The Power of Giving Back: How Community Involvement Can Boost Your Bottom Line

by **LINDSAY LAVINE, Entrepreneur Magazine, June 26, 2013**

Companies that encourage community involvement distinguish themselves from their competitors, and see many benefits, including loyal customers and happier employees. According to a May 2013 study by Cone Communications and Echo Research, 82 percent of U.S. consumers consider corporate social responsibility (CSR) when deciding which products or services to buy and where to shop.

"I've found that customers really want to know how you're making the world a better place," says Erin Giles, an Aiken, S.C.-based business philanthropy consultant who helps entrepreneurs find causes they're passionate about and incorporate their message into their business. Moms and Millennials are particularly interested in a business' corporate social responsibility platform, Giles says.

Here are four things to consider when incorporating community service into your business plan.

1. Build relationships within your community. Look at your community to see what's important. Are the schools struggling? Does the animal shelter need donations? For example, Cody Pierce, vice president of marketing for Orange City, Iowa-based Pizza Ranch franchises, says the restaurants host "community impact" nights, where friends and family members bus tables to support a local cause, such as raising money for a class trip. Pizza Ranch donates the night's tips and 5 to 20 percent of the profits to the cause, while community members often provide additional donations.

The business benefits because it fills the restaurant on a typically slow night. He says building relationships starts by making genuine connections with your customers, then finding ways you can contribute.

2. Get your employees on board. Giving employees an avenue to give back is important to morale and builds a collaborative and inspired team, Giles says. "When your employees love what they're doing, they do a better job," she says. Giles suggests that businesses offer employees an opportunity to volunteer during work hours or participate in get-togethers after work, which is more fulfilling than just meeting for drinks.

Volunteering also provides leadership opportunities for employees, which leads to increased staff performance and fulfillment and, ultimately, increased productivity and sales, Giles notes.

3. Create a custom volunteer plan. Giles recommends that business owners evaluate their business and employee strengths and select volunteer activities that draw upon those strengths. For example, if you own an accounting firm, you could volunteer to help a nonprofit set up their accounting practices or do their taxes.

Likewise, if you own a restaurant, consider catering a school staff meeting to show your appreciation for your local teachers. Pierce says this may open the door to future catering opportunities, an incremental way to increase revenue. Decide how much time your employees can volunteer through the business on an annual basis, taking into account your operation demands.

4. Let customers know how you're giving back. Once you've implemented your volunteer strategy, let current and prospective customers know what you're doing by including this information on your website. Giles suggests putting a dollar amount of how much your donated time or services would normally cost next to the number of hours your employees have spent giving back so it's easy for customers to understand how much your company gives to the community.

Research Watch

START YOUR NEXT MEETING WITH A JOKE

Three-member teams with at least one person in a good mood were more than twice as likely to solve a puzzle as teams whose members were all in neutral moods, according to an experiment by **Kyle J. Emich,** of Fordham University. That's because people in good moods are more likely to share knowledge and seek information from others, which cues the rest of the group to follow suit.

PHILANTHROPY *by Michael I. Norton and Jill Avery*

Making Charity Pay

Companies are increasingly experimenting with the use of philanthropy to enhance consumer loyalty, brand awareness, and sales. But even highly creative approaches that garner a lot of buzz often fall short of sales goals, leading many companies to conclude, prematurely, that charity doesn't pay. Our research, in contrast, suggests that charity can drive engagement—when done right.

A cautionary tale: Pepsi decided to forgo advertising in the 2010 Super Bowl and instead put the money—$20 million—toward social causes through a program called the Pepsi Refresh Project. It posted consumer-generated initiatives such as school renovations and park restorations on a dedicated website and funded them according to how many votes they received. The effort made a big splash on social media—more votes were cast for Pepsi Refresh projects than in the 2008 U.S. presidential election—but sales of Pepsi products actually declined.

What went wrong? Pepsi failed to align what we call the three Cs of consumer philanthropy. Put simply, *companies* need to choose *causes* that resonate with *customers* in a way that drives sales. The lack of any connection between Pepsi Refresh causes and a product purchase meant the link between the customer and the company was missing. Lots of the people who responded to the effort were not Pepsi consumers or even likely prospects.

An experiment we recently conducted shows the importance of synergy among the three Cs. The nonprofit DonorsChoose lets public school teachers post projects—buying microscopes for their students, say—that consumers can fund directly. In collaboration with Crate and Barrel, we sent $25 gift cards that could be put toward any project on the DonorsChoose website to thousands of the retailer's customers and then compared their subsequent purchases and their attitudes about the store with those of customers who did not receive gift cards. The recipients not only came back to Crate and Barrel sooner to make another purchase but also reported more positive feelings toward the retailer.

This campaign succeeded because the three Cs were tightly linked: Crate and Barrel customers are interested in home improvement, and DonorsChoose is all about school improvement.

We suggest three strategies for managers considering consumer philanthropy. First, don't make project decisions according to causes the CEO cares about (a common practice in corporate philanthropy). Instead, consider causes your customers care about. And don't base that judgment on what they have "liked" on Facebook; look for causes to which they have already given time and money. Those are the ones that will inspire them to act.

Second, be clear about how a purchase will benefit the cause. Customers of Toms Shoes know that if they buy a pair of shoes, the company will send a pair to someone in need. So, faced with spending the same amount to get two pairs from Toms (one of which is donated) or one pair from a competitor, they see the value in the first choice.

