

# Cause-Related Marketing: A Fantastic Fundraising Tool or a Corrupter of Philanthropy?

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## Abstract

Nonprofit forays into the for-profit sector are increasing in frequency but remain a contentious issue. As charities struggle to bring in adequate funding to work toward their goals, many are choosing to risk criticism and form partnerships with businesses in order to sell products that raise money for their causes. This is called cause-related marketing (CRM). Critics of CRM condemn it for encouraging the consumerism and capitalism that they believe causes social problems in the first place. They worry that it promotes the idea that purchases alone can change the world. These fears are not entirely unfounded, but when nonprofits are careful about which companies they partner with and make transparency a priority they can benefit greatly from the effort. CRM is not a panacea that will fix everything, but it can help more people get involved in activism and allow more voices to be heard. Most importantly, CRM can provide much needed sustainable, unrestricted funding for nonprofits that are bogged down by the constant struggle for resources. The potential influx of money allows for adaptation and expansion of services and the ability to serve more people, making CRM a positive influence and a useful tool for social change.

## Introduction

Nonprofit organizations are increasingly struggling to come up with the funds that they need in order to function (Human and Terblanche 2012, 141). Individual-giving in the United States fell from 3.8% of personal consumption in 1965 to only 2.8% in 2005, and the money that could once be counted on from the government is diminishing (Pallotta 2008, 108). Higher pressures are being put on charitable organizations to produce quantifiable results while the gap between global social need and available resources rises (Human and Terblanche 2012, 141-142; Weisbrod 1998, 9). The resulting increase in competition for money has led to the appearance of alternative solutions that aim to augment private and government funds and promote nonprofit causes in the market. One of these solutions is engagement in cross-sector partnerships that involve cause-related marketing (CRM) to raise money for charitable causes through sales. By admitting that current government funding and private donations for social causes are insufficient, CRM campaigns have the ability to attract donations in new ways (Youde 2009, 211). These types of partnerships are attractive because they can provide funding and publicity for nonprofits, a positive image and profits for businesses, and positive feelings resulting from altruism for consumers all at the same time (Hyllegard et al. 2011, 101).

These campaigns have come up against resistance, however. Some believe that capitalism and philanthropy should be kept separate (Besley and Ghatak 2007, 3). These critics think capitalism is a corrupting force that has no place in charity and that CRM allows businesses to continue harmful practices while putting up a facade of philanthropy that does nothing to tackle the root causes of poverty and disease that lead to the need for nonprofit help (Richey and Ponte 2011, 122). Proponents of CRM counter with the argument that it works to change capitalism into something that can promote good, but critics claim that it will only promote consumerism and drive people away from activism, making for a heated debate. Crossovers between governments, nonprofits, and businesses in the provision of public goods are increasing, so it is important to assess the best way for this to take place. The ability of nonprofits to help people around the world affects the global political economy, making the discussion on CRM pertinent to both those with social needs and those seeking to help them. This paper seeks to look into the public versus private provision debate and determine whether CRM can be useful to civil society.

While both the critics and proponents have valid concerns about CRM, it is difficult for nonprofits to actually make progress toward larger structural changes in world systems if they do not have adequate funding. Worthy causes continue to appear and, despite increases in overseas development funds given by governments, need exceeds the money that is given (Youde 2009, 212). Sometimes nonprofits struggle to provide services related to their missions when they have adequate funding. Many government and private donations come with restrictions on how the money is used (Weisbrod 1998, 14). This constricts operations and refocuses the mission on what the donors want instead of allowing the professionals within the nonprofits to evaluate need and allocate resources to the appropriate areas (Gregory and Howard 2009, 50). There are many factors such as low sales, poor company reputation, and perceived incompatibility between the charity and the business that have the potential to hurt one or both partners in CRM campaigns, so there are reasons to be skeptical about it as a solution. Critics claim that CRM could undermine activism and cause people to believe that they are doing their part simply by making

purchases (Basil and Herr 2003, 73; Wirgau, Farley, and Jensen 2010, 613). There are also concerns about accountability and transparency, leading people to worry that the nonprofits will be taken advantage of and not actually receive the promised benefits while the businesses reap the profits from positive publicity (Edwards 2008, 8). Since increased competition leads to more consumption which can cause social problems, some critics of CRM go as far as to say that involving nonprofits in the market will only be harmful, even if financial gains are made (Edwards 2008, 58). This paper argues that, while it is important for activists to continue to fight for social change and for charities to be wary of jumping into a potentially harmful collaboration, the increasing need for unrestricted funds that will allow nonprofits to grow and innovate justifies the pursuit of some commercial goals and makes the cross-sector partnership a valuable and useful tool for social change.

Because there is so much variation between campaigns and charities, CRM is difficult to classify as simply good or bad for the nonprofits that engage in it. Examining the arguments of those who are both against and for public-private partnerships helps to clarify what the issues are and how they can be avoided. Philanthrocapitalism is a name used by critics and proponents alike to describe the use of business principles in order to promote social changes (Edwards 2008, 7). I will argue that CRM, a form of philanthrocapitalism, is an important innovation for nonprofits and can provide great benefits to social causes because it can bring a sustainable flow of funds (Basil and Herr 2003, 60).

Successful CRM campaigns can help nonprofits reduce their risk of losing funding by diversifying sources of revenue (Tuckman 2009, 133). Money that is raised in this manner is often free of restrictions and can provide increased awareness of the cause while the business simultaneously improves its reputation and increases revenue by projecting a positive image (Tuckman 1998, 39). These types of partnerships combine the business expertise of the company with the socially oriented nonprofit to create market-run philanthropy. Studies have shown that consumers have generally favorable opinions toward CRM ventures and are often willing to switch brands in order to support a good cause, so the potential is there for success (Andreasen 2009, 169).

Counter to the fears of critics, these positive economic outcomes, public responses, and benefits to civil society are real and important. Concerns that people will ignore the activism that is so important in getting to the root of social ills can be met with evidence that people do not disengage from politics or stop donating entirely as a result of CRM (Wirgau, Farley, and Jensen 2010, 621; Andreasen 2009, 176). Yes, there is a chance that a partnership could have negative consequences for the nonprofit if it does not go well, but the need for funding is so great that even critics recognize that changes need to be made (Edwards 2010, 99). CRM can not only provide the money that is necessary, but it is also an opportunity for people who were not previously engaged in civil society to become involved in some small part (Youde 2009, 215). This all shows that, while starting a CRM campaign with no knowledge and care can be dangerous, well-planned partnerships are an important option for funding nonprofits and should not be looked down upon as a corrupting force.

To illustrate both the constraints and possibilities of CRM, I have examined three case studies of large-scale public-private ventures. All three are relatively well known, large scale

efforts that began in different decades and have evolved over time. The first is American Express which is famous for making CRM popular in the 1980s (Ebenkamp and Stark 1999). Since then it has continued using CRM effectively and successfully. An example is the company's partnership with the charity Share Our Strength for a campaign called the Charge Against Hunger (Pringle and Thompson 1999, 5). This effort raised over \$21 million which was distributed to over 600 anti-hunger groups in the United States in the early 1990s (Pringle and Thompson 1999, 6). A second case study looks at Product (RED), a twist on CRM that was launched on a huge scale in 2006 by rock star Bono and activist and politician Bobby Shriver (Dadush 2010, 1270-1271). (RED) is a business model that partners many successful businesses with the Global Fund to Fight AIDS, Tuberculosis, and Malaria (Dadush 2010, 1270). The project has raised millions of dollars and is ongoing, but it has also been highly controversial and garnered many critics ((RED) 2013). The third case study is Goodwill Industries International, a nonprofit model that is over a hundred years old and is not often thought of as using CRM, but is nonetheless employing a similar model (Goodwill 2013). Recent movements into selling higher priced goods have caused some controversy, but the company as a whole continues to do well (Tacoma Goodwill 2013). All three examples show that, at least under some circumstances, CRM can help provide much needed services for many people, even if it does not get directly at the root causes of the suffering and is not controversy free.

