

Everyone's Two Cents:

How Cause-Related Marketing and Crowdsourcing Could Change Philanthropy

Faced with an ever-more challenging economic climate, philanthropic causes are finding creative ways to engage donors. Organizations use every available platform from Facebook to yogurt containers to proclaim their message. Buzzwords like cause marketing and crowdsourcing, a play on the term outsourcing, permeate philanthropic discourse. Anyone with internet access can vote on Pepsi's or Toyota's philanthropic priorities, and consumers can contribute to fair trade efforts or rainforest preservation by choosing different brands of chocolate. No contribution—be it a t-shirt concept or an incidental few cents on the grocery bill—seems too small to merit consideration.

But some question the value of this new philanthropy. Is crowdsourcing valuable simply because it engages more people or does it create distracting popularity contests? Does a consumer's purchase of particular brands hold the same weight as a direct donation to the same cause? When corporations make it easier for people to contribute their money, opinions, and ideas, do they diminish the quality, level, and experience of that commitment?

Answers to these depend on another question: *Who's asking?*

CAUSE-RELATED MARKETING: THE CORPORATION

Some corporations have found cause-related marketing extremely beneficial. It helps them reach a broader audience in a non-traditional forum for philanthropy, such as the grocery store or shopping mall and improves their image as a socially responsible organization.

American Express claims to have coined the term “cause-related marketing” in 2006 when it began awarding points to credit card users who contribute to certain charities.¹ Questions of altruism and consumer motivation aside, American Express's Vice President for Worldwide Marketing, Jerry Welsh, declares, “CRM is not philanthropy...it's rather marketing through an artful association with a charitable cause.”²

In other words, instead of making charitable contributions itself, American Express rewarded customers who did. Without donating to any nonprofit, the company reaped the benefits of positive association with hundreds of causes.

But while the program likely did encourage American Express customers to consider new or larger charitable contributions, the company's primary motives related to its image. The objective was not to change customer behavior. It was to align the company with one consumer market's pre-existing values.

Other cause-related marketing campaigns make direct financial contributions, typically by donating some portion of sales revenue to a designated cause. (PRODUCT)^{RED} is one of the most successful examples. Businesses including Apple Inc., Starbucks, Converse, Motorola, The Gap, Hallmark, and Dell agree to donate a percentage of sales revenue from certain products to the Global Fund for fighting AIDS, tuberculosis, and malaria.

Participating companies benefit from this initiative in two distinct ways. Like American Express, they receive a valuable PR bump by framing themselves as progressive, socially responsible organizations. But unlike American Express in its solitary approach above, businesses that aligned with (PRODUCT)^{RED} enjoyed the benefits of (PRODUCT)^{RED}'s own massive marketing efforts. By advertising their association with (PRODUCT)^{RED}, individual companies linked separate marketing efforts and expanded their reach to new consumers without expending additional resources.

THE CONSUMER

As in the American Express case, corporations saw (PRODUCT)^{RED} as a chance to improve their public images and increase sales. But (PRODUCT)^{RED} itself actively encouraged people to buy products for their social value in addition to their intended purpose—in other words, the campaign asked consumers to make their choices differently.

In a consumer-oriented society, many organizations jump at the opportunity to make giving fast, simple, and convenient by linking it directly to everyday consumption. Cause-related marketing anticipates the small decisions consumers will make, such as which coffee shop to patronize or which color iPod to buy, and encourages them to decide based on social concerns. Introducing this type of calculation into a previously amoral choice could bring up social issues or values that the average consumer would not consider otherwise.

Others argue this is not enough. Cause-related marketing can lead to a mismatch between a consumer's true priorities and giving patterns. Research by professors Karen Flaherty of Oklahoma State University and William Diamond of the University of Massachusetts-Amherst shows that consumers who believe they have contributed through consumption are less likely to give directly to nonprofits.³ So even though a consumer might care more about leukemia than breast cancer research, that person may be less likely to contribute to leukemia research after buying a box of cereal whose proceeds benefit Susan G. Komen for the Cure.

