

**PATRON  
REWARDS**



The Arts and Cultural  
Rewards Network

## **Cultural Cause Marketing: A New Source of Arts Funding**



### **A White Paper for Arts Fund Raisers and Philanthropists**

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## 1. Overview

"Cultural Cause Marketing" is a new model for corporate giving: one that offers a significant improvement over the current corporate sponsorship model by enabling arts organizations to benefit when their audience and members make purchases with corporate business partners. Increasingly, consumers decide where to shop and what to buy based on whether companies make a positive impact on the quality of life in their local community.<sup>1</sup> In fact, recent market research shows that consumers are driving a cause-marketing mandate: 8 in 10 Americans now say that corporate support of social causes wins their trust in that company.<sup>2</sup>

By directly tying corporate support to purchases by consumers, arts organizations can effectively change the economics of corporate philanthropy, making it more valuable and cost-effective – not just philanthropic – for companies to restructure a small part of what they now spend annually on consumer marketing into funding the arts. As a result, arts organizations can use this new funding model to compete successfully for the over \$2 billion companies spend annually on cause marketing.

## 2. The Growth of Cause Marketing

U.S. companies have found that partnering with nonprofit organizations to support the causes they represent – “cause marketing” – is an extremely effective way to build corporate and brand reputation. Today, only 21 percent of consumers consider themselves loyal to the brands and stores they shop most often.<sup>3</sup> In a world where most goods and services have little to differentiate them, for many consumers the deciding factor has become whether a company makes a positive impact in their community.

The Cone Corporate Citizenship Study found that 89% of Americans believe that corporations and non-profits should work together to raise money and awareness for causes. Moreover, after hearing about these partnerships, Americans are more likely to feel better about businesses which support the cause.

- 76% of Americans believe that partnerships result in a more positive image of the non-profit
- 79% are more likely to buy a product that supports the non-profit
- 76% are more likely to tell a friend about the non-profit

For many nonprofits, cause marketing now represents a substantial source of funding and earned income, generating widespread public and corporate support for the causes they represent. And for companies, partnering with nonprofit organizations has proven so effective at increasing sales and customer loyalty, that spending on cause marketing programs grew from \$125 million to over \$2 billion in the past decade – more than 8 times faster than spending on advertising as a whole.<sup>4</sup>

### Cause Marketing at Work

**In** 1983, American Express launched a national marketing campaign to fund the restoration of the Statue of Liberty, and cause marketing was born.

Cause marketing is a win-win proposition in which a nonprofit organization and for-profit business join to create a marketing partnership in support of a social cause like education.

Businesses contribute to the cause when customers purchase their goods and services. Thus, the amount of nonprofit funding is directly proportional to sales, allowing the partners to measure program results unequivocally.

For nonprofits, cause marketing both funds and promotes the cause they represent, allowing them to move beyond dependence on donors and foundations to access a powerful new source of earned income.

For businesses, cause marketing allows them to differentiate from competitors, strengthen their brand both with customers and employees, and most importantly, increase sales.

In fact, because it can be so effective at driving sales, cause marketing increased more than 600% in the past decade, and is now a critical source of funding for many nonprofit organizations.

<sup>1</sup> According to the Cone/Roper survey, 88% of Americans expect companies to support social causes.

<sup>2</sup> Cone Corporate Citizenship Study, Cone, Inc., December 8, 2004.

<sup>3</sup> “The Engagement Imperative,” Gallup Management Journal, August 13, 2001.

<sup>4</sup> Advertising data from Universal McCann’s Insider’s Report, 2004. Sponsorship data from IEG Sponsorship Report.

### 3. The Cultural Cause Marketing Opportunity

Cultural Cause Marketing takes these same principles and applies them to programs that fund arts and cultural organizations, allowing theatres and museums to receive additional corporate contributions when their audience and members make purchases through a network of participating stores, restaurants or other corporate business partners.

Among nonprofit organizations, arts organizations are uniquely suited to forming cause marketing business partnerships. In a series of consumer interviews, *The Journal of Targeting, Measurement and Analysis for Marketing* found that “if marketers are truly committed to building brand loyalty, they must build consumers' emotional attachment to the brand, not just be content with repeat buying.”<sup>5</sup> Cause-related marketing programs that benefit *cultural* consumers like theatre or museum visitors provide just such an emotional attachment. A recent Patron Rewards survey of more than 1,300 consumers found that 90% feel the arts are important to the quality of life in their community, and actively want business to fund local arts organizations where they live and work.