## **Theoretical Background**

### Economic Motives and Outcomes

The economic motivations of nonprofits that enter into the for-profit sector are the object of intense scrutiny by scholars. Potential monetary gains for both nonprofits and businesses involved in CRM make it an attractive prospect because it can appear as an easy way to boost support and work toward goals. This means that there are many charities and corporations that would be happy to find a partner and begin business with them. If done well, the nonprofit could gain much-needed funding and publicity that could direct even more potential donors toward its cause (Ross, Stutts, and Patterson 1991, 58).

The partnership could also provide a legitimate reason for advertising, something that is usually frowned upon when using donated dollars but is seen as more acceptable when it is coming out of the corporate partner's budget (Pallotta 2008, 7). In fact, advertising is so looked down upon that tax forms for charities do not even include a section to report expenses in the area (Pallotta 2008, 98). Working under this idea constrains charities to operating in poorer conditions and stagnating while the world changes around them (Pallotta 2008, 7). Despite claims that the nonprofit sector exists entirely separately from the for-profit sector, nonprofits do have to compete with businesses for consumers' dollars, so being included in advertising and publicity campaigns helps charities get their names and causes out to a broader audience (Tuckman 1998, 26). The hope is that more people will consider giving their dollars to a cause, either through buying a CRM product or donating directly, instead of spending money on other products, thus providing struggling nonprofits with the money that they need.

The charitable motivation to help people is generally looked on favorably, but people worry that the economic incentives of the business half of CRM partnerships are not as pure.

There are fears that companies may drag nonprofits out of the philanthropic realm and into the seedy corporate world. Businesses are generally thought to be motivated solely by money and are seen as having no overlap with those driven by charitable causes. This idea led Milton Friedman to famously say that the only social responsibility of businesses is to maximize profits for shareholders and remain competitive (Friedman 1970, 4). He believed that pursuing social goals with company money was like taxing shareholders unfairly (Friedman 1970, 1-2). This, he thought, put the best interests of the company beneath a perceived social goal that was not in the business' best interest (Friedman 1970, 1).

In an increasingly socially conscious world however, staying competitive may require corporations to enter the social sphere and begin implementing corporate social responsibility (CSR). As it turns out, consumerism can be used as a form of political expression through boycotts of certain goods or support of companies that implement socially responsible practices. This means that it is now possible for businesses to gain an edge over their competition and continue maximizing profits while also investing money in social causes (Youde 2009, 203). Being involved in CRM, a form of CSR, can put a corporation into a niche market that draws the business of consumers who care about social ills (Young 2009, 30). Consequently, the company can accrue more money even as it gives some away to charity because the dichotomy between state and market responsibilities that Friedman proposed does not exist in such a simple form (Besley and Ghatak 2007, 24). Then, as consumers' attitudes toward a company involved in CRM improve, they may recommend the brand to other people and begin buying more goods from that company (Hyllegard et al. 2011, 101). As evidenced by the growing corporate interest in partnerships throughout the 1990s and 2000s, there are perceived economic advantages to partnering with a nonprofit (Runté, Basil, and Deshpande 2009, 257). This means that, contrary to Friedman's views, businesses can continue maximizing profits and providing money for shareholders while simultaneously working with nonprofits to be socially responsible.

One reason that new monetary sources are so important is that government funding and private donations that were sufficient in the past can no longer sustain all of the nonprofits that cater to the growing incidence of social problems in the world (Tuckman 2009, 129). This is due to a gap between social need and government action that has led to the creation of more nonprofits (Weisbrod 1998, 3). Critics of philanthrocapitalism say that this is because capitalism "dismantles the social ties and sense of common purpose that are essential to healthy and well-functioning societies... [and] promotes inequality and individual alienation" (Edwards 2010, 6). They think that CRM's use of the market oversimplifies problems and celebrates a system that skews wealth and creates problems (Richey and Ponte 2011, 83; Edwards 2010, 32) These critics call for a complete overhaul of the financial system so that social movements, politics, and governments, which are generally left out of philanthrocapitalist movements, can be more involved (Edwards 2010, 13). Fast, material results do not work in their opinion, and focusing too narrowly on the monetary part of the problem can actually hurt people because it ignores other important and connected issues (Edwards 2010, 39).

The problem with this is that people are in need now, and changing the entire international political economy is a time consuming process (Youde 2009, 202). CRM allows for nonprofits to gain more money under the current system. Partnerships permit a broader range of causes that may be too controversial, divisive, or unknown for the government to actively

support to provide services to those in need (Youde 2009, 202; Bishop and Green 2008, 261). It can bend capitalism to be a more positive force in the world and work toward incremental solutions to social problems while activists make efforts to confront the underlying causes.

The separation between philanthropy and the market is not as clear as critics of philanthrocapitalism portray it to be either. As Weisbrod points out, “[c]ontrary to common view, nonprofits are far from independent of private enterprise and government. They compete with and collaborate with these other organizations in countless ways in their efforts to finance themselves, to find workers, managers, and other resources to produce their outputs, and to develop markets for those outputs” (1998, 4). This shows that differentiation in abilities is a key aspect to remaining viable in the nonprofit world, just as it is in the for-profit world. One way to stay competitive that is increasingly popular is employing highly trained professionals and rewarding them adequately for their work, a practice that is often looked down upon in the nonprofit sector because it uses money that could otherwise go directly to the mission (Cordes and Steurle 2009, 14).

Edwards worries that bringing business savvy leaders into nonprofits can jeopardize the mission because skilled business people may care too much about money usage and remove important social programs in the name of efficiency (2010, 51). Supporting programming and events is ultimately what nonprofits are for, and these activities need to be prioritized above keeping costs low (Edwards 2010, 52). There is also a concern that too much professionalization will distance organizations from their members and lead to a corporate –like structure in which pay increases favor those at the top (Edwards 2010, 55; 57). Nonprofit managers tend to be more creative, flexible, and more open to risk-taking than their corporate peers, and it is feared that professionalizing will remove this kind of expertise (Edwards 2010, 57-58).

Concerns about losing the necessary commitment to the mission are certainly valid, but when charities cannot spend money on employees, they cannot recruit workers with the necessary skills or train employees to develop careers with upward mobility (Urban Institute 2004, 2). This leads to the hiring of untrained workers who often create inefficiencies because of their lack of experience (Urban Institute 2004, 2). Nonprofits consequently miss out on great talent and their impact is decreased by a limited supply of high quality workers who are willing and able to work for low pay (Pallotta 2008, 93). Some jobs, such as those relating to finance, need professionals. When those jobs are performed by people who do not have the skills to do them, it can lead to bookkeeping errors, cancelled checks, and missing invoices (Urban Institute 2004, 4).

Engaging in CRM can not only provide some of the funds necessary to pay employees adequate wages and attract skilled workers, it can also provide training and business experience from partners in the for-profit sector (Andreasen 2009, 159). This means that some skills can be gained without the need to spend more money. The nonprofit can become more competitive without angering donors by spending more of its valuable resources on salaries or losing the creative and flexible managers who are so highly valued. Even Edwards who is very skeptical about philanthrocapitalism realizes that salaries and benefits need to be increased for nonprofit workers, though he specifies that all employees should gain equally and that raises should not reach levels of corporate excess (2010, 57).

Another challenge that leads nonprofits to pursue alternative funding and publicity sources like CRM is the restriction of funds by donors. Organizations that seem to have enough money to run at a functional level may in practice not be able to work toward their missions because the money that they receive must be allocated to certain projects at the expense of others (Burd 2009, 5). “Dollars received from foundations and the government almost always come with significant restrictions... [and] [n]onprofit organizations in America get 30 percent of their funding from the government”, meaning a large portion of the funds that come in cannot be used where they are most needed within the organization, but instead are reserved for certain projects that the donors believe are worthwhile (Pallotta 2008, 191; Weisbrod 1998, 14).