Adding to the mismatch, cause-related marketing's broad net spends resources advertising to the general public, many of whom will not be interested in the cause. At a recent National Conference on Volunteering and Service, representatives from the Knight News Challenge, Pepsi Refresh Project, and Chase Community Giving warned that consumers get tired of cause-related labels and of constantly being expected to make socially conscious purchases.⁴

The most problematic mismatch though is often between the nonprofit and its corporate sponsor. If a corporate sponsor does not adhere to socially responsible manufacturing and business practices, the sponsor itself may be working against the nonprofit's own mission. In this case, cause-related marketing does not encourage the consumer to think critically about consumption choices and purchasing power. By failing to do so, the nonprofit may gain funding but lose on its own agenda and, perhaps more importantly, miss out on a more meaningful connection with that consumer's future choices.

Finally, some argue that philanthropy simply shouldn't be so easy. If cause-related marketing replaces direct charitable contributions with feel-good consumption, does it threaten a more general value of altruism and responsibility to the public good? Angela M. Eikenberry writes in *Stanford Social Innovation Review*, "The primary goal of people in marketplaces is to make choices that fulfill their self-interested, individual material needs and desires. In this capacity, they generally have little impetus to consider 'the public' or 'the public good.'"⁵ If consumers can satisfy the nagging philanthropic itch by saying yes to a new pair of (PRODUCT)^{RED} Converse high tops, will charity for charity's sake fall by the wayside?

Others aren't worried. When asked about giving through American Express's customer rewards program, Constance Casey of *The Slate* responds, "Generosity doesn't necessarily mean being altruistic. If your points for volunteer hours and charitable donations add up to a week in Paris, I don't think anyone will suffer."⁶

CROWDSOURCING COMPETITIONS

In addition to financial contributions, many foundations are seeking participatory or intellectual contributions. Crowdsourcing relies on popular participation to generate new ideas and interest around a project. As James Epstein-Reeves of Forbes writes, “[It] turns this philosophy [of secrecy in corporate giving] on its head. By using social media, the general public is in charge of dictating a company’s giving.”⁷ The shift in mode has been heralded as an admission that corporations do not have all the ideas or only valid criteria for successful innovations and solutions. Others point out that so long as the competitions are run by corporate giving programs, as the most visible recent examples have been, they will continue to serve corporate interests first and foremost.

A wave of new online competitions promises funding for charitable projects or innovations based on the number of online votes each proposal receives. Typically, participants can enter their own proposals or nonprofit organizations, or can vote for the submission of their choice. Major recent examples include Pepsi’s Refresh Project, Kohl’s Cares, the American Express Member’s Project, and Chase Community Giving. In all of these instances, a set amount of funding is awarded to entrants receiving the most votes in particular categories. Some competitions reserve the right to award certain prizes to entrants of the corporation’s choice. One competition, Kickstarter, does not award funding itself but matches proposals that gain sufficient online support with pledging donors.

THE CORPORATE GIVING PROGRAM

Corporations benefit, as with cause-related marketing, by the positive public image associated with corporate philanthropy. Online competitions in particular can generate high-volume traffic to a business’s website. If the competition is decided based on how many votes an entrant receives, entrants have great incentive to publicize the competition themselves. This publicity is free marketing for the sponsoring corporation. With each entrant it accepts, the corporation gains access to that entrant’s audience.

Several recent examples demonstrate these effects. Pepsi’s Refresh Project offers grants to the top vote-winning entries in four categories including arts and music, communities, education, and The Pepsi Challenge—a category that changes every month. By laying out these broad categories, Pepsi announces its social agenda, but showcases other organizations doing the work. The competition format allows Pepsi to associate itself with many more initiatives than it will eventually fund. It also draws all voting traffic directly to the Pepsi website, where the Pepsi Refresh Everything Project 2011 is prominently featured. Thus interest and participation in either competition generates advertising opportunities for the other in ways unique to the online voting structure of the competition.