With museums and performing arts organizations located in 9 out of every 10 counties nationwide, and nearly 60% of the population visiting them every year, the arts have widespread appeal, representing one of the most compelling ways for companies to reach customers in the communities where they do business.<sup>6</sup> Museums in particular are also considered “one of the most trustworthy sources of objective information” and play an important role in educating our children, provide lifelong learning opportunities, and are central to creating vibrant communities.<sup>7</sup> And with 5 times more people visiting arts organizations than attend all professional baseball, football and basketball events *combined*, these “cultural consumers” represent one of the best possible opportunities for companies seeking to form nonprofit cause marketing partnerships, because they allow corporations to reach such a large number of their most valuable customers.<sup>8</sup>

### 4. Corporate Sponsorship Under Pressure

Historically, one of the few ways business could reach cultural consumers was through sponsorship of individual arts and cultural organizations. However, with more than 7,000 performing arts organizations and 16,000 museums nationwide, today it is both inefficient and prohibitively expensive for large corporations to sponsor the hundreds, if not thousands, of organizations needed to reach cultural consumers in all the markets where their businesses operate.<sup>9</sup> Although cultural consumers are business's most valuable customers, the cost of arts sponsorship, coupled with an audience that is primarily local, has the practical effect of limiting the number of companies which fund the arts.<sup>10</sup> Even while overall corporate philanthropy increased 5% in 2004, the share given to the arts by the 205 largest American companies and corporate foundations, which together account for almost 37% of all U.S.

#### Cultural Cause Marketing Checklist

##### Top 10 Attributes Companies Look for in a Cause Marketing Program

1. Audience size and demographics
2. Local impact in markets where they do business
3. Leverage program nationally
4. Cause fits customer profile
5. Customer impact – consumers care about the cause
6. Communicates the program through a trusted third-party
7. Cost-effective vs. other media and promotions
8. Manageable and easy to do
9. Measurable & performance-based.
10. Drives sales

<sup>5</sup> Journal of Targeting, Measurement and Analysis for Marketing, 2004, vol. 12, no. 3, pp. 231-241.

<sup>6</sup> “Museums Working in the Public Interest,” American Association for Museums (www.aam-us.org).

<sup>7</sup> Ibid. American Association for Museums

<sup>8</sup> Sports attendance data: NFL, NBA and MLB. Museum attendance data from the NEA, AAM, AZA and ASTC.

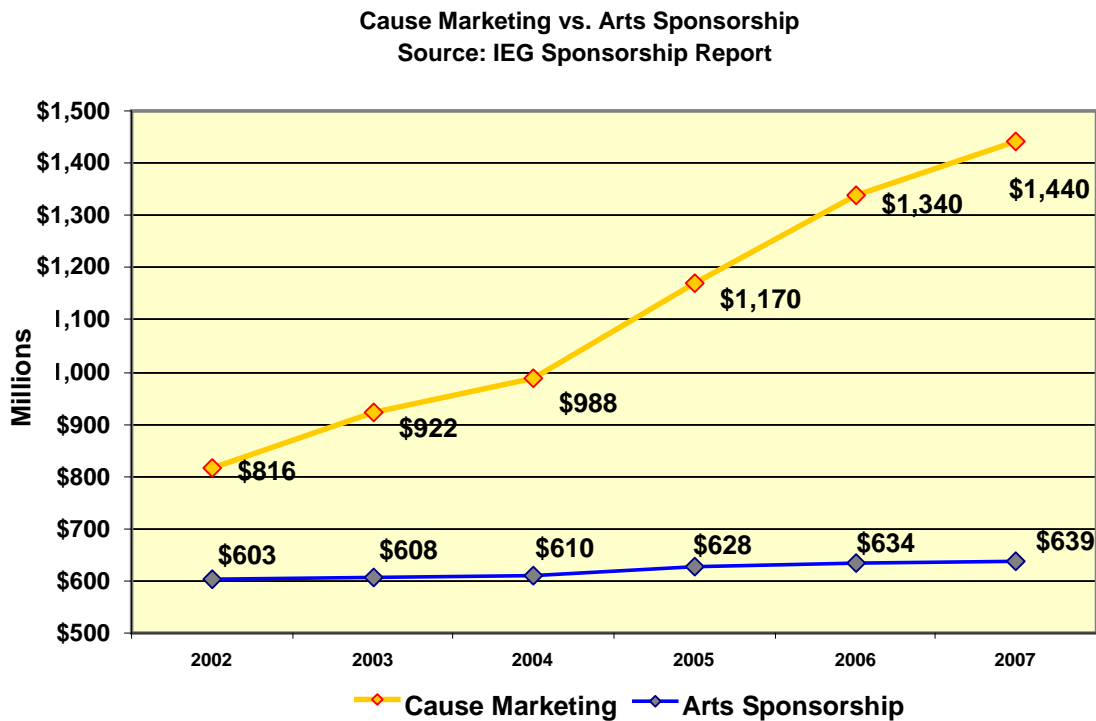
<sup>9</sup> Of the nation's 8,300 museums (representing over 16,000 locations), 3,100 are members of the American Association of Museums (AAM)