When too much of the money is restricted, nonprofits can be forced to change the way that they run or even bend their missions to please donors who may not have any insight into what is best for the cause’s beneficiaries (Weisbrod 1998, 14). Grantmakers often want to use their money to get an emotional return, so more mundane projects that may be just as important get overlooked (Burd 2009, 5). Even critics agree civil society is greatly in need of more money without restrictions on its use (Edwards 2010, 99). Since money that comes from sales of products is usually not restricted by the business partner, business-nonprofit ventures like CRM are a way that charities can bring in donations that allow them to use the money where it is most needed instead of where donors decide it should go (Weisbrod 1998, 16).

The belief that high overhead costs mean that a nonprofit is inefficient provides more restrictions and another incentive for seeking alternative funding sources (Pallotta 2008, 128). Many people think that putting money into offices, salaries, and equipment restricts the funds that go directly toward helping people, leading to the belief that it is a misuse of donated money. This idea is reinforced by popular websites like [charitynavigator.org](http://charitynavigator.org) that evaluate overhead expenses in order to rank whether nonprofits are worthy of your donations and state that, when it comes to overhead, “lower is better” (Charity Navigator 2013). Consequently, many potential donors will ask how much of their donation goes directly to the cause. People often demand overhead expenditures to be below a certain percentage of funds in the belief that good charities will direct all resources toward beneficiaries (Pallotta 2008, 128).

The problem with the push for low overhead costs is that the amount of money that goes directly to the mission does not tell you anything about the efficiency of the organization. In many cases good facilities and staff, which are included in overhead costs, may be essential to providing support for users of the nonprofit’s service. One study went to nine different nonprofits to investigate how restricting overhead costs affects operations and found some serious hindrances to mission completion as a result of minimal overhead expenditures (Urban Institute 2004, 1). Some had outdated and mismatched computers that frequently slowed productivity and needed maintenance, and one was forced to use a facility that let rain in through the roof (Urban Institute 2004, 1-2). Other organizations could not afford to fill certain jobs so staff members had to take time out of their schedules to perform tasks that they had no expertise in, sometimes leading to poor performance (Urban Institute 2004, 1). This illustrates that having no overhead expenditures at all could lead to a good reputation but poor services because of an inability to hire sufficient motivated workers or buy the basic necessities for providing services in tolerable conditions (Pallotta 2008, 138). As a result, some charities decide to try something

new and find a business with which to create a CRM campaign in order to provide funds without having to justify which part of the organization those funds will pay for. This is not a misallocation of funds, but an attempt to improve services and help the mission.

Unfortunately for nonprofits that are eager to find corporate partners to make up for funding problems, just because businesses have incentives to engage in CSR under current consumer pressures does not ensure that they will do so out of genuine desire to help people and not just for publicity. The economic outcomes of CRM can vary greatly depending on how the partnership is set up and run. Nonprofits tend to lack substantial business experience. They need to be wary and make sure that their investments into the for-profit sector will be sound before plunging into unfamiliar territory (Andreasen 2009, 183). If, for instance, a nonprofit begins a partnership with a company that is subsequently found to mistreat its employees or suppliers, then the backlash could harm not only the company, but its partner as well (Basil and Herr 2003, 61).

If nonprofits are not careful about choosing a company with a good reputation, they can actually lose funding because of angry donors and the negative image that is generated from the partnership. This is why it is important for both partners to be fully aware of the goals and background of the other before making a binding agreement. Nonprofits also need to investigate to ensure that their existing supporters will not be driven away by the venture (Basil and Herr 2003, 63). More donations may come in from the selling of the CRM products, but that may not result in a net gain if it leads to the alienation of loyal supporters who provided the basic funding that the partnership is trying to augment (Basil and Herr 2003, 64).

Mission drift is also a risk. It can occur if the business begins to demand too many of the nonprofit's resources and staff members begin to focus on profit more than social goals (Young 2009, 29). If this happens, the commercial goals of the nonprofit may overshadow its core mission and resources may be diverted to projects that do not serve the nonprofit's purpose (Young 2009, 29). All of these problems can lead CRM to harm nonprofits more than it helps them, but careful attention and assurance that the nonprofit partner can spare the time and effort beforehand can help avoid potential pitfalls.

### Public Response

Motivations for entering into a CRM partnership are certainly important, but the public response to such campaigns is crucial to their success. A major problem that CRM campaigns face is consumer skepticism about the sincerity of the partnership (Yeo Jung and Wei-Na 2009, 466). If consumers believe that the business is entering the partnership with the intention of making itself look better and gaining more profits, they are unlikely to support the venture (Yeo Jung and Wei-Na 2009, 469). For this reason, it is favorable to partner with a company that is already socially responsible and is expanding its social consciousness rather than just starting it (Yeo Jung and Wei-Na 2009, 477). If this is not possible, stating the donation amount clearly and being transparent about the workings of the partnership are good ways of showing consumers that the nonprofit is not being taken advantage of for a publicity boost (Yeo Jung and Wei-Na 2009, 476). If these steps are not taken, the likelihood rises that consumers will believe that the

company is trying to cover up its own poor social practices and avoid the campaign (Andreasen 2009, 172).

Despite the dangers of failed CRM campaigns, there are ways of improving the chances that the partnership will be successful. One of these ways is to try to assure that consumers perceive a good fit between the business and the charity (Xiaoli and Kwangjun 2007, 65). Fit is a broad idea that can refer to any connection between the partners in a consumer's mind. This could mean that the nonprofit and business share certain values, serve similar groups of people, or provide goods and services that fit well together, such as a food bank partnering with a company that makes soup (Xiaoli and Kwangjun 2007, 65). Low fit does not guarantee failure, but the more brand conscious consumers are, the more impact the perceived incongruity will have on the venture, so it is generally best to avoid low fit pairings (Xiaoli and Kwangjun 2007, 70-71).

A new type of CRM presents consumers with several options of nonprofits that could receive the donation associated with their purchase and allows them to choose the one that they put their money toward (Robinson, Irmak, and Jayachandran 2012, 134). This approach produces more positive results when there is low fit, making it a good option for nonprofits that cannot find partners with high levels of fit but would still like to try a CRM campaign (Robinson, Irmak, and Jayachandran 2012, 134). Since better fit decreases skepticism and negativity toward campaigns and therefore increases profits, maximizing the connection between partners is a good way to increase the chances of positive economic outcomes (Human and Terblanche 2012, 148).

Nonprofits can further help assure that their efforts will not be seen negatively by carefully choosing partners and being closely involved in the terms of the agreement. Short-term promotions are generally perceived as more of a publicity stunt than a commitment to social change, so it is important for CRM campaigns to be long-term in order to demonstrate a desire to truly help the cause and make a difference (Pringle and Thompson 1999, 97). The ideal partnership should last two to three years initially and be allowed to be extended or terminated at this point depending on the feelings of the partners (Pringle and Thompson 1999, 153). This indicates to the public that both partners are truly committed to working closely together in order to create a campaign that makes a strong impact. Negotiations need to be clear and both sides need to communicate exactly what they hope to get out of the campaign so that no one ends up feeling used (Pringle and Thompson 1999, 133). It is also important that there is broad support for the partnership within the business and that both leaders and other employees are willing to give their time and support to the cause even if the person who started the partnership leaves the company (Pringle and Thompson 1999, 144). This helps to guarantee that the whole campaign will not fall apart with the loss of one or two key people. Additionally, having employees get more involved, volunteer for the nonprofit, and spread the word is a good way to show strong, genuine support by the business (Pringle and Thompson 1999, 182). The more depth there is to the partnership, the less likely consumers are to think that the CRM campaign is a facade to cover up poor practices, leading to more positive results.

