt policies.

Other things to consider

In order for cause-marketing to be a worthwhile deal for your organization, you usually need a well-known name with which business wants to associate. If you have one, then you’ll get lots of offers and can make good arrangements. Be choosy. Don’t give it away.

If you don’t have that well-known name or cause, you might see cause-marketing as a good investment to help build awareness of your issue or your organization’s profile. If this is you, consider the public relations value of every deal you want to make. If you aren’t getting enough PR return for the use of your name, then don’t make the deal.