<sup>10</sup> 77% of arts event attendees reside in the same county as event attended. Americans for the Arts, 2002.

corporate philanthropy, dropped by almost a quarter in the last 3 years.<sup>11</sup> Since 1992, the share of total private charitable giving to the arts fell by 40%.<sup>12</sup>

Today, 90% of corporate contributions to the arts come from small and mid-sized businesses with revenue less than \$50 million.<sup>13</sup> Corporate support by companies with revenue over \$50 million is highly concentrated among very narrow industry segments: 67% of arts organizations have a bank sponsor; 33% an airline; 21% telecommunications; and 14% automobile.<sup>14</sup> Unfortunately, many of these industries are undergoing consolidation, which may have a further negative impact on future corporate contributions. "Companies are no longer saying here's \$100,000 for operating support," said the associate director of corporate partnerships at SF MOMA.<sup>15</sup>

With traditional sources of sponsorship under pressure, corporate donors are increasingly tying gifts more closely to their company's business objectives.<sup>16</sup> By tying financial support directly to sales, cause-marketing partnerships between business and nonprofit organizations increased *9 times faster than arts sponsorship* during just the past 3 years.<sup>17</sup>



<sup>11</sup> Data on large companies from the Conference Board. Overall corporate philanthropy data from the AAFRC Trust for Philanthropy, Giving U.S.A, 2003 Edition.

<sup>12</sup> In 1992, the arts received 8.4 percent of all charitable giving. By 2003, it had dropped to 5.4 percent. If the arts maintained their 8.4 percent share of total giving in 2003 (\$240.72 billion), they would have received \$20.22 billion instead of \$13.11 billion — a \$7 billion difference. Source: Americans for the Arts.

<sup>13</sup> *The BCA Report: 2004 National Survey of Business Support to the Arts*, Business Committee for the Arts.

<sup>14</sup> IEG Corporate Sponsorship Report.

<sup>15</sup> "Arts' Money Play: Groups Rewrite Script for Corporate Support," Sarah Duxbury, San Francisco Business Times, July 8, 2005.

<sup>16</sup> "How today's corporate donors want their gifts to help the bottom line," by Keith Epstein, Stanford Social Innovation Review Summer 2005.

<sup>17</sup> IEG Sponsorship Report.

In an attempt to become more strategic in their philanthropy, marketers are under growing pressure to create bottom line results. In a national survey of manufacturers and retailers, 81% indicated that sales impact is now the most critical factor when deciding whether to adopt a cause marketing program.<sup>18</sup> However, business often finds it hard to evaluate the sales impact of sponsoring arts and cultural organizations. Many nonprofits are successfully increasing their own earned income by helping their business partners increase sales. Unfortunately, as the preceding chart demonstrates, arts organizations are being left behind. When asked why, more than 200 sponsorship decision makers said that arts organizations are unable to provide a measurable return on investment.<sup>19</sup>

## 5. A New Model for Corporate Support

Companies are looking beyond traditional media to find new and better ways to communicate directly with their customers. Consumers now encounter as many as 5,000 marketing messages every day, up from 2,000 in the 1970s.<sup>20</sup> Not surprisingly, marketers are finding it difficult to connect with the 59% of consumers who now feel that marketing and advertising has little relevance to them.<sup>21</sup> A few short years ago, an advertiser could reach 80% of U.S. households with a commercial aired on just CBS, NBC, and ABC.<sup>22</sup> Today, even if an ad ran on over 100 TV channels, it wouldn't come close to duplicating this feat. Media proliferation and the resulting audience fragmentation represent a fundamental change in how marketers reach consumers, and create a significant opportunity for arts and cultural organizations to attract increased corporate support as companies, searching for more effective methods to reach increasingly elusive consumers, shift spending away from traditional advertising channels.