Establishing agreed upon and reasonable targets for campaigns helps keep the partnership moving in the right direction and allows consumers to have reasonable expectations of what can be achieved (Pringle and Thompson 1999, 146). The two organizations need to be privy to the

operations of the other, even those practices that are generally kept secret (Pringle and Thompson 1999, 147). They also need to know about the networks of people and organizations that the other brings with them and how they will react to the venture (Pringle and Thompson 1999, 147). This requires transparency and a look into the future to see what skeletons could potentially come out of the closet and ruin one or both of their reputations (Pringle and Thompson 1999, 149-150). When all of this is established clearly in a contract from the very beginning it helps increase trust between partners and decrease potential consumer skepticism about the project which, in turn, maximizes chances of success (Pringle and Thompson 1999, 152).

After the initial construction of the partnership, further considerations about the price and percentage of proceeds going toward the charity need to be considered. Generally consumers do not want to pay much more for a CRM product than for its non-affiliated counterpart (Andreasen 2009, 171). In Western cultures consumers are more likely to pay more for hedonistic CRM items, but in some other cultures they are willing to pay more for practical products (Human and Terblanche 2012, 144). This illustrates the importance of looking into the target market. In general, consumers have been found to be willing to pay more for a CRM product when the contribution by the company is higher, but if it gets too high it may start to seem too good to be true and cause skepticism (Andreasen 2009, 171). If the donation is too small however, people are likely to think that the nonprofit is being exploited for publicity and be deterred from purchasing the product (Human and Terblanche 2012, 145). The response tends to be most favorable when the business gives a product rather than cash to the nonprofit, but this does not help with restrictions on donations and may end up donating more of an item than the nonprofit can actually use or distribute (Andreasen 2009, 172).

Marketing campaigns should also make it clear exactly which charity the money is going to and the percentage or amount of money from each purchase that will go to the cause so that consumers do not make incorrect assumptions that lead to anger when the truth is discovered (Andreasen 2009, 173). If consumers feel that their role in helping the cause is insignificant in some way, they are unlikely to participate, so it needs to be clear that their purchase will give enough money to make a difference (Robinson, Irmak, and Jayachandran 2012, 137). Otherwise, people may avoid buying CRM affiliated products because they believe that they are being cheated by the company. CRM campaigns are commonly vague about the donation that will be made and avoid specifying the dollar amount, opening the door for more skepticism (Human and Terblanche 2012, 144). Changing practices to include more transparency about money could help to sway the public response and make partnerships more successful in the future.

Women and members of Generation Y, born between 1977 and 1994, are generally more socially conscious and involved in philanthropy than men and previous generations, so there is a large potential market in these groups (Hyllegard et al. 2011, 112; Human and Terblanche 2012, 148). Though these are the most likely buyers, it has been found that if CRM is done well, it can potentially convince people who generally do not participate in philanthropy to contribute, thus opening up a previously untapped group of donors (Human and Terblanche 2012, 143). "Research suggests that members of Generation Y are generally socially conscious and civic-minded and that their social awareness extends into their activities as individuals, employees and consumers", providing evidence that many people are open to CRM

and also would like to work for companies that are socially responsible (Human and Terblanche 2012, 148). This knowledge provides further business incentives to engage in CSR. One potential problem is that Generation Y may suffer from compassion fatigue because so many causes exist and there is so much information available that they can no longer distinguish between charities (Human and Terblanche 2012, 148). This illustrates the need for differentiation and clarity of message in partnerships.

Easy access to information has provided the ability for consumers to educate themselves on causes that they hear mentioned only in passing, and it is now possible for people to encounter social problems through CRM campaigns and then research them and become more deeply involved (Hyllegard 2011, 103). This means that the publicity that comes from CRM can lead to support for nonprofits beyond the scope of their partnerships. On the flip side, consumers who support nonprofits through traditional donations can be made to feel that they no longer need to give because they can buy products that make donations for them (Young 1998, 198). If consumers do not take the time to learn more about the nonprofit and become more deeply involved, there is a risk that the publicity will only lead to superficial and short-lived support (Andreasen 2009, 177). All of these potential losses in non-CRM funding provide good reasons to encourage clear and transparent labeling that explains both the cause and how people can get more involved.

Some critics of philanthrocapitalism and CRM value the separation between the nonprofit and for-profit world because they perceive clear distinctions in the goals and outcomes of the two (Edwards 2010, 8). These critics are upset by the loss of that distinction and the perceived oversimplification of philanthropy into consumption. On the other hand, others are happy that they can get the benefit of purchasing a new item while simultaneously helping a good cause and indicating the importance of that issue (Youde 2009, 204). There is a complaint that buying a product does not make consumers think enough about the suffering that is taking place and strips those in need of their agency, but the act of purchasing does not prevent people from caring more deeply (Richey and Ponte 2011, 84; Youde 2009, 214). There is also a belief that CRM distracts people from the real problems and draws resources away from charity and into thoughtless purchases (Eikenberry 2009, 52). This idea comes from a fear that allowing business practices to enter into nonprofit activities will distract charities from their true purpose and allow consumers, the majority of which are not interested in or capable of fixing social ills, to overrun philanthropy (Eikenberry 2009, 52). This fear is unfounded though, because CRM is aiming to augment nonprofit resources, not replace them (Youde 2009, 202).

Even though the evidence of positive public responses to CRM campaigns is encouraging and indicates that it could be a great choice for alternative funding of nonprofits, there are charities that are too controversial, unpopular, or distant to attract business partners and therefore cannot participate. One study found that consumers were more interested in breast cancer than AIDS, providing evidence that less divisive causes are more popular (Hyllegard et al. 2011, 113). There are also generally more favorable opinions of CRM campaigns that work with regional and national causes rather than those that are global (Ross, Stutts, and Patterson 1991, 62). Nonprofits that have tangible results, such as disease cures or disaster relief, also attract more attention because people can more easily see where their money is going (Ross, Stutts, and

Patterson 1991, 62). This makes it difficult for distant causes to profit from partnering unless they have popular support.

Companies fear that they will drive their customers away if they associate with a cause that certain groups of people are strongly against, so it is difficult, but not impossible, for these types of nonprofits to find partners (Andreasen 2009, 173). Because CRM gets crowded with popular causes, those nonprofits that are high-risk and need the support more than the attractive issues are frequently excluded (Ross, Stutts, and Patterson 1991, 60). This kind of publicity is therefore not the best choice for controversial causes unless they can get involved in CRM with choice and allow consumers to decide to give money to them or find a partner with strong enough values to maintain the relationship even if it means losing some customers (Robinson, Irmak, and Jayachandran 2012, 134). This is problematic, but it does not mean that CRM should be written off. Those companies that are brave enough to enter into a CRM campaign with a controversial cause still have the potential to make a big impact, and just because it is more unlikely for such a partnership to come about does not mean that it is impossible.

### Societal Benefits

Nonprofit motivations and consumer reactions are important, but perhaps the most crucial consideration in determining the worth of CRM is whether or not it produces the desired benefits to society. As with other aspects of philanthrocapitalism, this is a highly debated topic. At the most basic level it can be said that when CRM campaigns are done in ways that minimize consumer skepticism and maximize transparency and coordination between for-profit and nonprofit partners, they do provide positive outcomes for social goals (Runté, Basil, and Deshpande 2009, 265). One study talked to nonprofit managers and found that the majority were happy with the results of their CRM ventures (Runté, Basil, and Deshpande 2009, 266). It also found that those nonprofits that had engaged in more than one partnership were more likely to meet goals for social change, either because they learned from experience or because they were happy with the results of the first campaign and ran subsequent campaigns similarly (Runté, Basil, and Deshpande 2009, 266).

