



# Cause-Related Marketing: Ten Rules to Protect Your Nonprofit Assets

*Don't get taken for a ride! Learn the art of the deal.*

BY GAYLE GIFFORD

**A**merican Express. Reebok. Avon. Jantzen. Coors. Wendy's. These are just a few of the companies which have embraced the image-building link to social causes known as cause-related marketing.

According to Carol L. Cone, CEO of Boston-based Cone Communications, American corporations spent an estimated \$600 million on cause-related marketing activity in 1996, double the amount spent in 1993.

Cone defines cause-related marketing as a marketing discipline that ties a company and its products and services to an issue. "The goal of cause-related marketing is to deepen the trust and the relationship with customers, improve corporate image and ultimately sales while providing benefits to the cause," she says.

If you've chosen a credit card because it supports your alma mater, or purchased a brand of ice cream because it also promises to help save the rainforest, then you've experienced how cause-related marketing can influence your purchasing decisions.

As the number of nonprofit organizations continues to grow, and the search for new sources of revenues gets harder and harder, more

nonprofits are investigating cause-marketing relationships with business. With little to no out-of-pocket costs, the cause-related marketing promise of greatly improved public awareness and new revenues is hard for most charities to resist.

But what deal is right for you? How much is enough? Are there any hidden downsides to these relationships?

Before you accept the first cause-related marketing offer which comes your way, here are ten rules to guide your decision-making when considering a cause-related marketing relationship.

## **Rule #1: Your name is your most valuable asset.**

The most valuable asset your organization owns is its name and good will. Keep that thought uppermost in your mind. It is the value of your name and good will that a company is trying to buy with its cause-

related 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.

**Rule #1a: Your second most valuable asset is your mailing list.** At rental costs starting at 8¢ per name per use for donor lists, you can begin to estimate the tangible value of your mailing list.

## **Rule #2: Cause-related marketing is a business deal.**

The company you're working with views cause-related marketing as a way to build its brand image, create loyal customers, and ultimately improve sales: all business propositions. So, it is important that you too view cause-related marketing as a business negotiation where you satisfy your needs. Don't confuse it with a

IN THE FOR-PROFIT WORLD,  
"GOOD WILL"  
IS A TANGIBLE BUSINESS ASSET.



philanthropic gift. Don't beg. Don't be shy about what you need. Be prepared to walk away if the deal isn't right for you.

**Rule #3:  
Don't come cheap.**

The whole idea of cause-related marketing is that by associating itself with your name or issue, the good will built in *your* name will help that company sell more product to its customers. So absolutely the 3rd Rule is "don't come cheap." Don't devalue your name.

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. Now, the amount of remuneration will often depend on how big you are and how well-known your name is. The bigger and more well known you are, the more the company should and will pay.

**Rule #4:  
Get the money up front.**

In almost all cases, the company should pay money up front. Not if they make a profit, not per unit sold, but right up front (with the exception, perhaps, of affinity credit cards or phone service). Because the business benefits from the use of your name as soon as you lend it, you shouldn't wait to receive benefits from the company. There are hundreds of stories of concert promotions and sales deals where the nonprofit received nothing for its effort. Not only is this an issue for your organization, but it is also a matter of public trust.

In fact, a number of well-known national organizations (and all nonprofits should do the same) have a minimum level of guaranteed return before they will even enter into the deal. Some minimums are as high as \$50,000. Anything less and the organization walks away.



Is this unreasonable? Absolutely not. See Rule #1. Every time you tie yourself to the reputation of another business or organization, you assume their public relations risk. Remember the Cathy Lee Gifford sweatshop scandal. That could be you in a flash.

**Rule #5:  
Control all uses of  
your name.**

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. Otherwise, your name could end up in a pornographic video store or magazine. If that doesn't bother you, fine, but go into the deal with your eyes open.

**Rule #6:  
Check every deal with  
your accountant and  
attorney. Protect your  
nonprofit status.**

Structure the deal so that there are no unfavorable implications for your nonprofit. You could end up owing unrelated business income taxes (UBIT). This isn't necessarily a bad thing, but if you could have avoided UBIT by carefully structuring the contract language (as a royalty arrangement, for example), then you've lost money.

The worst-case scenario is one that threatens your tax-exempt status

if your marketing arrangements look to the IRS like substantial business activity. Check everything in advance with your accountant and your attorney. And read the IRS regulations yourself.