With household incomes averaging \$62 thousand, 47% higher than the national average, cultural consumers clearly represent one of the most desirable retail demographics.<sup>23</sup> This purchasing power translates into higher spending in almost every retail category. For example, households with average income greater than \$70 thousand (similar to the cultural consumer demographic) account for more than 40% of total restaurant spending.<sup>24</sup> Museum-goers also travel more often and spend more when they do.<sup>25</sup> And cultural consumers buy almost 2½ times as many books, while readers go to museums 4 times more frequently than non-readers.<sup>26</sup> *Yet as valuable as cultural consumers are, fewer than 7% of museums have even one national retail sponsor.*<sup>27</sup> Moreover, 64% of adults who attend arts events are women, who control or influence the purchase of 80% of all consumer goods and services.<sup>28</sup> Nonetheless, in 2004 companies spent \$7.5 billion more sponsoring sporting events than sponsoring cultural and arts organizations, even though just 26% of women say that sports sponsorships strongly influence their buying habits.<sup>29</sup>

How can museums make themselves more attractive to business without compromising their public service role in the community? Our research indicates the greatest opportunity to provide long-term, sustainable funding for the arts is through the development of cultural cause marketing programs that allow theatres and museums to benefit when their audience and members make purchases through a network of participating stores, restaurants and other corporate business partners.

<sup>18</sup> Survey by PowerPact, LLC, Cause Marketing Forum, June 16, 2004.

<sup>19</sup> "Study: Sponsorships don't get enough respect" by Gabriel Spitzer, Media Life Magazine, April 20, 2001.

<sup>20</sup> "Advertisers forced to think way outside the box," USA Today, June 20, 2005.

<sup>21</sup> 70% of marketing executives say it is difficult to break through the clutter of mass market advertising and promotion. See "The Yankelovich Monitor," Yankelovich Partners, Inc., Chapel Hill, NC, 2003.

<sup>22</sup> "The Vanishing Mass Market," BusinessWeek, July 12, 2004.

<sup>23</sup> "Arts & Economic Prosperity: The Economic Impact of Nonprofit Arts Organizations and Their Audiences," Americans for the Arts, 2002. See also U.S. Census Bureau, Housing and Household Economic Statistics Division.

<sup>24</sup> "Dining Out Part of Americans' Weekly Menu," The Gallup Organization, May 8, 2003.

<sup>25</sup> "The Historic/Cultural Traveler," Travel Industry Association of America, 2003 Edition.

<sup>26</sup> "Reading at Risk," National Endowment for the Arts, July 8, 2004.

<sup>27</sup> "IEG Survey finds sponsor pool growing more diverse," 2002 IEG Sponsorship Sourcebook.

<sup>28</sup> Ibid., Americans for the Arts, 2002. See also "Marketing to Women: How to Understand, Reach and Increase Your Share of the World's Largest Market Segment," Martha Barletta, Dearborn Trade Publishing, 2003.

<sup>29</sup> Ibid, Barletta, 2003. Sponsorship data from IEG.

Companies spend \$200 billion on price promotions every year.<sup>30</sup> To understand just how prevalent sales promotions are, one need only read the advertisements in any weekend newspaper, such as Barnes and Noble (\$10 off purchases of \$50 or more), Gap (\$10 off purchases of \$50 or more) or Staples (\$15 off purchases of \$75 or more). In fact, more than a third of *all* retail sales are now discounted in one form or another.<sup>31</sup> However, driven by increased competition from super stores like Wal-Mart, price discounting not only puts pressure on profit margins, but also has the unintended effect of *decreasing* customer loyalty. With retailers now losing half of their customer base every five years, research shows that the effectiveness of discounts at driving sales actually goes down the more frequently retailers use them.<sup>32</sup> Recognizing that "the more we tune out [commercials], the more important it is for advertisers to try and reach us," companies are looking beyond short-term sales promotion and price discounting to find new ways to develop ongoing customer relationships.<sup>33</sup> For example, Best Buy, the nation's largest consumer electronics retailer, plans to phase out rebates over the next two years and shift spending to "a mix of incentives that work for our best, most loyal customers, not what works for everyone."<sup>34</sup>