One of the major concerns about CRM, and philanthrocapitalism in general, is that business practices cause the social ills that nonprofits are trying to bring an end to, so partnering perpetuates the cycle and hurts charities even when additional funding is provided (Edwards 2008, 7). Critics think that CRM only provides superficial support instead of taking on the root of the problem (Wirgau, Farley, and Jensen 2010, 621). They believe that it encourages harmful practices to continue by promoting capitalism and consumption instead of real social change (Edwards 2008, 19). They claim that systems and structures need to be changed in order for everyone to live happy, healthy lives and consumption distracts from progress instead of encouraging it (Richey and Ponte 2011, 122).

Countering this idea, some praise CRM for its ability to “generate something positive out of the currently existent system” (Youde 2009, 202). CRM can help make small changes and strengthen nonprofits with more funding for their causes instead of “waiting for a wholesale revolution in the international political economy [which] does little to serve people in need” (Youde 2009, 202). In this way people can be helped and suffering can be reduced while

advocates continue to fight for larger changes in the political economy. This approach advocates for small, workable changes instead of enormous, system altering transformations and buys time for activists to take on root causes.

Alongside concerns about the consequences of encouraging harmful structural practices to continue, there are worries that people will become disengaged from social causes and begin to believe that they can do their part simply by consuming (Wirgau, Farley, and Jensen 2010, 613). Products can be purchased without the knowledge of what cause the money is going toward or even that it is going toward a cause at all, and when consumers are not educated about social problems CRM does not have a lasting positive impact on the nonprofit (Wirgau, Farley, and Jensen 2010, 625). Some even fear that consumers will believe that they no longer need to make donations at all if they can buy CRM products, but evidence suggests that most people tend to donate the same amount or a little less than they did before purchasing cause-related products, not stop donating altogether (Andreasen 2009, 176). This is a real problem, but the potential benefits of getting people involved who previously were not are large. Youde believes that “[i]t is a mistake... to assume that all people have the capacity or interest to engage in such actions” and that “[c]itizens may not have the time, energy, or skills necessary to engage in such lobbying and more overt political actions”, so CRM opens an important window for them to have their voices heard (2009, 215).

There is an idea that the only real way to bring issues to the attention of those in power is through social movements, but consumption philanthropy can become a kind of social movement by reflecting the purchasing decisions of thousands or even millions of conscious consumers (Eikenberry 2009, 54). Though it is not the only way to do so, voting with dollars is a real way to get a message across and it can work to influence policy (Youde 2009, 216). There is a concern that the ease of purchase removes meaning from giving to charity and disconnects consumers from beneficiaries (Eikenberry 2009, 54). This may lead to less desire to make real changes and a lack of empathy for those who are suffering, resulting in decreased engagement in civil society (Eikenberry 2009, 54). Evidence has shown that people are not likely to disengage from other forms of political action when they participate in CRM though, demonstrating that it is a good way to provide both funding and opportunities for more people to work toward positive social change (Youde 2009, 216).

The possibility of buying products that are connected to a cause will not turn everyone into a mindless buying machine either. Some people may not have the resources to donate to charity or become involved with causes, but they can make a statement with their purchases (Youde 2009, 204). Thus, CRM provides the added social benefit of creating a more accessible form of altruism. One study did find that people do not gain the same amount of happiness from CRM purchases as they would from donating directly to a cause because they know that they are being more selfish, but if they previously could not donate at all, they are still gaining a low level of satisfaction from altruism that they would otherwise be unable to achieve (Krishna 2011, 399).

The kind of close cooperation and dedication to goals that is needed for the partners to succeed can lead to deeper social benefits if present, but can also damage the nonprofit’s reputation and coffers if it is not there. This goes back to cause-brand fit and transparency. If the company is popular and consumers are not skeptical, lesser known nonprofits are likely to gain

the most positive feelings toward their cause (Basil and Herr 2003, 70). If they can find a company to partner with, this is great for nonprofits that are just starting out or expanding. Small and new organizations tend to have a harder time finding funding in general, so the benefits of a successful CRM campaign could be huge (Pallotta 2008, 154). If the business truly gets behind the cause and works hard to change practices to address social problems, it can make a big impact (Bishop and Green 2008, 189).

There is great concern over failed CRM ventures because they can drain valuable resources that would have gone toward social causes while seemingly producing less harmful consequences for businesses involved (Andreasen 2009, 177). This is believed to create more incentives for businesses to enter into riskier partnerships which could hurt inexperienced charities. Even when the partnership is viewed in a negative light however, “a CRM program may result in consumers donating directly to the nonprofit instead of purchasing the product that supports the cause from the firm”, thus increasing direct donations and providing social benefit while also sending a message to the company that their practices are unacceptable to well-informed consumers (Yeo Jung and Wei-Na 2009, 467). The threat of losing profits if caught cheating on promises that were made as part of partnerships can be a powerful motivator for companies to make real changes before entering into an agreement with a nonprofit as well (Besley and Ghatak 2007, 24). This indicates that the odds are generally in favor of the nonprofit when entering into a partnership, so a well-planned CRM campaign should not be a huge risk.

Richey and Ponte argue that CRM campaigns are about “accepting the status quo, maximizing sales and profit, and donating a portion of sales of products (no matter how or where they have been produced)” (2011, 16). They think that CRM is a form of disengaged CSR that allows companies to gain from publicity without changing any of its own harmful policies (Richey and Ponte 2011, 129). This may be true in some cases but, knowing that there is a disincentive to cheat because of consumer skepticism of disingenuous ventures, well-run CRM campaigns that have minimized risk should include some deeper commitment to helping society, making it clear that the business is not only in it for profits (Yeo Jung and Wei-Na 2009, 469).

Businesses, especially large ones, are influential and can help change corporate norms and even government policies by putting their support behind a movement and acting in socially responsible ways, so the potential for change is huge (Bishop and Green 2008, 189). They may set the standard for certain social policies and cause other major corporations to follow their lead, thus acting as a catalyst for positive social change and further collaboration with nonprofits in the future. Starbucks is a good example of this. As a partner of Product (RED) since 2008, Starbucks sells products that donate money to the Global Fund to help people living with HIV/AIDS in Africa (Starbucks 2013). Instead of being content to just give some money to a cause and remain disengaged, the company has also involved itself in economic development projects in impoverished areas around the world by sourcing ethically from farmers and providing support centers that distribute helpful resources to increase economic standing (Starbucks 2013). These programs have helped combat the root causes that critics of CRM are so worried are overlooked by consumers. Deep commitment is present, and it illustrates to other companies that socially oriented actions and policies are supported and celebrated by consumers.

## **Case Studies**

As a whole, it is difficult to either condemn or condone CRM because there are so many factors that influence the outcomes of partnerships. In those situations in which it is successful however, CRM has some clear benefits for social causes and can help to provide much needed funding and support for those who are most in need. Examples of CRM partnerships in action illustrate the importance of clarity of goals and commitment to the partnership, but also show that commercial activities can be justified and accepted by consumers. They illuminate just how helpful the extra funds can be to nonprofits with big missions and not enough resources to meet them, but also make clear the dangers of an ill-conceived foray into the for-profit sector. Some partnerships succeed and some fail, showing that CRM is not a panacea for all problems within charities. When results are positive however, CRM can help get more people involved in social causes and produce better outcomes for people in need.

### American Express: Always Innovating

American Express is widely regarded as the company that brought CRM into the public eye and popularized the idea of nonprofit-business partnerships (Ebenkamp and Stark 1999). Though CRM was not invented by American Express, in 1983 a campaign to renovate the Statue of Liberty kick-started the growing acceptance of and involvement in cross-sector partnerships that has been happening ever since (Ebenkamp and Stark 1999). The campaign worked by donating one penny every time an American Express card was used and one dollar every time a new person applied for a card (Ross, Stutts, and Patterson 1991, 59). There was a huge increase in both card usage and new applications during this time and sales increased by 28% from the previous year (Ebenkamp and Stark 1999). When the program ended, \$1.7 million had been raised for the cause and the Statue of Liberty was able to be restored (Ebenkamp and Stark 1999). The results of the donations were clear to consumers and the stage was set for more projects to follow the fundraising model.

