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Brands weigh benefits, risks of 'cause-related marketing'

SPORTS MARKETING PLAYBOOK

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The morning after the last game of the 2014 World Series, Joe Torre got up early, put on a new uniform and flew to New York to get to work. Torre isn't trying to make a comeback as a manager. The Hall of Famer and World Series-winning manager was doing a different kind of work that morning.

Dressed in his self-described interpretation of a stock trader's uniform — gray flannel pants, navy sport coat and a tie — and sporting his World Series ring, Torre was escorted to the New York trading desk of Bloomberg Tradebook by the "Grim Reaper" (otherwise known as Raymond M. Tierney III, the Bloomberg Tradebook's chief executive and president) to take part in the company's third annual Charity Day.

The Oct. 30 event — which took place at the New York, London and Hong Kong trading desks of the electronic brokerage platform — raised money for 13 charitable organizations, including Torre's Safe at Home Foundation, which combats domestic violence.

Torre took pre-arranged phone calls and chatted with fans and admirers, all while costumed Bloomberg Tradebook employees executed actual securities trades from the callers as part of the event. Torre was joined at the New York trading desk by other celebrities including former New York Yankees pitcher Mariano Rivera (raising money for Ronald McDonald House New York), celebrity therapist Dr. Ruth Westheimer (for the Child Mind Institute), "Top Chef" host Padma Lakshmi (for Endometriosis Foundation of America), actress and supermodel Bridget Moynahan (for Jumpstart), former New York Jets linebacker and "NFL Today" analyst Bart Scott (for the March of Dimes) and supermodel Petra Nemcova (for Only Make Believe).

Bloomberg Tradebook donated the net commissions from the trades executed that day from its three offices — \$1.2 million — evenly to all of the participating charities.

Many for-profit companies such as Bloomberg Tradebook are recognizing that partnerships with charitable organizations can be an effective marketing tool that benefits both entities. Known as "cause-related marketing," the method works because it associates a company or product with a perceived social good, thereby elevating the appeal of the company or product and raising awareness for the charitable cause.

The end result can be increased market share (and profit) for the brand and increased visibility (and donations) for the cause. And while short-term promotions and unique events that include celebrity tie-ins can result in quick (albeit short-lived) boosts to both a brand's sales and its image, companies and charitable organizations that make these kinds of partnerships part of their core business strategy through corporate responsibility programs can also benefit greatly in the long term.

American Express reportedly launched the first modern cause-related marketing campaign in 1983 when it promised to donate to the restoration of the Statue of Liberty and Ellis Island — one cent for every credit card transaction and \$1 for every new card account.

Over a four month period, the campaign raised more than \$1.7 million, and the company saw card use increase more than 27 percent, new applications rose 45 percent and new users increased 17 percent. Now, more than 30 years later, the financial services company continues to support the preservation of historical landmarks as part of its corporate responsibility initiative.

Interest in cause-related marketing programs from companies, charities and consumers continues to grow. In its 2013 Social Impact Study, Cone Communications, a Boston-based consulting firm that specializes in developing cause-related marketing campaigns, reported that 54 percent of American consumers bought a product associated with a cause or social benefit in the 12 months prior to the study, an increase of 170 percent in the two decades since 1993.

Conversely, 42 percent of these consumers boycotted a company because they thought it behaved "irresponsibly." The vast majority of consumers surveyed — nearly 90 percent — stated that they would switch to a brand associated with a good cause as long as the price and quality of the products were equal to that of their current brand.

Adding a dose of star-power can certainly supersize the results of a cause-related marketing campaign. Celebrity partnerships — done right — can sway consumer decision-making, creating visibility and donations for non-profits and increased sales and profits for brands that neither entity would otherwise be able to accomplish alone.

But while cause-related marketing and celebrity partnerships may have great benefits for nonprofit and for-profit organizations alike, these arrangements are not without their risks and challenges.

Logistics may be an issue — the need to juggle events with the often-hectic celebrity work and appearance schedules — and the possibility of choosing a celebrity who turns out to have a low commitment level. Todd Krim, president and chief executive of the Krim Group, which matches charities with a sponsoring celebrity, advises non-profits to choose celebrities who have a real connection to their causes rather than those who are just looking for or can generate publicity.

The social value behind commercial co-venturer programs (CCVs) is not enough to insulate them from the potential for negative publicity, which realistically can come as a result of the actions of any of the partners in the arrangement — although most well-known scenarios focus on the celebrity. Consider Tiger Woods, Lance Armstrong or Alex Rodriguez as examples. Rare is the celebrity who chooses not to support a brand or a nonprofit for their reportedly inappropriate actions.

Good intentions are also not enough to insulate these partnerships from legal issues, including compliance with state and federal tax laws, professional fundraising laws, Better Business Bureau standards and federal and state laws governing false and misleading advertising. At least six states — Massachusetts, Illinois, Hawaii, Alabama, South Carolina and Mississippi — require CCVs to be registered, a process that includes filing state-specific forms, registration fees and securing a surety bond (in some states).

Proper disclosures are also critical. All marketing materials must make clear the amount that will be donated, maximum and minimum donation amounts (if any), the dates of the program and where to get additional information about the nonprofit.

Programs where the for-profit company makes a flat donation to the charity are not considered CCVs because there is no relation between consumer action and the donation, and misrepresenting these programs as CCVs can mislead consumers into making purchases even though it will not affect the donation amount.

Consumers are ready and willing to spend dollars on products that impact social challenges, both locally and globally, and they're looking to brands to step up their commitment to good causes. Companies can often maximize the expanding market for cause-related products and programs with the addition of celebrities — but only if they know and follow the rules.