Advanta, before closing its doors, provided another crowdsourcing example with its Ideablob online community for nonprofits. By spending \$10,000 a month in prize money for the best-liked nonprofit-oriented innovation posted on Ideablob, the small business credit card provider established goodwill and an online community frequented by its customer base. It also brought potential customers into direct contact with Advanta’s name, brand, and website for reasons beyond the scope of the primary services Advanta provided.

However, when Advanta filed for bankruptcy in late 2009, Ideablob closed in the middle of a competition. Participants felt they were left hanging, and many had already invested substantial resources in the current contest. Amy Sample Ward wonders on her blog, *Version of NP Tech*, how online competitions could establish clear participants’ rights to hold hosting corporations accountable to participants’ interests.⁸ Some comment that nonprofits should forge their own Ideablob inspired sites (one example is OpenAction.org, where participants receive points for generating traffic on the site), while others site the inevitable allure of corporate financial resources.

THE NONPROFIT CONUNDRUM

Despite the largely positive results for corporations, online crowdsourcing competitions can be boon or burden for the nonprofits submitting proposals.

Unlike traditional grant application processes, these competitions are publicly visible before grants are made. This means that regardless of outcome, the entrant is associated with the grantmaker and can receive publicity through mere participation. Publicity may generate new funding or volunteers and raise awareness of the issue. This publicity can be especially helpful to small or start-up organizations. Just as Apple benefits indirectly from (PRODUCT)^{RED} advertising, an applicant to Chase's Community Giving benefits from Chase's tremendous publicity capacity.

This kills two birds with one stone if an organization successfully applies for funds while raising its public profile. However, online competitions have been accused of turning into high school class president-style popularity contests. The outcomes typically reflect the size and efficiency of an entrant's outreach efforts and social network. These measures may or may not reflect an idea or project's actual impact or value. Epstein-Reeves writes that "rather than emphasizing effective management and fundraising techniques, these contests reward nonprofits that put resources behind being effective communicators."⁹ However, similar critiques can be made of the traditional grant application process, which may reward writing and proposal skills more than demonstrated potential for success.

In any case, organizations entering crowdsourcing competitions must stike a delicate balance. Seeking online votes should not overwhelm mission-based objectives, and Forbes' Corporate Social Responsibility blog warns that many nonprofits report donor burnout as supporters are asked to vote again and again through multiple rounds of competition.

THE VOTER

The role of the voter is relatively new to the world of philanthropy. Without contributing any financial resources, the voter is asked to contribute an opinion. But already the same arguments surrounding a consumer's contribution to philanthropy appear in relation to the voter's participation as well.

Online competitions typically provide accessible platforms where viewers can quickly scan several proposals on a given issue. By bringing together the combined publicity results of all their entrants, voter-based competitions can create new visibility across issue areas and organizations that voters might not otherwise experience. For example, the Pepsi Refresh Project shows organizations and voters interested in health accessible, unsolicited information about food and shelter initiatives as well. These forums, and the incredible ease and convenience of online voting, may encourage new people to read about and consider entrants and their issues.

But the reverse is possible as well. Some argue that only those who were already interested will bother to vote in or peruse an online competition, typically only those already in touch with and responding to one of the entrants. As with cause-related marketing, if a voter feels that voting is a sufficient philanthropic contribution, the nonprofit may lose a chance to foster deeper engagement and support.

THE TAKE-AWAY

Some major questions remain unanswered. One is whether these new modes of philanthropic contribution will cause people to change their attitudes towards or participation in philanthropy. Will consumers make different choices based on cause-related marketing? Will they become more mindful of a company's practices and purchase accordingly? Or does cause-related marketing miss the point by promoting consumerism and letting people disengage from more direct, intentional forms of giving?