As retailers evaluate different cause marketing opportunities, the deciding factor for many companies will be whether a program's price-performance value compares favorably to what they already spend on advertising and sponsorship. *Our survey found that consumers almost uniformly would rather have businesses offer savings that support the arts than offer just another 20%-off sale that has no relevance to them or their community – in fact, more than 84% of consumers said that cultural cause marketing programs would influence them to reward participating restaurants and retailers with increased sales, brand loyalty and more frequent purchases.*

Among all U.S. companies, consumer marketing accounts for more than \$340 billion a year in spending compared with just \$12 billion on philanthropy (of which arts and cultural organizations receive only \$1.5 billion).<sup>35</sup> Tying corporate support directly to purchases by the theatre and museum audience makes funding the arts completely accountable to a company's bottom line. Consequently, for most companies the decision to participate in these programs will not require an increase in marketing expenditures, but rather for companies to reallocate a small percentage of existing promotional budgets to Cultural Cause Marketing's far more effective channel.

Comparison of Philanthropy and Marketing Expenditures <sup>36</sup>			
Company	Philanthropy Budget (\$ millions)	Marketing Budget (\$ millions)	Philanthropy as Percent of Marketing
Office Depot	\$4.0	\$98.4	4.1%
Darden Restaurants	\$5.5	\$145.6	3.8%
The Gap	\$6.2	\$69.9	8.9%
Sears	\$10.4	\$637.1	1.6%
Best Buy	\$13.8	\$286.0	4.8%
May Department Stores	\$16.1	\$497.9	3.2%
Home Depot	\$25.0	\$345.6	7.2%
Federated Dept. Stores	\$39.4	\$610.4	6.5%
<b>Total</b>	<b>\$120.4</b>	<b>\$2,690.9</b>	<b>4.5%</b>

While Cultural Cause Marketing programs can certainly be implemented successfully with local businesses like restaurants, the most dramatic impact on arts funding would come from attracting national

<sup>30</sup> National Retail Federation. See "The End of the Sales Rack," July 10, 2002.

<sup>31</sup> STS Market Research survey: "How to Beat Retailers At the Discount Game," The Wall Street Journal, 11/27/02.

<sup>32</sup> "The Loyalty Effect: The Hidden Force Behind Growth, Profits, and Lasting Value," Frederick F. Reichheld, Harvard Business School Press, 1996.

<sup>33</sup> "Andrew Rohm, Assistant Professor of Marketing, Northeastern University.

<sup>34</sup> "Best Buy to Drop Rebates, Channels Funds to Loyalty Program," April 13, 2005 Promo Magazine.

<sup>35</sup> "Giving USA 2005" yearbook of philanthropy, AAFRC Trust for Philanthropy/Giving USA Foundation.

<sup>36</sup> "The Top Givers," Business Week, Special Report – Philanthropy 2004, November 28, 2004. Marketing expenditure data from "Superbrands of 2004 Report," Brandweek.com, June 21, 2004.

business partners. The companies listed in the table above spend *22 times* more on consumer marketing than on philanthropy, and *281 times* more than on arts sponsorship. Such national retail chains account for 60% of all consumer retail purchases.<sup>37</sup> Therefore, having a national coalition of business partners – as well as creating one-to-one partnerships between individual theatres, museums and local companies – will lead to greater consumer awareness, increased arts funding and more successful Cultural Cause Marketing programs than just partnering with local business alone.

## 6. Changing the Economics of Corporate Philanthropy

For companies, the cause-marketing benefits are clear: when price and quality are equal, 86 percent of consumers are likely to switch brands in support of a cause, while 61 percent would change retail outlets.<sup>38</sup> “At every stage of a consumer’s relationship with a brand... a company’s support of social issues positively impacts consumer attitudes and behavior, leading to increased sales and enhanced brand reputation.”<sup>39</sup>

But implementing cause marketing programs can be challenging. When asked whether corporations were “supporting causes I care about,” only 7% of companies were ranked excellent, while 62% were considered poor or fair.<sup>40</sup> When one considers that there are over 800,000 nonprofit organizations, it’s not surprising to find that fewer than half of consumers can name even one company that stands out in their mind as a strong corporate citizen.<sup>41</sup> For business, forming effective cause marketing partnerships is difficult because companies must decide which nonprofit organizations to partner with; how much to contribute; how to implement programs locally but leverage them nationally; and how best to communicate the nonprofit cause partnership to their customers and stakeholders.