Following this success, American Express decided to collaborate with the nonprofit Share Our Strength to create the Charge Against Hunger campaign (Pringle and Thompson 1999, 6). The collaboration was so well-received that it went on for four years, showing a serious time commitment, and raised over \$21 million that was distributed to over 600 anti-hunger groups across the country (Pringle and Thompson 1999, 6). Every November and December three cents were given to Share Our Strength for every purchase made on an American Express card, and the effort greatly increased Americans' knowledge of the hunger problem that was happening within the country (Pringle and Thompson 1999, 6). The purchases on the cards were often in restaurants, so there was a clear link between food and hunger in the campaign and therefore good cause-brand fit (Pringle and Thompson 1999, 7). Not only did the company pour huge amounts of its resources into advertising for the partnership, but employees of American Express also pitched in and volunteered their own time to help the local groups that were receiving the money to fight hunger (Pringle and Thompson 1999, 7). The company even managed to get Stevie Wonder to endorse the effort with a song and a tour and paid for a commercial for the campaign that was aired during the Super Bowl, bringing awareness to Americans who otherwise may never have known about the problem (Pringle and Thompson 1999, 7-8). These efforts still stand as the pinnacle of success in CRM.

American Express continues to be involved in CRM campaigns today, and its continued success in the ventures can be used to illustrate the potential for cross-sector partnerships to do good in the world. Not only did the past campaigns bring broad publicity and awareness, but they also provided the funding to complete important projects. The company has now expanded its efforts in an innovative campaign called Members Project (Ferguson and Goldman 2010, 285). This effort incorporates choice of charity by allowing cardholders to register with the program and then submit, talk about, and vote on charities that they deem important (McIlroy 2008, 56). The program began in 2007 and has run every year since, with American Express giving millions of dollars to the winning charities every year (“Members Project” 2013). In 2007 the grand prize went to a clean drinking water initiative and in 2008 it went to Alzheimer’s research, but smaller amounts of money are distributed amongst five different categories of social causes which increases the amount of influence that consumers have (Ferguson and Goldman 2010, 285). Excitement about the project brought buzz not only on the internet, but also in schools and on the streets (Ferguson and Goldman 2010, 285). This may not be the typical CRM campaign in that it is not selling anything, but it illustrates the power that campaigns by businesses can have in society and that partnerships can lead to increased activism beyond the purchasing of products.

#### Product (RED): A Large Scale Twist on CRM

Product (RED) is an ongoing project that aimed for the levels of publicity and awareness that the Charge Against Hunger brought in but got backlash and skepticism instead. This controversial and polarizing organization is part of an interesting form of CRM that brings many corporations together with one nonprofit. This novel partnership requires only small changes by the corporations in order to produce a large new source of revenue for the nonprofit. It is a business model that is not the product of a partnership, but that facilitates partnerships.

Rock star Bono and politician and activist Bobby Shriver started this experiment in 2006 with dreams that it could revolutionize the fight against preventable, treatable diseases (Dadush 2010, 1270-1271). It aims to allow people to make a difference through their regular purchases by partnering well-known companies with the Global Fund to Fight AIDS, Tuberculosis, and Malaria. Each partner then offers (RED) versions of products at no additional cost to the consumer. Operating on the idea that the AIDS epidemic needs to be marketed in order to bring the visibility and accessibility that are crucial to raising enough money to fight such a monumental problem, (RED) strives to provide opportunities for people to make meaningful political actions in their everyday lives (Youde 2009, 204). Each company that becomes a (RED) partner has an individual contract that determines the portion of the proceeds from its products that go to the Global Fund (Dadush 2010, 1270). These vary depending on the type of product and its regular cost. Thus far, Product (RED)’s efforts have raised \$200 million ((RED) 2013). This form of funding is particularly helpful for the Global Fund, an organization that needs large amounts of money over a long period of time, because the nature of AIDS makes it difficult to provide the immediate results that many donors demand (Youde 2009, 205).

(RED) does not claim that it is a solution to the problems of capitalism, but the six million Africans who die each year from AIDS, tuberculosis, and malaria, all of which can be prevented and treated, need help now (Youde 2009, 207; 211). Instead of waiting for a new global economic system that will improve the situation as some critics call for, (RED) works on

the principle that it can harness the power of the market for good and provide much-needed resources to the Global Fund (Bishop and Green 2008, 205). The partner corporations use their advertising funds to get the message out, but critics of CRM condemn these efforts as taking money away from the cause and hurt (RED)'s reputation even though it is raising both awareness and funds (Youde 2009, 217). Meanwhile, its partner organization, the ONE Campaign, works on a grassroots level to put pressure on the governments of the world to take action and fight the inequalities that cause suffering (Bishop and Green 2008, 205).

Despite the fact that the Global Fund is happy with the effort and appreciates the progress, there are improvements to be made (Richey and Ponte 2011, 8). There are no rules on how much information partners must put on their (RED) products, so some companies, such as Starbucks, explain the whole project and exactly how much money is going to the Global Fund while others, like Apple, only display the (RED) logo (Dadush 2010, 1289). This is problematic, but could easily be overcome with increased cooperation and communication between partners. The 14 million people who have been reached by programs supported by proceeds from (RED) are evidence that it is making an impact even with some structural problems, so the potential is there to make it even better ((RED) 2013).

The (RED) model has some problems with transparency and restricted funds as well. This is problematic because both of these issues can be lessened by well-planned CRM campaigns. (RED) allocates its funding for use only in AIDS programs in a few African countries supported by the Global Fund which does not help with the problem of restricted funding or set a good example for others thinking of engaging in CRM (Richey and Ponte 2011, 7). Within the operation, (RED) partners pay an undisclosed licensing fee to use the label, agree to certain social responsibility guidelines, and agree on what amount of the revenues from their products will go to the Global Fund (Dadush 2010, 1275). The Global Fund cannot release the individual contributions of the partners so it is unclear how much money each corporation actually gives, though the overall numbers are impressively large (Dadush 2010, 1276). This has led to questions about the legitimacy of the effort. Partners are encouraged to participate in environmentally and socially friendly practices that collaborate with African producers but the agreement is not binding (Youde 2009, 218). Lax regulations and poor access to information have led some to condemn the project as a failure, but the help that it has given to the Global Fund suggests otherwise. These kinds of structural problems within high-profile CRM campaigns like (RED) can lead to increased consumer skepticism toward all similar efforts, and it is important that they are fixed or the huge contributions to the Global Fund could be completely overlooked. (RED) is by no means perfect. However, the effort has shown potential and should be improved upon rather than used as an example of why CRM should be abandoned.

### Goodwill Industries International: A History of Commercialism

Much less controversial but even more well known, Goodwill Industries International is an extremely successful example of CRM that is older than the American Express-Statue of Liberty campaign and is often not thought of as belonging in this category at all. Founded in 1902, Goodwill began as a small operation that collected used household goods and clothing, hired and trained the poor to repair the goods, and then resold the items and used the profits to fund the activities (Goodwill 2013). The nonprofit grew into the \$4 billion organization that it is

today, but its mission to eradicate poverty and exploitation stands (Goodwill 2013). Individual Goodwill stores are run by local boards of directors in order to respond more effectively to the needs of the communities that they serve, helping it to achieve an even better reputation (Goodwill 2013).