The same could be asked about crowdsourcing. Will online competitions create new interest in and accessibility around charitable causes? Can they empower organizations to receive a platform, advertising, and an audience in return? Or are they a misplaced waste of time on the part of nonprofits and voters alike, allowing non-experts to evaluate a proposal's merit based on its ability to generate a buzz online?

Despite these unknowns, here's the reality: If nonprofits are seeking any level of financial or intellectual contribution, name or brand recognition, or ways to partner with and benefit from more powerful corporate sponsors, then either of these two methods seems appropriate.

That said, if nonprofits seek committed individuals—that is, donors who are deeply devoted to their cause—they are unlikely to create these kinds of attachments by only asking for small, convenient contributions online. A base of committed supporters may well contribute to cause-related marketing and online campaigns, but they will likely seek more meaningful ways to contribute time or financial resources.

The real value proposition for online philanthropy seems somewhere in-between. In short, ***is there a way to leverage technology and social media to catalyze on-the-ground, longstanding connections with more donors and volunteers for bigger impact?***

Ultimately, the great potential for both crowdsourcing and cause-related marketing lies in increasing accessibility to knowledge, people, and money. If cause-related marketing prompts consumers to demand information about corporate sponsor's business practices, social causes may be served in several ways. If voters are exposed to a new range of nonprofits, initiatives, and innovations, they may become more aware and involved.

Perhaps most importantly, if voting websites are sufficiently accessible, they may inspire nonprofits that would not, for example, apply to a national foundation, to put their ideas in the public sphere for consideration.

Expanding the “crowd” of those who are committed to philanthropy—be it through consumer choices, online voting, or more traditional contributions of time and money—might just be the way to re-energize a group's base while opening doors to a new network of supporters and potential stakeholders. None of us makes our BFF in crowds right away, but a crowded event may be the first place that we meet someone who becomes our best friend, confidante, and ally.

No matter how nonprofits feel about online philanthropy and crowdsourcing, it is unlikely that the cat will be put back in the bag. Social media is likely to be an important feature of our collective lives for the foreseeable future. Thus, a nonprofit's ability to affirm the need to mobilize and grow a base using online tools and tactics, while balancing this need with mission-driven work, will be a determinative factor in the question of which nonprofits thrive for some time to come.



ENDNOTES

- ¹ Constance Casey. "Credit Where It's Due." *The Slate*, 16 June 2010. <http://www.slate.com/id/2257076/>
- ² *Ibid.*
- ³ Angela M. Eikenberry. "The Hidden Costs of Cause Marketing." *Stanford Social Innovation Review*, 20 May 2009. http://www.ssireview.org/articles/entry/the_hidden_costs_of_cause_marketing/
- ⁴ Sokunthea Sa Chhabra. "Why should institutions continue to invest in crowdsourcing and challenges?" *Case Foundation Blog*, 28 June 2010. <http://www.casefoundation.org/blog/why-should-institutions-continue-invest-model-crowdsourcing-and-challenges>
- ⁵ *Ibid.* 3
- ⁶ *Ibid.* 1
- ⁷ James Epstein-Reeves. "The Democratization of Corporate Philanthropy." *Forbes' Corporate Social Responsibility Blog*, 7 July 2010. <http://blogs.forbes.com/csr/2010/07/07/the-democratization-of-corporate-philanthropy/>
- ⁸ Amy Sample Ward. *Amy Sample Ward's Version of NPTEch Blog*, June-July 2010. <http://www.amysampleward.org>
- ⁹ *Ibid.* 7

This publication is the first in a series of occasional papers written by our team of consultants at LM Strategies Consulting. Special thanks to lead writer Laura Eberly and contributors Lona Slaughter and Lisa McGill for their reflections shared in *Every Two Cents: How Cause-Related Marketing and Crowdsourcing Could Change Philanthropy* (2011).

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