By over a 2 to 1 margin, consumers want companies to support causes which impact their local community. Specifically, 59% of customers want the causes that businesses support to focus on improving the quality of life locally rather than nationally (26%) or globally (9%).<sup>42</sup> According to a vice president at Federated Corporation, which annually spends over \$600 million on consumer marketing, “The emphasis now is on...doing things locally to capitalize on what’s being done nationally. It’s really clear that we need to talk to customers on a local level. That’s what they care about: how it’s affecting their community.”<sup>43</sup>

What makes Cultural Cause Marketing programs so attractive for retail businesses is that with theatres and museums located in 9 out of every 10 counties nationwide, and over 800 million visits each year, the arts have broad-based appeal.<sup>44</sup> And with 91% of consumers saying they want business to support arts and cultural organizations in their communities, the value proposition is readily understood by retailers.<sup>45</sup> By creating a unique point of connection between retailers and arts visitors through support of a cause they care deeply about, corporations have a clear-cut economic incentive to partner with arts and cultural organizations to develop cause-marketing initiatives. Companies no longer need to wonder whether the causes they choose to support are equally important to the majority of their customers: instead of offering customers just another sales promotion, participating retailers and restaurants can “Add Cause to Commerce” by contributing to their customers’ favorite theatres and museums.

Cultural Cause Marketing changes the economics of corporate sponsorship by more closely aligning theatres’ and museums’ strategic goals with corporate marketing objectives. Arts organizations benefit by

<sup>37</sup> “The Fight for Survival by Independent Retailers,” by James R. Lowry, USA Today Magazine, July 2000.

<sup>38</sup> 2004 Cone Corporate Citizenship Study. Retail data from “Business in the Community: The Corporate Survey II,” conducted by Research International (UK) Ltd. on behalf of Business in the Community.

<sup>39</sup> Mark A. Feldman, Executive Vice President, Cone Inc., as quoted in the 2002 Cone Corporate Citizenship Study.

<sup>40</sup> “How Business Rates: By the Numbers,” Business Week/Harris Poll, September 2000.

<sup>41</sup> 2002 Cone Corporate Citizenship Study. See also the “2002 Cone Corporate Citizenship Study Fact Sheet.”

<sup>42</sup> Ibid.

<sup>43</sup> “A Feel for the Neighborhood,” by Betsy Spethmann, Promo Magazine, February 1, 2005.

<sup>44</sup> American Association of Museums (AAM) survey conducted by Lake, Snell and Perry.

<sup>45</sup> Patron Rewards’s Cultural Consumer Survey.

increasing corporate support without incurring the commercialization which so many now confront, because members and visitors drive the level of funding, rather than the companies themselves. In addition, since national retailers now provide only limited support, such programs will not compete with traditional funding sources like sponsorship or philanthropic giving. And by shifting a fraction of the billions spent annually on consumer marketing into arts funding, theatres and museums will be able to tap a far larger source of corporate support than the approximately \$700 million companies currently spend on arts sponsorship.<sup>46</sup>

## **7. About Patron Rewards**

Patron Rewards is a private social enterprise driven by a unique public service mission – ensuring that families enjoy greater access to arts and cultural opportunities. Simply put, our goal is to increase support of the arts by making it more affordable.

With the share of arts contributions by large corporations down almost a quarter in the last 5 years, arts and cultural organizations across America are awakening to a different world. Traditionally dependent on grants and public subsidies, many theatres and museums are increasingly aware of the role earned income must now play in diversifying revenue and improving sustainability.

To accomplish this, Patron Rewards is bringing arts organizations together with business to create a new source of funding. Our programs are effective because everybody wins: families benefit from discounted or free tickets and admission; businesses now find it's profitable – not just philanthropic – to support the arts in their community; and arts organizations get a new source of funding to underwrite their attendance, donations and education programs.

To learn more, please visit [www.patronrewards.com](http://www.patronrewards.com).

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<sup>46</sup> IEG Sponsorship Report.