Despite its success, Goodwill still feels the need to show that it keeps overhead costs low, stating that 91.6% of funding went directly to programs and services in 2012 (“Annual Report” 2012). Nowadays, donated goods fund employment, job training, and job placement for disadvantaged and disabled people so that they can begin functioning in society at their fullest potential (Goodwill 2013). Repair is not a part of the operation anymore, but Goodwill still runs mostly on profits from goods sold in stores and has been described as being “very much a commercial company”, placing it firmly in the category of CRM (Goodwill 2013; Holcomb 2013). Millions of people are helped annually by the nonprofit’s array of services and it continues to grow, showing the strength of its support and its business model (“Grants” 2013).

Goodwill prides itself on being sustainable because of its unique revenue source but, despite some scandals, critics of CRM do not seem to worry that it is being too commercial for a nonprofit (Goodwill 2013). This may be because the commercial and charitable operations are integrated under one organization and the fit between the cause and business is so good that the two are widely accepted as being one and the same. Many of the training programs offered are not related to retail or the business of Goodwill at all though, so the profit-raising and cause-promoting parts are actually separate (“Annual Report” 2012). As with other CRM campaigns, there have been some concerns that Goodwill is disconnected from charity and marginalizes the poor by focusing on sales, but these criticisms are much less pronounced than those of campaigns like (RED) (Bishop 2008, 414). The longstanding connection to the commercial sector and upfront nature of the nonprofit’s operations may explain the lack of discontent about it crossing into business activities. Donors know that their money is being used to increase funds for job training programs and accept that as a positive investment. As John Nadeau, Director of Stores at Tacoma Goodwill Industries, said, “Our entire reason to exist is to provide job training and placement opportunities in our community and the more revenue we can generate, the more we can fund” (2013).

The organization is not afraid to reward its presidents by paying them wages that are closer to those in the for-profit sector either, and professional looking advertisements and buildings are used to attract more business (“Goodwill Stores” 2000). In some areas of the United States, Goodwill has been harshly criticized for the high wages that top executives receive while employees are sometimes paid less than minimum wage though (Hrabe 2012). This goes back to the need to increase wages of all employees rather than acting like a corporation and disproportionately paying those at the top. These problems, though bad on the part of the company, have not prevented Goodwill from continuing to help people, and its innovations have led to continued success.

Across the country Goodwill stores have used techniques that are generally thought of as taboo for a nonprofit in order to increase profits and support their mission. At the start of the millennium, Portland Goodwill stores were considered a leader in marketing activities and their services were used by branches of Goodwill all over the country to increase awareness

(“Goodwill Stores” 2000). Perhaps the organization gets away with more advertising than other nonprofits because people know that it is competing with other retailers and using business principles in order to provide its services (Cordes and Steurle 2009, 3). Nonetheless, its ability to convince people that working simultaneously in the public and private sectors can be positive could help illustrate the possibilities of CRM.

Some concern has been expressed over the way that money is spent, but acceptance is high enough that Goodwill can continue expanding into new commercial markets such as cafes, online auctions, outlet stores, and even boutiques that sell designer clothing, without much backlash (Nadeau 2013). Tacoma Goodwill recently opened its first boutique, blue, which aims to sell to a more discerning market in a smaller, more personalized atmosphere (Holcomb 2013). The store has been well-received by customers and there are plans to open five similar boutiques in the area over the next few years (Holcomb 2013). Creating different types of stores like this opens Goodwill up to a larger group of consumers who may not shop at a regular Goodwill store and brings in more money for the mission because of the slightly higher prices for designer and upscale items (Holcomb 2013). This example shows just how successful CRM can be when run well. If it were well-known that Goodwill is similar to other CRM campaigns, it might sway some people to look at nonprofits that collaborate with businesses in a different light.

## **Discussion**

These examples help to show that CRM can be positive and allow a nonprofit to work toward its mission with funds that it otherwise would not have had. Problems can be detected in the structure and avoided in order to avert disaster. The characteristics of a partnership with the potential to succeed are known, and American Express, Product (RED), and Goodwill all employed them to raise huge sums of money for the nonprofits involved. This illustrates a commitment to the partnership. Businesses, it turns out, can be motivated by more than reputation and profits. Some companies truly want to help and profits do not always have to be associated with negative outcomes when nonprofits are involved.

The fact that huge companies like Starbucks and American Express are willing to enter into these agreements and publically state the exact amounts of money that they will give for each purchase demonstrates a commitment and a desire to help charities succeed. Milton Friedman may have thought that businesses should only be motivated by profits, but there are many more pressures on modern companies that shape their policies (Besley and Ghatak 2007, 3). Some have leaders who are passionate about causes and want to get involved in charitable work, others are pressured by workers within the company and the desire to cultivate better relationships with employees, and some are nudged toward social responsibility because of the demands of their customers (Pringle and Thompson 1999, 3).

Even when money is the biggest motivator for the nonprofit and business, the project should not be written off as greedy. Both types of organization operate in a world that is run by money and, ultimately, nonprofits need money in order to work toward their missions. Goodwill has such a strong cause-business fit that it is not often called out for being profit driven, but since its inception over a hundred years ago it has used CRM to raise money for job training and placement (“Annual Report” 2012). It even boasts about high sales revenue and sustainability in

its annual reports (“Annual Report” 2012). Just because other nonprofits have causes that do not lend themselves to such a flawless integration does not mean that they should not be able to benefit from this potential funding source. As long as they work with businesses that show a willingness to commit their CSR resources fully to a cause that can be seen as consistent with corporate practices, nonprofits should be encouraged to use the economic system to their advantage. This does not mean that corporations should be seen as the best possible way to distribute aid or that any other form of funding should be discontinued or discouraged as critics claim it does (Wirgau, Farley, and Jensen 2010, 613). It should be seen as a supplement for nonprofits that struggle with chronic underfunding and restrictions on activities, not a replacement.

Furthermore, since nonprofits compete for consumers’ money just as for-profits do, there is no reason that they should be excluded from participating in cross-sector activities. Higher social need and restrictions on funds have led to even more competition amongst nonprofits just to acquire the money that is necessary for them to provide services (Weisbrod 1998, 3; Pallotta 2008, 191). Even if, as Edwards says, “70 percent of U.S. households give money to civil society every year, some \$295 billion in 2006 [and]...Google.org’s projected spending of \$175 million over the next three years [is]... a fraction of what could be channeled to social transformation by individuals and governments”, nonprofits still struggle to make ends meet and help everyone who needs their services so Google’s philanthrocapitalist efforts to augment those funds should not be looked down upon (2008, 23).

Advertising and publicity are essential for attracting new donors and reminding people of the problems that still exist in the world (Pallotta 2008, 7). Goodwill uses advertisements that look similar to big retailers like The Gap and the extremely successful early CRM partnership between American Express and Share Our Strength had a Super Bowl commercial, but new campaigns that try to market themselves this way are criticized for being too commercial (“Goodwill Stores” 2000; Pringle and Thompson 1999, 7). “[H]istorians remind us that there has been a long-standing involvement of nonprofit organizations in commercial activity in the United States, suggesting that the blurring of the boundaries is an evolutionary development- albeit an important one- and not a discrete break with the past”, but critics of CRM seem to ignore this fact and panic about the crossover as if it were new and dangerous (Cordes and Steurle 2009, 5).

Currently, large scale advertisements for nonprofits are often greeted with dismay even if, as with Product (RED), the money came from the budgets of the business partners. There was an outcry when it came out that over \$100 million was spent on advertising Product (RED) and there was only an \$18 million return on the investment, completely ignoring the fact that the business partners paid the bills and would have spent that money on their own advertisements anyway (Youde 2009, 214). This should have been seen as a great opportunity to get the word out about the Global Fund, but instead it was taken as a way to undermine the whole project. This criticism ignores the fact that most businesses would consider that rate of return to be very respectable (Youde 2009, 217). Credibility is taken away from CRM so that the public is more likely to be skeptical of future partnerships that they come across for no reason other than unwarranted fears about nonprofits in the business world.