**Rule #7:  
Get it in writing!**

Too many organizations have been "stiffed" on good-faith arrangements. Put every aspect of the deal in writing. This won't ensure you against unscrupulous players, but it will let the company know that you take this deal seriously, and it will provide basis for a claim. Have your lawyer review *everything* before you sign.

**Rule #8:  
Tell the public the  
whole truth.**

Make sure that the "proceeds to benefit" language used in advertising meets the guidelines of the Philanthropic Advisory Service of the Better Business Bureau and the National Charities Information Bureau. Are you getting .05% of ticket price? Are you limited to a maximum of \$10,000? Then make sure that the advertising says so.

You could find your organization no longer "meets the guidelines" of these watchdog organizations by not disclosing to the public exactly what "proceeds to benefit" means. Getting knocked off those lists really hurts. 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.

**Rule #9:  
It shouldn't cost  
you anything.**

This deal shouldn't cost you anything—not the printing, not the postage, nothing. If it does, then the



# CREATIVE FUNDRAISING IDEAS

## Get to Know the Millionaire Next Door

Most millionaires are frugal, have modest lifestyles, and aren't easily recognizable; 97% are homeowners who have lived in their homes for 20 years or more. Learn who owns property in your organization's neighborhood, and get to know them. An annual neighborhood appreciation evening can be a great chance to bring in new supporters.

## Look Inward for Your Best Prospects

Your best donors are closer than you think. Rather than looking for the big hitter in town, get to know your current and former employees, board members, and volunteers. Express your interest in them and why they support your organization. Ask about their family and heritage. Include them in your organization's activities. Their connections, relationships, and strength of commitment can be critical to fundraising success.

## Watch for Life-Changing Events

Most donors consider planned giving at life-changing times of their lives. They review their estate plans at marriage, birth, death, divorce, sickness, and before periods of significant travel. Therefore, you need to place your nonprofit in front of these prospects regularly—at least three times a year. For more creative fundraising ideas, see *Closing That Gift* (page 23 of this issue).

cost should be added to your agreed-upon minimum.

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

If you plan to do much cause-related marketing, then develop a policy which deals with the above issues. The policy should also discuss what types of business you won't work with. Make cause-related marketing part of your broader corporate contributions policy.

### Other things to consider

In order for cause-related marketing to be lucrative for your organization, you 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 are new and see cause-related marketing as a way to build

your organization's profile, then 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.

This article is not intended to offer legal or financial advice. Consult your attorney and accountant before entering into any arrangement. ■

#### Selected References

\*"Are You Meeting the Standards?," *Nonprofit World*, January-February 1991.

\*Brinckerhoff, Peter, "Profits from Unrelated Business Income: What Every Nonprofit Should Know," *Nonprofit World*, September-October 1992.

Cone Communications, Inc., *1997 Cone/Roper Cause-Related Marketing Trends Report*.

\*Muehrcke, Jill, ed., *Enterprise, Leadership Series*.

\*Muehrcke, Jill, ed., *Fundraising and Resource Development, Leadership Series, Volumes I, II, and III*.

\*Ptacek, Joseph, "Selling Business on the Benefits of Cause-Related Marketing," *Nonprofit World*, July-August 1997.

Reputation Management, "Just Cause," *Inside PR*.

\*Wagner, Lilya, "Cause-Related Marketing: Fundraising Tool or Phony Philanthropy?," *Nonprofit World*, November-December 1994.

\*Starred references are available from the Society for Nonprofit Organizations' Resource Center. See page 22 of this issue, or contact the Society at 6314 Odana Road, Suite 1, Madison, Wisconsin 53719 (800-424-7367).

*Gayle L. Gifford, CFRE, is a founder and principal of Cause & Effect, a consulting firm specializing in nonprofit needs in organization development, fundraising, training, and marketing. Cause & Effect works with clients ranging from local to international organizations. Gayle's background includes over 20 years of nonprofit experience including senior staff roles at Childreach, Save The Bay, and City Year RI. Gayle serves as a board member of NSFRE-RI Chapter. She also provides meeting facilitation and consultation in public participation processes. She can be reached at Cause & Effect, 178 Ninth Street, Providence, Rhode Island 02906, 401-331-2272, CEeffect@aol.com.*

Nonprofit World • Volume 17, Number 6 November/December 1999  
Published by the Society for Nonprofit Organizations  
6314 Odana Road, Suite 1, Madison, WI 53719 • (800) 424-7367