Don't base projects on causes the CEO cares about. Consider causes your customers care about.

Third, conduct careful experiments. Many people assumed that the Pepsi Refresh initiative caused Pepsi's poor sales. But a host of other factors, including aggressive advertising by Coca-Cola, may have been responsible. When feasible, assign some customers to the charitable promotion and others to a control condition, as we did. That will give you the best opportunity to gauge the effect of doing good. ⛉

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PHOTOGRAPHY: ISTOCKPHOTO.COM

Olson, E. G. (2014). Corporate holiday charity? All part of the PR plan. *Fortune.Com*, 1.

Fortune

'Tis the season, for companies to wash a year's worth of bad press by giving donations to charity.

A look at the thinking behind corporate donations.

By Elizabeth G. Olson

FORTUNE -- For companies, the holiday season offers an irresistible opportunity to soften the Scrooge-like aura that has enveloped them year-round.

Whether it's providing basics like food and clothing, helping veterans or active soldiers, or efforts like building homes for the disabled, company campaigns centered over the end-of-the-year holidays are ubiquitous. So much so that, for the first time, there is a Pinterest page that provides a panoramic glance at such charitable efforts, which include a growing number of social media and online campaigns to channel money and goods to the needy.

Home Depot's foundation, for example, is donating $1 to Operation Homefront -- which, among other things, retrofits homes for injured soldiers -- for each Home Depot (HD) customer who tweets with a #teamdepot hashtag before Jan. 1. The foundation is aiming to give $100,000 by the end of the year.

Hanes is partnering with the Salvation Army for its fourth annual virtual sock drive, which donates socks for each click on its Facebook page's "donate now" button. It plans to donate 250,000 pairs of socks, which are distributed to the homeless. Kraft Foods (KRFT) and other companies have programs to donate meals to food banks.

Other companies have more traditional formulas. Subaru, for example, donates $250 to charity when a buyer purchases or leases a new car. It is the brand's sixth annual campaign, and it expects to wind up donating $35 million to groups such as Meals on Wheels, Teach for America, and the National Park Foundation. American Express (AXP) donates $1 to No Kid Hungry -- up to $1 million -- each time a registered card is used for dining out. DHL Express, for the tenth year, is shipping Christmas trees to soldiers on active duty.

Good causes aside, most companies do not donate out of sentiment. Increasingly, corporations hire professional consultants to help them make sure any charitable efforts line up with the company's business objectives. Food banks, for example, further Kraft's core food identity in a way that giving to other causes might not.

Most companies, according to a "Giving Beyond Borders" study released in October by the Lilly Family School of Philanthropy at Indiana University, said supporting their mission and values is the No. 1 goal for their giving. Following that, in order, are: giving back to their community, building and enhancing the company's reputation, helping to address social problems, and recruiting, retaining, and motivating employees.

"We see a real uptick in companies that want to align their business and philanthropic goals, and to engage their employees in meaningful ways," says Jamie Jaffee, managing partner for the Boston-based consulting firm The Philanthropic Initiative, which has worked with corporations such as Boston Scientific, Liberty Mutual, and J. Jill apparel on company giving strategies.

"The holidays are a great time for companies to harness their giving spirit and then build on that momentum for the rest of the year."

Sometimes, even carefully planned giving can run into speed bumps, something Coca-Cola (KO) encountered during its 2012 campaign to support its Arctic Home commitment to preserve polar bears. The company changed the color of its iconic red cans to white and pledged to donate when customers used their cell phones to scan a product. But the change in can color was jettisoned after a few weeks when customers complained that the packaging was confusing.

The drinks giant committed to support the polar bear campaign with $2 million over five years, and this season rolled out a campaign on its two-liter soda bottles and certain drink packs, according to Lauren Thompson, a company spokesperson. So far, the company has raised $3 million in donations for polar bears, and it plans to continue the effort until Feb. 15, she says.

Despite efforts to strategically target charitable funds, many of the country's Fortune 500 companies are actually giving less to such causes, a trend that has continued for several years. An annual survey called Giving USA, by the Chronicle of Philanthropy, found that most companies planned only modest increases in cash gifts to charities this year.

In 2012, donations were up, to $5.3 billion, for the 106 companies that responded to the Giving USA survey, which was released last summer, but only 16% said they would give more in 2013 even though the stock market is soaring and the economy is recovering. The bulk of companies, more than 70%, planned to give about the same, and 6% said they would donate lesser sums.

Instead of cash, companies are increasingly donating products. Last year, pharmaceutical giant Pfizer (PFE) was the top company for the fourth year in a row in giving, which reached $3.1 billion when cash and goods were combined.

Products that tout a company's charitable efforts serve as a visible reminder to consumers, the majority of which remain loyal to a brand that supports a cause, according to marketing studies. Almost 80% of consumers are likely to switch to a product associated with a good cause, according to a 2008 Edelman Good Purpose study.

When cash, goods, and services are combined, overall company giving grew somewhat in 2013 with many companies favoring branded products in front of consumers based on the belief that it translates into broader customer awareness. But more companies are also taking into consideration how they can enable their employees to donate more of their time to charities of their choice.

"This helps companies engage their employees in meaningful ways and ways they choose," says Jaffee.