A slightly more valid concern is that CRM will encourage more consumption and hurt the same people it claims to be helping. In some cases this may be true, but many well done CRM campaigns do not encourage reckless spending or overconsumption and some make an effort to assure that the products are made ethically. Goodwill encourages people to purchase used goods and be more environmentally friendly, American Express encouraged use of its credit cards when making normal, everyday purchases, and Product (RED) encourages consumers to choose (RED) versions of products like jeans, ipods, or coffee that they were planning on purchasing anyway. Companies that partner with (RED) are urged to collaborate with African producers and instate environmentally friendly production methods for their products, but unfortunately are not required to do so (Youde 2009, 218). Ensuring that these types of precautions are taken can alleviate concerns about CRM hurting people through capitalism and encourage businesses to rethink their socially harmful practices.

A retort to the idea that philanthrocapitalism and CRM can help bend the current economic system to do good is that the ease of donation discourages people from deeper activism and allows them to believe that they can stop making traditional donations. Edwards claims that “[i]n markets, we are customers, clients or consumers, whereas in civil society we are citizens, and each has very different implications”, but there is no reason that we cannot be both at the same time (2008, 62). It is true that some people may begin to donate a little less or be driven away from a cause that they formerly supported because of CRM (Andreasen 2009, 176). It does not appear that people tend to halt donations entirely however, and with a well-designed partnership and adequate outreach to loyal supporters it is unlikely that regular donors will stop making contributions (Basil and Herr 2003, 64). A well-received CRM campaign should draw in enough donations to make up for a small loss in traditional donations and it is more sustainable over the long-term. The Charge Against Hunger campaign employed the suggested two or more year commitment and managed to be extremely successful because it showed that American Express cared and wanted Share Our Strength to succeed, thus making consumers feel more connected.

Even a well-designed CRM campaign can draw criticism for lacking transparency. This is a problem that needs to be addressed because it leads to increased skepticism and damages the reputation of cross-sector partnerships for a preventable reason. If consumers cannot be sure that a fair amount of the proceeds are going to the nonprofit and it comes out that the company is hurting people through its practices, it could destroy the reputations of everyone involved. This illustrates that making information readily available is good for everyone.

Product (RED) is a good example of a CRM campaign with transparency problems that have hindered its reputation. Partners display different amounts of information about the project on their products and some disclose the exact amount of money that is being donated while others keep it cryptic (Dadush 2010, 1289). This has the potential to confuse customers and drive them away from CRM because philanthropy is built on trust (Dadush 2010, 1335). Highly respected charities like the Global Fund provide some accountability, but more effort needs to be made to show consumers that companies are genuine in their efforts and are giving a fair amount of proceeds to the nonprofit partner. If CRM keeps expanding but transparency is not elevated in importance, consumers could become skeptical about philanthrocapitalism in general and the potential to save lives through extra funding could be lost (Dadush 2010, 1314). This is a serious

problem that needs to become a bigger focus in CRM in order for forays into the for-profit sector to continue holding legitimacy in the eyes of consumers.

Claims that CRM will crowd out other forms of political participation and discourage active citizenship seem to be unfounded (Youde 2009, 216). Since the focus is on buying products, critics are afraid that consumers will gain positive feelings of altruism without taking the time to learn about the suffering of the people who they are purportedly helping (Wirgau, Farley, and Jensen 2010, 620). They worry that there is no engagement in many CRM initiatives, leading to a lack of awareness about the issues (Wirgau, Farley, and Jensen 2010, 624). Some consumers may shop in ignorance and buy a Product (RED) item, for example, without knowing what it is. There are others who will be intrigued by the (RED) logo and the claim that buying products can save lives though, and it may make them curious enough to go on the website and learn about the project and the Global Fund. This, in turn, could lead them to participate in activism through the ONE Campaign or to donate directly to the Global Fund, which is made easy through the inclusion of a link on the (RED) website ((RED) 2013).

Not everyone is interested in overt political action or has the time or money to participate, so CRM provides a way to help those in need by making purchases that would have been made anyway (Youde 2009, 215). It is a mistake to assume that there is only one type of political action, and political consumerism may end up being an inroad for some people to make a difference (Youde 2009, 215). Even though people get less satisfaction out of donating through CRM because they know that it is more selfish than a traditional donation, it provides a way for people who do not have the means to donate directly to help a cause, vote with their dollars, and get a little altruistic happiness out of their purchases (Krishna 2011, 339).

The most serious problem with CRM is the danger it poses for the nonprofit if it goes wrong. Partnering with a for-profit company is truly a risky business to get involved in if a charity does not know how to go about it well. Collaborating with a business that is hiding socially harmful practices that later disgrace everyone involved or letting the campaign draw too much of the nonprofit's attention can cause mission drift or a loss of funding. Some companies might even sneakily put limits on the amount of money that they will give or use their business knowledge to bully nonprofits into making poor decisions (Andreasen 2009, 174-175). Nonprofits with controversial causes could be particularly at risk because of a lack of options in potential partners. This is why CRM should not be advocated in all situations. It needs to be carefully planned and the partners need to share power and information so that they agree on common goals and strategies and are almost as closely linked as the retail and charity parts of Goodwill are.

Promoting a good or service that has a target audience of women and Generation Y may be helpful too, as they are most receptive to CRM in general (Hyllegard et al. 2011, 115-116). There is a concern that the company will overpower the nonprofit and Edwards says that "the world needs more civil society influence on business, not the other way around" (2008, 80). This is undeniable, but if a partnership is equal than the nonprofit can make a lasting impact on the business which, in turn, can influence other businesses to adopt good social practices (Bishop and Green 2008, 189). Simply put, if a nonprofit cannot spare the time and effort to put into

CRM or lacks the power to effectively negotiate with a business, a partnership should not be pursued.

Finally, just because CRM uses capitalism to try to do good does not mean that it is advocating that it is the only way for social causes to operate. While political activists, such as those involved in the ONE Campaign, work with governments to change policies and conquer the root causes of the world's problems, nonprofits like Goodwill, Share Our Strength, and the Global Fund can make money through capitalist transactions in order to ease the severity of the issues before they can be eradicated. They bend capitalism to include social as well as financial interests so that the wait for major changes in world systems can be less painful for those who need help now. The problems stem from an array of complicated policies and norms that will be incredibly difficult to change, so it is naive to say that we should rely on the elimination of root causes while millions of people suffer.

## **Conclusion**

Philanthrocapitalism and CRM are not nearly as black and white as many critics would lead people to believe. Case studies of American Express, Product (RED), and Goodwill Industries International illustrate the great variation within CRM and that, not only are these cross-sector partnerships older than many people think, but they have proven successful when well-designed and should not be written off as a negative force.

Many scholars have laid out binary arguments for or against forays of nonprofits into the business world, saying that CRM is either the ultimate solution to funding problems or a corrupting force in the world of philanthropy. Pulling all of these ideas together with real-life examples of CRM in action shows that it can go either way or be somewhere in the middle, it all depends on how the partnership is designed and run. More productive arguments could be made if, instead of condemning CRM, critics educated people on how it works best and encouraged nonprofits to enter only into partnerships that include high levels of commitment, good fit between cause and business, transparency, and equality of partners.

Crossing into the commercial sector is not a panacea for funding problems and should not be treated that way. It can boost unrestricted funds for those nonprofits that can handle the stress and find a partner that cares, but it is not intended to replace government funding, traditional donations, or show that corporations are the best way to distribute aid. CRM is simply one option for the augmentation of funds. There is no reason why people cannot be both consumers and engaged citizens making informed decisions about their purchases, and lowering levels of skepticism and encouraging greater vigilance could help this innovative fundraising source gain in popularity and be even more successful in the future.

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