

IEG's Guide to Corporate/Nonprofit Relationships

Relationships between nonprofit organizations and businesses are becoming increasingly varied and strategic as they shift from charitable relationships between benevolent donors and grateful recipients to alliances that create diverse benefits for both partners and added value for communities.

These partnerships, alliances, ventures, and collaborations can take numerous forms and each evolves under different circumstances and with different goals.

IEG has defined the range of collaborations between for profit companies and nonprofits under the following broad categories: advocacy, cause-related marketing, certification, co-branding, fundraising, licensing, philanthropy and promotional partnerships.

These categorizations—each with discrete expectations and outcomes—enable partners to successfully manage and leverage diverse portfolios.

The type of partnerships that is signed should be driven by the objectives of the two parties.

Advocacy

Defined by IEG as a partnership in which a nonprofit and a company work together to alter their operations, promote changes in public policies, support self-regulation, or endorse operating or ethical standards.

Unlike promotional partnerships, advocacy tends to be aimed at internal, B2B or B2G audiences rather than promoted to consumers, according to IEG.

Cause-Related Marketing

Defined by IEG as a transaction-based relationship between a business and a nonprofit whereby product sales or other consumer activity such as taking a test drive or opening an IRA account, trigger a donation to the nonprofit.

Unlike philanthropy, money spent on cause marketing is expected to show a return on investment, according to IEG. Cause marketing campaigns typically run between six weeks and three months.

The term "cause-related marketing" was coined and trademarked by the American Express Company in 1983, when the company's then Senior VP of worldwide marketing, Jerry Welsh, created a program that donated a penny for each use of the American Express card and a dollar for each new card issued toward the Statue of Liberty renovation program. Over a four-month period, \$2 million was raised for Lady Liberty, transaction activity jumped 28 percent and the concept that doing good was good for business, was born.

Two and half decades on, these partnerships are still delivering. For example, when Campbell's Soup changed its iconic can label on chicken noodle and tomato soups from red and white to pink and white and added a pink ribbon in support of the Susan G. Komen Breast Cancer Foundation. The Kroger Company doubled its order of chicken noodle and tomato soups for that month.

Certification

An arrangement in which a non-profit grants its seal of approval to a branded product or service that complies with established standards.

For example, the American Heart Association food certification program grants use of its "Heart Check" icon and name to dozens of cereals and juices that meet its low-fat, low-cholesterol standards.

Co-Branding

Pairing two or more branded products or services to form a separate and unique product. An affinity card is one example.

Corporate Volunteerism

A partnership that harnesses the valuable network of employee interests, talent and financial resources to create value for nonprofits.

Employee volunteer programs, workplace giving campaigns, employee-driven contributions models, matching gifts, board member training, and other strategies for involving employees in the community fall under this broad category.

Examples:

- Corporate employees serve as volunteer coaches to athletes competing in Special Olympics;
- Corporate employees serve as board members or provide pro bono technical expertise;
- Corporate employees stage a golf tournament that raises money for a nonprofit; and
- Corporate team members participate in a fundraising walk, raising money for a nonprofit by getting pledges from friends and colleagues for every mile walked.

Fundraising Partnership

Defined by IEG as the use of a company's outlets as collection points for donations. For example, supermarkets often place collection canisters in check-out lanes or scannable coupons that add a designated amount to the grocery bill which is donated to the nonprofit.

Web sites and company stores can also be used as collection points. For example, Nike's yellow LiveSTRONG wristband was sold by Nike on its web site and through retailers, the sale price went to the Lance Armstrong Foundation.

Licensing

Relationship between a manufacturer and a property, which can be a nonprofit, where the property grants the former a license to produce and sell merchandise with its logos and terminology. The property receives a royalty on each piece of merchandise sold; there is often also an upfront payment made to the property. The manufacturer (licensee) does not have the right to use the property marks and logos anywhere except on the licensed merchandise.

Philanthropy

Corporate funding for a nonprofit with no expectation of a commercial return.

These funds can come out of either corporate giving programs or corporate foundations.

Corporate foundations are funded from the contributions of a for-profit company but have their own articles of incorporation, by-laws and governance structure. Corporate foundations must follow regulations governing private foundations.

Corporate giving programs are not separately incorporated and do not adhere to private foundation laws or regulations. Corporate giving is funded with pre-tax income and often managed by a company's community affairs or public relations departments. Donations are typically treated as a business expense.

Companies can deduct up to ten percent of pre-tax income for direct charitable contributions (this includes giving to the company's foundation). The average percentage is closer to one percent.

Promotional Partnership

Defined by IEG as an alliance in which a company or media outlet promotes a cause and its message. While no cash changes hands, the company's promotions build the cause's brand and gets its message wider circulation which should lead to new volunteers and donors, behavior changes, etc. The company benefits from the halo the cause brings to its brand.

For example, Environmental Defense has a group of promotional partners that discuss the threat of global warming on packaging, collect signatures in support of legislation minimizing it on their Web sites, etc.

Sponsorship

Defined by IEG in 1982 as a commercial relationship between a company and a property in which the company pays a fee in return for access to the exploitable commercial potential associated with the property. The payment is unrestricted and the amount is based on the value of the rights and benefits included in the sponsorship rather than on the budget or need of the rightsholder.

By definition, sponsorships of nonprofits encompass the right to conduct advocacy, cause marketing, fundraising campaigns and promotional campaigns. Employee overlays are typically included as well.

Strategic Philanthropy

IEG defines strategic philanthropy as the extension of a philanthropic relationship between a commercial entity and a nonprofit to include a sales, marketing and/or promotional relationship. For example, a company might leverage a corporate gift to a nonprofit by promoting the association in its advertising and promotions.

Nonprofits have much to gain by encouraging corporate donors to promote their alliance. Such promotions can build the brand value of the nonprofit; build awareness of the cause and/or message points; garner new donors and volunteers; and attract new cash sponsors.

Companies promote their philanthropic initiatives to demonstrate social responsibility, borrow the positive imagery of the nonprofit recipient and/or build awareness or attendance for the nonprofit.

For example, Macy's (then Marshall Field's) provided funding for an exhibition at Chicago's Field Museum out of its philanthropy budget and used its marketing, advertising and merchandising budgets to fund in-store promotions, statement stuffers, advertising tags, etc. to build awareness and attendance for the exhibition. It also created a line of licensed merchandise related to the exhibition which was sold in its stores as well as the museum's gift shop.

The most successful partnerships cross departmental boundaries. Through a combination of fundraising, corporate volunteerism and sponsorship, Kmart has raised more than \$55.5 million for March of Dimes while building its own store traffic, brand image and employee morale.

And, recognizing that social connectedness leads to employee engagement, satisfaction and retention, Wachovia leverages its Teach for America relationship across the company. Wachovia employees have the opportunity to volunteer in the classroom, participate in the annual Teach For America Week, stepping into classrooms across the country to experience teaching firsthand, or lead sessions at Teach For America's Summer Training Institute. The expertise of various departments, such as human services, has been tapped to help Teach For America improve its organizational capacity.

And, Teach For America entered into a deferral program with Wachovia, where college graduates who receive job offers from both Teach For America and Wachovia can defer their employment with Wachovia for two years, so that they can join the Teach For America corps.